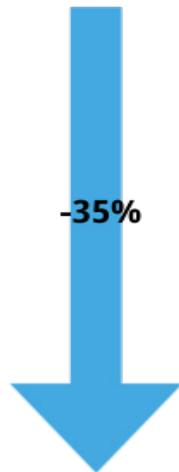


# QUARTERLY MARKET REVIEW

SUMMER 2020

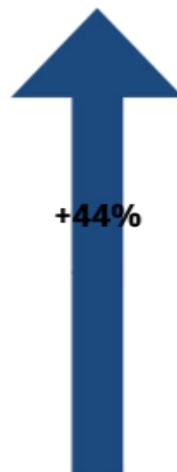
**W**e're not sure if it's reassuring, concerning, or downright frightening that we are living in an age that will be discussed until the end of civilization as we know it. The most extraordinary of times marches on. From a market standpoint, the most extraordinary element has been the unprecedented velocity of the market swings. Covid-19 struck markets like a bolt of lightning. From February 18th to March 23rd, the stock market fell by over 35%. Never before in our nation's history have markets fallen so far so fast. Never! Not even during the great depression with its images of total collapse seared into our collective memories. Black Thursday of October 29th, 1929, which started the great depression, did not usher in a period over the following 20 days that saw as much downside as what we experienced in early 2020. The top 2, and 3 of the top 5 largest daily percentage declines in the past 50 years occurred in March of 2020. The awesome power of markets to humble us rivals the most violent of storms. It also reminds us that it's always darkest just before the morning light. Nearly as dramatically, but equally as unprecedented in the course of market history, over the next 30 trading days, the market went up more quickly than it ever

February 19th - March 23rd  
23 Trading days



The fastest collapse on record.

March 24th - June 8th  
51 Trading days



The fastest recovery on record.

Source: S&P 500

You would not have thought it was a four-month period of such volatility to both the downside and upside unprecedented in market history.

That blissfully ignorant vacation to Mars is just as fictional as making timely market decisions that fully avoid the downside and then subsequently engage fully in the upside. Sell high and buy low right? Unfortunately, the differences between the optical ideal and the stark reality of the situation continue to be polar opposites. On March 23rd, the markets hit their low. What also occurred that day that has far more long-lasting of an impact is that more investors sold more stocks on that day than any other in market history. More people than ever, on March 23rd when the markets bottomed

out at -35%, decided that they couldn't handle any more downside and decided to sell their stocks. The exact wrong decision at the exact wrong time could not have been more perfectly timed. On the following day, the markets had the largest 1-day percentage gain in over 85 years on their path to move higher by nearly 40%. According to Fidelity, during this period in late Q1 and early Q2 of 2020, 18% of all investors sold 100% of their stock positions. Even more tragic, nearly one-third of investors aged 65 and older either in retirement or nearing retirement sold 100% of their stock positions. Like most elements of life, you need to hold on even tighter when you think you can't hold on any longer. This is a man-made disaster of epic proportions and one that has played out again and again through the course of time, with tragic consequences. Luckily (and actually there is no luck at all involved) we have always adhered to an all-weather nature

has in such a short time period. Markets clawed back nearly to even by June. If you were vacationing on Mars for the past four months and just looked at market returns for the year, you would assume it was a relatively quiet year with some downside after such strong returns in 2019.

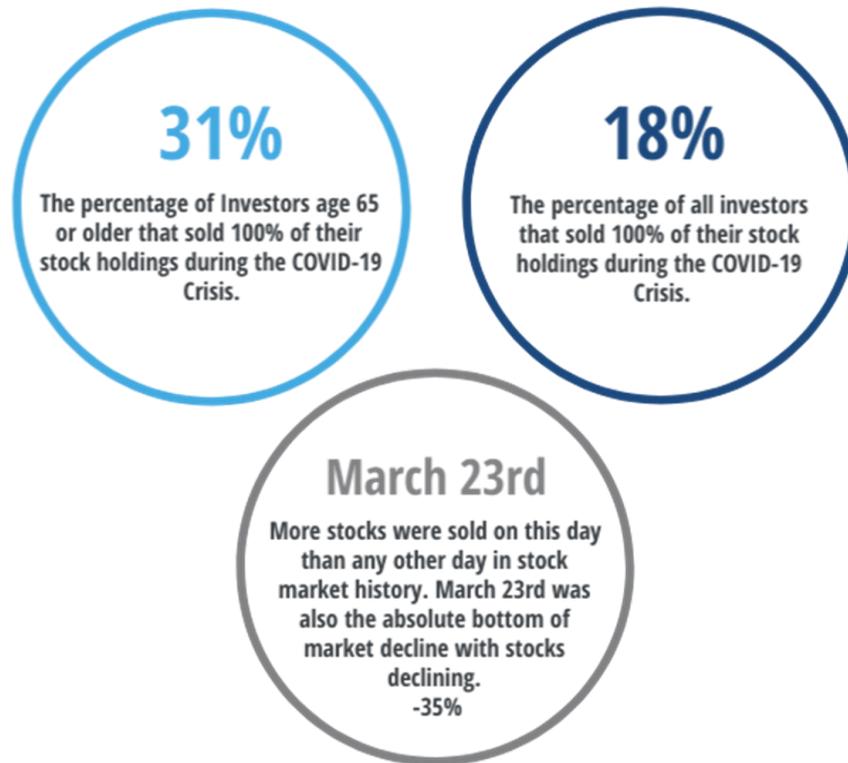
of investing for those portfolios we manage directly, and those we help construct, allowing participants to make more informed decisions. If your portfolio was built correctly in the first place and your unique circumstances have not changed dramatically due to current economic conditions, the investment strategy that was right for you before the Covid crisis is still correct for you today, and will most likely still be correct for you after the crisis has ended. Typically, during downturns our investment philosophy has been to add exposure to aggressive investments that appear to be good long-term investments that have become momentarily discounted. Beneficially,

the recurring contributions construct of retirement plan investing takes care of this for plan participants automatically. Even though emotionally it would feel very challenging to buy stocks as they are collapsing 35%, this automatic investing feature takes these flawed emotions out of the equation. A set dollar amount was essentially buying the same investments on sale by 35%. It's a bizarre quirk of human nature that

we spend our entire lives looking for bargains and sales but, in the markets, when these sales present themselves we run away from them like our hair's on fire. It's essentially the equivalent of having a great pair of shoes that you love. You love them so much that you want to buy another pair. However, when that pair of shoes goes on sale by 35% instead of taking advantage of that sale you run out of the store as fast as you can and not only fail to buy the new pair but you sell at a deep discount the perfectly good pair you already have. On the discretionarily managed side of our responsibilities, proper tax-loss harvesting, and rebalancing create similar benefits.

We are walking a market tightrope at the moment. Trying to balance the needs of opening the economy back up and keeping the virus in check. The future has always remained unwritten, but the potential paths forward now are just too divergent to make any grand tactical adjustments. Will the inevitable surge in new Covid cases as economies re-opening be deemed acceptable? Will we be able to protect those most vulnerable? Or, will hospitals and new cases be overwhelming forcing a re-introduction of strict quarantine measures and their negative impact on economic activity? For over thirty years we have constructed "all-weather" portfolios designed to be appropriate

for their particular long-term mandates regardless of if it's the sunniest of economic skies or darkest of financial hours. We would be disingenuous if we tried to say we knew which way the current wild winds are blowing. Is that storm on the horizon past us or just now gathering strength? We don't know. Nobody knows. But we do know that decisions made by investors have been detrimental so far during this storm; mistakes we have tried diligently to avoid as challenging as that may be at



Source: Fidelity

times. As we began with in this note, these are extraordinary times in which we are living that will be discussed until the end of time. Inversely, since the dawn of time, storm-spotters have been posted on the edge of civilizations to sound the alert for pending uncertainties. Not posted with the flawed logic that they can divert the storm. Just watching diligently, making sure pre-prepared earthworks are sound. We have no plans to abandon our watch-post.

As always thank you for your continued trust, confidence, and support in our investment process, long-term strategy and constant vigilance.

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