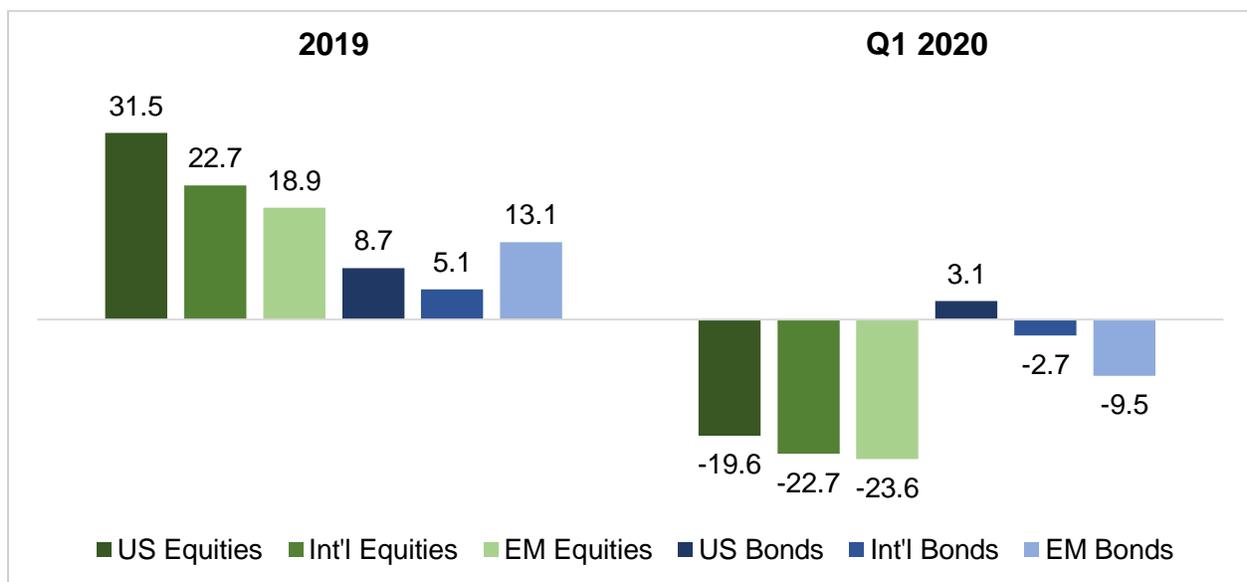


QUARTERLY Market Review



Market Review

- Equity markets took their fastest tumble in history from a record high.** In 18 trading days, the US equity markets fell more than 30%. For the full quarter, US equity markets returned -19.6% marking its worst start to the year in history.
- Surprisingly, it wasn't a defensive sector that held up best in the downturn.** Technology was the best performing sector, returning -11.9% helped by Microsoft that saw a positive 1 basis point return for the quarter. Consumer staples and utilities, the bond proxy sectors, outperformed the broad market while energy saw the weakest returns at -50.5%, hurting from the over 50% drop in oil prices for the quarter.



Source: AssetMark, Morningstar

- International markets fell along with the US markets** with the developed markets returning -22.7% and the emerging markets returning -23.6%. Only two countries, New Zealand and Denmark, fell by less than 10% over the quarter and China only fell by 10.2%, which was the main reason emerging markets outperformed developed markets in local-currency terms. Once again, the strengthening dollar weakened returns for US investors.
- The tumultuous fall in the equity markets created carnage the bond market.** As liquidity dried up in the bond markets, with investors selling anything they could, the Federal Reserve stepped in to help limit any further carnage to the bond market.

Lowering rates and offering almost unlimited quantitative easing programs, bond sectors gaining support from the Federal Reserve started to recover and regain ground.

- **The US bond market ended the quarter up 3.1% aided by the strength of Treasuries.** The flight to safety saw Treasuries rally, with the longer duration Treasuries seeing a return of 20.9% for the quarter.
- **The sensitivity of high-yield bonds to the equity markets saw them register double digit losses** at -12.7%. Bank loans also saw double-digit losses, at -12.0% as the Fed lowered interest rates to 0%.
- **Within the securitized sector asset-backed securities (ABS) and agency mortgage-backed securities (MBS) regained ground following the market rout** and saw a small positive return for the quarter. However, without the support the Federal Reserve, the non-agency MBS market saw a return of -13.4%.
- **REITs (real estate investment trusts) and commodities were among the weakest asset classes, falling 23.4% for US REITs, 29.9% for global REITs and 23.3% for commodities.** Social distancing impacted REITs with the biggest pain felt in malls, retail and hotels, while commodities were significantly hurt by energy, with only gold providing a positive return for the quarter reflecting the flight to safety.

Asset classes are represented by the following indexes:

Emerging Markets Bonds	Bloomberg Barclays Emerging Markets USD Aggregate - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.
Global Bonds	Bloomberg Barclays Global Aggregate – is an index of global investment grade debt from 24 local currency markets including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities, and debt from five local currency markets.
US Bonds	Barclays US Aggregate — measures the market of USD-denominated, investment grade, fixed-rate taxable bond market of SEC-registered securities, including bonds from the Treasury, government-related, corporate, mortgage-backed securities (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS sectors. US Agency Hybrid Adjustable Rate Mortgage (ARM) securities were added to the US Aggregate Index on April 1, 2007.
International Bonds	Bloomberg Barclays Global Aggregate ex USD - is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.
High-Yield Bonds	Bloomberg Barclays US Corporate High Yield - measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.
Investment-Grade Bonds	Bloomberg Barclays US Corporate Investment Grade - is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.
Long-term Treasuries	Bloomberg Barclays US Treasury Long - measures the performance of long term government bonds issued by the US Treasury. It includes all publicly issued, US Treasury securities that have a remaining maturity of 10 or more years, are non-convertible, are denominated in US dollars, are rated investment grade, are fixed rate, and have \$250 million or more of outstanding face value.
Global Equities	MSCI ACWI – is a free float-adjusted capitalization weighted index that is designed to measure the equity performance of countries considered to represent both developed and emerging markets.
International Equities	MSCI EAFE – is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada.
Emerging Markets Equities	MSCI Emerging Markets – is a free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets.
US Equities	S&P 500 – is an unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large cap companies) representing approximately 75% of the investable US equity market.
Mid-Cap Growth	Russell Mid Cap Growth - measures the performance of the mid-cap growth segment of the US equity universe. It includes those Russell Mid Cap Index companies with higher price-to-value ratios and higher forecasted growth values.
Small-Cap Value	Russell 2000 Value - measures the performance of the small-cap value segment of the US equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower expected growth values.
Gold	Bloomberg Sub Gold - is a commodity group sub-index of the Bloomberg Commodity Index composed of futures contracts on Gold. It reflects the return of underlying commodity futures price movements only and is quoted in USD.
Commodities	Bloomberg Commodities - is a broadly diversified benchmark that measures the futures contracts of physical commodities traded on US exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The component weightings are also determined by several rules designed to insure diversified commodity exposure.

REITS	FTSE NAREIT All Equity REITs – measures the performance of publicly traded US real estate securities, such as Real Estate Investment Trusts (REITs) and Real Estate Operating Companies.
Global 60/40 Blend	60% MSCI ACWI / 40% Bloomberg Barclays Global Aggregate – is a blend of global equities and global bonds indexes used as a benchmark for a balanced portfolio.

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15049 | C20-15780 | 4/2020 | EXP 03/31/2021

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