APRIL 2020

During these volatile times in the markets, we as a team have been hard at work speaking with clients to keep them informed of current market conditions, the impact that market action has had on their portfolios, and reviewing their financial plans to, if necessary, make adjustments. While our team is working remotely, we have had countless calls and video conferences with clients and have prepared several client letters and distributions to keep you informed. While we are all emotional beings (us as advisors included!) it is during these volatile times in the markets that it is most important to absorb and digest the information around us, put all of that information into historical perspective, and try our hardest to not let emotion guide our decisions. To that final point, we as a team have been pleased that our regular communication has resonated with you as we weather this storm together.

TAKING STOCK OF WHERE WE ARE

Yes, the market volatility that we have seen in 2020 is unprecedented. With equity market trading halted three times during the month of March, the VIX, which measures market volatility, hit an all-time high as markets saw their fastest ever slip into what is considered "bear market territory." Despite a late in the month double digit rally for equities, markets closed the quarter with the Standard and Poor's 500 Index down 20.00% and down 9.86% for the one-year period.

While the majority of the market action has been driven by fears around the spread of the novel coronavirus (COVID-19) and the effect that it will have on the overall global economy, the Saudi/Russian price war in oil markets have also played a factor as the energy markets have been especially hard hit in this market. While we have not yet seen advanced estimates of the first quarter GDP, with unemployment claims rising at a record rate and consumer spending slowing due to the mandatory closure of non-essential businesses across the country, there will definitely be a contraction of economic activity with the potential of recession being a very real possibility. While a recession is a very real and likely possibility, we expect that such a recession would be short lived with a sharp expansion of economic activity being very likely in the second half, and specifically toward the fourth quarter.

Have markets seen the bottom?

With equity markets rallying to end the month, the logical question on investors' minds is—have we seen the bottom? In short, <u>the bottoming of the market is a process, not an event,</u> and while we have seen ***a bottom***, we are not convinced that we have seen ***the bottom***. Press conferences from the coronavirus task force, action by the Federal Reserve, assurances from Treasury Secretary Steve Mnuchin, and the passing of a $2.2 trillion stimulus bill in Congress are all necessary and help to calm markets. However, none of them as singular events can mark a bottom in the markets. We see the markets as needing a stool to prop them up as a bottom forms. This stool has three legs and until all three of those legs are strong and sitting on solid footing under the markets, the bottom can't be realized, and lows could be retested.

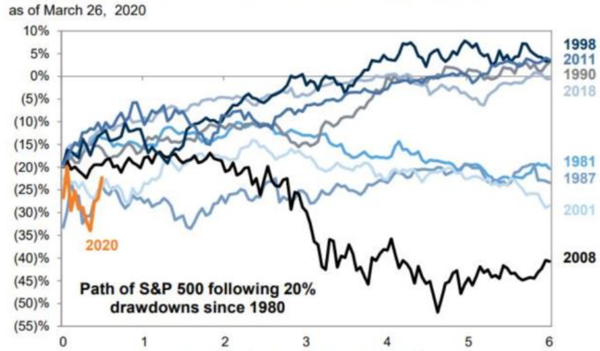
The first leg of our stool is monetary policy, which is firmly in place. The Fed stepped in acting swiftly to cut the Federal Funds rate to zero, bolster the repo markets, and build their balance sheet as they inject liquidity and confidence to the markets. The second leg of our stool is fiscal policy. Congress passed a $2.2 trillion stimulus package to lend large corporations, bolster unemployment insurance, make funds available to small businesses to keep them afloat during this shut down, and put money in the hands of Americans with need. This leg has been nailed in place, but the glue is still drying. The third and final leg of the stool, however, is still not in place. Until we are assured the virus has been contained and the number of cases plateaus, we are unable to resume a more normal life, there will be strain on economic activity, a strain on earnings, and a lull in consumer spending and confidence. We need this final leg of the stool in place before we are ready to call a bottom in the markets and a return to economic expansion.

Where are we in the cycle? Stay cautious!

After seeing the recent double-digit percentage market rally to end the month of March, many investors may be seeing this as a sign of a bottom and a reversal higher. They may be considering raising their equity allocations, or even putting new money to work in the markets. While times like these when markets are down are the best to put new money into the market for a long term investor, in the short-term we caution investors to not get caught in what is called a "bull trap." This occurs when after a surge in prices investors put new money into the market just as prices in the short-term head lower.

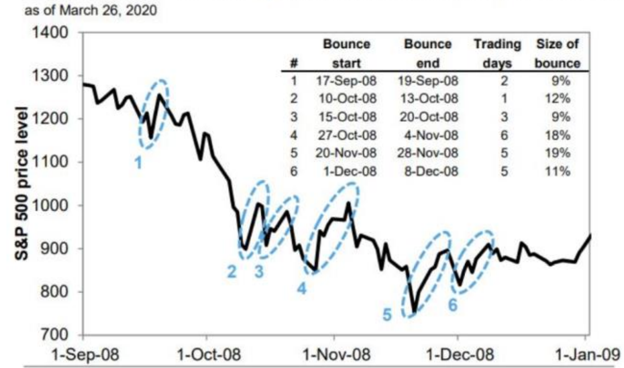
Historical context tends to favor our being correct that despite the recent double-digit rally, lows may be retested. As you can see in the chart below (left) during periods of a market decline of more than 20%, markets often retested their lows. Short-term "relief rallies" are very common while markets form bottoms. For example, as you can see in the chart below (right) the equity markets had six short-term rallies of between 9% and 19% while searching for a bottom between September 1, 2008 and December 31, 2008. Investors should remain cautious, be prepared for volatility in the short-term, and when looking for opportunities to put long-term funds into the markets be selective.

Exhibit 1: S&P 500 performance after 20% declines since 1980
as of March 26, 2020



Source: Goldman Sachs Global Investment Research

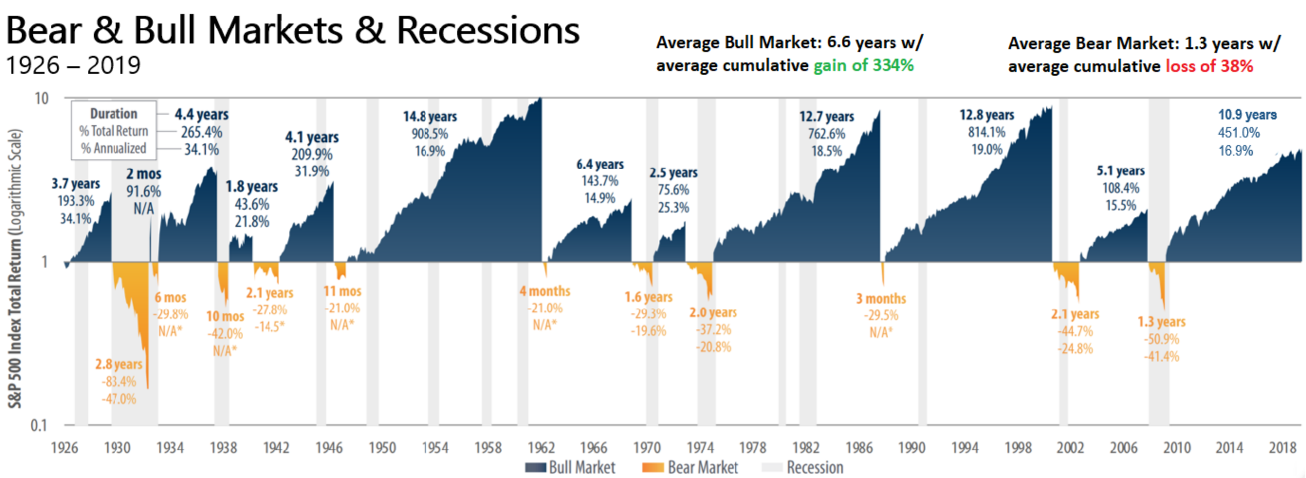
Exhibit 2: S&P 500 "bounced" by 9%-19% six times between Sep. and Dec. 2008
as of March 26, 2020



Source: Goldman Sachs Global Investment Research

WHAT COMES NEXT?

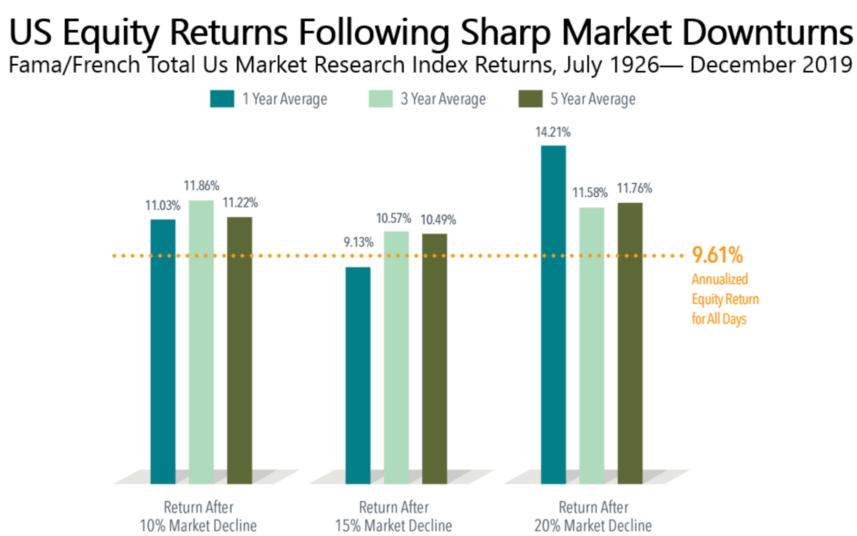
In the short-term, markets react to headlines. In the coming weeks markets could push higher, but they could also retest their recent lows. While no one has a crystal ball to accurately (and consistently!) predict the daily moves of the market, what we do know is that bear markets are generally short lived having an average life of 1.3 years. We also know that the bull markets that follow are longer and provide more robust gains than the losses endured. While in the short-term volatility is frustrating and scary, we have planned for these times. For our clients who are retired, or nearing retirement, an income plan is in place and between two to three years of planned expenses are available and readily accessible. We have planned for the need to weather a storm.



Source: First Trust Advisors L.P., Bloomberg. Returns from 1926 – 12/30/19.

These results are based on monthly returns–returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. **Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment.** These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. All data is from sources believed to be reliable but cannot be guaranteed or warranted.

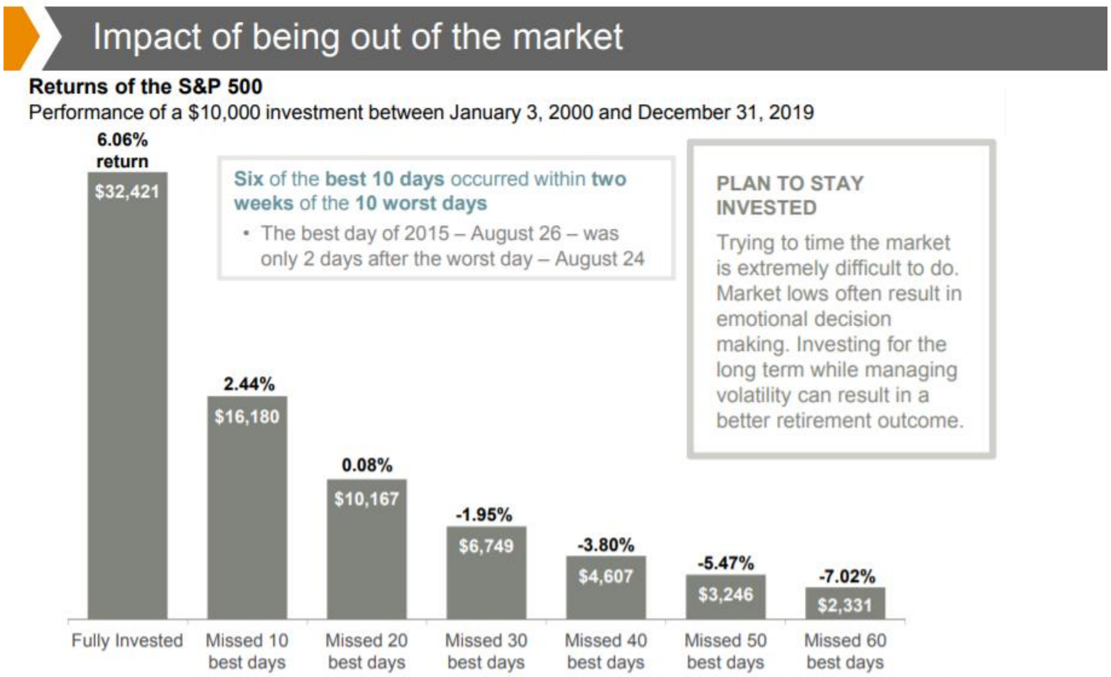
While these times are scary, ultimately this too shall pass. Rather than focus on the magnitude of market corrections, we need focus more on the duration of the correction and managing our emotions through them. With history as our guide, markets will eventually move higher. In all sharp market downturns of greater than 20% (such as what we have recently seen) since 1926, on average markets have seen double-digit annual returns 1, 3, and 5 years later.



Source: Dimensional Funds, see disclosure at end of document

AND FINALLY, STICK TO YOUR LONG-TERM PLAN

While we anticipate markets will be volatile and very well may retest their lows while also seeing short-term rallies in the coming weeks, many may be wondering if this is an opportunity to sell on short-term market performance while trying to opportunistically buy back in at lower prices. This is called market timing. If history teaches us anything, it is that over the long-term the amount of time in the market is a more meaningful indicator of long-term performance than timing the market. Remember, to successfully time the markets, you must consistently be right not once, but twice. The cost of missing out on up days is too great to try benefiting from missing a few down days. As you can see, the best days in the market tend to follow closely after the worst days--and missing those up days have a detrimental impact on long-term returns—had an investor missed the ten best days in this most recent bull market, they would have experienced less than half the annualized return over the ten-year period.



Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2019.

However, for clients who are adding to their portfolios, or who have cash on the side lines, it is times like these that we can try to be selective and make new investments at opportune times. To the extent that clients are making systematic contributions to their portfolios, we urge them to continue to do so, perhaps consider making those investments more heavily in the equity portions of their portfolio, and for those who are long-term investors with cash on the side lines, work with our team to put money to work at opportune times in the coming weeks and months.

As always, if you have any questions, please do not hesitate to contact our team. Be safe, be well, and try to tune out some of the noise. We encourage all our friends and clients to take this time at home to call and catch up with friends and family, read a book, and focus on the things that matter most.

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Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations.

Source: Dimensional Fund Advisors LP

Periods in which cumulative return from peak is -10%, -15%, or -20% or lower and where a recovery of 10%, 15%, or 20% from trough has not yet occurred are considered downturns. For the 10% threshold, there are 3,442 observations for 1-year look-ahead, 3,396 observations for 3-year look-ahead, and 3,345 observations for 5-year look-ahead. For the 15% threshold, there are 3,175 observations for 1-year look-ahead, 3,167 observations for 3-year look-ahead, and 3,166 observations for 5-year look-ahead. For the 20% threshold, there are 2,561 observations for 1-year look-ahead, 2,560 observations for 3-year look-ahead, and 2,560 observations for 5-year look-ahead. 1-year, 3-year, and 5-year periods are overlapping periods. The bar chart shows the average returns for the 1-, 3-, and 5-year period following market declines. Data provided by Fama/French, available at mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. Short-term performance results should be considered in connection with longer-term performance results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Investing risks include loss of principal and fluctuating value. There is no guarantee an investment strategy will be successful Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.