Q2'2020 MARKET REVIEW & OUTLOOK

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OVERVIEW - SECOND QUARTER 2020

From an investment perspective, the second quarter of 2020 was far superior to the first as most asset classes generated strong returns and impressive rebounds. While this was certainly positive, the coronavirus is still having an ongoing impact on all our daily lives. Most importantly, we hope that you and your families are all staying safe and healthy.

Over the past several weeks, we have enjoyed speaking with many of you through phone calls or virtual meetings to provide updates to financial plans, the markets, and investment portfolios. Please don't hesitate to contact us if you need anything. We are committed to helping you live life to the fullest and we look forward to speaking with you again soon.

Please see some of our most recent market commentaries:

- **Winthrop Wealth Principles for Investing in the Stock Market**
- **Beware of Dire Market Predictions**
- **Market Timing Crushes Investor Returns**
- **Navigating Volatile Markets Video**

Our goal with this piece is to provide a recap and analysis of the major financial events that occurred in the second quarter, and to offer context for our market outlook.

- **US Equity Markets:** The S&P 500 increased by +20.5% in the second quarter. The market followed the worst quarterly return since Q4 2008 with the best return since Q4 1998. All three months in the quarter were positive: April (+12.8%), May (+4.8%), June (+2.0%). The S&P 500 is now down -3.1% for the year and about -7.8% from its all-time high (S&P 500: 3,394 on 2/19/20).

- **US Fixed Income Markets:** The Bloomberg Barclays US Aggregate Bond index (Agg), which acts as a proxy for the investment-grade bond market, increased by +2.9% in the quarter as the decline in credit spreads was positive for returns (bond prices move inversely to interest rates and credit spreads).

- **Interest Rates:** Interest rates are at historically low levels and stayed there throughout the quarter. The 2-Year Treasury yield decreased from 0.25% to 0.15% while the 10-Year Treasury fell from 0.67% to 0.66%. The Federal Open Market Committee (FOMC) controls shorter term Treasury rates by setting the target federal funds rate range. The market controls long term Treasury rates as investor demand will vary based on future expectations of inflation and economic growth.

- **Credit Spreads:** Spreads increased in March as investors rushed to raise cash by selling their most liquid positions, including fixed income securities. Dislocations in the bond market calmed and credit spreads declined after the Fed announced several lending facilities, including novel programs to purchase corporate bonds and ETFs.

- **The Fed:** The Federal Reserve unveiled a shock-and-awe campaign designed to establish the most accommodative monetary policy environment in United States history. The Fed has acted in three ways: lowering interest rates, restarting their quantitative easing program, and creating eleven lending facilities. Going forward, the Fed remains committed to doing whatever it takes to support the economy.

- **Fiscal Stimulus:** Congress passed the $2 trillion Coronavirus Aid, Relief, and Economic Security Act, known as the CARES act in March. Another fiscal stimulus package is in the works, but Congress needs to sort out the details. We expect another bill will be passed before the August recess.

- **US Economy:** The United States entered into an economic recession in February, ending the longest expansion on record dating back to 1854. The economic expansion began in June 2009 and lasted 128 months. Given the extraordinary amount of fiscal and monetary stimulus, we expect the current recession will be short-lived and the economy will grow in the second half of the year, but we also acknowledge the virus remains a huge wildcard.

- **US Equity Market Outlook:** As we move forward, we are balancing the risk of an increased spread of Covid-19 that could necessitate more business closures and put downward pressure on the economy and earnings with the massive amount of fiscal and monetary stimulus and the potential for more progress on treatments and vaccines. **We are maintaining a measured approach, which means keeping client equity and fixed income allocations close to their target levels as determined by their financial plan while tilting toward areas of value within those asset classes.** On the equity side, we are tilted toward high quality US large cap stocks. On the fixed income side, we remain focused on achieving ballast, stability, and income while accounting for short-term cash needs. We will continue to utilize our time-tested investment process based on risk management, asset allocation, and security selection as we monitor new developments and maintain critical flexibility to take advantage of opportunities as they arise.

US EQUITY MARKETS

The S&P 500 increased by +20.5% in the second quarter. The market followed the worst quarterly return since Q4 2008 with the best return since Q4 1998. All three months in the quarter were positive: April (+12.8%), May (+4.8%), June (+2.0%). The S&P 500 is now down -3.1% for the year and about -7.8% from its all-time high (S&P 500: 3,394 on 2/19/20). The coronavirus has produced many unprecedented events, including both the fastest bear market and recovery in history.

- **Market Cap:** Mid (S&P 400: +24.1%) and Small (Russell 2000: +25.4%) outperformed Large (S&P 500: +20.5%).
- **Style**: Growth (Russell 1000 Growth: +27.8%) outperformed Value (Russell 1000 Value: +14.3%).
- **Sector**: All eleven sectors were positive for the quarter with Consumer Discretionary (+32.9%) and Technology (+30.5%) as the top performers, and Consumer Staples (+8.1%) and Utilities (+2.7%) as the laggards.

US Equity Market Performance								
Broad Market	**2nd Quarter**	**YTD 2020**	**Style**	**2nd Quarter**	**YTD 2020**	**Sector**	**2nd Quarter**	**YTD 2020**
S&P 500	20.54%	-3.09%	Russell 1000 Growth	27.84%	9.81%	Materials	26.01%	-6.92%
Russell 3000	22.03%	-3.48%	Russell 1000 Value	14.29%	-16.26%	Communication Services	20.04%	-0.31%
Dow Jones Industrial Average	18.51%	-8.43%				Industrials	17.01%	-14.64%
Nasdaq	30.95%	12.74%				Health Care	13.59%	-0.81%
			Sector	**2nd Quarter**	**YTD 2020**	Real Estate	13.21%	-8.53%
Size	**2nd Quarter**	**YTD 2020**	Consumer Discretionary	32.86%	7.23%	Financials	12.20%	-23.65%
Mid Cap (S&P 400)	24.07%	-12.78%	Technology	30.53%	14.95%	Consumer Staples	8.12%	-5.66%
Small Cap (Russell 2000)	25.42%	-12.99%	Energy	30.51%	-35.34%	Utilities	2.74%	-11.14%

US equity markets staged an impressive rally throughout the quarter due to four main reasons: Federal Reserve actions, fiscal stimulus, positive developments related to the virus, and optimism about the restart of the economy. Markets reacted positively to the massive amount of fiscal and monetary stimulus provided by Congress and the Fed, announcements related to potential coronavirus treatments or vaccines (according to the Milken Institute, globally there are currently 257 treatments in consideration and 172 potential vaccines in development), and new data points on reopening progress. However, the spread of the coronavirus remains a major overhang on financial markets. The S&P 500 decreased by nearly -7% from June 8th to the 26th on news that new cases and hospitalization rates are starting to increase in certain states, including, Florida, Texas, North Carolina, South Carolina, Arizona, and California. We expect continued volatility as markets wrestle with the spread of the virus and the latest medical developments. *See below for our market outlook.*

S&P 500 - 2020

(Source: Bloomberg)

How can the stock market increase when the economy is doing poorly?

The answer is that while they are tied together, the stock market and the economy are two different things. Over long time periods stock prices will track corporate earnings, and in strong economic environments corporations should be able to earn higher profits. However, over shorter time periods stock prices can differ from the economy and earnings due to changes in valuation caused by several factors. **The key point here is that the stock market is a forward-looking discounting mechanism, while most economic data is backward looking.** The stock market cares more about the future than the past or present. There are numerous examples of companies with billion-dollar market capitalizations who have never turned a profit. In these cases, investors are forecasting future profitability and discounting those expected earnings to reflect the current stock price. In today's environment, we know that the current economic data and earnings are weak, but the stock market is discounting a rebound to future growth and profitability.

US FIXED INCOME MARKETS

The Bloomberg Barclays US Aggregate Bond index (Agg), which acts as a proxy for the investment-grade bond market, increased by +2.9% in the quarter as the decline in credit spreads and slight decrease in interest rates was positive for returns (bond prices move inversely to interest rates and credit spreads). Bonds with higher credit risk were the outperformers as High Yield (+10.2%) and Corporates (+9.0%) had strong returns. Although other fixed income types including Securitized (+0.9%) and Munis (+2.7%) also generated positive results.

	Returns					Fundamental Estimates		
Bloomberg Barclays Index	**2nd Quarter**	**YTD 2020**	**2019**	**2018**		**Yield to Worst**	**Credit Spread (bps)**	**Duration**
Aggregate	2.90%	6.14%	8.72%	0.01%		1.3%	69	6.0
Treasury Bills	0.02%	0.48%	2.21%	1.83%		0.1%		0.2
Corporates	8.98%	5.02%	14.54%	-2.51%		2.2%	150	8.5
High Yield	10.18%	-3.80%	14.32%	-2.08%		6.9%	626	3.9
Securitized MBS/ABS/CMBS	0.94%	3.62%	6.44%	0.99%		1.4%	77	2.3
Munis	2.72%	2.08%	7.54%	1.28%		1.5%		5.4

INTEREST RATES

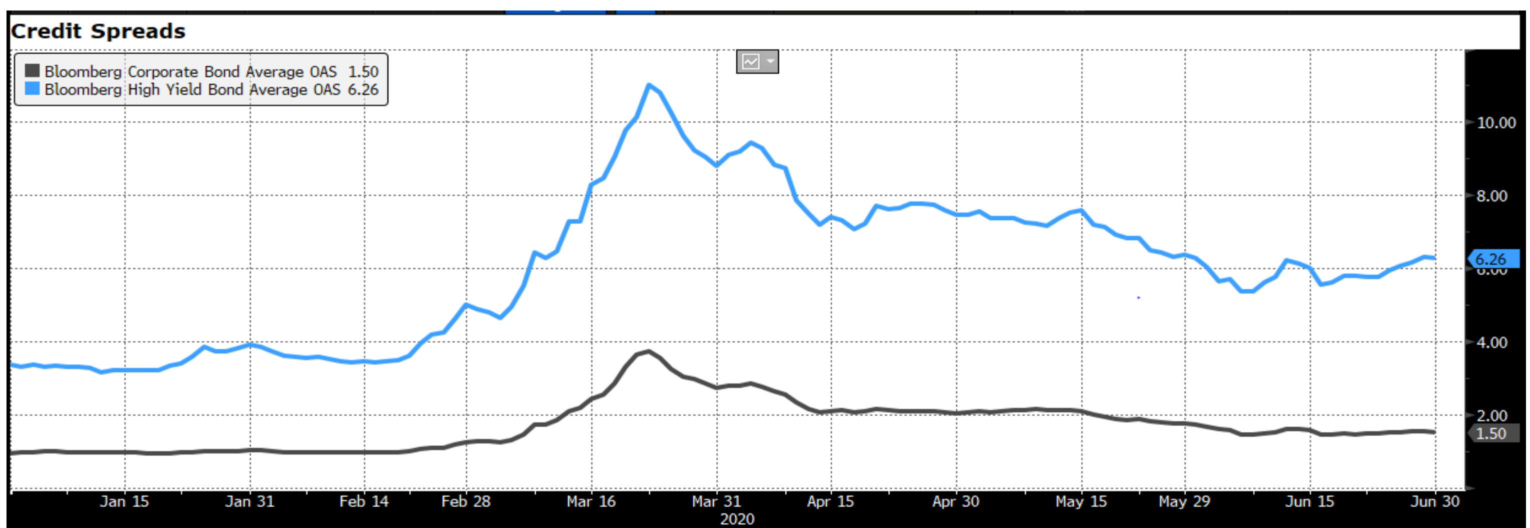
Interest rates are at historically low levels and stayed there throughout the quarter. The 2-Year Treasury yield decreased from 0.25% to 0.15% while the 10-Year Treasury fell from 0.67% to 0.66%. The Federal Open Market Committee (FOMC) controls shorter term Treasury rates by setting the target federal funds rate range. The market controls long term Treasury rates as investor demand will vary based on future expectations of inflation and economic growth.

CREDIT SPREADS

In a **March Update**, we pointed out several dislocations in the bond market, which were especially noticeable in the corporate and municipal markets. At the time, investors rushed to raise cash by selling their most liquid positions, including fixed income securities – this pushed bond prices down and credit spreads up. Credit spreads are defined as the difference in yield between a US Treasury and another type of bond (corporate, high yield, mortgage, etc.) with a similar maturity.

Famed political strategist James Carville once said, "I used to think if there was reincarnation, I wanted to come back as the president or the pope or a .400 baseball hitter. But now I want to come back as the bond market. You can intimidate everybody." During March, the dislocations in the fixed income market exacerbated the decline in the stock market and would have inevitably caused extensive and significant damage to the economy. The bond market was certainly intimidating everybody. The Fed responded by quickly announcing several lending facilities, including novel programs to purchase corporate bonds and ETFs. How much influence does the Fed carry over financial markets? Credit spreads started to normalize right after the announcement of the new facilities but long before the Fed had a chance to implement them.

While the Fed has succeeded in stabilizing the bond market, for now, long-term risks remain. Corporations have rushed to issue debt to take advantage of lower bond yields and credit spreads (few of these corporations would have been able to raise capital in the debt markets without the Fed's intervention). While lower interest rates lead to lower debt servicing costs, someday these corporations will need to survive in an environment without the Fed's support. At Winthrop Wealth, this means concentrating on high quality issuers while maintaining a focus on achieving ballast, stability, and income from our fixed income.



(Source: Bloomberg)

THE FED - MONETARY STIMULUS

The Federal Reserve System performs key functions designed to promote the health of the US economy and stability of the financial system. The three key entities include the Board of Governors, twelve Federal Reserve Banks, and the Federal Open Market Committee (FOMC). The FOMC sets monetary policy in accordance with its mandate from Congress: to promote maximum employment, stable prices, and moderate long-term interest rates. According to the Fed, "monetary policy directly affects interest rates; it indirectly affects stock prices, wealth, and currency exchange rates. Through these channels, monetary policy influences spending, investment, production, employment, and inflation in the United States."

In response to the Covid-19 pandemic, the Fed unveiled a shock-and-awe campaign designed to establish the most accommodative monetary policy environment in United States history. The Fed's policies have helped aid the economy, lower interest rates, calm credit markets, and boost equity prices. The Fed acted in three ways: lowering interest rates, restarting their quantitative easing program, and creating eleven lending facilities.

Interest Rates		Balance Sheet		Commentary
Federal Funds Rate	Federal Funds Rate 2020 Change	Fed Balance Sheet	Fed Balance Sheet 2020 Change	June FOMC Statement
0 - 0.25%	-1.50% (Rate cuts on March 3rd and March 15h)	$7.1 Trillion	+ $2.9 Trillion	The Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments, and will use its tools and act as appropriate to support the economy.

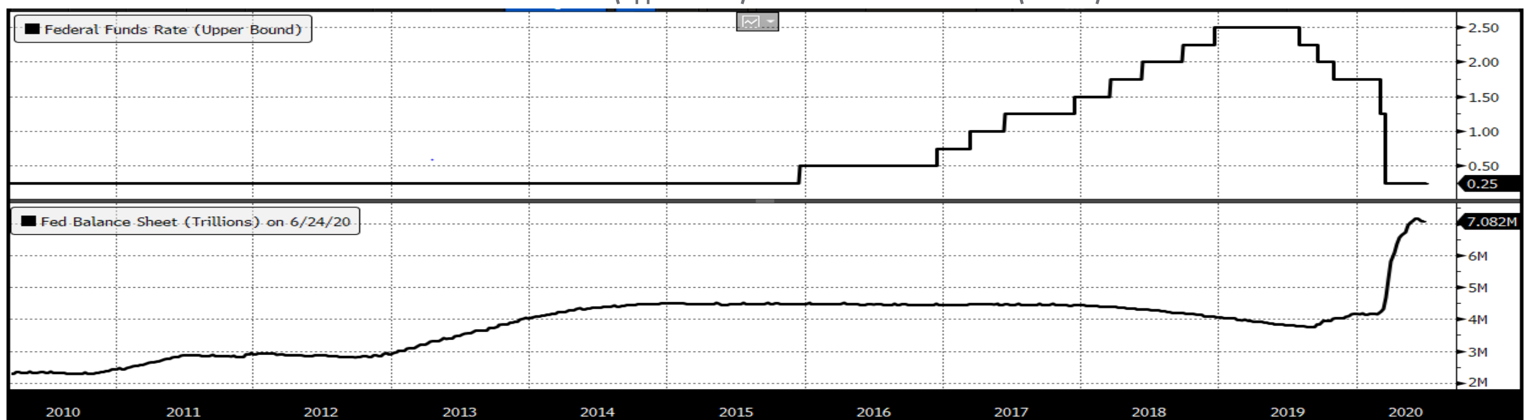
Interest Rates: The federal funds rate is currently at a range of 0% to 0.25% after the FOMC cut rates by-1.50% total in March, both times at unscheduled meetings. At the June FOMC meeting, the Fed announced that it expects to keep interest rates at their near zero level until it is confident the economy shows obvious signs of recovery. Most FOMC members do not expect to raise interest rates until at least 2023. At the press conference, Fed Chair Powell stated, "we are not thinking about raising rates. We are not even thinking about thinking about raising rates." This will continue to help stimulate the economy by maintaining low interest rates on most loans.

Quantitative Easing Program: The Fed will continue purchasing about $80 billion in Treasuries and $40 billion Mortgage Backed Securities per month "to sustain smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions." The Fed's purchases will expand the size of its balance sheet and should help keep long-term interest rates low while ensuring that fixed income markets function smoothly.

Lending Facilities: The Fed announced eleven new credit and liquidity facilities that are designed to provide stability to the financial system and support the flow of credit to households, businesses, and state and local governments. The facilities fall into two categories: stabilizing short-term funding markets and providing more-direct support for credit across the economy. They are capitalized by close to $500 billion from the US Treasury's Exchange Stabilization Fund (ESF) and can be levered to create over $4 trillion in lending capacity (most of the capital was provided in the CARES act).

Going forward, the Fed remains concerned about the progression of the virus and therefore they remain committed to keeping interest rates at their near zero level for the foreseeable future and to providing additional stimulus if necessary. The Fed's balance sheet has grown by nearly $3 trillion this year and will likely increase toward $10 trillion. In a recent 60 Minutes interview, Fed Chairman Powell said, "there is really no limit to what we can do with these lending programs and there is a lot more we can do to support the economy. We're not out of ammunition by a long shot." Financial markets started to recover as the Fed began to announce new measures. The investment adage, "don't fight the Fed" exists for a reason.

Federal Funds Rate (Upper Bound) and Fed Balance Sheet Size (Trillions)



(Source: Bloomberg)

FISCAL STIMULUS

Congress passed the $2 trillion Coronavirus Aid, Relief, and Economic Security Act, known as the CARES act in March. The CARES act was a broad stimulus bill designed to provide relief to individuals, corporations, small businesses, state and local governments, and public health organizations. In April, Congress passed an additional $310 billion in funding to replenish the Paycheck Protection Program (PPP) intended to provide relief to small businesses and offer incentives to keep workers on the payroll in the form of forgivable loans.

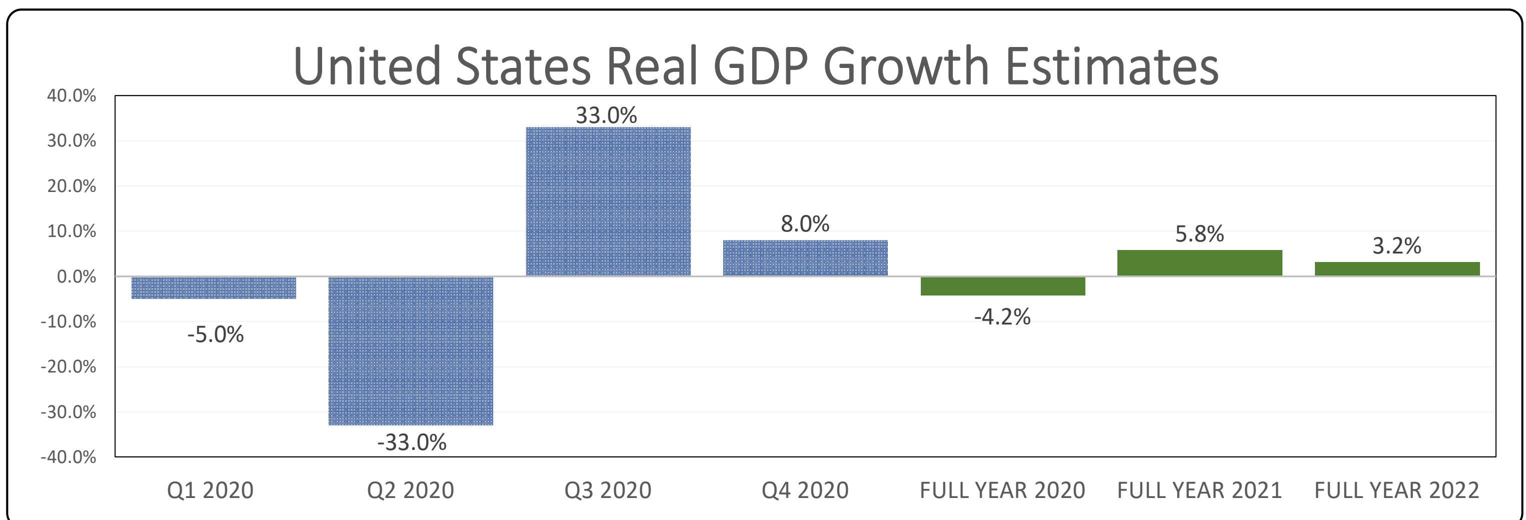
Another fiscal stimulus package is in the works, but Congress needs to sort out the details. The House recently passed an additional $3 trillion bill, but there is very little chance it passes in the Senate. Senate Majority Leader Mitch McConnell is not in favor of the House's proposal but acknowledged there will likely be another relief bill. At the end of June, President Trump stated, "we will be doing another stimulus package. It will be very good. It will be very generous." Treasury Secretary Steven Mnuchin is also supportive of another stimulus bill and believes it could pass in July. We expect Congress to haggle over the specifics, as they always do, but eventually come to an agreement. We expect something before Congress goes on their August recess.

US ECONOMY

The United States entered into an economic recession in February, ending the longest expansion on record dating back to 1854. The economic expansion began in June 2009 and lasted 128 months. The National Bureau of Economic Research (NBER) Business Cycle Dating Committee is charged with maintaining official records of expansions and recessions. The NBER defines a recession as a significant decline in economic activity (this is slightly different than the traditional definition of a recession as two consecutive quarters of decline in real GDP). An expansion is defined as a period where economic activity rises substantially. In their analysis, the NBER concluded that "the unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy, warrants the designation of this episode as a recession, even if it turns out to be briefer than earlier contractions."

Prior to the latest occurrence, the United States has experienced 11 recessions since 1945, with an average duration of 11 months. Given that the recession was caused by a forced shutdown of the economy, it is possible that the duration could be the shortest on record. According to Morgan Stanley, nearly 95% of the US economy measured by GDP is in the process of reopening. While reopening does not necessarily mean normalizing, recent high frequency data including air travel, hotel bookings, and restaurant spending remain low but are picking up.

We are watching the labor market data closely as a signal for how quickly the economy can normalize. Labor market data is critically important as consumer spending drives about 70% of GDP (simple analysis: when more people have jobs, consumer spending increases). In the second quarter, about 40 million people filed a jobless claim while the unemployment rate was 13.3% in May. While the jobless claim numbers have been steadily declining each week and the May jobs report was far better than expected, the number of people presently unemployed remains high. The Federal Reserve estimates that the economy should recover and the unemployment rate should decline in the second half of the year, although a complete recovery is not expected yet. The Fed also concedes that, "the future progression of the pandemic remains highly uncertain, with resurgence of the outbreak a substantial risk." Given the extraordinary amount of fiscal and monetary stimulus, we expect the current recession will be short-lived and the economy will grow in the second half of the year, but we also acknowledge the virus remains a huge wildcard.



EQUITY MARKET OUTLOOK

In our **First Quarter Review and Outlook** we stated that, "while it is impossible to predict what the market will do over the next several weeks or months, our long-term viewpoint is more optimistic. We suspect we will remember this period as extraordinarily difficult, but from an investment perspective that individuals who stayed invested were rewarded." At the time, we thought the market would recover over the next year or so, and instead it gained back most of the losses in a few months. While we welcomed the market rebound and were able to take advantage of it, we are prepared for more volatility rather than a rapid continuation to new all-time highs.

Our market outlook is typically based on four segments: Monetary Policy, Economic Growth, Corporate Earnings, and Valuation. In the current period, we added data on the Coronavirus and Fiscal Stimulus to help shape our viewpoint.

CORONAVIRUS UPDATE

Positive

Companies around the world are racing to develop treatments and vaccines and expand testing.

- **Testing:** The United States averaged over 550,000 new tests per day by the end of May.
- **Treatments and Vaccines**: According to the Milken Institute, there are currently 257 treatments in consideration and 172 potential vaccines in development (these numbers are growing daily). Approximately 10 vaccines are running human trials.
- **Operation Warp Speed**: The Trump Administration is helping to fund and facilitate trials for several vaccines with the goal of having something deployable by late 2020.

Negative

New cases and hospitalization rates are starting to increase in certain states, including, Florida, Texas, North Carolina, South Carolina, Arizona, and California.

MONETARY POLICY

The Fed has established the most accommodative monetary policy environment in United States history.

- **Interest Rates**: The federal funds rate is currently at a range of 0% to 0.25%. Most FOMC members do not expect to raise interest rates until at least 2023.

- **Quantitative Easing Program**: The Fed will continue purchasing about $80 billion in Treasuries and $40 billion Mortgage Backed Securities per month "at least at the current pace to sustain smooth market functioning."

- **Lending Facilities**: The Fed announced eleven new credit and liquidity facilities that are designed to provide stability to the financial system and support the flow of credit to households, businesses, and state and local government.

ECONOMIC GROWTH

The United States entered into an economic recession in February, ending the longest expansion on record dating back to 1854. Depending on the path of the virus, the recession could end up being the shortest in history.

Positive

- According to Morgan Stanley, nearly 95% of the US economy measured by GDP is in the process of reopening.
- Recent high frequency data including air travel, hotel bookings, and restaurant spending remain low but are picking up.

Negative

- The number of people presently unemployed remains high. In the second quarter, about 40 million people filed a jobless claim while the unemployment rate was 13.3% in May.

FISCAL STIMULUS

Another fiscal stimulus package is in the works, but Congress needs to sort out the details.

At the end of June, President Trump stated, "we will be doing another stimulus package. It will be very good. It will be very generous."

We expect Congress to haggle over the specifics, as they always do, but eventually come to an agreement.

CORPORATE EARNINGS

S&P 500 earnings are estimated to fall off a cliff in 2020, but are expected to recover in 2021. Earnings for certain companies, sectors, and industries will be more impacted than others.

- 2019 Actual: $163 (+1%)
- 2020 Estimate: $128 (-21%)
- 2021: Estimate: $164 (+28%)

Over long time periods, earnings drive stock prices.

VALUATION

Your view on whether the market is cheap, expensive, or about right depends on the earnings period you select. The P/E ratio is calculated as the current price divided by the earnings-per-share. We are focusing on the 2021 P/E ratio.

- Forward P/E (next 12-months): 21x.
- 2021 P/E: 18.5x.

Valuation analysis is subjective and typically based on interest rates, earnings growth estimates, and historical or relative values.

As we move forward, we are balancing the risk of an increased spread of Covid-19 that could necessitate more business closures and put downward pressure on the economy and earnings with the massive amount of fiscal and monetary stimulus and the potential for more progress on treatments and vaccines. We are maintaining a measured approach, which means keeping client equity and fixed income allocations close to their target levels as determined by their financial plan while tilting toward areas of value within those asset classes. On the equity side, we are tilted toward high quality US large cap stocks (we allocate across regions, countries, market caps, factors, sectors, and industries). On the fixed income side, we remain focused on achieving ballast, stability, and income while accounting for short-term cash needs. Key risks in the short-term include a second wave of the virus that triggers another shutdown, increased tensions between the US and China that could disrupt the new trade deal, and the upcoming elections. We will continue to utilize our time-tested investment process as we monitor new developments and maintain critical flexibility to take advantage of opportunities as they arise.

At Winthrop Wealth, we apply a total net worth approach to both comprehensive financial planning and investment management. Financial planning drives the investment strategy and provides a roadmap to each client's unique goals and objectives. The comprehensive financial plan defines cash flow needs, is stress tested for various market environments, optimizes account structures, considers tax minimization strategies, and continuously evaluates financial risks as circumstances and/or goals change. The investment management process is designed to provide well-diversified portfolios constructed with a methodology based on prudent risk management, asset allocation, and security selection.

US Equity											
Index	**2nd Quarter**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	20.54%	-3.09%	31.48%	-4.39%	21.82%	11.95%	1.37%	10.72%	10.55%	14.01%	5.91%
Russell 3000	22.03%	-3.48%	31.01%	-5.25%	21.12%	12.72%	0.47%	10.03%	9.88%	13.75%	6.15%
Dow Jones Industrial Average	18.51%	-8.43%	25.34%	-3.48%	28.11%	16.43%	0.21%	9.08%	10.42%	13.02%	7.18%
Nasdaq	30.95%	12.74%	36.74%	-2.81%	29.73%	8.97%	7.11%	19.20%	16.30%	18.39%	5.83%
S&P 400	24.07%	-12.78%	26.17%	-11.10%	16.23%	20.73%	-2.18%	2.37%	5.11%	11.38%	8.26%
Russell 2000	25.42%	-12.99%	25.49%	-11.03%	14.63%	21.28%	-4.41%	1.98%	4.22%	10.57%	6.66%
Russell 1000 Growth	27.84%	9.81%	36.39%	-1.51%	30.21%	7.07%	5.67%	19.00%	15.69%	17.24%	5.45%
Russell 1000 Value	14.29%	-16.26%	26.52%	-8.28%	13.64%	17.33%	-3.84%	1.81%	4.51%	10.46%	6.32%
International Equity											
MSCI Index	**2nd Quarter**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	14.88%	-11.34%	22.01%	-13.79%	25.03%	1.00%	-0.81%	0.81%	1.90%	5.81%	2.91%
Europe	19.74%	-12.32%	23.20%	-16.90%	28.07%	1.34%	-1.42%	-0.66%	1.70%	5.23%	2.11%
Japan	11.61%	-7.12%	19.61%	-12.88%	23.99%	2.38%	9.57%	2.97%	3.49%	6.08%	1.23%
China	15.29%	3.51%	23.46%	-18.88%	54.07%	0.90%	-7.82%	8.55%	5.32%	6.39%	7.57%
Emerging Markets	18.08%	-9.78%	18.42%	-14.57%	37.28%	11.19%	-14.92%	1.90%	2.86%	3.37%	6.59%
ACWI ex US	16.12%	-11.00%	21.51%	-14.20%	27.19%	4.50%	-5.66%	1.13%	2.16%	5.05%	3.40%
US Fixed Income											
Bloomberg Barclays Index	**2nd Quarter**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	2.90%	6.14%	8.72%	0.01%	3.54%	2.65%	0.55%	5.32%	4.38%	3.82%	5.13%
Treasury Bills	0.02%	0.48%	2.21%	1.83%	0.81%	0.26%	0.03%	1.68%	1.12%	0.59%	1.57%
Corporates	8.98%	5.02%	14.54%	-2.51%	6.42%	6.11%	-0.68%	6.34%	5.91%	5.45%	6.18%
Securitized MBS/ABS/CMBS	0.94%	3.62%	6.44%	0.99%	2.51%	1.77%	1.47%	4.04%	3.35%	3.18%	4.79%
High Yield	10.18%	-3.80%	14.32%	-2.08%	7.50%	17.13%	-4.47%	3.33%	4.74%	6.69%	6.99%
Munis	2.72%	2.08%	7.54%	1.28%	5.45%	0.25%	3.30%	4.22%	3.96%	4.20%	4.92%
US Equity Sectors											
Index	**2nd Quarter**	**YTD 2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	30.53%	14.95%	50.29%	-0.29%	38.83%	13.85%	5.92%	26.83%	23.23%	20.51%	5.11%
Real Estate	13.21%	-8.53%	29.00%	-2.23%	10.85%	1.12%	1.24%	6.32%	6.84%	9.60%	
Industrials	17.01%	-14.64%	29.32%	-13.32%	21.01%	18.85%	-2.56%	1.88%	6.62%	11.79%	6.19%
Energy	30.51%	-35.34%	11.81%	-18.10%	-1.01%	27.36%	-21.12%	-12.46%	-8.94%	0.24%	3.81%
Consumer Discretionary	32.86%	7.23%	27.94%	0.82%	22.98%	6.03%	10.11%	15.29%	12.95%	18.08%	8.64%
Communication Services	20.04%	-0.31%	32.69%	-12.53%	-1.25%	23.48%	3.40%	8.58%	7.07%	10.53%	1.92%
Consumer Staples	8.12%	-5.66%	27.61%	-8.39%	13.49%	5.38%	6.60%	5.03%	6.96%	11.76%	8.61%
Utilities	2.74%	-11.14%	26.35%	4.11%	12.10%	16.29%	-4.84%	6.41%	10.04%	11.35%	6.96%
Materials	26.01%	-6.92%	24.58%	-14.70%	23.84%	16.69%	-8.38%	3.90%	5.33%	9.92%	8.03%
Financials	12.20%	-23.65%	32.09%	-13.04%	22.14%	22.75%	-1.56%	0.08%	5.09%	9.74%	3.17%
Health Care	13.59%	-0.81%	20.82%	6.47%	22.08%	-2.69%	6.89%	10.31%	7.95%	15.81%	7.34%
	Calendar Year Returns							**Annualized Returns**			

DISCLOSURES

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.