



QUARTERLY MARKET REVIEW

FIRST QUARTER 2020

Quarterly Market Review

First Quarter 2020

It's hard to overstate the tragedy that the world is up against right now. The COVID-19 virus has impacted virtually everyone across the globe in almost every conceivable way. While the human toll that it is taking is of the utmost concern, the financial impact on economies around the world has been immense and truly devastating to large numbers of people.

As investors, as hard as it can be sometimes, there is no more important advice to impart than to keep your emotions out of the investment decision-making process. The quarterly topic at the end of this report will address this in greater detail, but to the extent that you can adhere to this suggestion, the better off you are likely to be in the long run.

Most world equity markets plunged between 20-35% in the first quarter, but at one point in late March it was actually a lot worse than that. Things began to turn up at that time, as stimulus bills were passed and hope for treatments against the virus began to take hold.

As April comes to a close, a rally is in full swing. On one hand, if it turns out to be warranted, of course, we can all rejoice. On the other, though, if the optimism proves to have been premature, and the market trends back down again, we would suggest riding it out, and possibly doing more selective buying in the market, as we did roughly a month ago.



Overview:

Market Summary

World Stock Market Performance

World Asset Classes

US Stocks

International Developed Stocks

Emerging Markets Stocks

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Quarterly Topic: The Coronavirus and Market Declines

Quarterly Market Review

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A silver lining in all of this from an investment perspective is that fixed income securities largely produced positive returns in the first quarter. We have always viewed fixed income as a tool for providing ballast to one's portfolio, and it's nice to see it do just that in the face of an equity market plunge like the one we've just endured.

Setting aside finances, let us wish you and your loved ones the best of health – both mental and physical – during this awful time, as we all try to navigate the pandemic to the best of our abilities.

Take care of yourself, and as always, please let us know if you would like to discuss any aspect of your portfolio with us.

Warm regards,

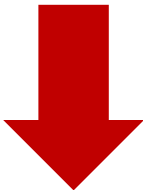
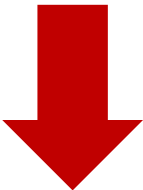
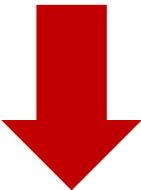





Tony Reed, CPA, CFP
President

Quarterly Market Summary

Index Returns





















	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate		US Bond Market	Global Bond Market ex US
1Q 2020	STOCKS					BONDS	
	-20.90% 	-23.26% 	-23.60% 	-29.02% 		3.15% 	0.51% 
Since Jan. 2001							
Avg. Quarterly Return	1.8%	1.2%	2.5%	2.2%		1.2%	1.1%
Best Quarter	16.8%	25.9%	34.7%	32.3%		4.6%	4.6%
	2009 Q2	2009 Q2	2009 Q2	2009 Q3		2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%		-3.0%	-2.7%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4		2016 Q4	2015 Q2

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Long-Term Market Summary

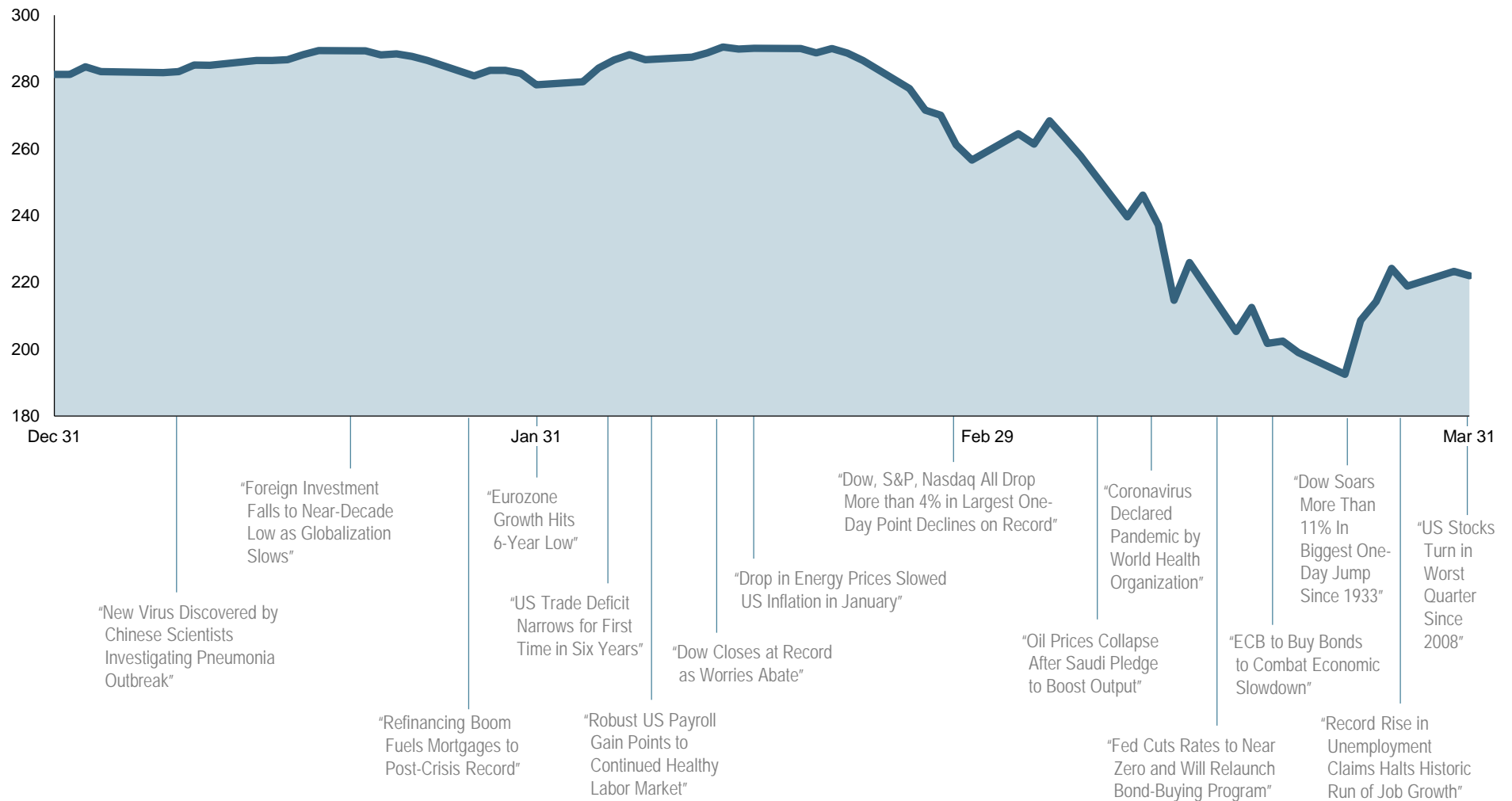
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	-9.13%	-14.89%	-17.69%	-23.39%	8.93%	5.01%
						
5 Years						
	5.77%	-0.76%	-0.37%	-2.14%	3.36%	3.56%
						
10 Years						
	10.15%	2.43%	0.68%	5.12%	3.88%	4.17%
						

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2020



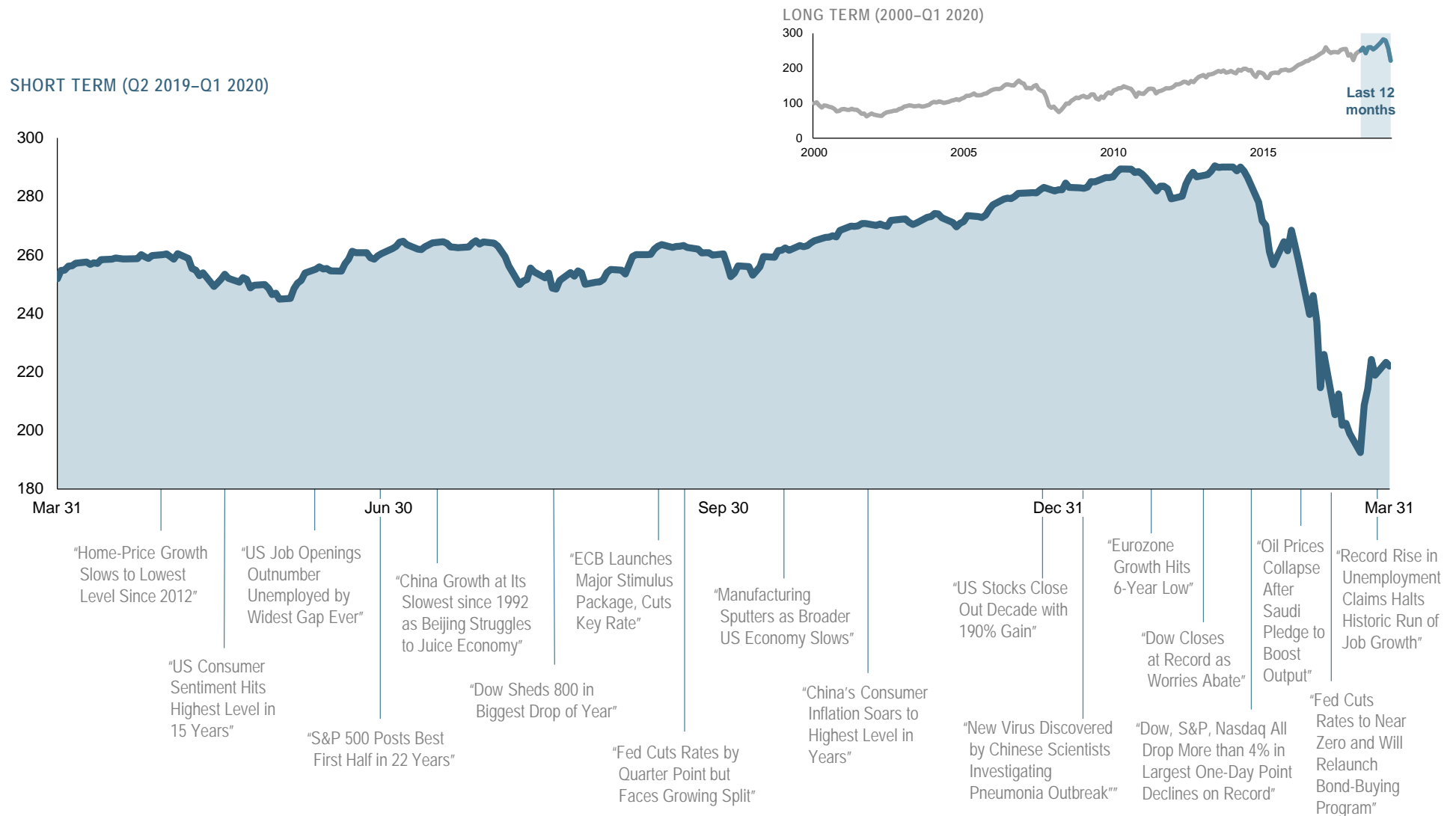
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2020, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2020, all rights reserved.

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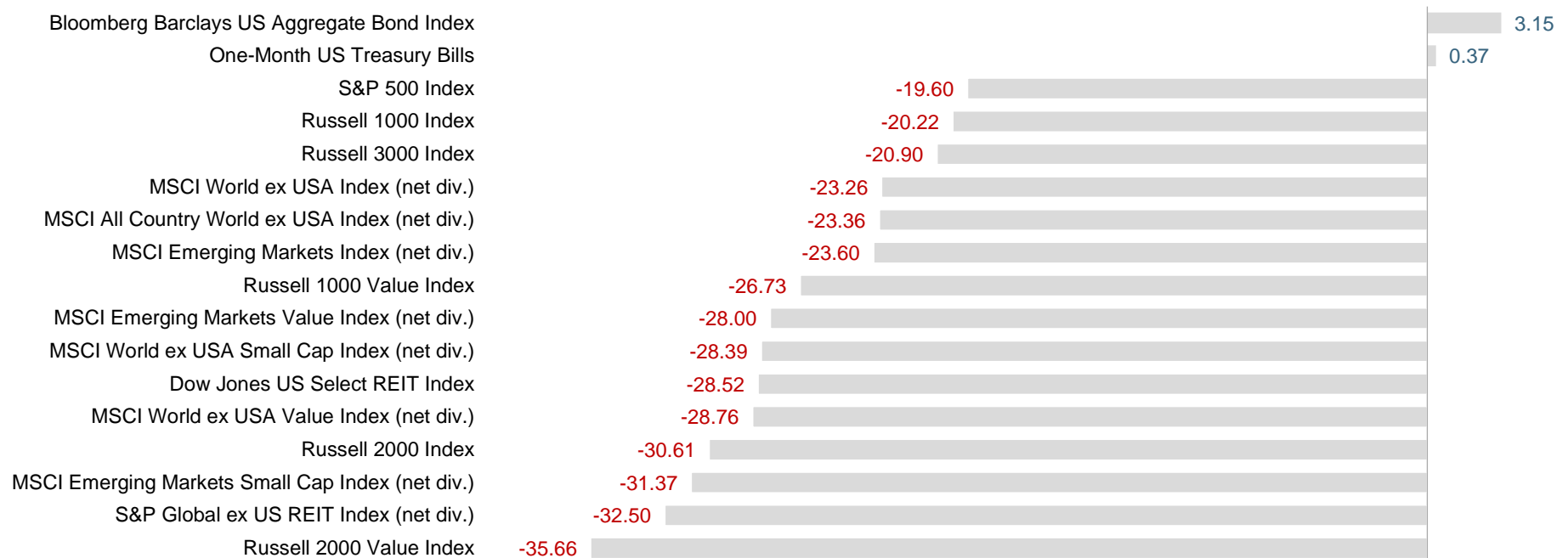
World Asset Classes

First Quarter 2020 Index Returns (%)

Equity markets around the globe posted negative returns in the first quarter. Looking at broad market indices, US equities outperformed non-US developed markets and emerging markets.

Value stocks underperformed growth stocks in all regions. Small caps also underperformed large caps in all regions.

REIT indices underperformed equity market indices in both the US and non-US developed markets.



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US Stocks

First Quarter 2020 Index Returns

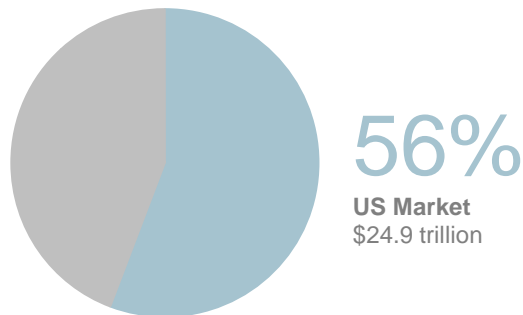
The US equity market posted negative returns for the quarter but on a broad index level outperformed non-US developed markets and emerging markets.

Value underperformed growth in the US across large and small cap stocks.

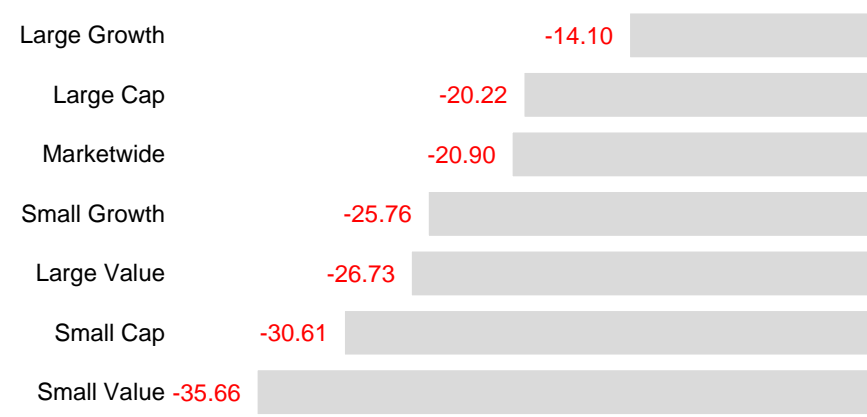
Small caps underperformed large caps in the US.

REIT indices underperformed equity market indices.

World Market Capitalization—US



Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Growth	-14.10	0.91	11.32	10.36	12.97
Large Cap	-20.22	-8.03	4.64	6.22	10.39
Marketwide	-20.90	-9.13	4.00	5.77	10.15
Small Growth	-25.76	-18.58	0.10	1.70	8.89
Large Value	-26.73	-17.17	-2.18	1.90	7.67
Small Cap	-30.61	-23.99	-4.64	-0.25	6.90
Small Value	-35.66	-29.64	-9.51	-2.42	4.79

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International Developed Stocks

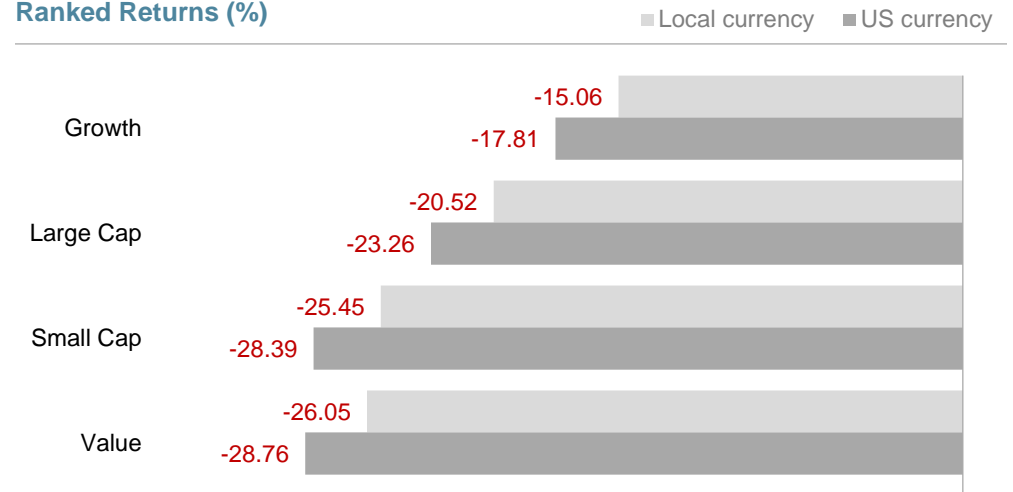
First Quarter 2020 Index Returns

Developed markets outside the US underperformed the US equity market but outperformed emerging markets equities during the quarter.

Small caps underperformed large caps in non-US developed markets.

Value underperformed growth across large and small cap stocks.

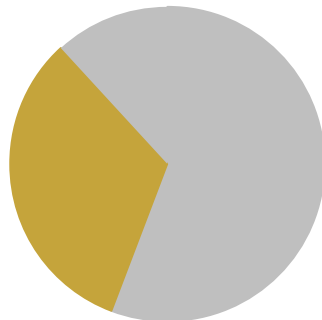
Ranked Returns (%)



World Market Capitalization—International Developed

32%

International
Developed Market
\$14.4 trillion



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	* Annualized	
				5 Years*	10 Years*
Growth	-17.81	-6.47	2.55	2.05	4.25
Large Cap	-23.26	-14.89	-2.07	-0.76	2.43
Small Cap	-28.39	-19.04	-3.60	0.39	3.95
Value	-28.76	-23.16	-6.74	-3.70	0.51

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Emerging Markets Stocks

First Quarter 2020 Index Returns

Emerging markets underperformed developed markets, including the US, for the quarter.

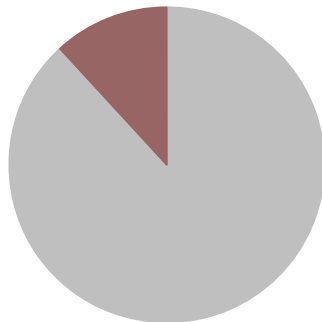
Value stocks underperformed growth stocks.

Small caps underperformed large caps.

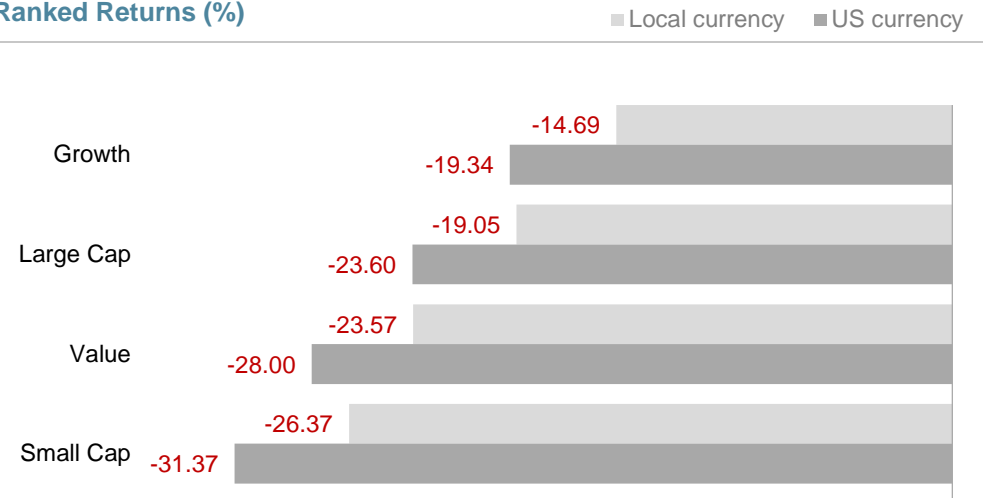
World Market Capitalization—Emerging Markets

12%

Emerging Markets
\$5.3 trillion



Ranked Returns (%)



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Growth	-19.34	-9.94	2.39	2.13	2.71
Large Cap	-23.60	-17.69	-1.62	-0.37	0.68
Value	-28.00	-25.26	-5.78	-3.00	-1.45
Small Cap	-31.37	-28.98	-9.64	-5.17	-1.34

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Real Estate Investment Trusts (REITs)

First Quarter 2020 Index Returns

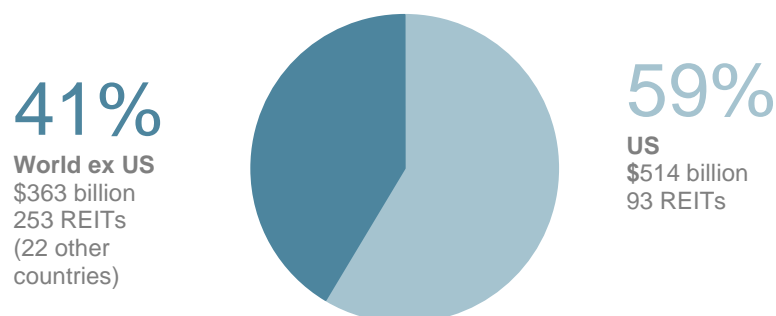


US real estate investment trusts outperformed non-US REITs in US dollar terms during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	* Annualized				
	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITS	-28.52	-23.96	-4.28	-1.42	6.88
Global ex US REITS	-32.50	-25.34	-4.83	-2.76	3.61

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Commodities

First Quarter 2020 Index Returns

The Bloomberg Commodity Index Total Return decreased 23.29% for the first quarter.

Unleaded gas and WTI crude oil were the worst performers, declining by 68.20% and 66.63%, respectively.

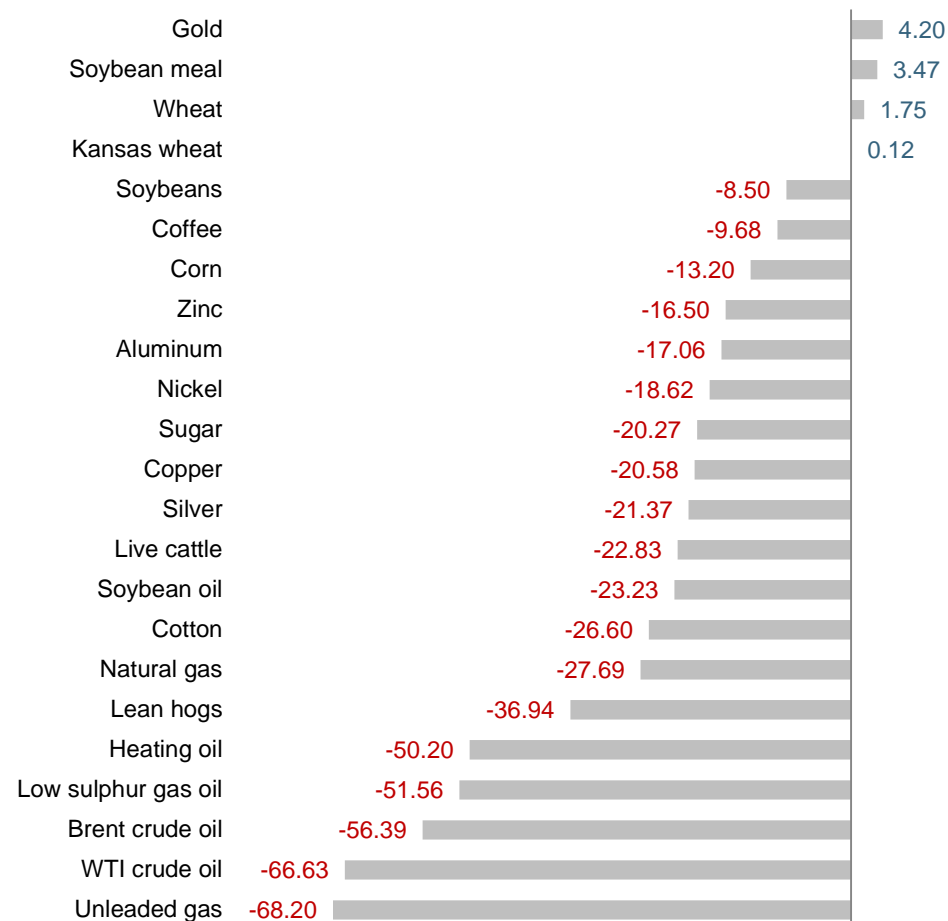
Gold and soybean meal led quarterly performance, returning 4.20% and 3.47%, respectively.

Period Returns (%)

* Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-23.29	-22.31	-8.61	-7.76	-6.74

Ranked Returns (%)



Fixed Income

First Quarter 2020 Index Returns

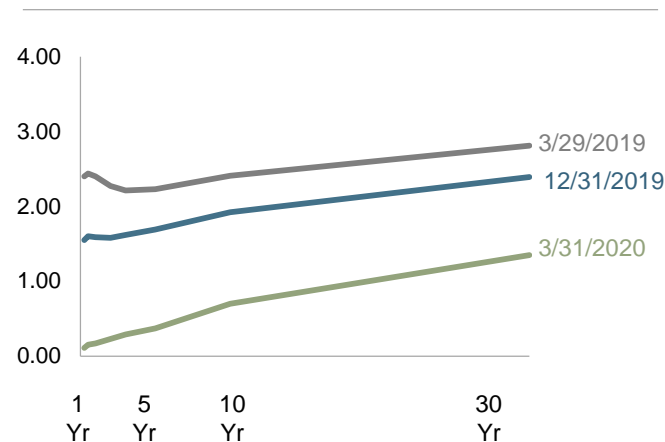
Interest rates decreased in the US treasury market in the first quarter. The yield on the 5-year Treasury note decreased by 132 basis points (bps), ending at 0.37%. The yield on the 10-year note decreased by 122 bps to 0.70%. The 30-year Treasury bond yield decreased 104 bps to 1.35%.

On the short end of the yield curve, the 1-month Treasury bill yield decreased to 0.05%, while the 1-year Treasury bill yield decreased by 142 bps to 0.17%. The 2-year note finished at 0.23% after a decrease of 135 bps.

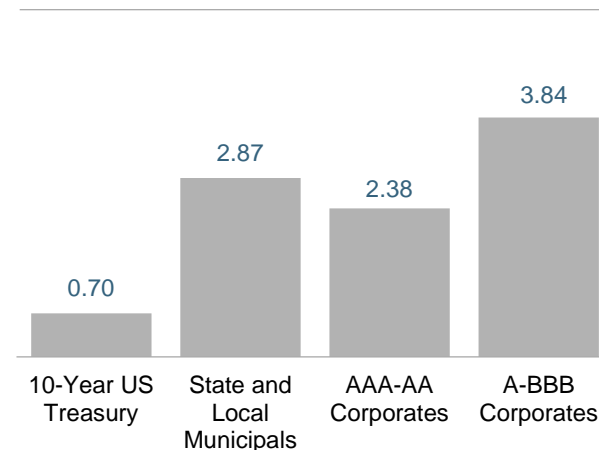
In terms of total returns, short-term corporate bonds declined 2.19%. Intermediate-term corporate bonds declined 3.15%.

The total return for short-term municipal bonds was -0.51%, while intermediate-term municipal bonds returned -0.82%. General obligation bonds outperformed revenue bonds.

US Treasury Yield Curve (%)



Bond Yield across Issuers (%)



Period Returns (%)

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
					*Annualized
Bloomberg Barclays US Government Bond Index Long	20.63	32.28	13.30	7.32	8.89
Bloomberg Barclays US Aggregate Bond Index	3.15	8.93	4.82	3.36	3.88
FTSE World Government Bond Index 1-5 Years (hedged to USD)	2.25	4.98	3.03	2.24	2.00
ICE BofA 1-Year US Treasury Note Index	1.72	3.85	2.31	1.57	0.98
Bloomberg Barclays US TIPS Index	1.69	6.85	3.46	2.67	3.48
FTSE World Government Bond Index 1-5 Years	0.69	2.79	2.12	1.55	0.40
ICE BofA US 3-Month Treasury Bill Index	0.57	2.25	1.83	1.19	0.64
Bloomberg Barclays Municipal Bond Index	-0.63	3.85	3.96	3.19	4.15
Bloomberg Barclays US High Yield Corporate Bond Index	-12.68	-6.94	0.77	2.78	5.64

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&BBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2020 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2020 ICE Data Indices, LLC. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

The Coronavirus and Market Declines

First Quarter 2020



The world is watching with concern over the spread of the new coronavirus. The uncertainty is being felt around the globe, and it is unsettling on a human level as well as from the perspective of how markets respond.

At Millennium, it is a fundamental principle that markets are designed to handle uncertainty, processing information in real-time as it becomes available. We see this happening when markets decline sharply, as they have recently, as well as when they rise. Such declines can be distressing to any investor, but they are also a demonstration that the market is functioning as we would expect.

Market declines can occur when investors are forced to reassess expectations for the future. The expansion of the outbreak is causing worry among governments, companies, and individuals about the impact on the global economy. Apple announced earlier this month that it expected revenue to take a hit from problems making and selling products in China.¹ Australia's prime minister has said the virus will likely become a global pandemic,² and other officials there warned of a serious blow to the country's economy.³ Airlines are preparing for the toll it will take on travel⁴. And these are just a few examples of how the impact of the coronavirus is being assessed.

The market is clearly responding to new information as it becomes known, but the market is pricing in unknowns, too. As risk increases during a time

of heightened uncertainty, so do the returns investors demand for bearing that risk, which pushes prices lower. Our investing approach is based on the principle that prices are set to deliver positive future expected returns for holding risky (equity) assets.

We can't tell you when things will turn or by how much, but our expectation is that bearing today's risk will be compensated with positive expected returns. That's been a lesson of past health crises, such as the Ebola and swine-flu outbreaks earlier this century, and of market disruptions, such as the global financial crisis of 2008–2009. Additionally, history has shown no reliable way to identify a market peak or bottom. These beliefs argue against making market moves based on fear or speculation, even as difficult and traumatic events transpire.

Millennium also stands behind the important role financial professionals play in helping investors develop a long-term plan they can stick with in a variety of conditions. Financial professionals are trained to consider a wide range of possible outcomes, both good and bad, when helping an investor establish an asset allocation and plan. Those preparations include the possibility, even the inevitability, of a downturn. Amid the anxiety that accompanies developments surrounding the coronavirus, decades of financial science and long-term investing principles remain a strong guide.

1. Apple, February 17 press release. <https://www.apple.com/newsroom/2020/02/investor-update-on-quarterly-guidance/>

2. Ben Doherty and Katharine Murphy, "Australia Declares Coronavirus Will Become a Pandemic as It Extends China Travel Ban," *The Guardian*, February 27, 2020. <https://www.theguardian.com/world/2020/feb/27/australia-declares-coronavirus-will-become-a-pandemic-as-it-extends-china-travel-ban>

3. Ben Butler, "Coronavirus Threatens Australian Economy Reeling from Drought and Fires," *The Guardian*, February 5, 2020. <https://www.theguardian.com/business/2020/feb/05/coronavirus-threatens-australian-economy-reeling-from-drought-and-fires>; Ed Johnson, "Australia Says Economy to Take 'Significant' Hit from Virus," *Bloomberg*, February 5, 2020. <https://www.bloomberg.com/news/articles/2020-02-05/australia-says-economy-to-take-significant-hit-from-virus>

4. Alistair MacDonald and William Boston, "Global Airlines Brace for Coronavirus Impact," *Wall Street Journal*, February 26, 2020. <https://www.wsj.com/articles/germanys-lufthansa-makes-cuts-as-it-braces-for-coronavirus-impact-11582712819>

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