



QUARTERLY MARKET REVIEW

SECOND QUARTER 2020

Quarterly Market Review

Second Quarter 2020

First and foremost, we hope you and your loved ones have managed to stay safe from the COVID-19 virus, and that you are holding up well mentally, too. These are trying times, unlike anything any of us has ever experienced.

The first half of 2020 is in the books, and it's one to forget for a myriad of reasons. For the financial markets, it has been a roller coaster – with the first quarter being one of the worst in history, and the second quarter being one of the best.

Worldwide equities rebounded from massive Q1 losses with returns of 15-20% in Q2. The bounce back can be attributed to the encouraging news of cities and counties around the country opening back up again, along with a corresponding sharp rebound in employment numbers.

What is somewhat confounding is the fact that the market has continued to advance over the past few weeks, despite a pretty dramatic worsening of the virus in many parts of the country.

Barring a near-term treatment for the virus coming to the world's rescue (which could occur), it sure doesn't seem as if the market is properly taking into consideration the impact on the economy of, seemingly, being back to where we started – stay-at-home orders, hospitals at capacity, PPE shortages, etc. Hope is not a strategy, but it seems to be the one most prominently deployed by the Federal government these past few months.



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World Asset Classes

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Commodities

Fixed Income

Quarterly Topic: Long-Term Investors, Don't Let a Recession Faze You

Quarterly Market Review

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Our hope is that a more centralized Federal response will somehow be mustered, and that one or more treatments are soon found to be effective against the virus. In the meantime, we are always looking for opportunities to protect portfolios at market risk, and to take advantage of significant market weakness with selective buying.

By the time our next quarterly report comes out, we will only be a few short days away from the presidential election. Thus, it stands to reason that the next few months will even be crazier than the ones we've just experienced. Imagine that.

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
2Q 2020	STOCKS					BONDS	
	22.03% 	15.34% 	18.08% 	11.17% 		2.90% 	1.76%
Since Jan. 2001							
Avg. Quarterly Return	2.1%	1.4%	2.7%	2.3%		1.2%	1.1%
Best Quarter	22.0%	25.9%	34.7%	32.3%		4.6%	4.6%
	2020 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

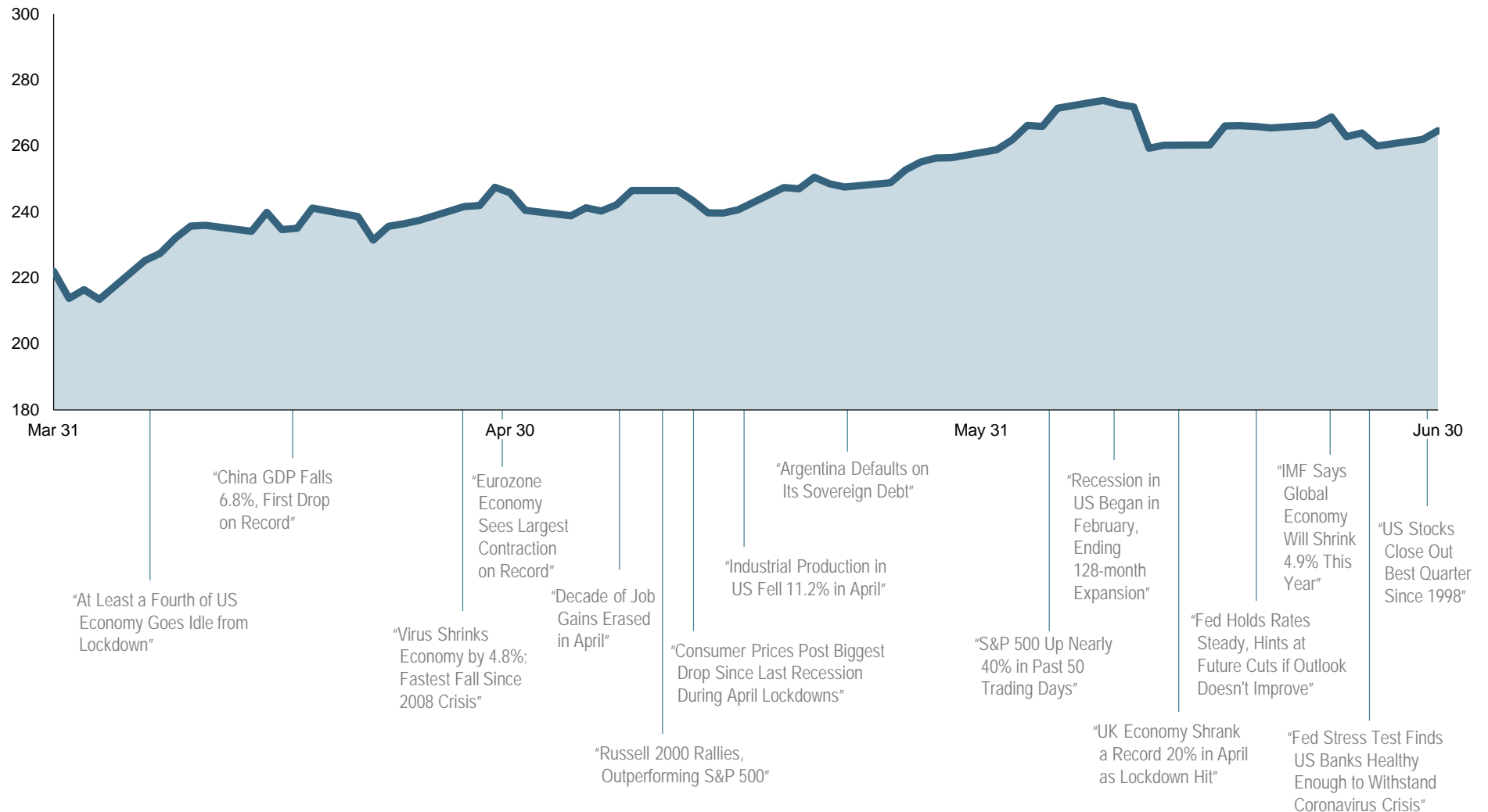
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	6.53%	-5.42%	-3.39%	-15.91%	8.74%	4.00%
						
5 Years						
	10.03%	2.01%	2.86%	1.62%	4.30%	4.49%
						
10 Years						
	13.72%	5.43%	3.27%	6.97%	3.82%	4.20%
						

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World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2020



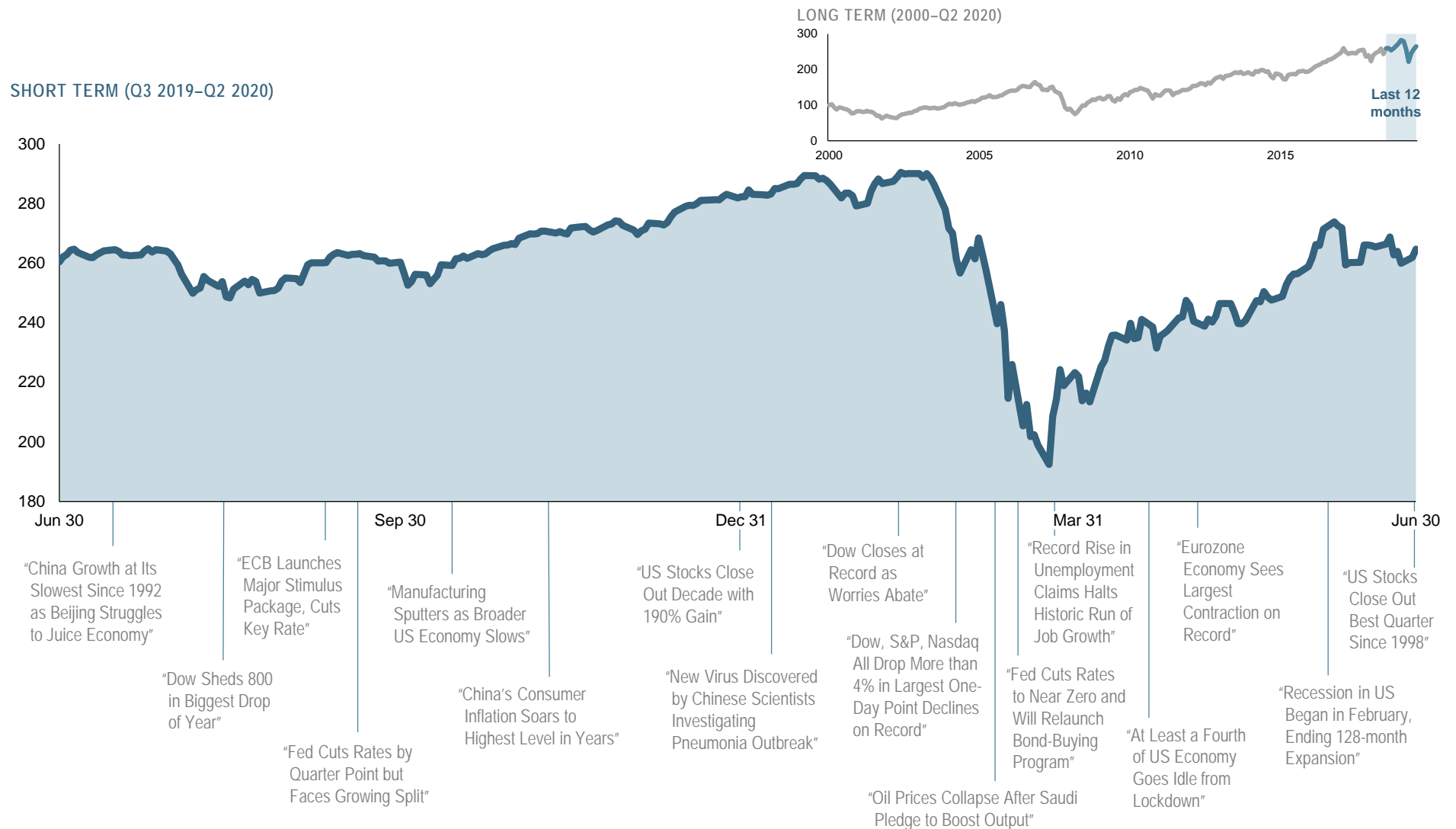
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

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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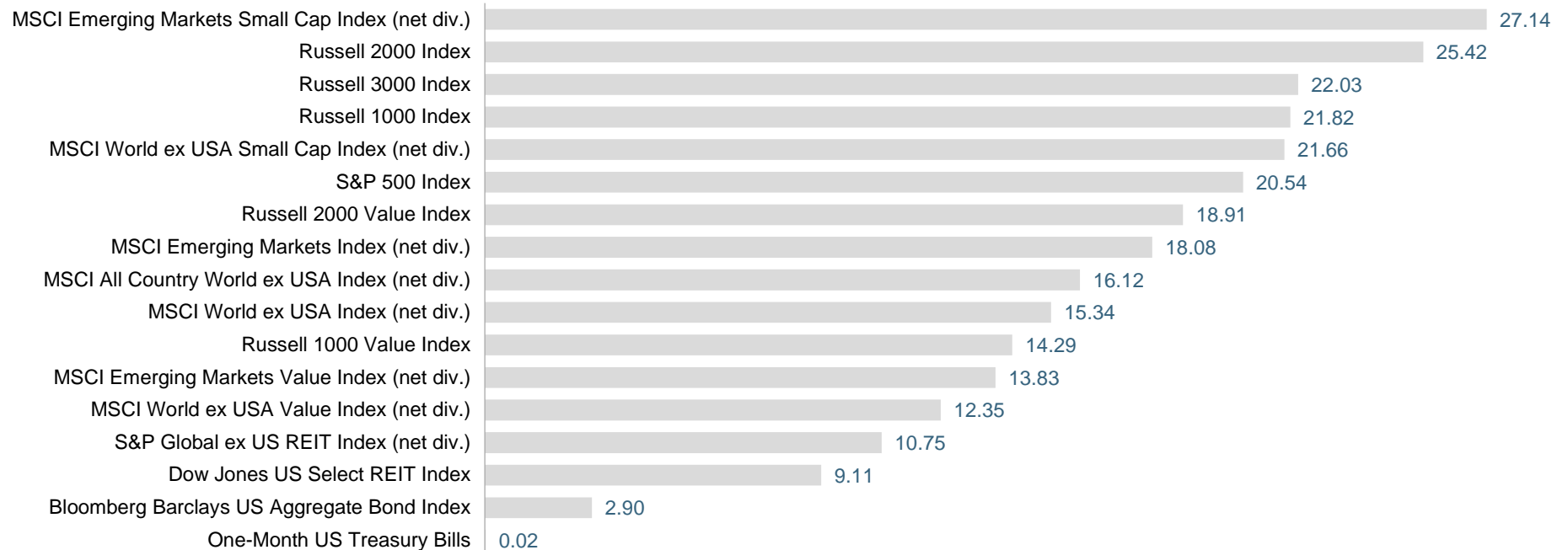
World Asset Classes

Second Quarter 2020 Index Returns (%)

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

Value stocks underperformed growth stocks, and small caps outperformed large caps.

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



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US Stocks

Second Quarter 2020 Index Returns

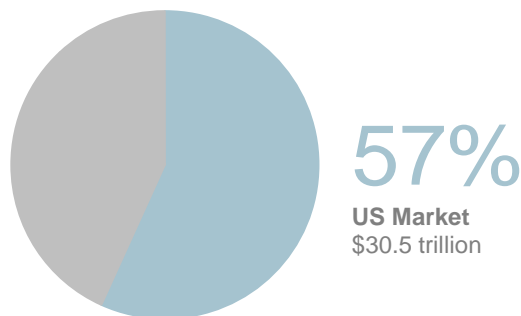
The US equity market posted positive returns for the quarter, outperforming non-US developed markets and emerging markets.

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

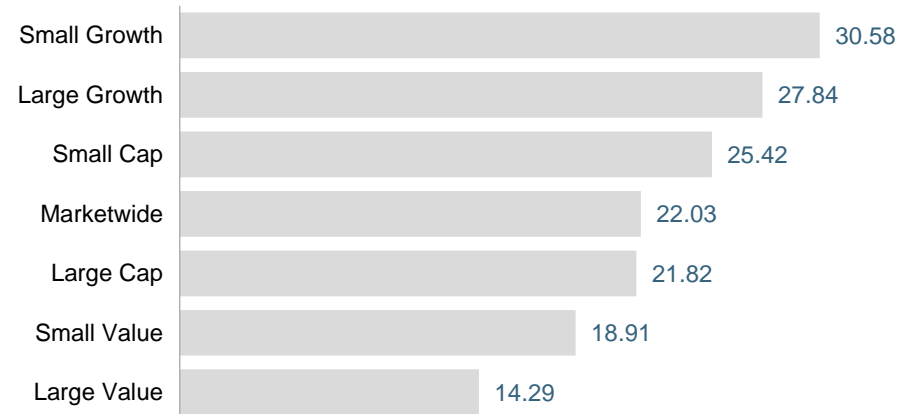
Small caps outperformed large caps in the US.

REIT indices underperformed equity market indices.

World Market Capitalization—US



Ranked Returns (%)



Period Returns (%)

Asset Class	YTD	1 Year	* Annualized		
			3 Years*	5 Years*	10 Years*
Large Growth	9.81	23.28	18.99	15.89	17.23
Large Cap	-2.81	7.48	10.64	10.47	13.97
Small Growth	-3.06	3.48	7.86	6.86	12.92
Marketwide	-3.48	6.53	10.04	10.03	13.72
Small Cap	-12.98	-6.63	2.01	4.29	10.50
Large Value	-16.26	-8.84	1.82	4.64	10.41
Small Value	-23.50	-17.48	-4.35	1.26	7.82

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International Developed Stocks

Second Quarter 2020 Index Returns

Developed markets outside the US underperformed both the US equity market and emerging markets equities for the quarter.

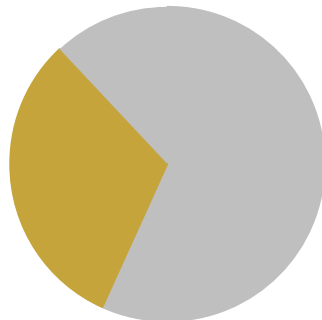
Small caps outperformed large caps in non-US developed markets.

Value underperformed growth across large and small cap stocks.

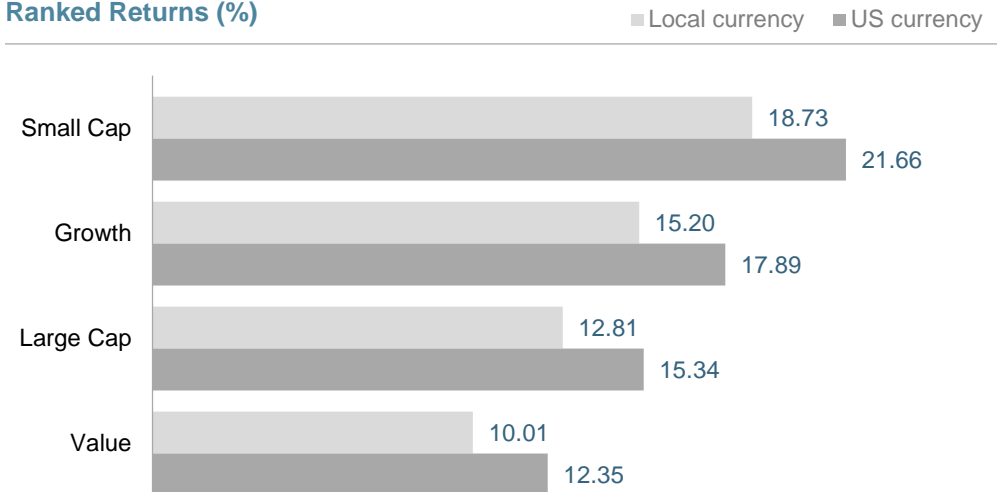
World Market Capitalization—International Developed

31%

International Developed Market
\$16.7 trillion



Ranked Returns (%)



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	* Annualized
					10 Years*
Growth	-3.11	4.25	5.93	5.29	7.36
Large Cap	-11.49	-5.42	0.84	2.01	5.43
Small Cap	-12.87	-3.20	0.53	3.56	7.26
Value	-19.96	-15.14	-4.42	-1.46	3.36

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Emerging Markets Stocks

Second Quarter 2020 Index Returns

Emerging markets underperformed the US equity market but outperformed developed ex US equities for the quarter.

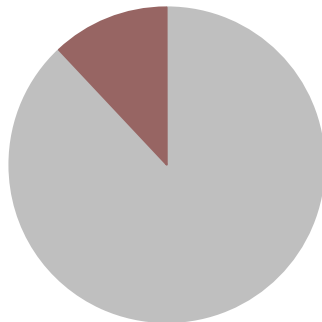
Value stocks underperformed growth stocks.

Small caps outperformed large caps.

World Market Capitalization—Emerging Markets

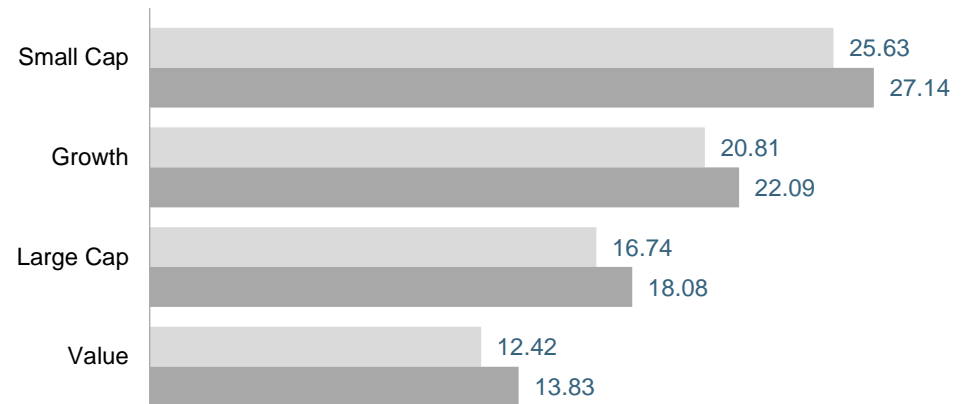
12%

Emerging Markets
\$6.4 trillion



Ranked Returns (%)

■ Local currency ■ US currency



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Growth	-1.52	9.67	6.19	6.35	5.76
Large Cap	-9.78	-3.39	1.90	2.86	3.27
Small Cap	-12.74	-8.82	-2.95	-1.38	1.78
Value	-18.05	-15.74	-2.64	-0.80	0.66

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Real Estate Investment Trusts (REITs)

Second Quarter 2020 Index Returns

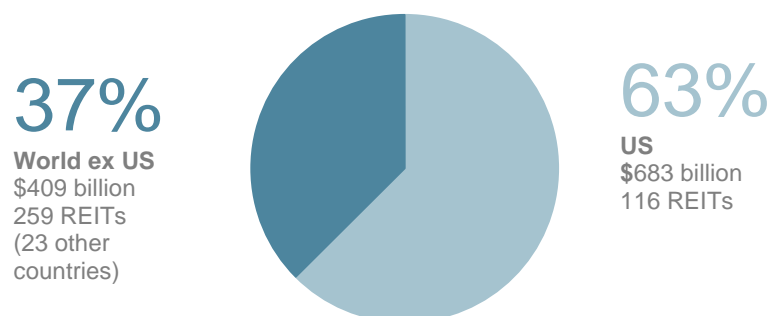


US real estate investment trusts underperformed non-US REITs in US dollar terms during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	* Annualized				
	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITS	-22.01	-17.71	-1.99	2.45	8.27
Global ex US REITS	-25.25	-19.44	-2.37	-0.11	5.73

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Commodities

Second Quarter 2020 Index Returns

The Bloomberg Commodity Index Total Return returned 5.08% for the second quarter.

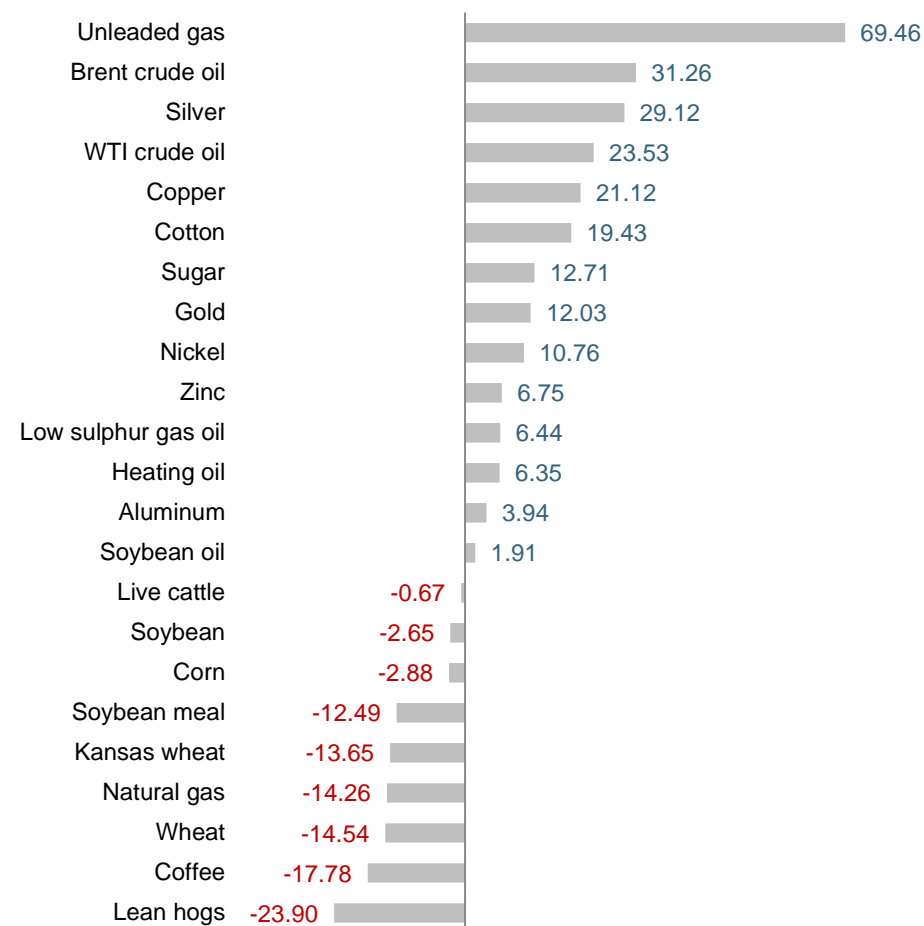
Unleaded gas and Brent crude oil were the best performers, returning 69.46% and 31.26%, respectively.

Lean hogs and coffee were the worst performers, declining 23.90% and 17.78%, respectively.

Period Returns (%) * Annualized

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	5.08	-19.40	-17.38	-6.14	-7.69	-5.82

Ranked Returns (%)



Fixed Income

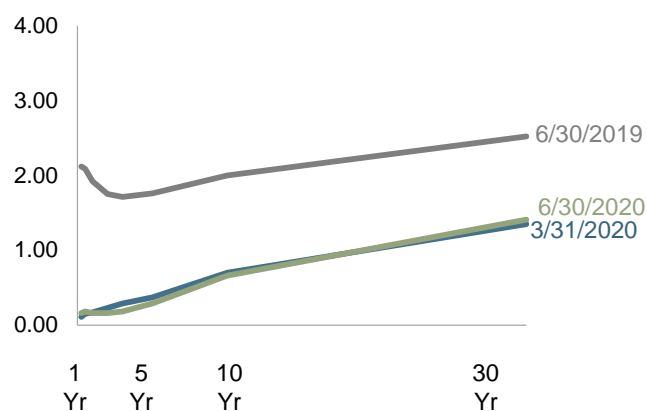
Second Quarter 2020 Index Returns

Interest rate changes were mixed in the US Treasury fixed income market in the second quarter. The yield on the 5-Year US Treasury Note decreased by 8 basis points (bps), ending at 0.29%. The yield on the 10-year note decreased by 4 bps to 0.66%. The 30-Year US Treasury Bond yield increased by 6 bps to 1.41%.

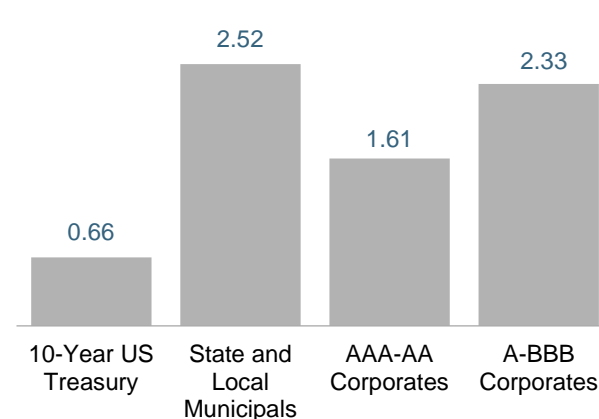
On the short end of the curve, the 1-Month T-bill yield rose by 8 bps to 0.13%, while the 1-year T-bill yield fell by 1 bp to 0.16%. The 2-year note finished at 0.16% after a yield decrease of 7 bps.

In terms of total returns, short-term corporate bonds returned 5.59% for the quarter. Intermediate corporates returned 7.63%. The total return for short-term municipal bonds was 2.38%, while intermediate-term muni bonds returned 3.19%. General obligation bonds outperformed revenue bonds.

US Treasury Yield Curve (%)



Bond Yield across Issuers (%)



Period Returns (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Bloomberg Barclays US High Yield Corporate Bond Index	10.18	-3.80	0.03	3.33	4.79	6.68
Bloomberg Barclays US TIPS Index	4.24	6.01	8.28	5.05	3.75	3.52
Bloomberg Barclays US Aggregate Bond Index	2.90	6.14	8.74	5.32	4.30	3.82
Bloomberg Barclays Municipal Bond Index	2.72	2.08	4.45	4.22	3.93	4.22
FTSE World Government Bond Index 1-5 Years	1.41	2.11	2.27	1.86	1.68	0.62
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.53	2.79	3.96	3.09	2.38	1.96
Bloomberg Barclays US Government Bond Index Long	0.28	20.97	25.14	11.96	9.21	7.71
ICE BofA US 3-Month Treasury Bill Index	0.02	0.60	1.63	1.77	1.19	0.64
ICE BofA 1-Year US Treasury Note Index	-0.03	1.69	2.86	2.25	1.54	0.95

*Annualized

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.

Long-Term Investors, Don't Let a Recession Faze You

Second Quarter 2020

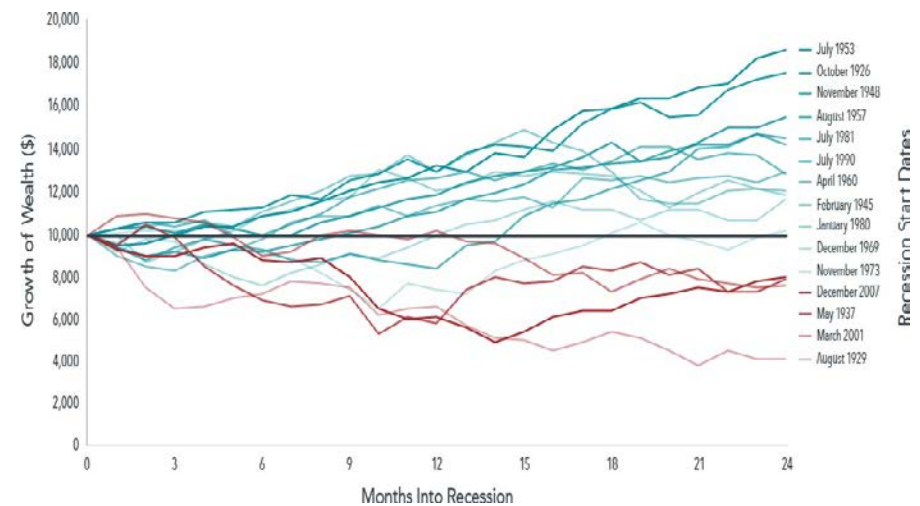
With activity in many industries sharply curtailed in an effort to reduce the chances of spreading the coronavirus, some economists say a recession is inevitable, if one hasn't already begun.¹ From a markets perspective, we have already experienced a drop in stocks, as prices have likely incorporated the growing chance of recession. Investors may be tempted to abandon equities and go to cash because of perceptions of recessions and their impact. But across the two years that follow a recession's onset, equities have a history of positive performance.

Data covering the past century's 15 US recessions show that investors tended to be rewarded for sticking with stocks. **Exhibit 1** shows that in 11 of the 15 instances, or 73% of the time, returns on stocks were positive two years after a recession began. The annualized market return for the two years following a recession's start averaged 7.8%.

Recessions understandably trigger worries over how markets might perform. But history can be a comfort for investors wondering whether now may be the time to move out of stocks.

Exhibit 1. Downturns, Then Upturns

Growth of wealth for the Fama/French Total US Market Research Index



Past performance, including hypothetical performance, is not a guarantee of future results.

In USD. Performance includes reinvestment of dividends and capital gains. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

Growth of wealth shows the growth of a hypothetical investment of \$10,000 in the securities in the Fama/French US Total Market Research Index over the 24 months starting the month after the relevant Recession Start Date. Sample includes 15 recessions as identified by the National Bureau of Economic Research (NBER) from October 1926 to December 2007. NBER defines recessions as starting at the peak of a business cycle.

Long-Term Investors, Don't Let a Recession Faze You

(continued from page 15)

GLOSSARY

Fama/French Total US Market Research Index: The value-weighted US market index is constructed every month, using all issues listed on the NYSE, AMEX, or Nasdaq with available outstanding shares and valid prices for that month and the month before. Exclusions: American Depositary Receipts. Sources: CRSP for value-weighted US market return. Rebalancing: Monthly. Dividends: Reinvested in the paying company until the portfolio is rebalanced.

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