

At-A-Glance

The Dow Industrials and S&P 500 suffered their worst quarterly start to a year ever. The Dow shed 6,621 points (-22.73%) during the quarter. The S&P 500 posted its worst quarterly return since the 4Q 2008.

The Nasdaq Composite fell the least among the major domestic equity indices, down 13.95% last quarter.

Treasury prices rallied, as 10-year yields posted their biggest ever quarterly percentage drop.

Gold spot prices rallied 3.95% during the first quarter, ending at \$1,577.18/oz.

QUARTERLY VANTAGE POINT

First Quarter 2020 Recap

Market Indices ¹	March	1Q 2020	Year-to-Date
S&P 500	-12.35%	-19.60%	-19.60%
Russell 3000	-13.75%	-20.90%	-20.90%
Russell 2000	-21.73%	-30.61%	-30.61%
MSCI EAFE	-13.35%	-22.83%	-22.83%
MSCI Emerging Markets	-15.40%	-23.60%	-23.60%
Barclays U.S. Aggregate Bond	-0.59%	3.15%	3.15%
Barclays U.S. Municipal Bond	-3.63%	-0.63%	-0.63%
Barclays U.S. Corporate High Yield	-11.46%	-12.68%	-12.68%

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

In stark contrast to a strong 2019 in which the S&P 500 surged over 31%, the U.S. benchmark equity index plunged over 23% from its February 19 record high to cap its worst quarterly performance since the financial crisis. The historic 19.60% quarterly drop was caused by growing evidence that the global COVID-19 pandemic and associated business closures and labor furloughs has almost certainly sparked a recession. In just sixteen trading days from the market's record high, the viral contagion abruptly ended the longest bull market in history on March 12, lasting 11 years and three days. It was the fastest bear market slide on record.

Swift unprecedented action from the White House, Congress, and the Federal Reserve has gone a long way toward blunting the harshest economic effects that are yet to be fully known. The U.S. central bank slashed interest rates to nearly zero, renewed asset purchases, and launched new lending facilities while pumping hundreds of billions into credit markets to insure adequate liquidity. Meanwhile, President Trump signed into law a massive \$2 trillion fiscal rescue package to protect American businesses and households. Even amid signs of calming during the last week of the quarter, another massive Congressional stimulus package is already in the works should the coronavirus spread continue to worsen and deepen economic damage.

While investors closely watch for a slowing trend in daily new infections, trading volatility has been overwhelming. The Cboe VIX Volatility "fear factor" Index tripled the average level during the entire past decade, reaching a quarterly peak on March 16.

The small cap-focused Russell 2000 Index fell nearly 31% in the first quarter, its largest loss on record dating back to 1979. Russell Mid Cap stocks fared only marginally better, down just over 27% last quarter. The Russell 1000 Growth Index (-14.10%) widely outperformed its Value (-26.73%) counterpart during the first quarter.

Top Performers – March	Bottom Performers – March ¹
Healthcare (-3.82%)	Industrials (-19.18%)
Consumer Staples (-5.39%)	Financials (-21.31%)
Technology (-8.64%)	Energy (-34.80%)
Top Performers – 1Q and YTD	Bottom Performers – 1Q and YTD ¹
Technology (-11.93%)	Industrials (-27.05%)
Healthcare (-12.67%)	Financials (-31.92%)
Consumer Staples (-12.74%)	Energy (-50.45%)

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

As the preceding sector performance table shows, all 11 sector groups posted monthly and quarterly losses. Unsurprisingly, March and first quarter losses were least in technology and defensive-oriented sectors including healthcare and consumer staples. Energy companies skidded the most, suffering from a 66.4% drop in U.S. crude oil prices, its worst quarter on record. World oil prices sank to 18-year lows amid a simultaneous demand collapse and supply glut stemming from a Saudi/Russian price war likely aimed at curtailing U.S. shale oil production. The number of active U.S. oil drilling rigs in the key Permian basin fell to the lowest level in over five years.

Internationally, foreign equity markets posted slightly deeper quarterly losses relative to the U.S. The MSCI EAFE, a measure of developed markets outside the U.S. and Canada, fell 22.83% during the quarter, while emerging markets lost 23.60%. Globally, the MSCI All-Country World Index fell 21.37% last quarter, while world stocks excluding U.S. performance tumbled 23.36%.

U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, was among the few global safe havens, attracting worldwide buyers that drove returns to 8.08% for the first quarter. Long-term U.S. government bonds surged 20.63%. The yield on benchmark 10-year Treasury notes ended March at just 0.67%, down from where it began the year at 1.92%.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg Barclays U.S. Aggregate Bond Index) underperformed relative to purely safe-haven government debt, up just 3.15% in the first quarter. Municipal bonds lagged other investment-grade bonds last quarter, albeit off just 0.63%. Reflecting greater credit risk for possible rating downgrades and payment defaults, the Bloomberg Barclays U.S. Corporate High Yield Index, the leading gauge of non-investment grade corporate bonds, posted steep quarterly losses, down 12.68% for its worst performance since 2008.

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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 USD_X 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.