



MARKET
ENVIRONMENT

MARKET ENVIRONMENT 1Q20: GLOBAL ECONOMY

Global equities declined significantly over the quarter as the coronavirus outbreak spread. The S&P 500 plunged 19.6% in the first quarter, its worst quarterly return since the Global Financial Crisis. Shares fell across developed markets as countries went into lockdown to try to contain the outbreak. Emerging markets equities also sold off with currency depreciation being a key driver.

U.S. Equity

- S&P 500 Index returned -19.6% in Q1
 - All sectors experienced double-digit declines
 - IT (-11.9%), Health Care (-12.7%) and Consumer Staples (-12.7%) felt the least pain
 - Energy (-50.5%) fell the most with the addition of the oil price war weighing heavily
 - Financials (-31.9%) and Industrials (-27.1%) also fell sharply
 - The “FAAMG” stocks had an average return of -7.9% in Q1, led by Amazon (+5.5%) and Microsoft (+0.3%)
- Growth significantly outperformed Value
 - R1000 Growth Index (-14.1%) benefited from IT exposure
 - R1000 Value (-26.7%) struggled with relatively heavy weights in Energy and Financials
 - Defensive stocks outperformed Dynamic stocks by a wide margin in Value, but by a slim margin in Growth
- Large caps outperformed small caps
 - R1000: -20.2%
 - R2000: -30.6%
 - Small cap value (R2000 Value: -35.7%) saw the sharpest decline

Global

- Global ex-U.S. equity indices fell sharply in the first quarter; nearly all countries/sectors posted losses
 - EAFE: -22.8%
 - ACWI ex-U.S.: -23.4%
 - Top sector performers (EAFE) included Health Care, Utility, Consumer Staples and IT
 - Similar to the U.S., Value trailed Growth by 11% for the quarter
 - Canada (-27.5%), the U.K. (-28.8%), and Australia (-33.3%) were among the worst performers while Japan (-17%) fared better
- U.S. Dollar appreciated against most DM currencies in Q1
 - USD posted a sharp gain versus the Australian dollar, the New Zealand dollar, as well as some major EM currencies such as the Brazilian real, the Mexican peso and the Russia ruble
 - USD underperformed modestly against the Japanese yen and the Hong Kong dollar
- Emerging markets also tumbled, slightly underperformed developed markets
 - MSCI EM: -23.6%
 - Brazil (-50.2%) was the weakest market followed by Colombia (-49.7%). Both adversely impacted due to the fall in crude oil prices
 - Greece (-45.2%), South Africa (-40.3%), Russia (-36.4%) and Mexico (-35.5%) all underperformed
 - China (-10.2%) performed relatively well; China A shares (-9.7%) slightly outperformed the offshore market

MARKET ENVIRONMENT 1Q20: GLOBAL FIXED INCOME

U.S. Treasury yields fell to record lows in March as investors sought safety and the Fed cut rates to 0%-0.25%. Overseas, developed ex-U.S. market returns were relatively flat in broad terms. Emerging market debt underperformed in the risk-off environment.

U.S. Fixed Income

- U.S. Treasury yields fell to record lows in March
 - 2-year U.S. Treasury Note fell from 1.58% to 0.23%
 - 10-year Treasury dropped from 1.92% to 0.70% over the quarter
 - 30-year Treasury yield dropped 104 bps and closed at 1.35%
- Bloomberg Barclays Aggregate rose 3.1%
 - Bloomberg Barclays US Treasury: +8.2%
 - Bloomberg Barclays Corporate: -3.6%
- TIPS sharply underperformed nominal Treasuries as expectations for inflation sank
 - 10-year breakeven spread ended the quarter at 87bps, down sharply from 177 bps (12/2019)
 - Bloomberg Barclays TIPS Index: +1.7%
- High Yield fell sharply and ended the quarter with a yield-to-worst of 9.4% though it topped 10% in mid-March, the highest level since GFC
 - Bloomberg Barclays High Yield Corp: -12.7%
 - Leveraged loans performed even worse (S&P LSTA: -13.0%) and both high yield and loans experienced heavy outflows
- Municipals underperformed U.S. Treasuries as the sector experienced record outflows and a dramatic decline in liquidity
 - Bloomberg Barclays Municipal Bond Index: -0.6%

Non-U.S. Fixed Income

- Returns were relatively flat across developed markets
 - Bloomberg Barclays Global Agg ex-U.S. (unhedged): -2.7%
 - Bloomberg Barclays Global Agg ex-U.S. (hedged): +0.5%
 - The German 10-year yield fell from -0.19% to -0.49% and France's declined from 0.12% to 0%
 - The Italian 10-year yield rose from 1.41% to 1.57% and Spain's increased from 0.47% to 0.71%
 - The UK 10-year yield fell from 0.82% to 0.32%
- Emerging market debt was hit hard; local currency bonds saw the heaviest falls
 - The U.S. dollar-denominated JPM EMBI Global Diversified Index dropped 13.4%
 - Local currency emerging market debt, as measured by the JPM GBI-EM Global Diversified, also fell 15.2% in Q1
 - Brazil: -21.5%
 - Mexico: -19.3%
 - Colombia: -21.5%
 - South Africa: -28.8%

MARKET ENVIRONMENT 1Q20: REAL ASSETS

Real asset returns were significantly challenged during the first quarter of 2020, March in particular, as almost the entire space (except gold and TIPS) experienced performance not seen since the Global Financial Crisis.

- TIPS sharply underperformed nominal Treasuries as expectations for inflation sank
 - 10-year breakeven spread ended the quarter at 87bps, down sharply from 177 bps (12/2019)
 - Bloomberg Barclays TIPS Index: +1.7%
- Both listed infrastructure and real estate were hampered by the outlook and immediate impact of the COVID-19 pandemic
 - DJ-Brookfield Global Infrastructure Index: -20.9%
 - FTSE NAREIT: -27.3%
 - FTSE EPRA/NAREIT Global: -28.5%
 - Real estate sectors such as Retail and Hospitality are more sensitive to the fallout from the coronavirus while Industrial, Storage, and Office are more insulated
- Demand shock caused by the Coronavirus coupled with a surge in supply from the Saudi/Russia price war led to a 67% decline in crude oil prices
 - S&P 1200 Energy: -44.4%
 - Alerian MLP Index: -57.2%
- Commodities fell sharply while gold rose
 - Bloomberg Commodity TR Index: -23.3%
 - S&P GSCI Commodity Index (-42.3%) fell sharply due to the meltdown in Energy
 - S&P Gold Spot Price Index rose 4.8%, benefitting from the safe-haven role during the market downturn

HISTORICAL INVESTMENT PERFORMANCE

Benchmark performance over past 30 years

Returns for periods ended March 31, 2020

	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 25 Years	Last 30 Years
Domestic Equity Benchmarks													
Russell:3000 Index	(20.9)	(20.9)	(9.1)	(0.6)	4.0	7.4	5.8	9.0	10.1	7.5	4.9	8.8	9.3
Russell:1000 Index	(20.2)	(20.2)	(8.0)	0.3	4.6	7.7	6.2	9.3	10.4	7.6	4.9	8.9	9.4
Russell:1000 Value	(26.7)	(26.7)	(17.2)	(6.4)	(2.2)	2.8	1.9	5.6	7.7	5.4	5.4	8.3	8.8
Russell:1000 Growth	(14.1)	(14.1)	0.9	6.7	11.3	12.4	10.4	12.9	13.0	9.7	4.0	9.1	9.6
Russell:Midcap Index	(27.1)	(27.1)	(18.3)	(6.7)	(0.8)	3.4	1.8	6.4	8.8	7.2	6.8	9.6	10.2
Russell:Midcap Value	(31.7)	(31.7)	(24.1)	(11.6)	(6.0)	(0.1)	(0.8)	4.1	7.2	6.0	7.8	9.4	10.0
Russell:Midcap Growth	(20.0)	(20.0)	(9.4)	0.5	6.5	8.4	5.6	9.5	10.9	8.6	4.4	9.1	9.9
Russell:2000 Index	(30.6)	(30.6)	(24.0)	(11.9)	(4.6)	2.3	(0.2)	4.2	6.9	5.7	5.3	7.6	8.2
Russell:2000 Value	(35.7)	(35.7)	(29.6)	(16.0)	(9.5)	(1.1)	(2.4)	1.8	4.8	4.1	6.8	8.1	8.9
Russell:2000 Growth	(25.8)	(25.8)	(18.6)	(8.0)	0.1	5.4	1.7	6.5	8.9	7.2	3.5	6.6	7.2
Non-US Equity Benchmarks													
MSCI:EAFE	(22.8)	(22.8)	(14.4)	(9.2)	(1.8)	1.4	(0.6)	1.8	2.7	3.1	2.0	4.0	4.4
MSCI:ACWI ex US	(23.4)	(23.4)	(15.6)	(10.1)	(2.0)	1.6	(0.6)	1.1	2.1	3.4	--	--	--
MSCI:EM	(23.6)	(23.6)	(17.7)	(12.7)	(1.6)	2.8	(0.4)	(0.4)	0.7	5.4	--	--	--
MSCI:EAFE Small Cap	(27.5)	(27.5)	(18.1)	(13.9)	(2.9)	0.4	1.0	3.3	4.8	4.4	5.6	--	--
MSCI:Frontier Markets	(26.6)	(26.6)	(19.0)	(17.0)	(4.3)	(0.3)	(2.9)	0.6	1.0	0.5	--	--	--
Domestic Fixed Income Benchmarks													
Blmbg:Aggregate	3.1	3.1	8.9	6.7	4.8	3.7	3.4	3.2	3.9	4.4	5.1	5.5	6.0
Blmbg:HY Corp	(12.7)	(12.7)	(6.9)	(0.7)	0.8	4.5	2.8	3.3	5.6	6.3	6.5	6.7	7.9
Blmbg:Municipal	(0.6)	(0.6)	3.8	4.6	4.0	3.0	3.2	3.3	4.1	4.3	4.9	5.1	5.6
Blmbg:Gov/Cred 1-3 Yr	1.7	1.7	4.5	3.8	2.6	2.1	1.9	1.6	1.6	2.6	3.2	3.8	4.4
Blmbg:TIPS	1.7	1.7	6.8	4.8	3.5	3.0	2.7	1.4	3.5	3.9	5.4	--	--
Non-US Fixed Income Benchmarks													
Blmbg:Glb Agg xUSD	(2.7)	(2.7)	0.7	(1.7)	2.6	0.9	2.0	0.4	1.4	2.4	3.9	3.8	5.5
Blmbg:Glb Agg xUSD Hdq	0.5	0.5	5.0	5.1	4.5	3.7	3.6	4.1	4.2	4.4	4.7	5.8	6.1
JPM:EMBI Global Divsfd	(13.4)	(13.4)	(6.8)	(1.5)	0.4	2.5	2.8	2.9	4.9	6.3	7.8	10.1	--
JPM:GBI-EM Global Divsfd	(15.2)	(15.2)	(6.5)	(7.0)	(0.8)	0.7	0.3	(2.5)	0.5	4.2	--	--	--

Source: Callan

HISTORICAL INVESTMENT PERFORMANCE

Annual benchmark performance

1 Qtr.

2020 2019 2018 2017 2016 2015 2014 2013 2012 2011 2010 2009 2008 2007 2006 2005 2004 2003 2002 2001

Domestic Equity Benchmarks

Russell:3000 Index	(20.9)	31.0	(5.2)	21.1	12.7	0.5	12.6	33.6	16.4	1.0	16.9	28.3	(37.3)	5.1	15.7	6.1	11.9	31.1	(21.5)	(11.5)
Russell:1000 Index	(20.2)	31.4	(4.8)	21.7	12.1	0.9	13.2	33.1	16.4	1.5	16.1	28.4	(37.6)	5.8	15.5	6.3	11.4	29.9	(21.7)	(12.4)
Russell:1000 Value	(26.7)	26.5	(8.3)	13.7	17.3	(3.8)	13.5	32.5	17.5	0.4	15.5	19.7	(36.8)	(0.2)	22.2	7.1	16.5	30.0	(15.5)	(5.6)
Russell:1000 Growth	(14.1)	36.4	(1.5)	30.2	7.1	5.7	13.0	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	(20.4)
Russell:Midcap Index	(27.1)	30.5	(9.1)	18.5	13.8	(2.4)	13.2	34.8	17.3	(1.5)	25.5	40.5	(41.5)	5.6	15.3	12.7	20.2	40.1	(16.2)	(5.6)
Russell:Midcap Value	(31.7)	27.1	(12.3)	13.3	20.0	(4.8)	14.7	33.5	18.5	(1.4)	24.8	34.2	(38.4)	(1.4)	20.2	12.6	23.7	38.1	(9.6)	2.3
Russell:Midcap Growth	(20.0)	35.5	(4.8)	25.3	7.3	(0.2)	11.9	35.7	15.8	(1.7)	26.4	46.3	(44.3)	11.4	10.7	12.1	15.5	42.7	(27.4)	(20.2)
Russell:2000 Index	(30.6)	25.5	(11.0)	14.6	21.3	(4.4)	4.9	38.8	16.3	(4.2)	26.9	27.2	(33.8)	(1.6)	18.4	4.6	18.3	47.3	(20.5)	2.5
Russell:2000 Value	(35.7)	22.4	(12.9)	7.8	31.7	(7.5)	4.2	34.5	18.1	(5.5)	24.5	20.6	(28.9)	(9.8)	23.5	4.7	22.2	46.0	(11.4)	14.0
Russell:2000 Growth	(25.8)	28.5	(9.3)	22.2	11.3	(1.4)	5.6	43.3	14.6	(2.9)	29.1	34.5	(38.5)	7.0	13.3	4.2	14.3	48.5	(30.3)	(9.2)

Non-US Equity Benchmarks

MSCI:EAFE	(22.8)	22.0	(13.8)	25.0	1.0	(0.8)	(4.9)	22.8	17.3	(12.1)	7.8	31.8	(43.4)	11.2	26.3	13.5	20.2	38.6	(15.9)	(21.4)
MSCI:ACWI ex US	(23.4)	21.5	(14.2)	27.2	4.5	(5.7)	(3.9)	15.3	16.8	(13.7)	11.2	41.4	(45.5)	16.7	26.7	16.6	20.9	40.8	(14.9)	(19.7)
MSCI:EM	(23.6)	18.4	(14.6)	37.3	11.2	(14.9)	(2.2)	(2.6)	18.2	(18.4)	18.9	78.5	(53.3)	39.4	32.2	34.0	25.6	55.8	(6.2)	(2.6)
MSCI:EAFE Small Cap	(27.5)	25.0	(17.9)	33.0	2.2	9.6	(4.9)	29.3	20.0	(15.9)	22.0	46.8	(47.0)	1.4	19.3	26.2	30.8	61.3	(7.8)	(12.5)
MSCI:Frontier Markets	(26.6)	18.0	(16.4)	31.9	2.7	(14.5)	6.8	25.9	8.9	(18.7)	23.7	11.6	(54.1)	41.9	(8.9)	72.7	22.6	43.5	--	--

Domestic Fixed Income Benchmarks

Blmbg:Aggregate	3.1	8.7	0.0	3.5	2.6	0.5	6.0	(2.0)	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3	8.4
Blmbg:HY Corp	(12.7)	14.3	(2.1)	7.5	17.1	(4.5)	2.5	7.4	15.8	5.0	15.1	58.2	(26.2)	1.9	11.8	2.7	11.1	29.0	(1.4)	5.3
Blmbg:Municipal	(0.6)	7.5	1.3	5.4	0.2	3.3	9.1	(2.6)	6.8	10.7	2.4	12.9	(2.5)	3.4	4.8	3.5	4.5	5.3	9.6	5.1
Blmbg:Gov/Cred 1-3 Yr	1.7	4.0	1.6	0.8	1.3	0.7	0.8	0.6	1.3	1.6	2.8	3.8	5.0	6.8	4.3	1.8	1.3	2.8	6.3	8.8
Blmbg:TIPS	1.7	8.4	(1.3)	3.0	4.7	(1.4)	3.6	(8.6)	7.0	13.6	6.3	11.4	(2.4)	11.6	0.4	2.8	8.5	8.4	16.6	7.9

Non-US Fixed Income Benchmarks

Blmbg:Glb Agg xUSD	(2.7)	5.1	(2.1)	10.5	1.5	(6.0)	(3.1)	(3.1)	4.1	4.4	4.9	7.5	4.4	11.0	8.2	(8.6)	12.5	19.4	22.4	(3.7)
Blmbg:Glb Agg xUSD Hdq	0.5	7.6	3.2	2.5	4.9	1.4	8.8	1.2	6.5	3.9	3.3	4.4	5.7	4.3	3.2	5.4	5.3	2.4	6.8	6.3
JPM:EMBI Global Divsfd	(13.4)	15.0	(4.3)	10.3	10.2	1.2	7.4	(5.2)	17.4	7.3	12.2	29.8	(12.0)	6.2	9.9	10.2	11.6	22.2	13.7	9.7
JPM:GBI-EM Global Divsfd	(15.2)	13.5	(6.2)	15.2	9.9	(14.9)	(5.7)	(9.0)	16.8	(1.8)	15.7	22.0	(5.2)	18.1	15.2	6.3	23.0	16.9	--	--

Source: Callan

PERIODIC TABLE OF INVESTMENT RETURNS

2011	2012	2013	2014	2015	2016	2017	2018	2019	1 Qtr. 2020
Blmbg Barclays Aggregate 7.84%	MSCI Emerging Markets 18.23%	Russell 2000 Index 38.82%	S&P 500 13.69%	S&P 500 1.38%	Russell 2000 Index 21.31%	MSCI Emerging Markets 37.28%	3 Month T-Bill 1.87%	S&P 500 31.49%	Blmbg Barclays Aggregate 3.15%
JPM EMBI Global Dvsfd 7.35%	JPM EMBI Global Dvsfd 17.44%	S&P 500 32.39%	JPM EMBI Global Dvsfd 7.43%	JPM EMBI Global Dvsfd 1.18%	Blmbg Barclays Corp High Yield 17.13%	MSCI ACWI ex US 27.19%	Blmbg Barclays Aggregate 0.01%	Russell 2000 Index 25.52%	3 Month T-Bill 0.57%
Blmbg Barclays Corp High Yield 4.98%	MSCI ACWI ex US 16.83%	MSCI ACWI ex US 15.29%	Blmbg Barclays Aggregate 5.97%	Blmbg Barclays Aggregate 0.55%	S&P 500 11.96%	S&P 500 21.83%	Blmbg Barclays Corp High Yield -2.08%	MSCI ACWI ex US 21.51%	Blmbg Barclays Global Agg ex US -2.68%
Blmbg Barclays Global Agg ex US 4.36%	Russell 2000 Index 16.35%	Blmbg Barclays Corp High Yield 7.44%	Russell 2000 Index 4.89%	3 Month T-Bill 0.05%	MSCI Emerging Markets 11.19%	Russell 2000 Index 14.65%	Blmbg Barclays Global Agg ex US -2.15%	MSCI Emerging Markets 18.44%	Blmbg Barclays Corp High Yield -12.68%
S&P 500 2.11%	S&P 500 16.00%	3 Month T-Bill 0.07%	Blmbg Barclays Corp High Yield 2.45%	Russell 2000 Index -4.41%	JPM EMBI Global Dvsfd 10.15%	Blmbg Barclays Global Agg ex US 10.51%	JPM EMBI Global Dvsfd -4.26%	JPM EMBI Global Dvsfd 15.04%	JPM EMBI Global Dvsfd -13.38%
3 Month T-Bill 0.10%	Blmbg Barclays Corp High Yield 15.81%	Blmbg Barclays Aggregate -2.02%	3 Month T-Bill 0.03%	Blmbg Barclays Corp High Yield -4.47%	MSCI ACWI ex US 4.50%	JPM EMBI Global Dvsfd 10.26%	S&P 500 -4.38%	Blmbg Barclays Corp High Yield 14.32%	S&P 500 -19.60%
Russell 2000 Index -4.18%	Blmbg Barclays Aggregate 4.21%	MSCI Emerging Markets -2.60%	MSCI Emerging Markets -2.19%	MSCI ACWI ex US -5.66%	Blmbg Barclays Aggregate 2.65%	Blmbg Barclays Corp High Yield 7.50%	Russell 2000 Index -11.01%	Blmbg Barclays Aggregate 8.72%	MSCI ACWI ex US -23.36%
MSCI ACWI ex US -13.71%	Blmbg Barclays Global Agg ex US 4.09%	Blmbg Barclays Global Agg ex US -3.08%	Blmbg Barclays Global Agg ex US -3.09%	Blmbg Barclays Global Agg ex US -6.02%	Blmbg Barclays Global Agg ex US 1.49%	Blmbg Barclays Aggregate 3.54%	MSCI ACWI ex US -14.20%	Blmbg Barclays Global Agg ex US 5.09%	MSCI Emerging Markets -23.60%
MSCI Emerging Markets -18.42%	3 Month T-Bill 0.11%	JPM EMBI Global Dvsfd -5.24%	MSCI ACWI ex US -3.87%	MSCI Emerging Markets -14.92%	3 Month T-Bill 0.33%	3 Month T-Bill 0.86%	MSCI Emerging Markets -14.57%	3 Month T-Bill 2.28%	Russell 2000 Index -30.61%

Source: Callan

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