

Market Update Through March 13, 2020

WEALTH MANAGEMENT



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March 2020 Market Update

What has happened?

- › Global capital markets have experienced a sharp increase in volatility in recent days as investors seek to price in the economic impact of the coronavirus (Covid-19).
- › Market reaction intensified on Monday March 9th as investors reacted to a sharp drop in oil prices following Saudi Arabia and Russia's inability to reach an agreement regarding production cuts in reaction to the drop in global demand.
- › U.S. equity markets crossed into bear market territory.
- › Credit markets have also experienced a significant impact with high yield bond spreads widening the most on any single day since the credit crisis.
- › The Federal Reserve has cut rates by 150 bps in March, to a new target of 0.00%-0.25%.

What's next?

- › Market drawdowns of this magnitude are not uncommon.
- › We continue to believe that timing the market is not a viable strategy and that investors should continue to abide by their predetermined strategic asset allocation and rebalancing approaches.
- › The market has shown a propensity to produce many its strongest positive days during bear markets and missing out on those days can be costly to long term returns.
- › Markets corrections often create opportunity as markets tend to recover.

Capital Market Returns

U.S. Equity

As of Date: 3/13/2020

	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since S&P Peak
S&P 500 TR USD	-8.13	-15.73	-15.73	-1.60	6.62	7.90	11.24	-19.80
Russell 1000 TR USD	-8.90	-16.26	-16.26	-2.63	6.23	7.45	11.11	-20.52
Russell 1000 Growth TR USD	-6.54	-10.96	-10.96	6.29	12.74	11.38	13.55	-18.50
Russell 1000 Value TR USD	-11.62	-21.90	-21.90	-11.62	-0.35	3.37	8.55	-22.84
Russell Mid Cap TR USD	-13.64	-21.78	-21.78	-11.71	1.68	3.60	9.68	-24.66
Russell Mid Cap Growth TR USD	-11.13	-16.49	-16.49	-4.08	8.17	6.84	11.51	-21.93
Russell Mid Cap Value TR USD	-15.40	-25.26	-25.26	-16.74	-2.91	1.37	8.35	-26.55
Russell 2000 TR USD	-17.95	-27.27	-27.27	-21.05	-2.73	1.05	7.45	-28.39
Russell 2000 Growth TR USD	-17.28	-24.10	-24.10	-17.21	1.26	2.47	9.15	-27.78
Russell 2000 Value TR USD	-18.70	-30.56	-30.56	-25.06	-6.79	-0.54	5.65	-29.08

International Equity

As of Date: 3/13/2020

	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since S&P Peak
MSCI ACWI NR USD	-11.94	-19.95	-19.95	-8.97	2.30	3.55	6.21	-22.08
MSCI ACWI Ex USA NR USD	-16.26	-24.95	-24.95	-16.80	-2.11	-0.57	1.95	-24.51
MSCI EAFE NR USD	-18.08	-27.05	-27.05	-18.50	-3.15	-1.32	2.23	-26.47
MSCI EAFE Growth NR USD	-14.70	-22.51	-22.51	-10.32	1.54	1.58	4.16	-23.36
MSCI EAFE Value NR USD	-21.65	-31.63	-31.63	-26.46	-7.84	-4.32	0.20	-29.73
MSCI EAFE Small Cap NR USD	-20.14	-30.05	-30.05	-20.59	-3.54	0.63	4.62	-28.62
MSCI EM NR USD	-11.31	-19.91	-19.91	-13.00	0.68	1.34	1.35	-19.16
MSCI EM Small NR USD	-15.67	-24.75	-24.75	-22.19	-5.87	-2.83	-0.13	-23.19

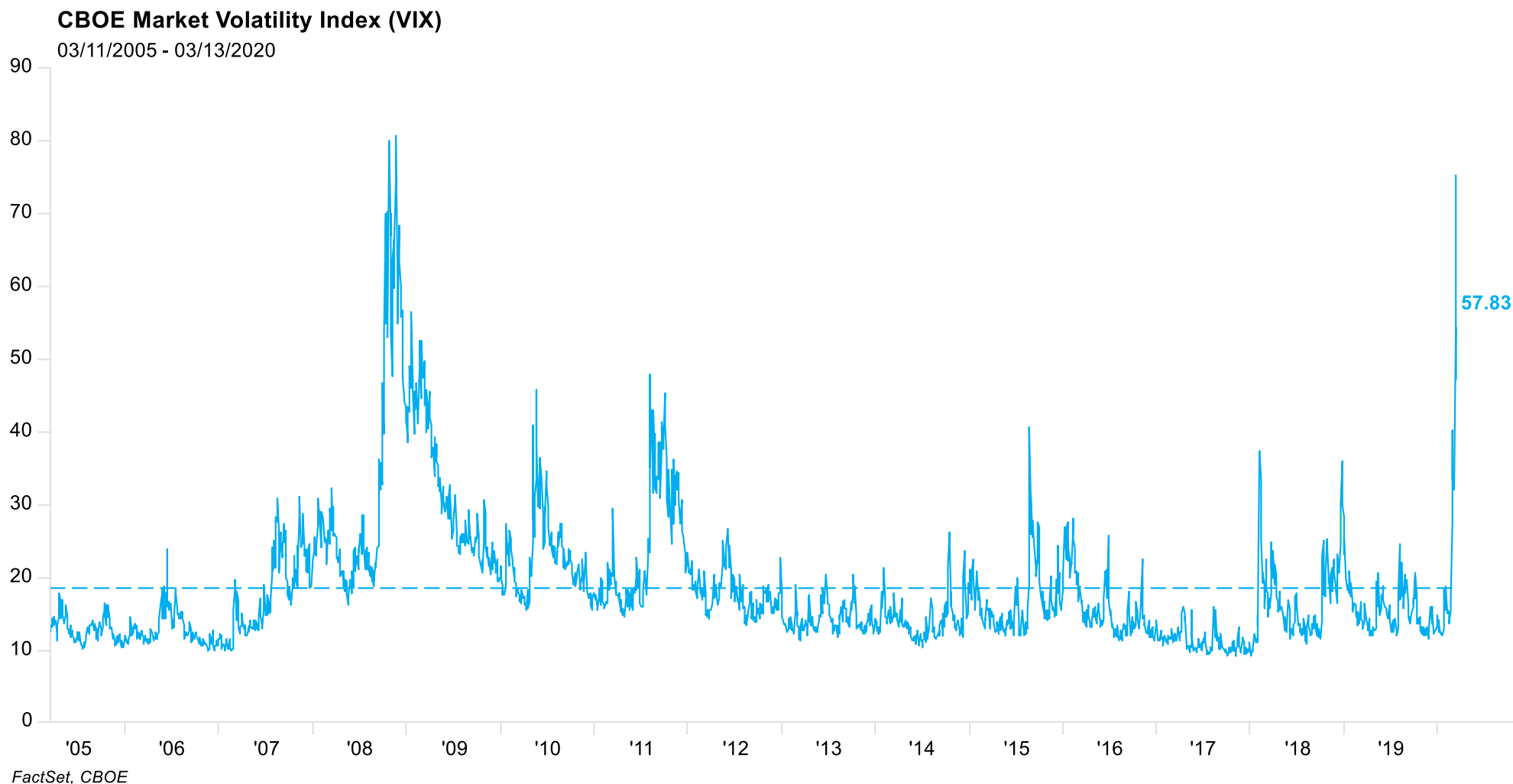
Fixed Income

As of Date: 3/13/2020

	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since S&P Peak
BBgBarc US Agg Bond TR USD	-1.35	2.36	2.36	9.46	5.01	3.39	3.79	0.36
BBgBarc US Corp Bond TR USD	-5.39	-1.88	-1.88	8.77	5.34	3.95	5.13	-4.42
BBgBarc US Corporate High Yield TR USD	-7.56	-8.84	-8.84	-2.08	2.58	3.76	6.20	-9.96
BBgBarc US Govt/Credit Long TR USD	-3.88	5.19	5.19	22.12	10.37	6.24	7.93	-0.50
BBgBarc US Treasury US TIPS TR USD	-3.93	-0.55	-0.55	5.76	3.23	2.55	3.23	-2.45
ICE BofA US 3M Trsy Bill TR USD	0.25	0.53	0.53	2.35	1.83	1.18	0.63	0.33
FTSE WGBI USD	-0.72	1.89	1.89	6.98	4.89	3.28	2.04	1.76
JPM EMBI Plus TR USD	-7.04	-5.74	-5.74	1.09	2.10	4.06	5.12	-8.78

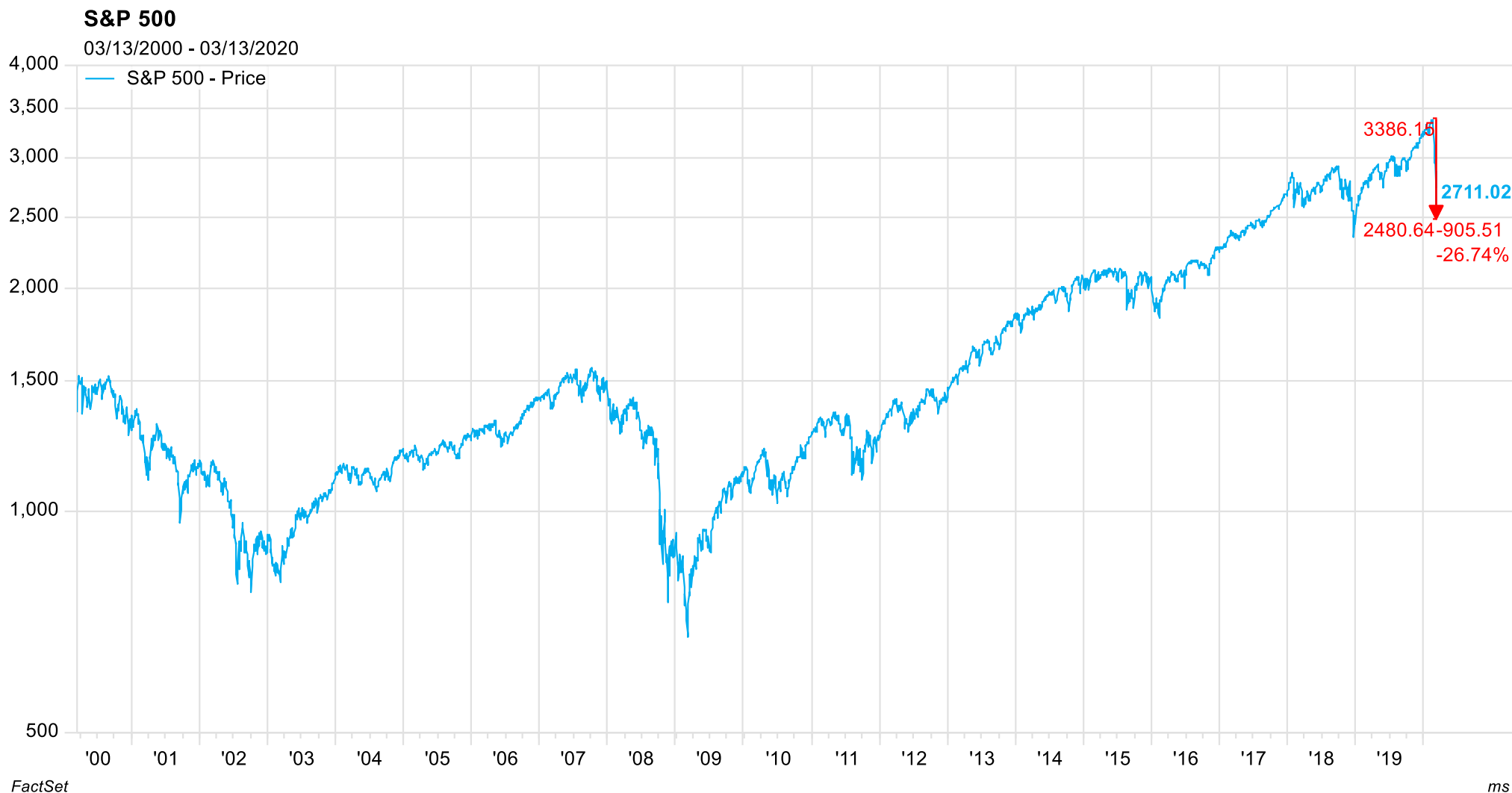
Increased Market Volatility

The CBOE VIX measures volatility of the S&P 500 Index. The recent spike drove the measure to the highest level since the 2008 financial crisis (when it peaked above 80).



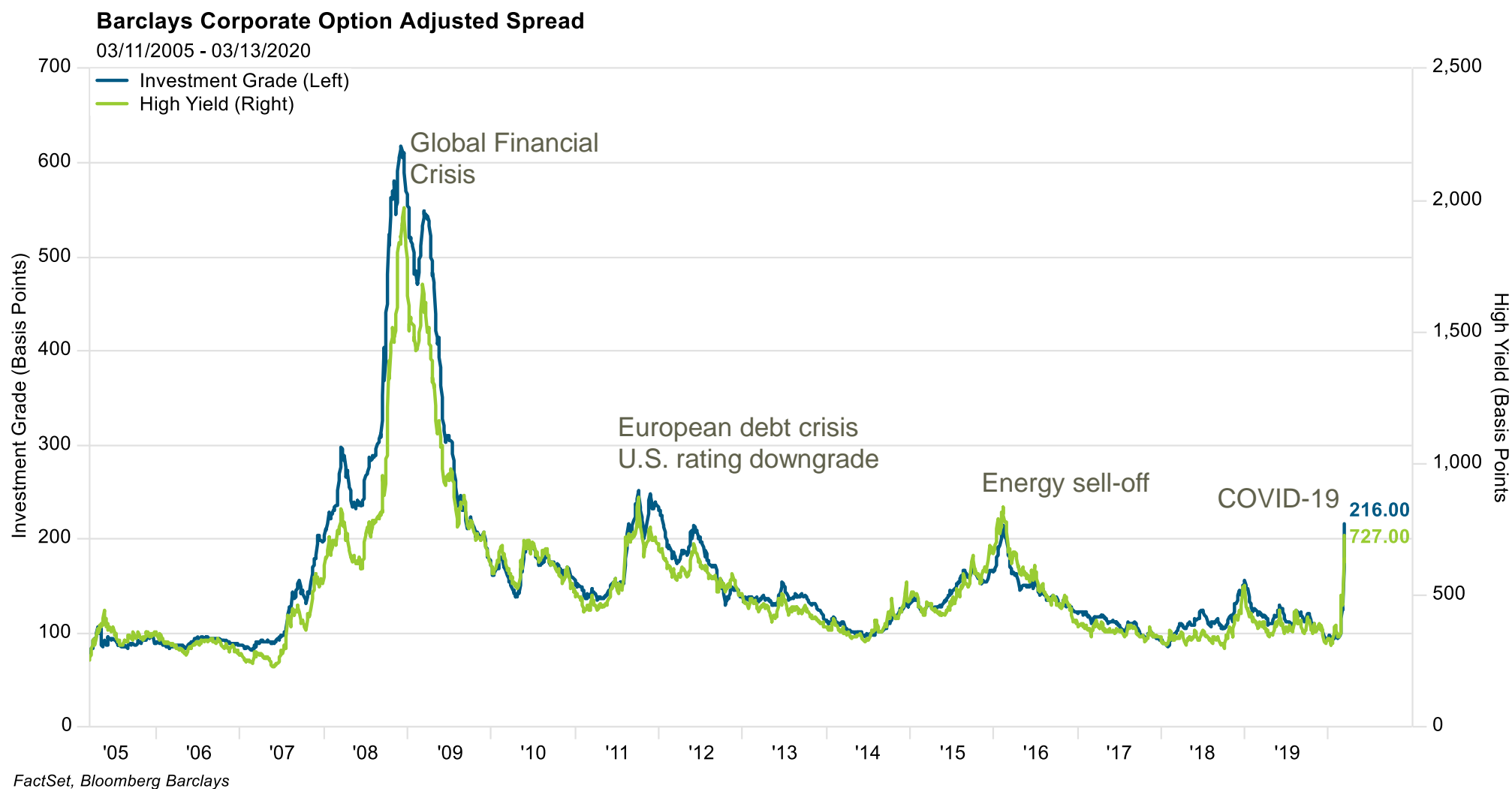
S&P 500 Price Index

The S&P 500 crossed into bear market territory, ending one of the longest bull markets on record. However, it is important to note, the S&P 500 returned over 400% from the low in 2009 to the recent market high (2/19/2020).



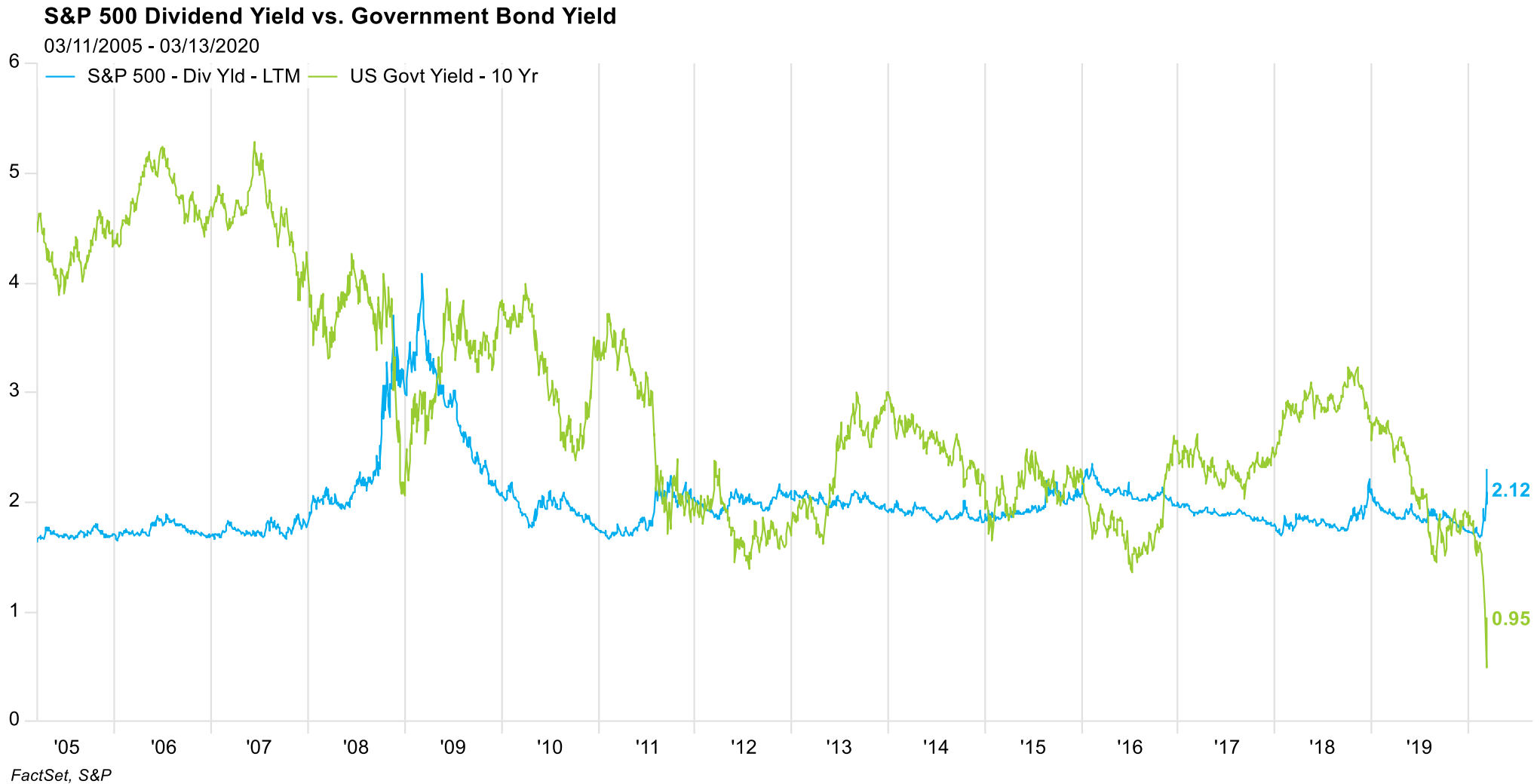
Credit Spreads

Corporate credit spreads measure the amount of incremental compensation demanded by investors to bear credit risk compared to U.S. Treasuries.



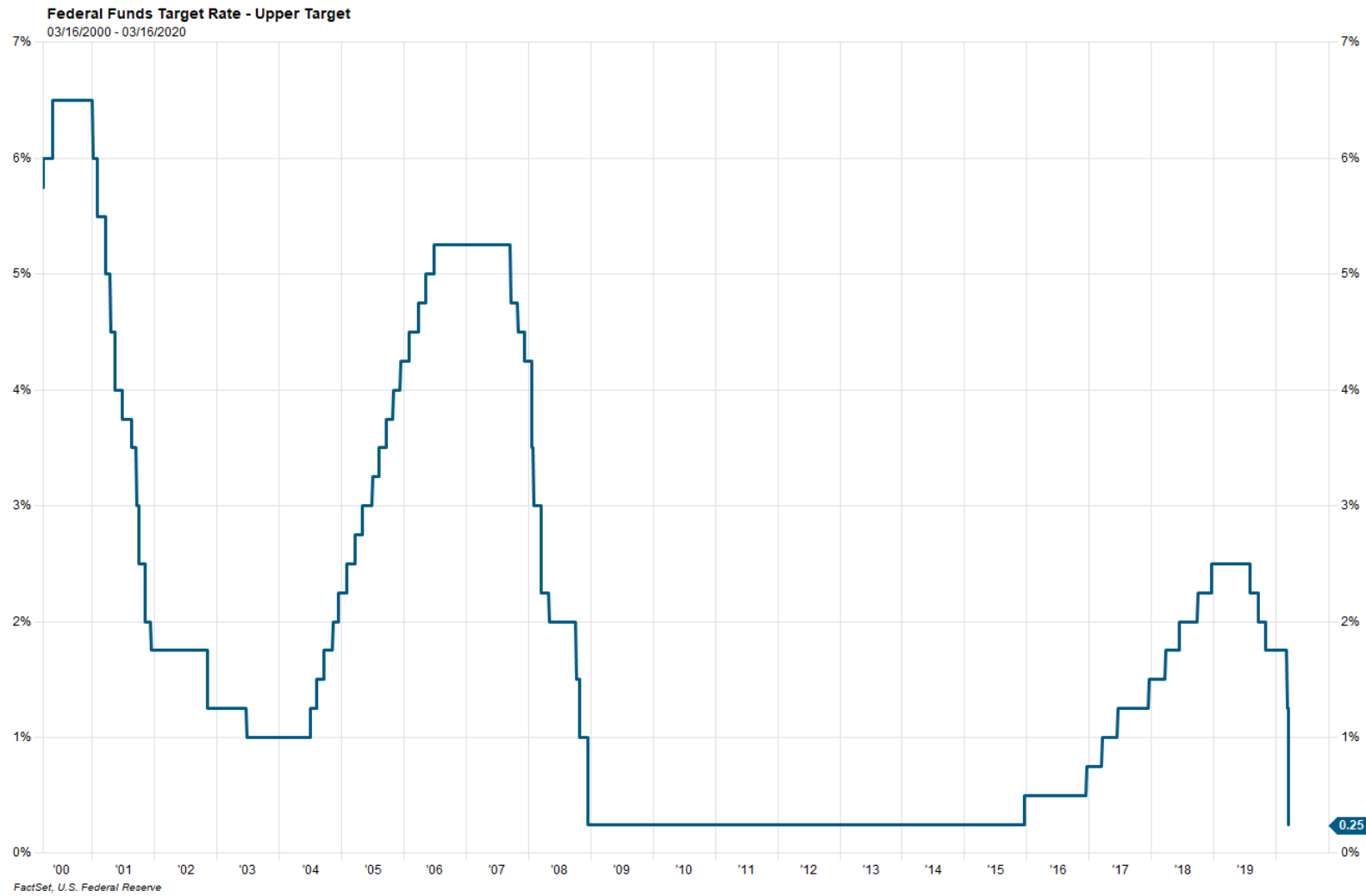
Stocks vs. Bonds

A significant drop in interest rates and equity prices has resulted in a meaningful gap between equity dividend yields and bond yields.



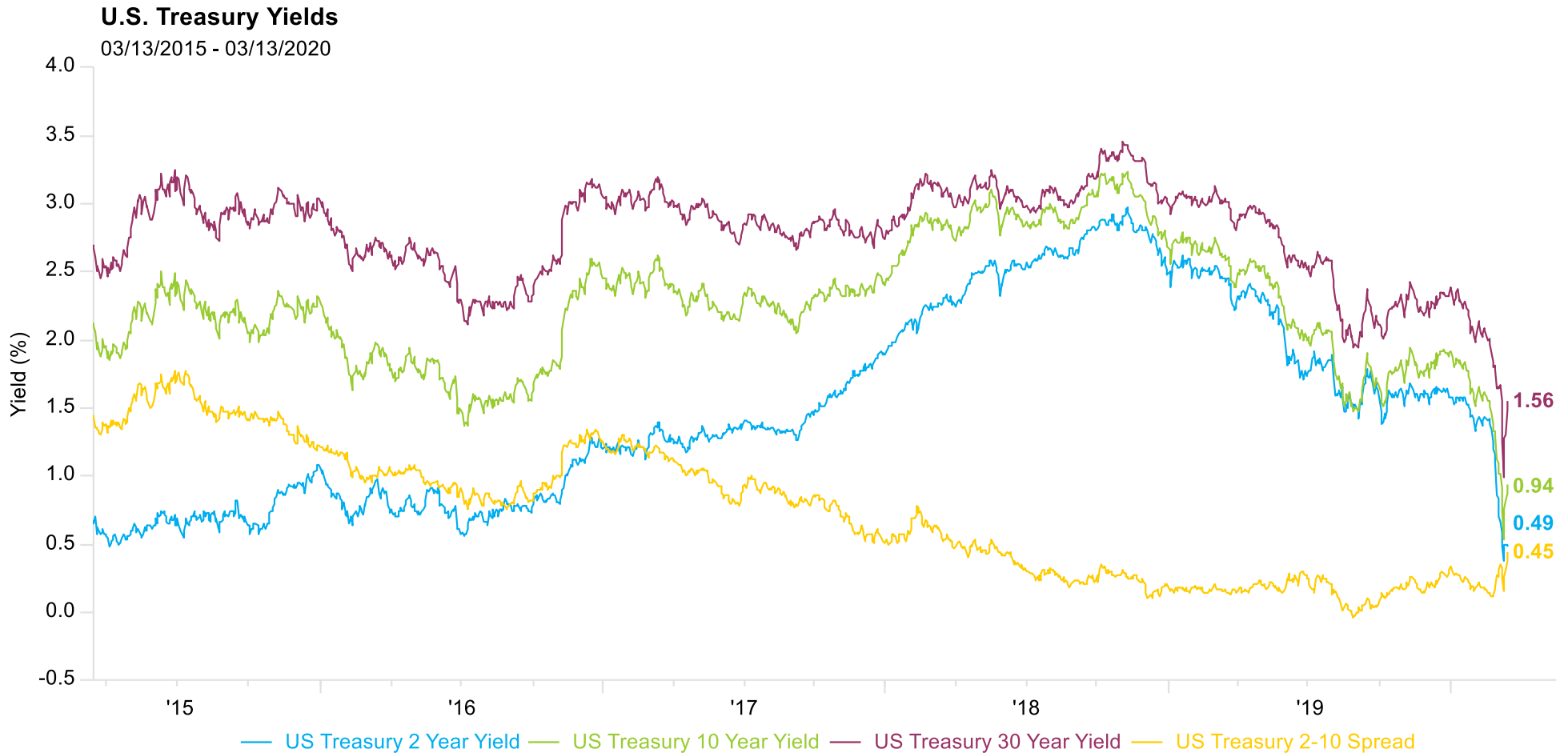
Federal Funds Rate

The U.S. Federal Reserve cut the federal funds rate by another 100 bps over the weekend to a new target range of 0.00% - 0.25%. The Fed also announced a \$700 billion bond buying program - \$500 billion in Treasuries and \$200 billion on mortgage-backed securities. According to the Wall Street Journal, this marks the first time the Fed has cut interest rates on two separate occasions between scheduled meetings since the Fed began announcing rate movements in 1994.



Interest Rates

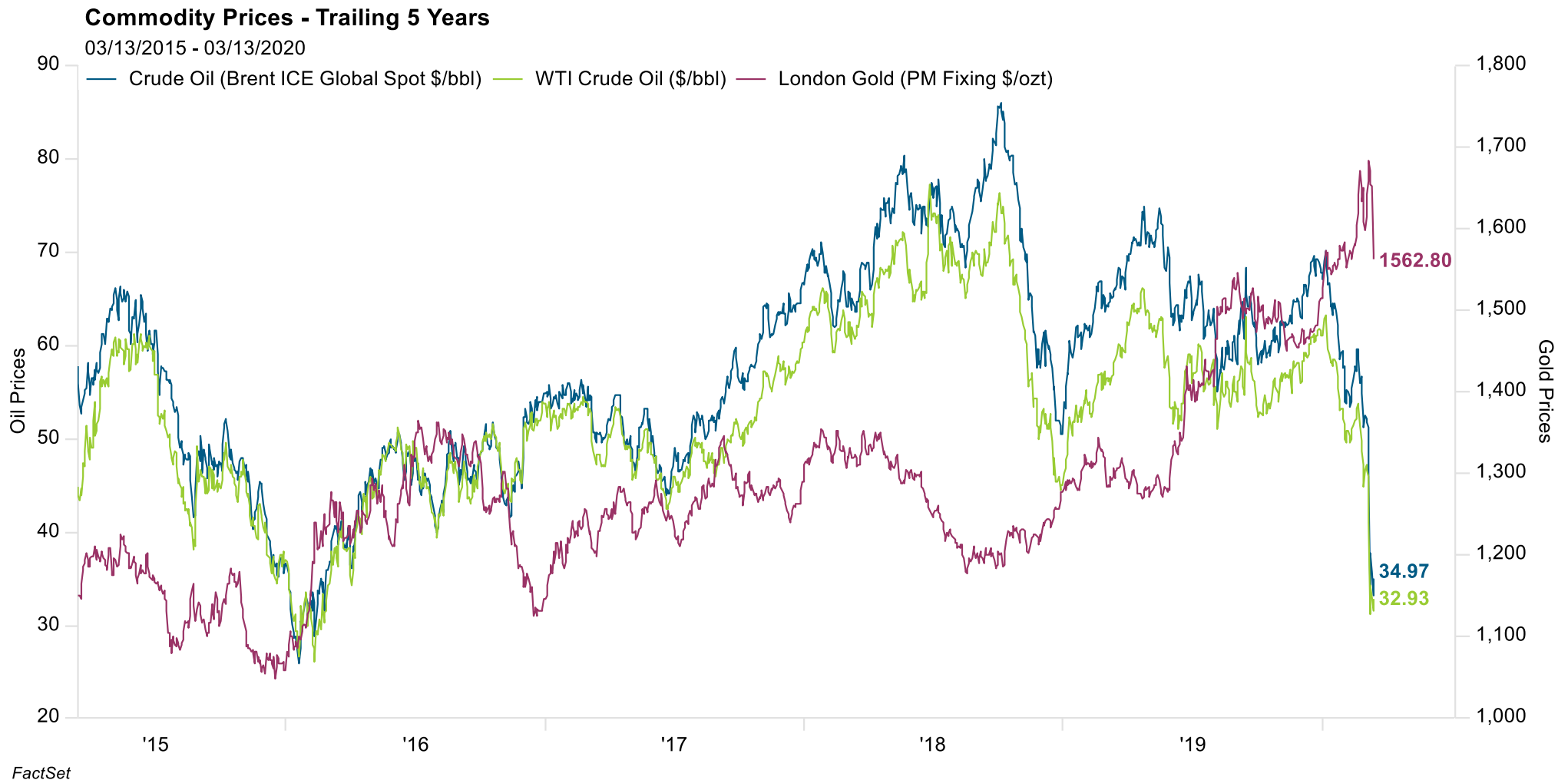
Interest rates have rallied significantly since the start of the year, with the U.S. 10-year Treasury yield closing at 0.54% on March 9. Rates have backed up since and the curve has steepened modestly with the spread between 2-year and 10-year Treasuries at about 45 bps.



FactSet, U.S. Federal Reserve

Commodity Prices

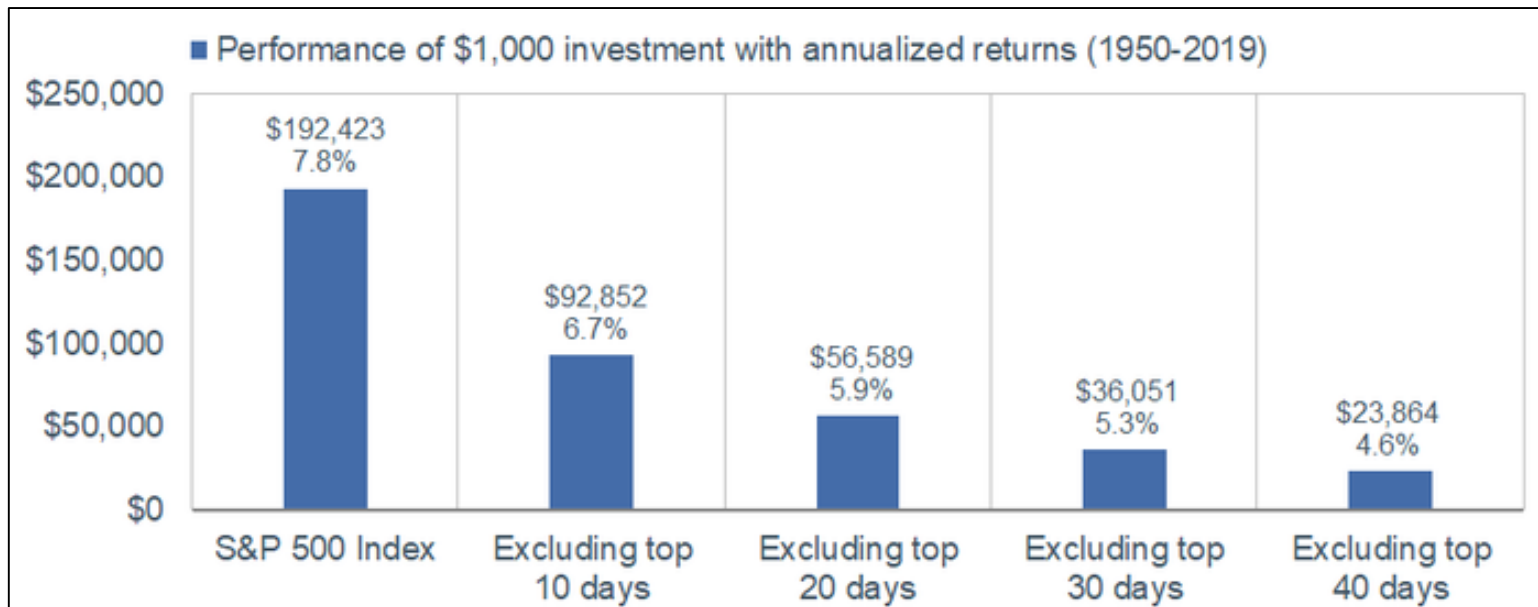
The price of oil has dropped sharply following the breakdown in the alliance between Russia and the OPEC cartel. This compounded the existing uncertainty in the market due to the coronavirus and caused a broad sell-off in equity markets.



Staying the Course

Periods of market consolidation occur regularly in well functioning capital markets.

Drawdown (Peak to Trough)	# of Occurrences (1937-2019)	Average Recovery Time (Months)
-5% to -10%	54	0.9
-10% to -20%	21	2.3
-20% to -30%	4	7.9
-30% to -40%	2	10.0
-40% to -50%	2	24.4
-50% or greater	2	38.6

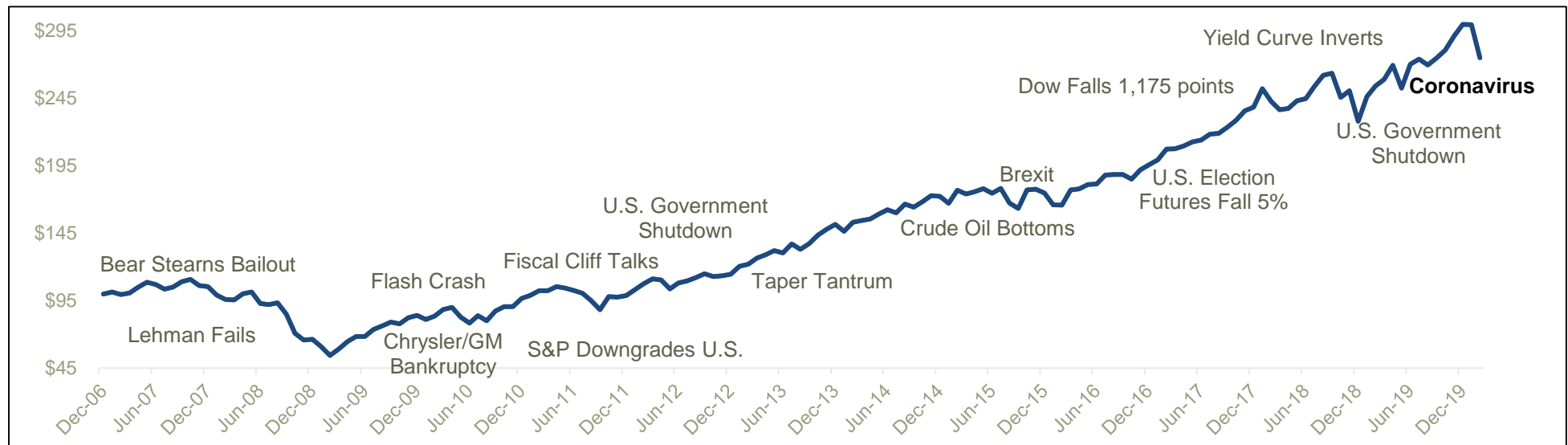


Fifteen of the S&P 500's top twenty days since 1950 have occurred during bear markets.

Source: FactSet, Schwab

Recent History

Markets have proven to be remarkably resilient when confronted by other noteworthy challenges.



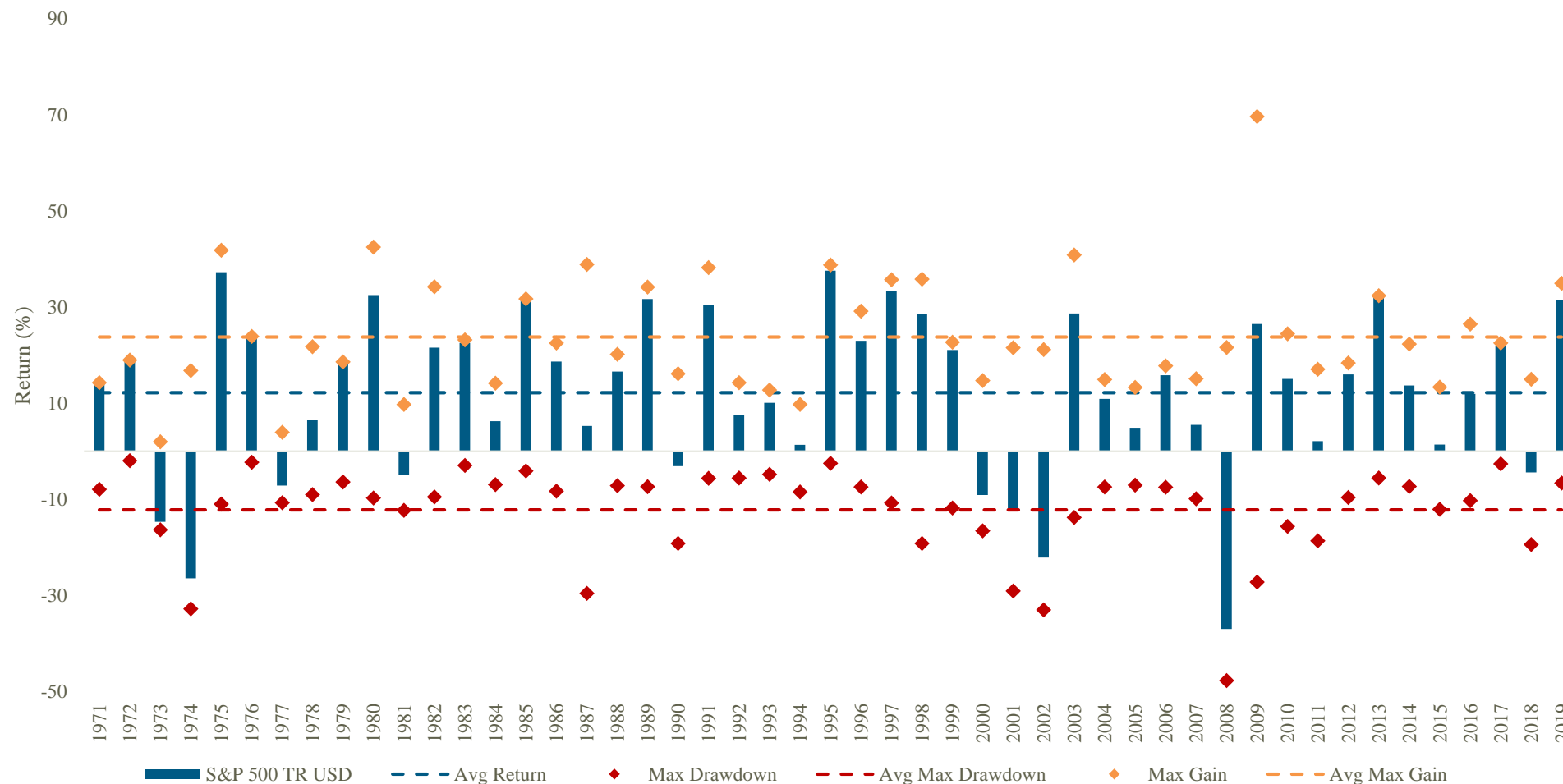
Growth per \$100 invested

Source: FactSet, S&P

Historical S&P 500 Returns

(Total Return)

Annual Return and Max Drawdown/Gain of the S&P 500 Total Return Index (1971-2019)



- The S&P 500 has had an average calendar year return of 12.2% and a median calendar year return of 15.1%
- The average max drawdown in a given calendar year was -12.2%, the average max gain was 23.8%
- The S&P 500 had a positive return in 80% of the calendar years (39 of 49)

Source: Morningstar, FactSet. Data is from 1/1/1971 to 12/31/2019.

Disclosures

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