Market Backdrop and Investment Outlook

June 2020

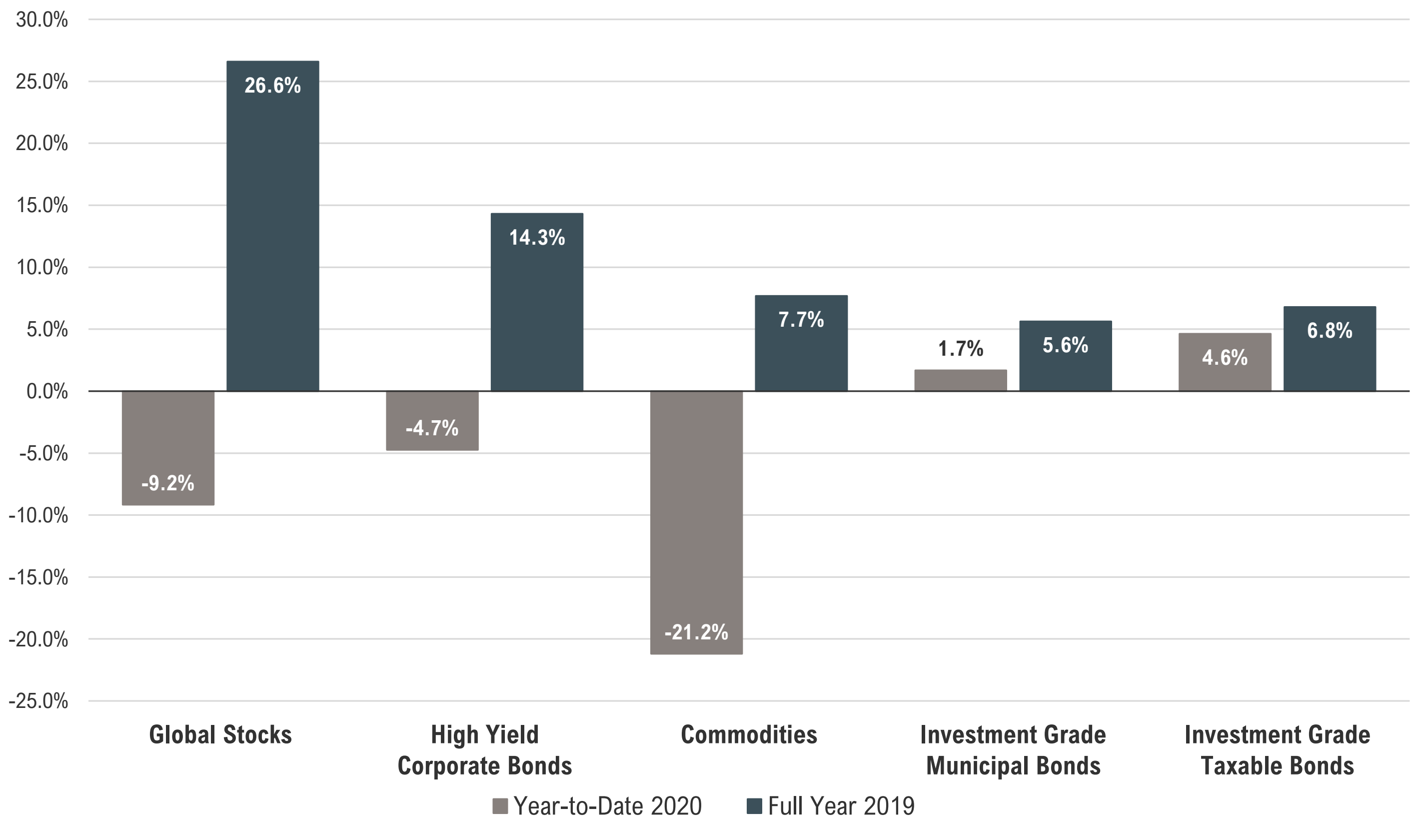
MARKET BACKDROP
Global Market Summary

- The government-ordered shutdowns in response to COVID-19 plunged the world into recession and financial markets into a broad-based drawdown
  - Riskier assets declined sharply while governments bonds benefitted as “safe-haven” assets, but almost all asset categories suffered amid an acute liquidity crunch in March
- Aggressive monetary and fiscal responses have followed
  - Policy makers have already reacted on a greater scale and more rapidly than they did during the global financial crisis
- The US Fed unleashed a series of moves to stabilize markets, slashing the benchmark interest rate to zero and launching a new round of quantitative easing
  - Many central banks globally have announced similar measures, demonstrating a commitment to ensuring liquidity in markets, and preventing the public health crisis from turning into a financial one*
- Massive fiscal spending packages have been announced across the globe
  - On March 27, the US government approved the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, which represents about 10% of GDP and seeks to bridge the income gaps to businesses and individuals caused by the economic shutdown
- Financial markets are showing signs of stabilization amidst early evidence of economic re-opening
  - Equites and other risk asset categories have rallied sharply since late March

*Note: Opinions above based on research as of May 31, 2020. Please see our disclosures at the end of this document. *Source: Rafael Resendes, Co-Founder, The Applied Finance Group.*

MARKET BACKDROP
Broad Asset Category Performance

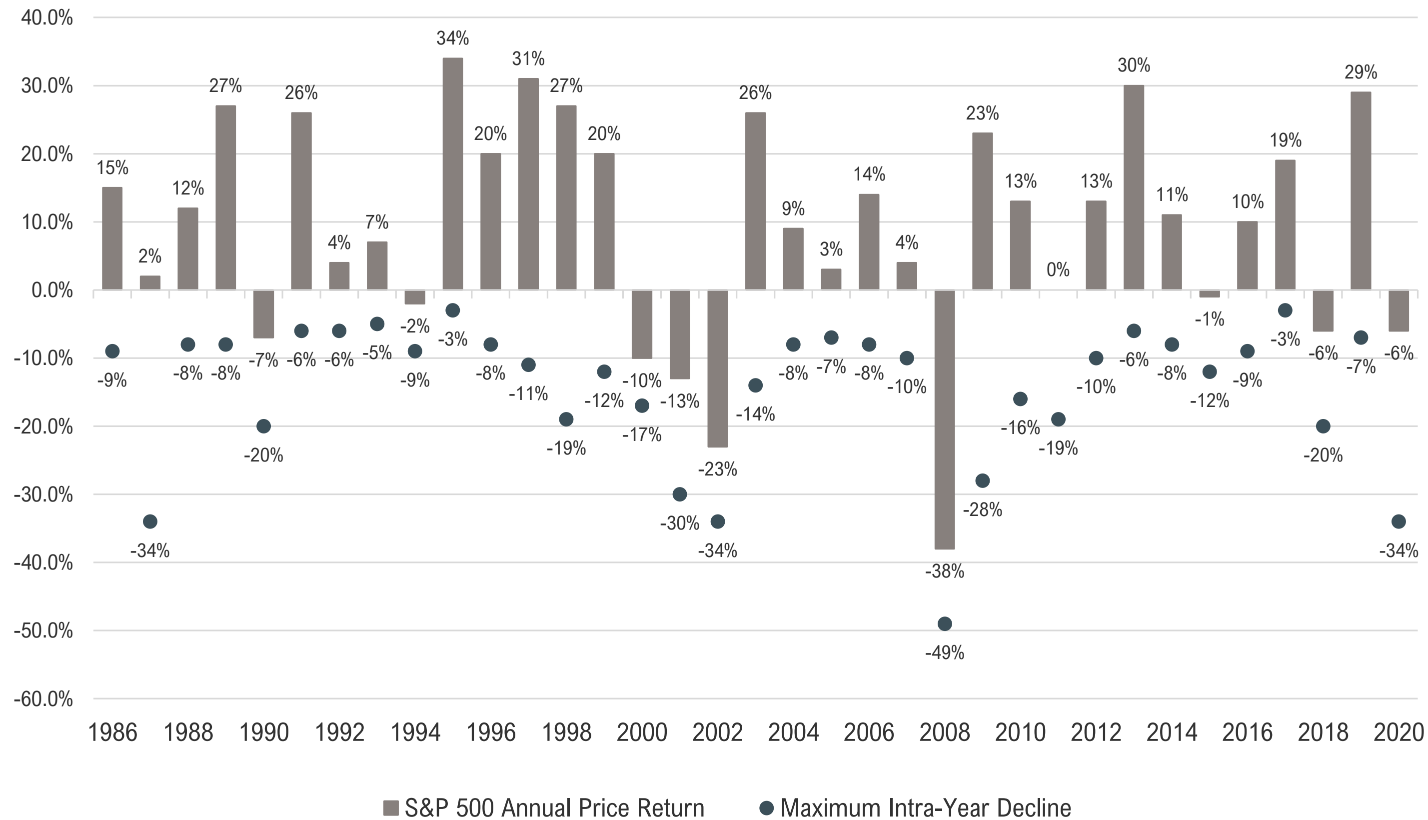
- In a stark contrast to 2019's broad-based gains, risk asset categories have sold off thus far in 2020 with stocks experiencing a bear market, and then a strong recovery
  - The chart below illustrates broad asset category performance defined by market benchmarks



Note: Performance data as of May 31, 2020. Benchmark data obtained from Addepar. Past performance is not indicative of future results. Global stocks (MSCI All Country World Index), high yield corporate bonds (Barclays US Corporate High Yield Index), commodities (Bloomberg Commodity Index), investment grade municipal bonds (Barclays 1-10 Year Municipal Bond Index Index), and investment grade taxable bonds (Barclays Intermediate US Government/Credit Index).

MARKET BACKDROP
Equity Market Intra-Year Declines

- Historically, so-called equity market "corrections" or declines of 5-10% or more have occurred frequently, even in years with positive equity returns
  - The chart below illustrates the S&P 500 annual price returns and intra-year price declines over time



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management as of May 31, 2020. Past performance is not indicative of future results. Returns are based on price index only and do not include dividends. Intra-year declines refers to the largest market declines from a peak to a trough during the year.

MARKET BACKDROP
Periodic Table of Returns

- Except for cash and government bonds, most asset categories have generated negative returns thus far in 2020, though commodities and energy-related investments have fared the worst
  - The table below illustrates annual returns for various asset classes ranked in order of performance

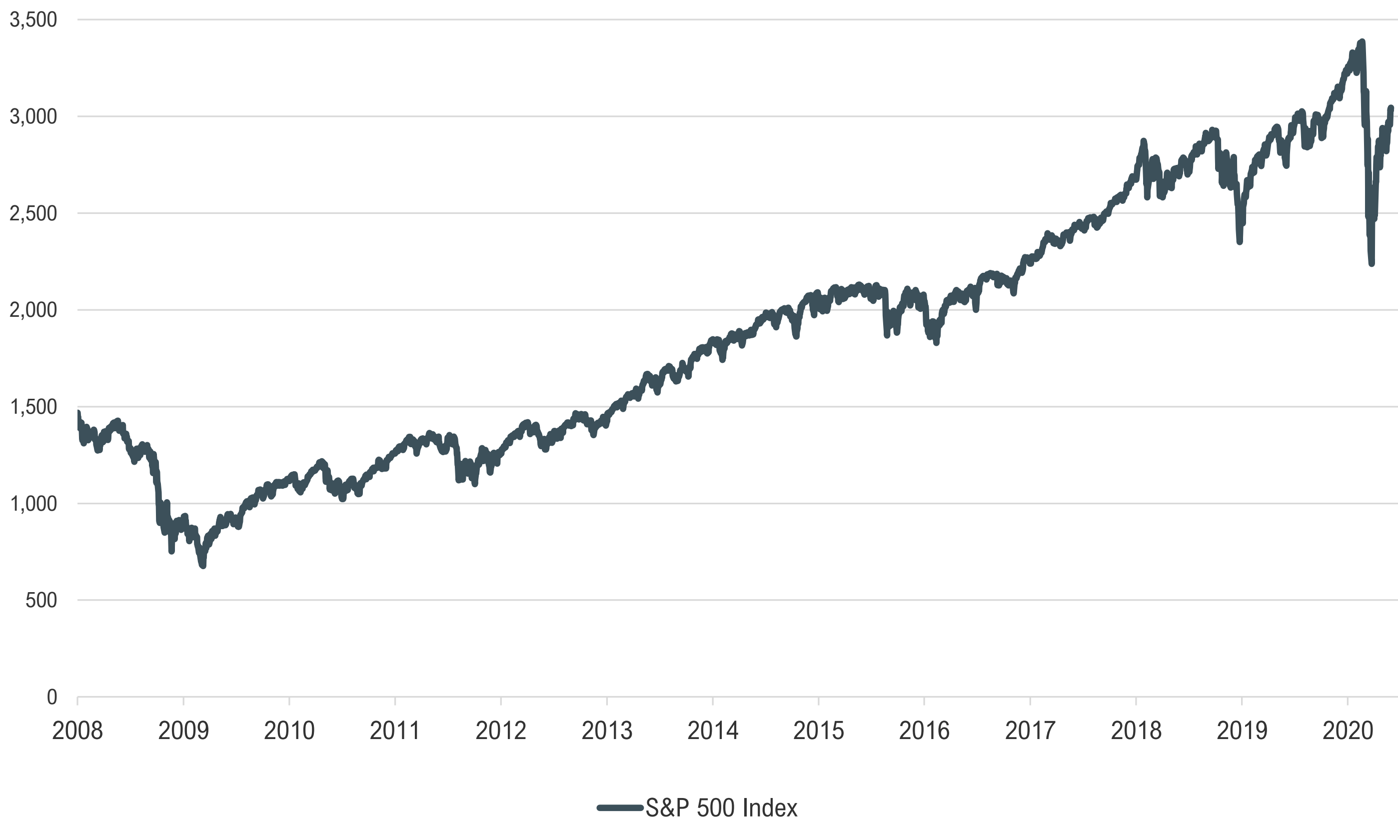
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Emerging Markets Equity 78.5%	Energy MLPs 35.9%	Energy MLPs 13.9%	REITs 20.1%	US Large Cap 32.4%	REITs 27.2%	Private Equity 5.7%	Energy MLPs 18.3%	Emerging Markets Equity 37.3%	Private Equity 10.7%	US Large Cap 31.5%	Municipal Bonds 1.7%
Energy MLPs 76.4%	REITs 27.6%	Private Equity 11.3%	Emerging Markets Equity 18.2%	Energy MLPs 27.6%	US Large Cap 13.7%	Municipal Bonds 2.5%	Private Equity 13.3%	International Equity 25.0%	Cash 1.9%	REITs 28.1%	Cash 0.6%
Bank Loans 51.6%	Private Equity 20.7%	Municipal Bonds 7.6%	International Equity 17.3%	International Equity 22.8%	Private Equity 11.1%	REITs 2.3%	US Large Cap 12.0%	US Large Cap 21.8%	Municipal Bonds 1.6%	International Equity 22.0%	Private Equity N/A
International Equity 31.8%	Emerging Markets Equity 18.9%	REITs 7.3%	US Large Cap 16.0%	Private Equity 21.3%	Energy MLPs 4.8%	US Large Cap 1.4%	Commodities 11.8%	Private Equity 18.7%	Bank Loans 0.4%	Emerging Markets Equity 18.4%	Hedge Funds -2.8%
REITs 27.5%	Commodities 16.8%	US Large Cap 2.1%	Private Equity 14.2%	Hedge Funds 6.7%	Municipal Bonds 4.7%	Cash 0.1%	Emerging Markets Equity 11.2%	REITs 9.3%	US Large Cap -4.4%	Private Equity 14.0%	US Large Cap -5.0%
US Large Cap 26.5%	US Large Cap 15.1%	Bank Loans 1.5%	Bank Loans 9.7%	Bank Loans 5.3%	Bank Loans 1.6%	Bank Loans -0.7%	Bank Loans 10.2%	Hedge Funds 6.0%	REITs -4.4%	Bank Loans 8.6%	Bank Loans -5.7%
Commodities 18.9%	Bank Loans 10.1%	Cash 0.1%	Energy MLPs 4.8%	REITs 3.2%	Cash 0.0%	International Equity -0.8%	REITs 9.3%	Bank Loans 4.1%	Hedge Funds -6.7%	Hedge Funds 8.6%	International Equity -14.3%
Hedge Funds 13.4%	International Equity 7.8%	Hedge Funds -8.9%	Municipal Bonds 3.6%	Cash 0.1%	Hedge Funds -0.6%	Hedge Funds -3.6%	Hedge Funds 2.5%	Municipal Bonds 3.5%	Commodities -11.3%	Commodities 7.7%	Emerging Markets Equity -16.0%
Private Equity 13.3%	Hedge Funds 5.2%	International Equity -12.1%	Hedge Funds 3.5%	Municipal Bonds -0.3%	Emerging Markets Equity -2.2%	Emerging Markets Equity -14.9%	International Equity 1.0%	Commodities 1.7%	Energy MLPs -12.4%	Energy MLPs 6.6%	REITs -17.3%
Municipal Bonds 7.2%	Municipal Bonds 3.1%	Commodities -13.3%	Cash 0.1%	Emerging Markets Equity -2.6%	International Equity -4.9%	Commodities -24.7%	Cash 0.3%	Cash 0.9%	International Equity -13.8%	Municipal Bonds 5.6%	Commodities -21.2%
Cash 0.2%	Cash 0.1%	Emerging Markets Equity -18.4%	Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Energy MLPs -32.6%	Municipal Bonds -0.1%	Energy MLPs -6.5%	Emerging Markets Equity -14.6%	Cash 2.3%	Energy MLPs -30.2%

**Private Equity data is final as of December 31, 2019.*

Note: Performance data as of May 31, 2020. Benchmark data obtained from Zephyr Associates. Past performance is not indicative of future results. US Large Cap (S&P 500 Index), International Equity (MSCI EAFE Index), Emerging Markets Equity (MSCI Emerging Markets Index), REITs (FTSE Nareit All REITs Index), Bank Loans (S&P/LSTA US Leveraged Loan Index), Municipal Bonds (Barclays 1-10 Year Municipal Bond Index, Energy MLPs (Alerian MLP Index), Commodities (Bloomberg Commodity Index), Hedge Funds (HFRX Global Index), Private Equity (Cambridge Private Equity Index) and Cash (BofA Merrill Lynch US 3-Month Treasury Bill).

MARKET BACKDROP
Equity Market Performance

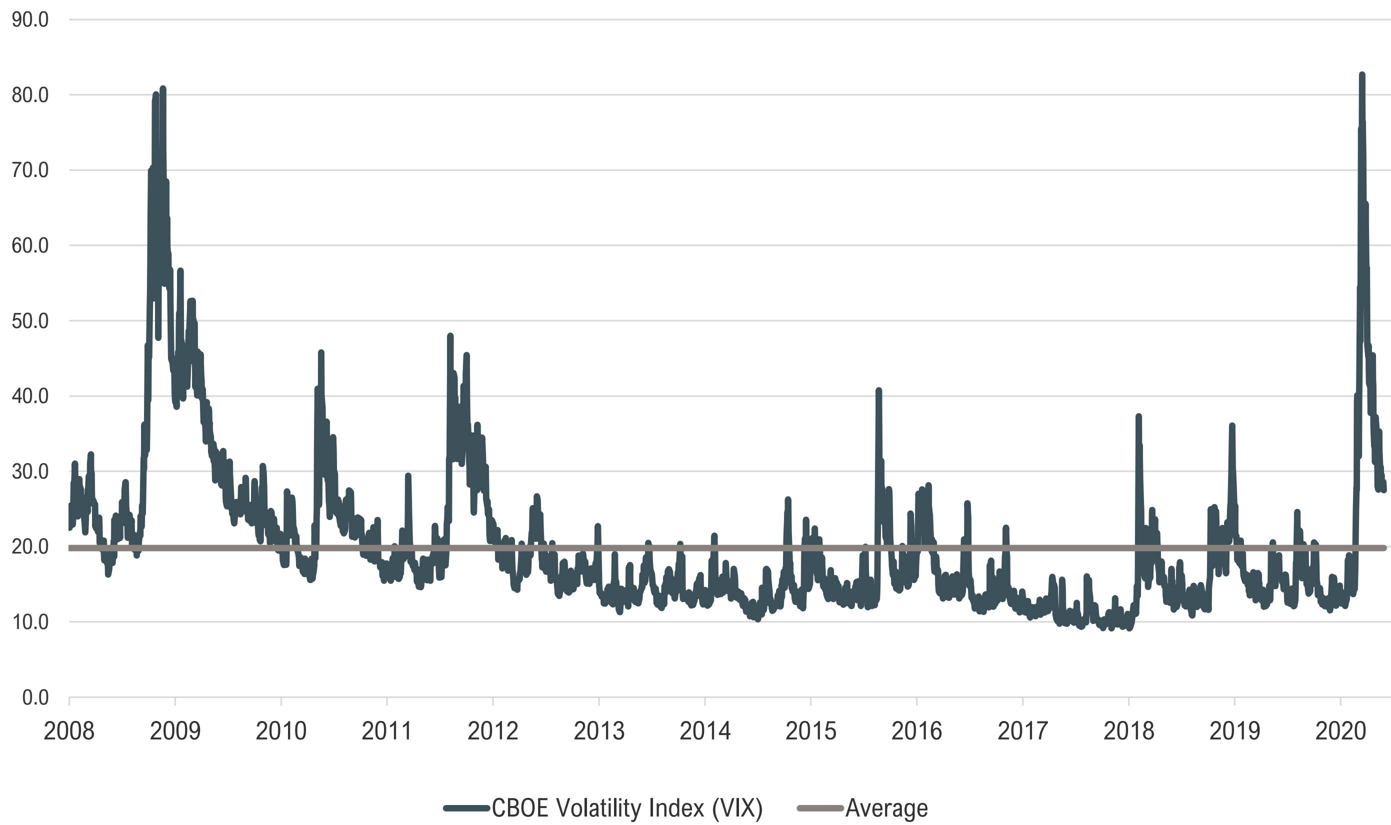
- The S&P 500 Index declined over -30% from the February 19th all-time high in only 24 trading sessions—one of the fastest falls into a bear market in history—but has since rallied sharply
  - The chart below plots the S&P 500 Index value since January 1, 2008



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of May 31, 2020.

MARKET BACKDROP
Equity Market Volatility

- Financial markets were relatively calm in 2019, but volatility spiked in March to levels last seen during the 2008 global financial crisis
  - The chart below plots the CBOE Volatility Index, a gauge of equity market uncertainty, since January 1, 2008



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of May 31, 2020. 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.

MARKET BACKDROP
Interest Rate Environment

- Demand for "safe haven" assets pushed bond yields even lower, though fixed income markets also experienced turbulence as investors sought shelter in short-term government debt and cash
  - The chart below plots both the 1-Year and 10-year US Treasury Yield since January 1, 2008

Source: Federal Reserve Bank of St. Louis, Economic Research Division as of May 31, 2020.

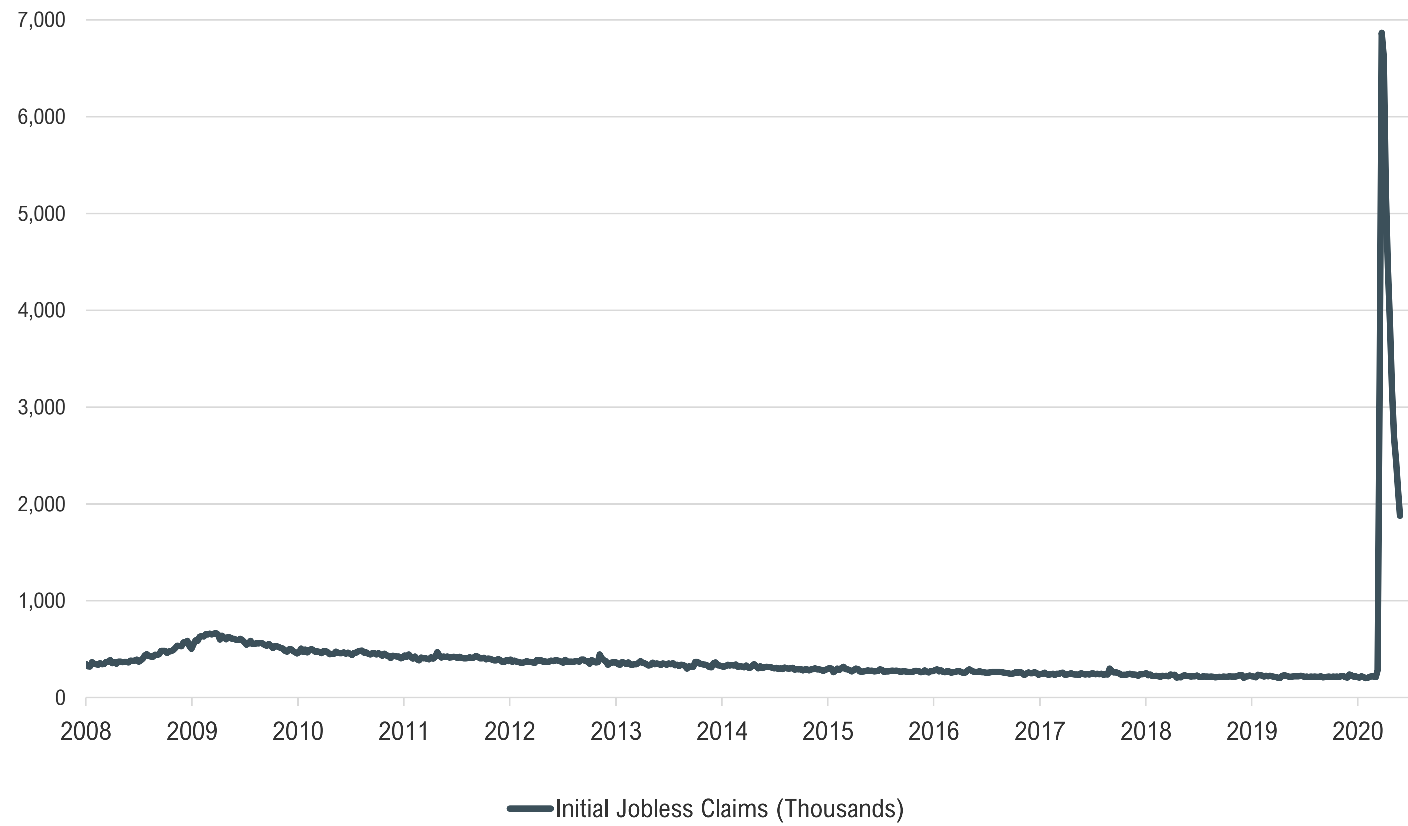
MARKET BACKDROP
High Yield Credit Spreads

- Financial conditions tightened significantly in March due to stock market declines, a stronger US dollar, and wider credit spreads—but have since eased
  - The chart below plots the BofA US High Yield Index spread (relative to treasuries) since January 1, 2008

Source: Federal Reserve Bank of St. Louis, Economic Research Division as of May 31, 2020.

MARKET BACKDROP
Unemployment Claims

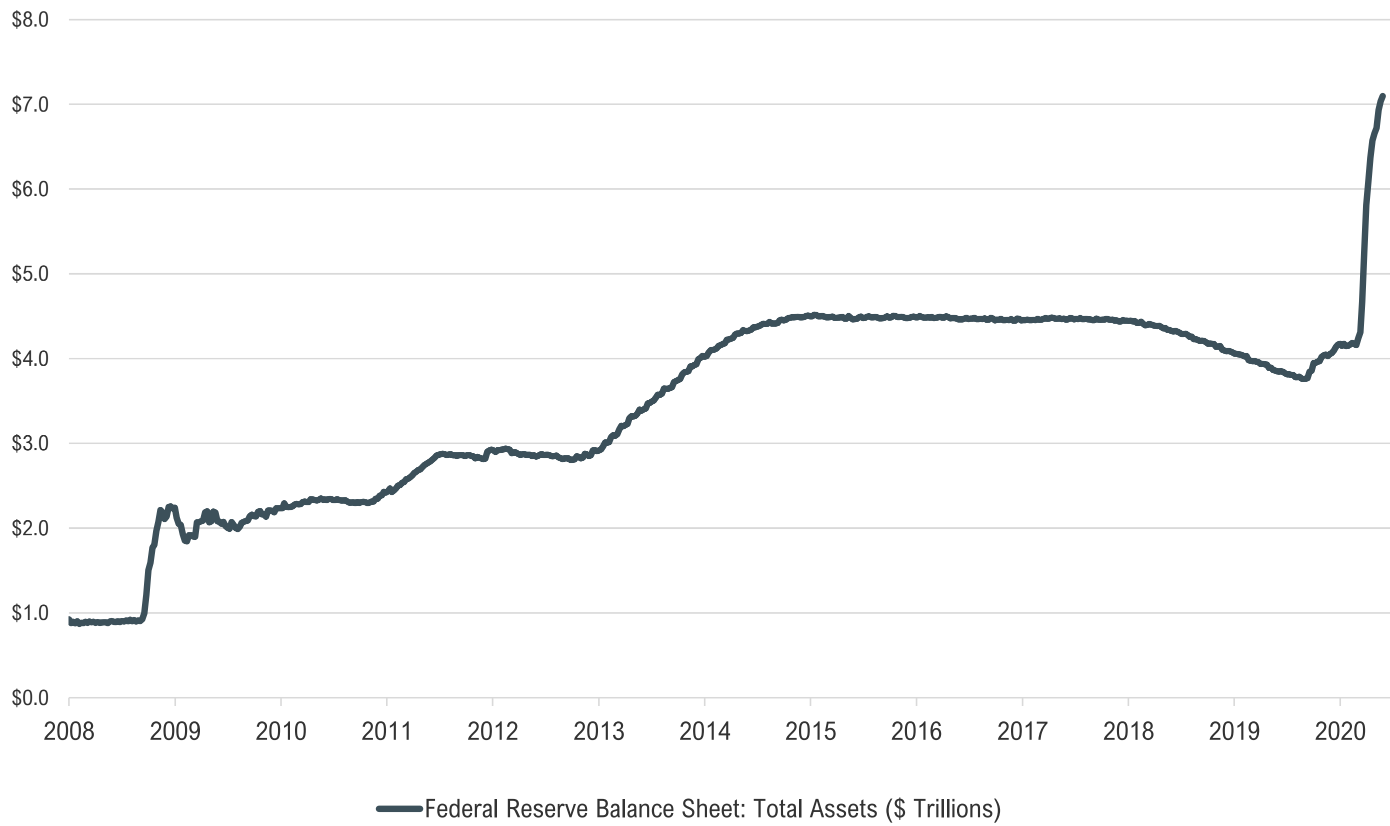
- Record-low unemployment reversed abruptly as new claims for unemployment benefits spiked to historical levels—marking the steepest downturn for the US labor market since the Great Depression
  - The chart below plots the weekly initial jobless claims in the United States since January 1, 2008



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of May 31, 2020.

MARKET BACKDROP
Monetary Policy Response

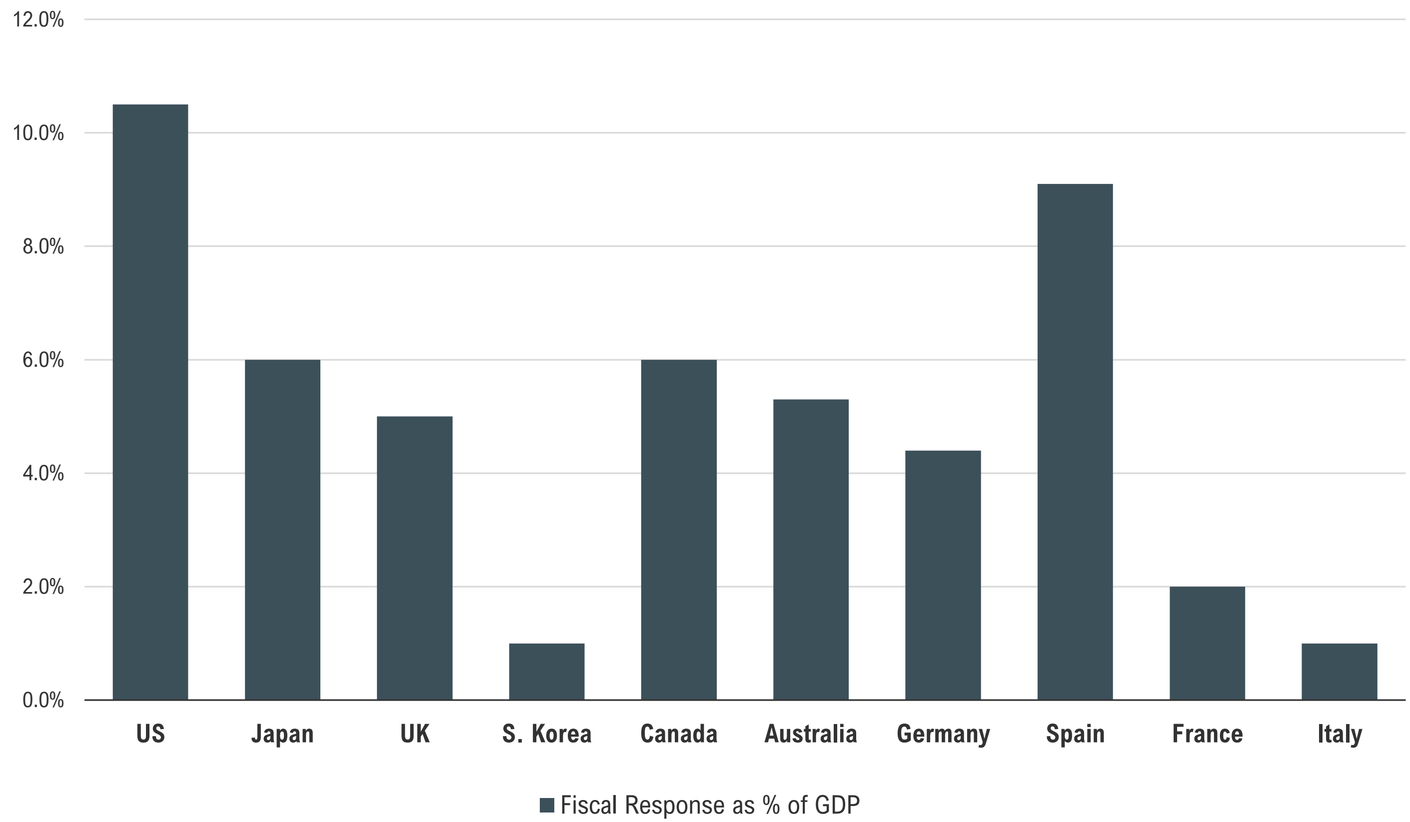
- Global central banks have engaged in significant accommodation, implementing policy rate cuts, forward guidance, and large expansions of quantitative easing
  - The chart below illustrates the size of the Federal Reserve's balance sheet (measured in trillions) since January 1, 2008



Source: Federal Reserve Bank of St. Louis, Economic Research Division as of May 31, 2020.

MARKET BACKDROP
Fiscal Policy Response

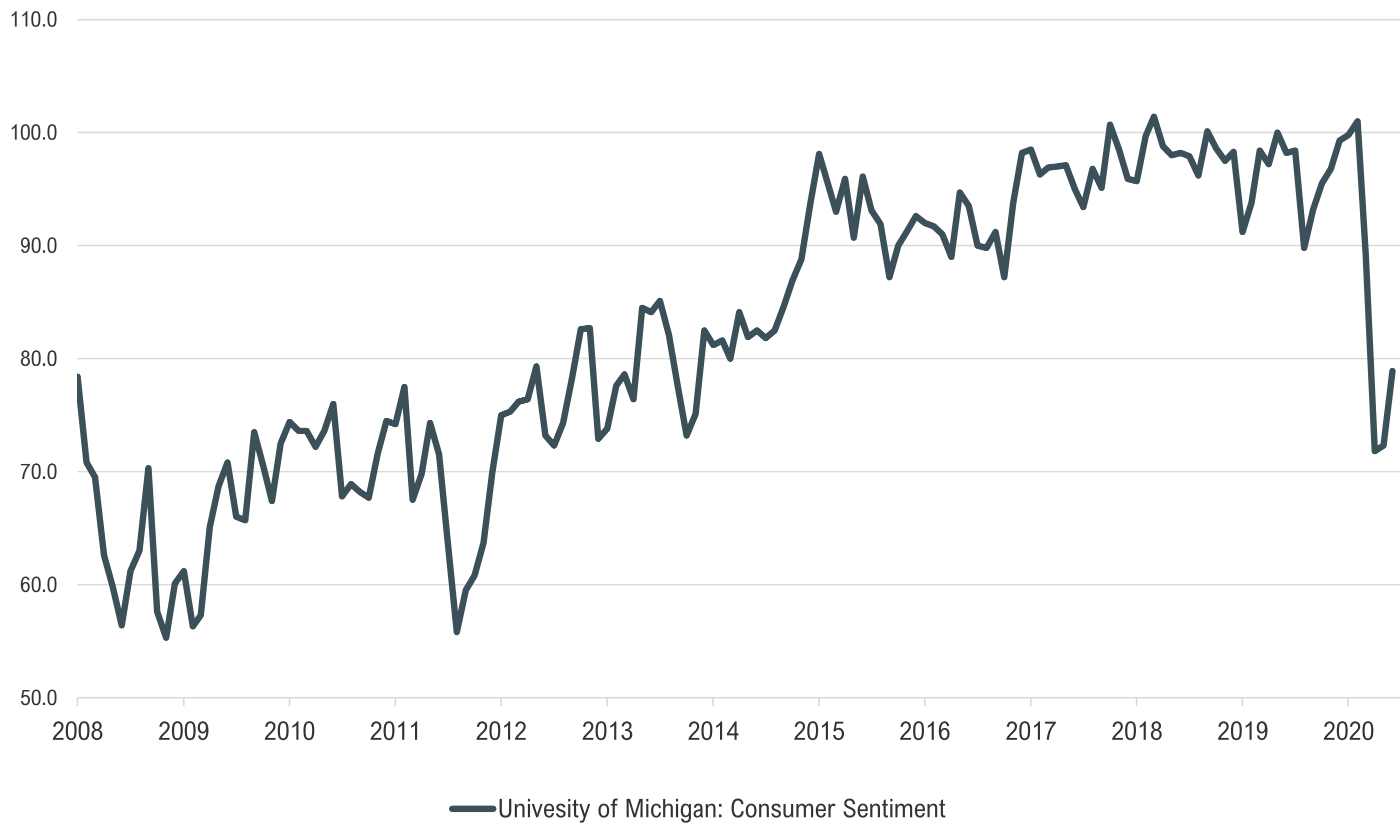
- Governments around the world have stepped in to provide additional support with massive spending plans aimed to help companies and individuals who have been affected by lost revenues and wages
  - The chart below illustrates the G10 fiscal policy response to the coronavirus crisis as a percentage of GDP



Source: Litman Gregory, BCA Research, International Monetary Fund, and the Financial Times as of March 31, 2020.

MARKET BACKDROP
Consumer Sentiment

- After collapsing in March/April, consumer confidence has stabilized as Americans' view of the economy improved largely due to expectations of a continued recovery in the labor market
  - The chart below compares the OECD's composite indicators for consumer and business (manufacturing) confidence in the United States



Source: Federal Reserve Bank of St. Louis, Economic Research Division and Trading Economics as of June 12, 2020. The University of Michigan Consumer Sentiment Index is a monthly survey of US consumer confidence levels. It is based on telephone surveys that gather information on consumer expectations regarding the overall economy.

MARKET OUTLOOK
Economic Scenarios

- The table below summarizes three scenarios designed to characterize a broad range of potential outcomes for the global macroeconomic backdrop and capital markets over the next few years
  - We refer to these scenarios as the base, bull, and bear cases

Scenario	Probability	Description
Base Case (U-Shape Recovery)	70%	▪ Economic recovery strengthens late in the second half of 2020 ▪ Recovery continues in 2021, but does not return to pre-pandemic levels until 2022 ▪ Slow growth proceeds through the end of the three-year tactical horizon
Bull Case (V-Shape Recovery)	25%	▪ Historical pandemic response with sharp growth rebound in Q3 that restores output to pre-pandemic conditions by the end of 2020 ▪ Aggressive coordinated monetary and fiscal stimulus fuels strong growth subsequently
Bear Case (L-Shape Recovery)	5%	▪ Prolonged social distancing and policy failures provide inadequate economic support ▪ Credit crises deepen with long-term damage to households and businesses, followed by bankruptcies, further job losses, and structural stagnation

Note: Based on research and opinion provided by Greycourt & Co. as of May 31, 2020.

MARKET OUTLOOK
Summary Macro Views

- Economic uncertainty and market volatility are likely to remain high
  - An unusually wide range of potential outcomes exists
- Aggressive monetary and fiscal policies are expected to continue
  - This policy support should reduce the extreme “left tail” risk in financial markets
  - Interest rates are likely to remain lower for longer
- The coronavirus pandemic has reinforced some pre-existing themes (e.g. digitization of society) and amplified geopolitical tensions
- Base case assumptions of slow economic recovery, tame inflation, and ongoing policy accommodation should underpin equities and other risk assets over the intermediate term
  - Against this backdrop, the US dollar is expected to weaken, providing support to commodities and international/emerging markets stocks
  - Combination of greater policy experimentation and “peak globalization” trends pose a longer-term inflation risk
- Businesses and societies may organize themselves differently and more cautiously going forward
  - This could translate into a system with less leverage, lower growth, and skinnier profit margins*

*Note: Opinions above based on research as of May 31, 2020. Please see our disclosures at the end of this document. *Source: Jason Trennert, Strategas Research Partners.*

MARKET OUTLOOK
Capital Market Assumptions and Tactical Views

	10-Year Trailing Return	10-Year Strategic Return Assumption	3-Year Tactical Return Assumption	Current Tactical Views: Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Inflation	1.9%	2.0%						
Cash								
Cash	0.6%	0.8%						
Fixed Income								
US Investment Grade Bonds	3.9%	2.3%						
Non-US Investment Grade Bonds	1.9%	3.5%						
Tax-Free Municipal Bonds	4.1%	2.5%						
High Yield/Bank Loans	6.4%	4.6%						
Equities (Public & Private)								
US Large Cap	13.2%	5.6%	4.6%					
US Small Cap	9.2%	5.8%	4.4%					
Non-US Developed Markets	5.8%	6.0%	4.3%					
Emerging Markets	2.8%	6.3%	5.1%					
Private Equity		8.4%						
Real Assets (Public & Private)								
Commodities	-6.0%	3.0%						
Public Real Estate (Core)	9.2%	5.2%						
Private Real Estate (Opportunistic)		7.4%						
Flexible/Alternative Strategies								
Diversifying Hedge	2.5%	4.5%						

Note: Based on research and opinion provided by Greycourt & Co. as of May 31, 2020. Tactical views reflect a three-year investment horizon. Suggested asset class weights are influenced by Greycourt's detailed quarterly tactical analysis and are used as a starting point in assessing client portfolio weights against strategic targets which typically reflect a ten-year investing horizon. Past performance is no guarantee of future results. Please see the disclosure pages at the end of this presentation.

MARKET OUTLOOK
Portfolio Strategy and Tactical Positioning

- Don't tilt too far away from an appropriate strategic asset mix, but maintain an elevated cash position
  - Aim to position for a range of outcomes and seek to take advantage of market volatility by opportunistically rebalancing

- Maintain an underweight position to core/investment grade fixed income
  - While high quality bonds play an important role in portfolio strategy, providing a source of stability and diversification of equity market risk, the predicable income component has shrunk
  - In our view, Treasury Inflation Protected Securities (TIPS) offer an attractive relative value

- Continue to target an underweight position in US equities while emphasizing high quality stocks
  - Non-US stocks, and emerging markets in particular, stand to benefit from attractive valuations as the discount to US stocks has grown
  - We continue to prefer a tilt towards higher quality companies (those with strong balance sheets, stable earnings, and high margins) that typically provide defensive characteristics in more challenging economic environments

- Recent weakness created an attractive opportunity to initiate an allocation to high yield credit
  - High yield credit spreads remain somewhat elevated while the asset class benefits from a higher position in the capital structure relative to equities in the event of a continued economic downturn

- Where appropriate, continue to develop private equity and private real estate investment programs as a means to potentially enhance long-term returns
  - Maintain pace of commitments as new capital deployed during periods of economic disruption often generate significant upside

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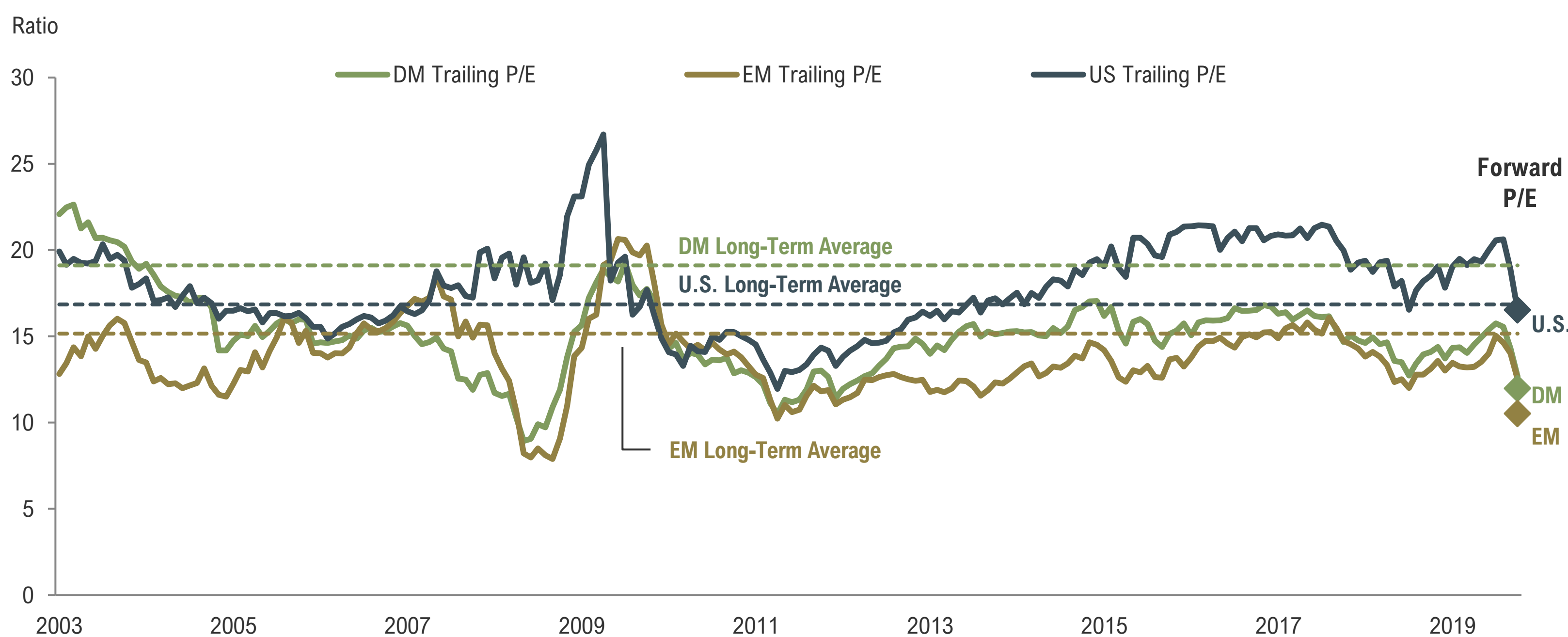
MARKET OUTLOOK
Global Equity Valuations

- We continue to believe that valuations and long-term return potential remain attractive for both international developed and emerging markets stocks
  - Price-to-earnings ratios for international developed and emerging markets equities remain well below their long-term averages and lower than those for the U.S., providing a relatively favorable valuation backdrop for non-U.S. stocks
  - The chart below plots both the price-to-earnings ratios for U.S., international developed markets, and emerging markets

Global Market Price-Earnings (P/E) Ratios



Source: Fidelity Investments and Bloomberg as of March 31, 2020. International Developed Markets (DM – MSCI EAFE Index), U.S. (S&P 500 Index) and Emerging Markets (EM – MSCI Emerging Markets Index). Long-term average P/Es based on: Developed markets 1973-2017, Emerging markets 1988-2017, and U.S. 1926-2017. Price-to-earnings ratio (P/E) is the stock price divided by earnings per share.

Appendix

APPENDIX
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