

At-A-Glance

The Dow Industrials gained 18.51% in the second quarter, its best quarter since Q4 1987.

The tech-heavy Nasdaq Composite surged 30.95% over the last three months, its strongest quarter since Q4 2001.

Fixed-income credit markets were spurred by stimulus purchases in corporate bond-based ETFs (split 88% in investment-grade and 12% in high yield).

At quarter end, gold spot prices briefly topped \$1,800/oz. for the first time in eight years.

QUARTERLY RECAP

Second Quarter 2020 Recap

| Market Indices ¹ | June | 2Q 2020 | Year-to-Date |
|------------------------------------|-------|---------|--------------|
| S&P 500 | 1.99% | 20.54% | -3.08% |
| Russell 3000 | 2.29% | 22.03% | -3.48% |
| Russell 2000 | 3.53% | 25.42% | -12.98% |
| MSCI EAFE | 3.40% | 14.88% | -11.34% |
| MSCI Emerging Markets | 7.35% | 18.08% | -9.78% |
| Barclays U.S. Aggregate Bond | 0.63% | 2.90% | 6.14% |
| Barclays U.S. Municipal Bond | 0.82% | 2.72% | 2.08% |
| Barclays U.S. Corporate High Yield | 0.98% | 10.18% | -3.80% |

¹Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

As American businesses began to reopen, the S&P 500 more than completely erased its 19.60% first quarter loss, posting a 20%+ return over the last three months – its best quarterly performance since Q4 1998. Even so, Wall Street optimism remains challenged by deteriorating trade relations with China and the accelerating pace of new U.S. COVID-19 infections in at least 37 states. Increased testing and easing of social distancing policies was bound to reveal more confirmed cases, now surpassing 10 million globally and the World Health Organization warned that the worst is yet to come. While over 120,000 Americans have lost their lives to the contagion, U.S. coronavirus fatalities had fallen to a new daily low of 273 in late June before likely increasing in the coming months.

Equities got a lift from a bevy of improving economic data, including a twelve-point jump in U.S. consumer confidence in June to 98.1, by far the largest monthly increase since October 2011. The forward-looking expectations index jumped to 106.0, back near its 108.1 reading in February before the COVID-19 contagion took hold. Earlier, retail sales surged nearly 18% in May, surpassing projections for a smaller 8% rebound. Additional backstopping in the credit markets by the Federal Reserve also boosted investor sentiment. The central bank augmented its Secondary Market Corporate Credit Facility by beginning to directly buy up to \$750B of investment-grade corporate bonds.

The small cap-focused Russell 2000 Index outperformed relative to large cap S&P 500 stocks by almost 5% last quarter, recovering over 80% of its 31% first quarter loss. Russell Mid Cap stocks also outperformed, gaining 24.61% during the second quarter. The Russell 1000 Growth Index (+27.84%) widely outperformed its Value (+14.29%) counterpart by a factor of almost 2-to-1.

| Top Performers – June | Bottom Performers – June ¹ |
|--|--|
| Technology (+7.14%) | Energy (-1.30%) |
| Consumer Discretionary (+4.99%) | Healthcare (-2.38%) |
| Materials (+2.16%) | Utilities (-4.67%) |
| Top Performers – Second Quarter | Bottom Performers – Second Quarter ¹ |
| Consumer Discretionary (+32.86%) | Financials (+12.20%) |
| Technology (+30.53%) | Consumer Staples (+8.12%) |
| Energy (+30.51%) | Utilities (+2.73%) |
| Top Performers – YTD 2020 | Bottom Performers – YTD 2020 ¹ |
| Technology (+14.95%) | Industrials (-14.64%) |
| Consumer Discretionary (+7.23%) | Financials (-23.62%) |
| Communication Services (-0.31%) | Energy (-35.34%) |

¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

As the preceding sector performance table shows, all 11 sector groups posted quarterly gains, dominated by gains in Technology and Consumer Discretionary in all three time periods. Contrarily, Utilities and Energy continued to underperform during the past three months. Although not making an appearance in the tables above, Healthcare (+13.59%) is making strides as progress ensues toward an effective treatment for COVID-19. At quarter-end, the FDA announced conditions for approving a COVID-19 vaccine, including a requirement to be at least 50% more effective than a placebo in preventing the disease.

Internationally, foreign equity markets outperformed the U.S. in June, but widely trailed during the quarter and year-to-date. In particular, the MSCI Emerging Markets index capped its strongest quarter in more than a decade, rebounding from March lows when investors jettisoned riskier assets as the coronavirus spread. Globally, the MSCI All-Country World Index rebounded 19.22% last quarter, while world stocks excluding U.S. performance climbed 16.12%.

U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, held steady gaining just 0.10% and 0.49% respectively in June and the second quarter and extending YTD gains to 8.61%. Long-term U.S. government bonds likewise only extended their YTD gains to 20.97% from 20.63% at the end of the first quarter.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index) outperformed relative to purely safe-haven government debt, up just 2.90% in the second quarter. Municipal bonds lagged other investment-grade bonds last quarter, with a smaller 2.72% return. Risk appetites returned for below investment-grade high-yield debt as the Bloomberg Barclays U.S. Corporate High Yield Index, advanced 10.18% last quarter – its biggest gain since a 14.2% surge in September 2009. The rally was fueled by the Fed's new tool which allows them to make direct secondary market purchases in high-yield bond ETFs.

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Glossary

The Bloomberg Barclays Capital U.S. Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable

municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index**[®] (VIX[®]) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of

their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** 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 a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.