RGB Perspectives

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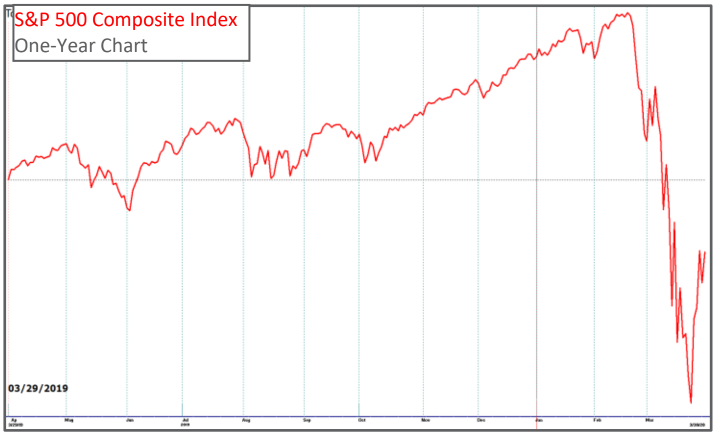
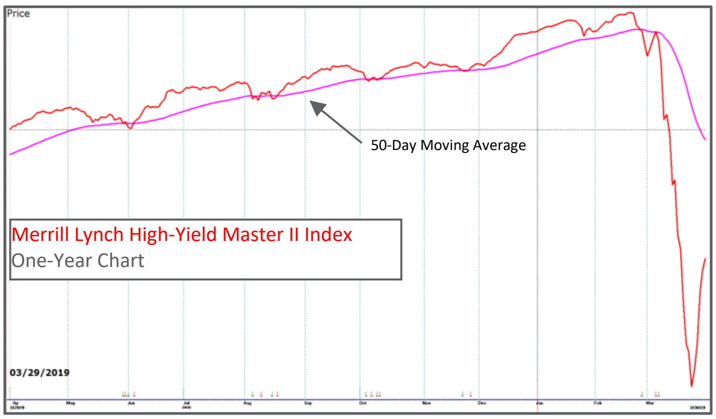
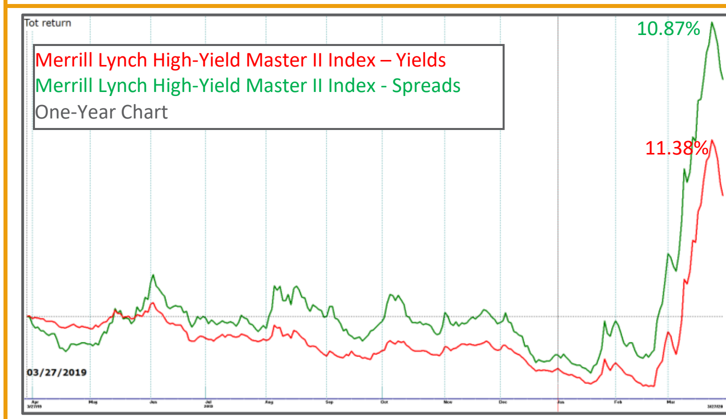


The steep waterfall decline that emerged over the last month MAY be abating. The S&P 500 Composite Index fell a jaw-dropping 33.9% over 23 trading days between Feb 19 and March 23. It has since recovered a portion of that decline by rising 17.4% over the last five trading days but still has to climb another 28.9% to regain the all-time high set last month.

Generally, stock market crashes are not followed by a V-shaped bottom that we are seeing currently, so I suspect that we will continue to see some volatility as the market digests the impacts of COVID-19 on the global economy.



The Merrill Lynch High-Yield Master II Index (junk bond index) fell along with the rest of the stock market. Over the same 23 trading days mentioned above, the junk bond index fell 21.5% (the second largest decline in the last 20 years). It has also enjoyed a nice recovery, jumping 8.7% over the last five trading days. When junk bonds reverse course in a definitive manner such as this, it is generally a positive sign for junk bonds and the broader equity market.



To confirm what we are seeing with junk bond prices, it is helpful to look at junk bond yields and junk bond spreads.

Junk bond yields represent the average interest an investor would receive from the bonds in the index. Junk bond spreads represent the difference between junk bonds and equivalent duration treasuries.

As a general rule, any time junk bond yields and spreads rise over 9% AND reverse, it is an indication that the market environment is improving. Junk bonds yields and spreads exceeded 9% during this crisis and are starting to retreat.

While it is clear that the market environment has improved over the last week, it is less clear if the recent low will be the low for this crisis. I believe that we should expect a continuation of the elevated volatility until the impacts of the coronavirus and the intentional shut down of a big portion of the global economy are clearer. Once a definitive bottom is in place, there will be a rare opportunity for low volatility gains.

The RGB Flex+ strategy, moved to a reduced risk profile, maintains some exposure to the market and is benefiting from the recent rebound. In the RGB Core strategies, which moved primarily to cash in late February, I have made some initial purchases to start taking advantage of the opportunity that is developing. The RGB Balanced strategies, which incorporate both the Flex+ and Core strategies, are benefiting from the positive aspects of both strategies. Thank you for your continued trust during these highly unusual times in the market.

Prepared with data through 3/30/2020