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First Quarter (Q1) 2020 Review *April 2, 2020*

The COVID-19 pandemic has weighed heavily on global financial markets since late February. All asset classes except safe haven Treasuries came under swift selling pressure that intensified through March. At the same time, a price war between producers Russia and Saudi Arabia, sent the price of crude oil down 24% in a single day on March 18 to the lowest level since 2001. Today, as I write, the price of crude is up 24% on speculation a truce will be reached.

Stock markets around the world tumbled hard. The S&P 500 Stock ETF (SPY) returned -19.4% in Q1 following a gain of +31.2% in 2019. U.S. stocks performed better than most other countries. ***Investment grade corporate bonds*** came under extraordinary pressure before meaningfully recovering into quarter-end. The ***high-yield bond market (HYB)*** was hit hard and has recovered some. Safe haven Treasuries advanced. The U.S. Federal Reserve acted quickly and decisively to unleash massive credit market liquidity and exceptionally broad monetary stimulus to support the economy during an expected compressed period of economic contraction. Other central bankers followed the U.S. lead. Oversold markets began to rebound in the final week of March, led by corporate bonds. We expect volatility to continue.

Markets Summary

Reference Index Fund	Income Yield %	% Below 1 yr High	*Performance for the Period* Q1-2020	2019	2018	2017	*Average Annual Performance* 3 Yrs	5 Yrs	10 Yrs	15 Yrs
Short-Term Treasury Bond	2.2	0.0	2.7	3.6	1.4	0.4	2.6	1.8	1.5	2.5
Intermediate-Term Treasury Bond	2.0	0.3	6.7	6.3	1.0	1.6	4.9	3.3	3.7	4.4
Intermediate-Term Investment Grade Bond	3.1	5.7	-0.5	10.5	-0.5	4.3	4.0	3.3	4.7	5.0
High-Yield Bond	5.9	12.3	-10.6	15.9	-2.9	7.1	1.8	3.0	5.6	5.7
S&P 500 Stock ETF (SPY)	2.3	24.0	-19.4	31.2	-4.6	21.7	5.1	6.7	10.4	7.5
Small-Cap Stock	1.8	32.3	-30.1	27.2	-9.4	16.1	-3.4	0.3	7.7	6.6
Total International Stock	3.8	25.8	-24.3	21.4	-14.4	27.4	-2.6	-0.7	2.0	3.2

Except for SPY, data is for Vanguard funds. All returns include reinvested income. Income (dividend) yield shown is SEC format.

Near-term, the number of confirmed COVID-19 U.S. patients will rise dramatically and appear to be overwhelmingly negative. Impatient financial markets will remain volatile as investors digest the data and gauge the eventual success of suppression strategies (lockdowns, high volume quick result testing, effectiveness of therapeutics, etc.) intended to flatten the curve. Some incrementally positive developments will almost surely emerge on the health front. Meanwhile, massive fiscal and monetary actions should be supportive. Without a doubt, the news will get worse, but its ability to shock us will probably diminish. The stock market decline discounts much of the bad news to come.

Our approach to stock investing is totally focused on high quality, U.S. based growth companies that have the size and scale to compete and win worldwide – innovative businesses investing in themselves to fuel growth. Consistent with our strategy, we plan to continue holding most/nearly all the 28 stocks we own. Some stocks have been or are being hit harder than others, which sets up many more relative value disparities than existed weeks ago. We plan to continue selectively increasing the size of some currently held positions while reducing others. Additionally, many other companies in our focus universe that we do not own have become historically attractive, so we expect to execute some opportunistic swaps. We are laser focused on our companies and opportunities. As research partners and investors, Mark Hogan and I routinely talk with management teams of companies that GPM invests in. We prefer businesses with strong balance sheets that provide flexibility to take care of all stakeholders during economic rough patches. We believe strong companies will come out stronger on the other side. We remain committed to the research-focused, long-term, low-turnover growth-oriented investment strategy that has served GPM clients well throughout my nearly 30 years of investing.

S&P 500 Stock Index

10 Year Treasury Yield: 0.70% from 1.92%

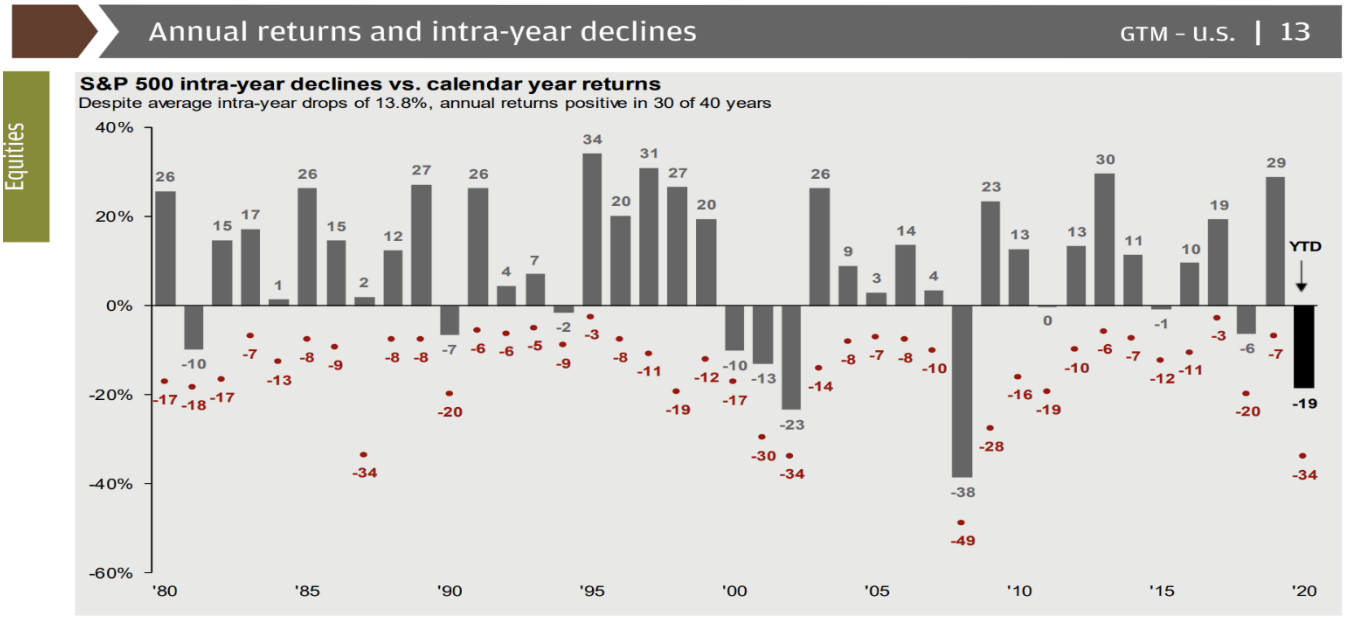
10 Year Treasury Price

Corporate Bonds

High-Yield Bonds

U.S. Real GDP

I have experienced numerous bear markets brought on by financial panics, wars, terrorist attacks, political developments, and other highly disruptive events. While none were pandemic driven, the list includes interest rates of 17% in 1982; the 1987 market crash; 2000-2002 internet bubble burst and 9/11/2001 terrorist attacks; the 2008-09 financial crisis; and now COVID-19. **In this selloff, the S&P 500 declined 34% in four weeks from high to low before recovering 15% in the final seven days of March to end the first quarter down 19.5%.**



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2019, over which time period the average annual return was 8.9%.
Guide to the Markets – U.S. Data are as of March 26, 2020.

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J.P.Morgan
Asset Management

Stock Portfolio Insight	***Managed Accounts in Brief***
Sector Allocation Breakdown Technology: 43.2% Industrials: 24.2% Healthcare: 13.7% Consumer Cyclical: 8.4% Communication Services: 6.0% Financial Services: 4.6% 100% **# of Cos. that Raised Dividend** *First Quarter: 2* *Year-to-date 2020: 2* *Range of increase: 15% to 16%* ***March**: None* **Portfolio Company Averages** Dividend yield: 2.07% Market Cap: $196 bil ROE past 12 mos: 20.7% ROE past 5 years: 24.9% P/E 5-year average: 35.3X P/E trailing 12 months: 22.2X P/E forward 12 months est: 20.2X ***Data is approximate @ quarter-end.***	Our long-term growth accounts are normally invested 100% in stocks. Balanced accounts take a more conservative approach and hold stocks and bonds. Growth and balanced accounts normally hold the same stocks. We focus on U.S. based industry leaders that compete and win around the world – innovative companies with track records of delivering rewarding long-term growth in sales, earnings, cash flow, dividends, and ultimately stock prices. ***At quarter-end we held 28 stocks***. ***GPM stock portfolios lost ground with the broad market in Q1.*** During the quarter, we sold out of two positions and reduced the size of several others. Proceeds from these and fourth quarter sales were used to add five new stocks and selectively increase the size of some core positions. We deployed new money deposits opportunistically. Our strategy is to be fully invested nearly all the time. ***Balanced accounts also lost ground in Q1***. Results were negatively impacted by sharp price declines in stocks and high-yield bonds. The largest part of the bond component in balanced accounts is investment grade corporate bonds, where losses were much smaller in magnitude than declines in stocks and high-yield bonds, but still extraordinarily large for this class. We expect the corporate bond market to continue to recover as we come out of this economic shutdown. We believe the Fed will remain focused on supporting the credit markets.

Opportune times like we believe we are in today enable us to buy high quality companies at attractive prices and hold for the long term. We believe now is such a time even if a market rebound is not yet visible.

Investing today requires optimism about our future.

If it is not already a great time to own high quality U.S. stocks, we believe it will soon be. Interest rates have never been lower. Low interest rates make stocks more attractive. Government monetary stimulus has never been greater. The more stimulus there is, the more attractive stocks are. Massive fiscal stimulus is on the way. According to U.S. Treasury Secretary Steven Mnuchin, "we are in the second inning" of what the government plans to do.

All GPM team members continue to work remotely from our homes. We are all safe and healthy. Our technology gives us full and secure access to all our data, research, and portfolio management and reporting platforms, enabling us to operate with a high level of productivity from nearly any remote location. Feel free to call or email us as usual.

Please be safe and stay healthy. Thank you for allowing GPM to serve as your investment manager and advisor.

Sincerely, Tim Griffin and the *GPM Team*