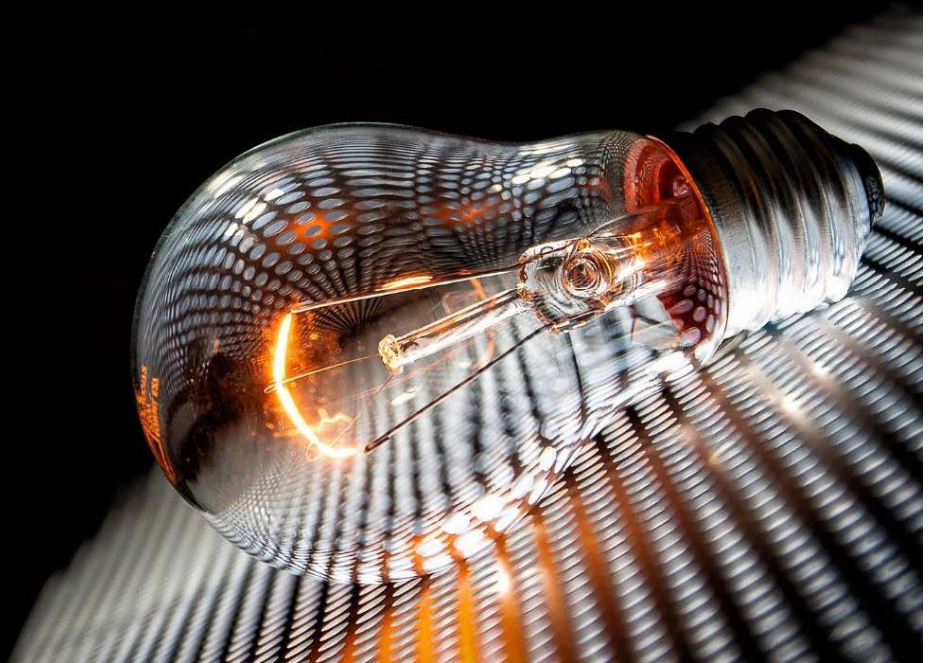


MARKET INSIGHTS

Second Quarter 2020



KEY POINTS

1 COVID-19 had a significant impact on the market and economy, but both are now improving.

2 Massive monetary and fiscal stimulus have been enacted with more to come.

3 A return to “normal” remains dependent on a successful re-opening and development of a treatment/vaccine.

4 Oil prices dropped precipitously, but have had a significant turnaround.

5 Fortunately, it appears the worst of the economic decline is behind us.

BASE CASE OUTLOOK: INVEST THE U.S. ECONOMIC RECOVERY



Economy

U.S. GDP is on a gradually improving trend with near full recovery by end of 2022

Risk: Severe national virus outbreak results in another complete shutdown.



Policy

Monetary and fiscal policymakers continue to provide a safety net for economy and markets.

Risk: National elections.



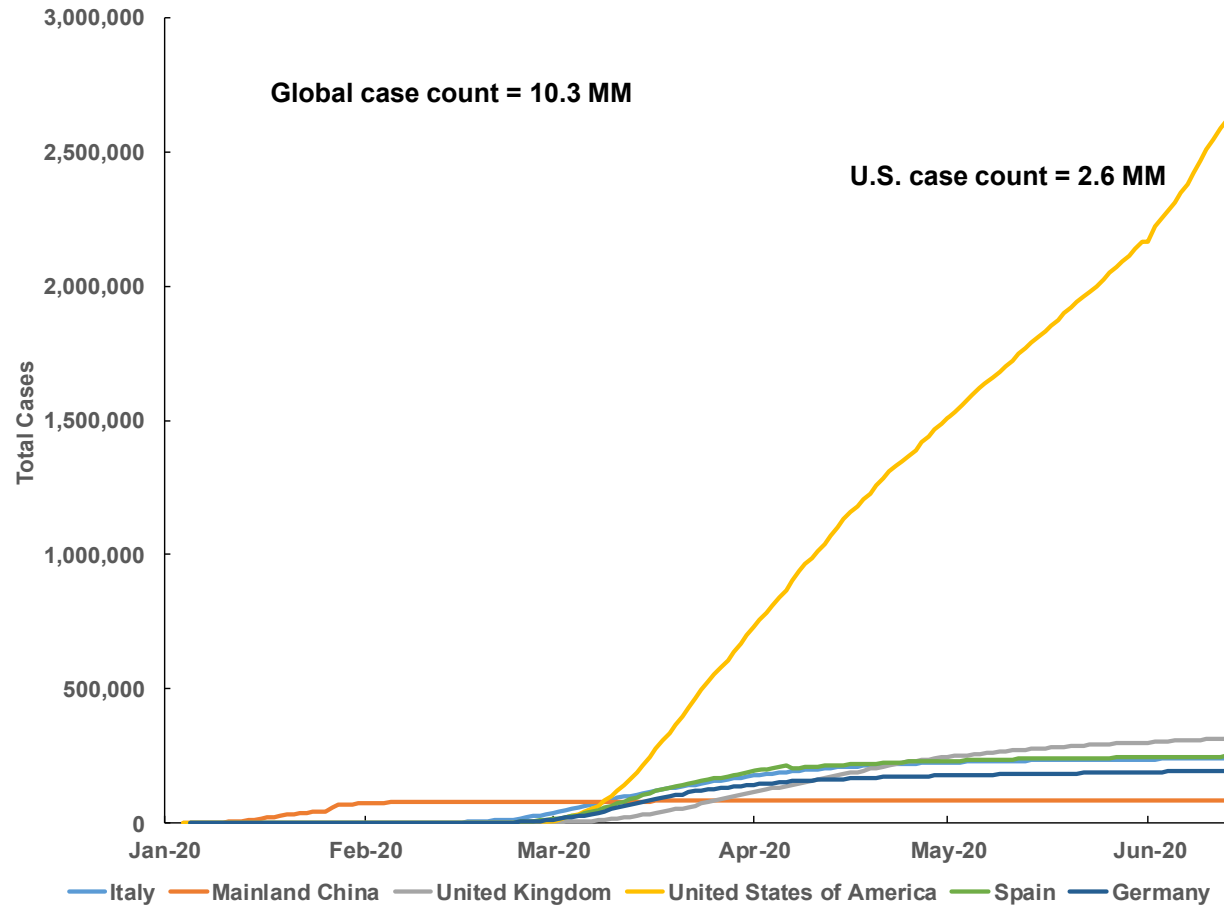
Markets

U.S. outperforms.
Prefer growth companies with high quality balance sheets and net positive cash flow.

Risk: China relations.

THE VIRUS WILL DICTATE THE SHAPE & TIMING OF THE RECOVERY

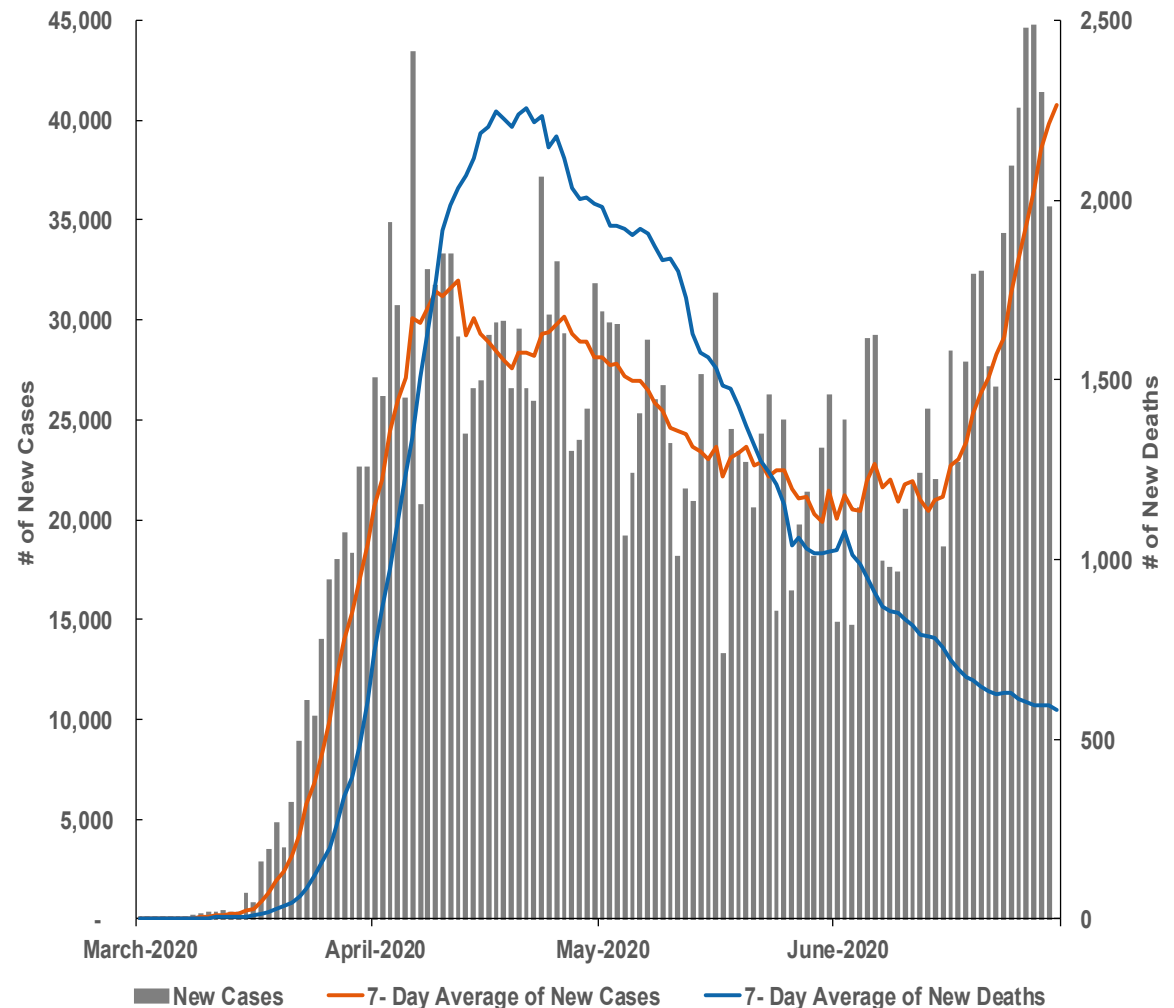
- New global case numbers continue to increase, led by the U.S.
- Countries hit early have seen new case numbers flatten and/or decline.
- Testing is much more widespread now.
- Financial markets encouraged by declining net hospitalizations.



EXPECT WAVES WITH GRADUAL REOPENING

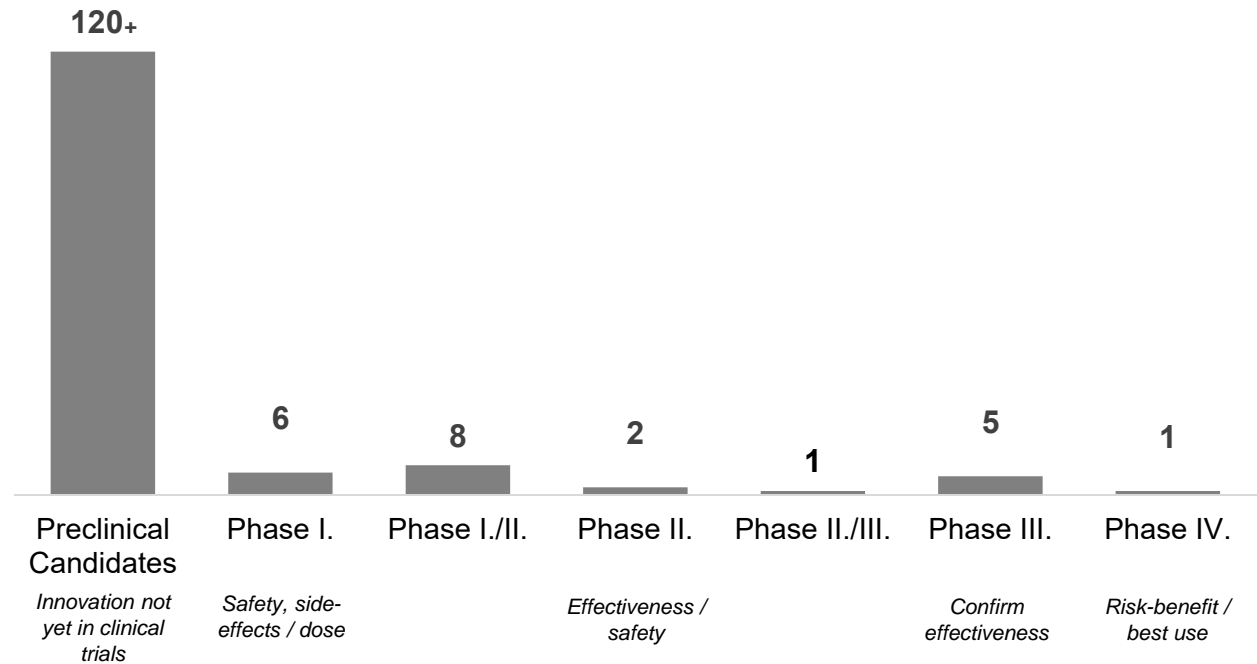
Location	Total Cases
U.S.	2,624,873
Texas	156,706
Arizona	79,214
Colorado	32,494
Missouri	20,961
Arkansas	20,257
Kansas	14,250
Oklahoma	13,760
New Mexico	11,982

- Social distancing has helped. The reopening process will be completed in phases.
- As we re-open the domestic economy, we are likely to experience periodic upswings in cases just as we are seeing now in TX, FL, and AZ.
- The threshold for another complete economic shutdown is likely high.



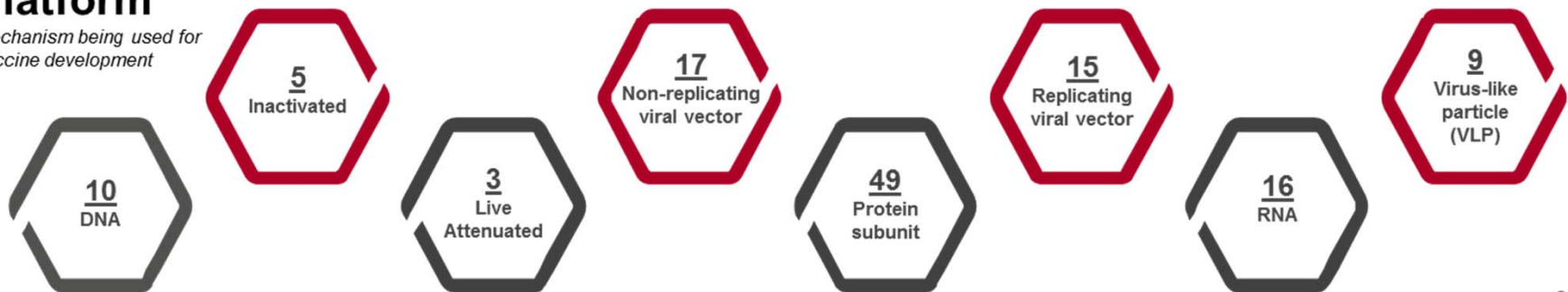
A COVID-19 VACCINE WOULD SPEED-UP THE ECONOMIC RECOVERY

- The timing of an effective treatment or a vaccine remains an unknown.
- Over 120 potential vaccine candidates in the pipeline.



Vaccine Platform

Mechanism being used for vaccine development



Source: Artis Ventures, as of June 26, 2020. Chart reflects the phase of development for clinical trials of COVID-19 vaccinations.

THE BRIDGE TO RECOVERY

In response to the economic impact, the Federal Reserve & Congress approved significant monetary and fiscal stimulus.

Fiscal Stimulus:

- Households - \$500 billion
- Small Businesses - \$367 billion
- Corporate Lending Facility - \$500 billion
- Special Purpose Vehicle Lending Facility - \$425 billion
- Distressed Grants/Loans - \$75 billion
- Corporate Tax Changes - \$100 billion
- Healthcare Response - \$150 billion
- Aid to State/Local Governments - \$150 billion
- Education - \$30 billion

Monetary Stimulus:

- Unlimited Treasury and MBS Purchases
- Money Market Mutual Fund Liquidity Facility
- Commercial Paper Funding Facility
- Primary Dealer Credit Facility
- Primary Market Corporate Credit Facility
- Secondary Market Corporate Credit Facility
- Term Asset-Backed Securities Loan Facility

\$2T

Fiscal Stimulus Through
CARES Act

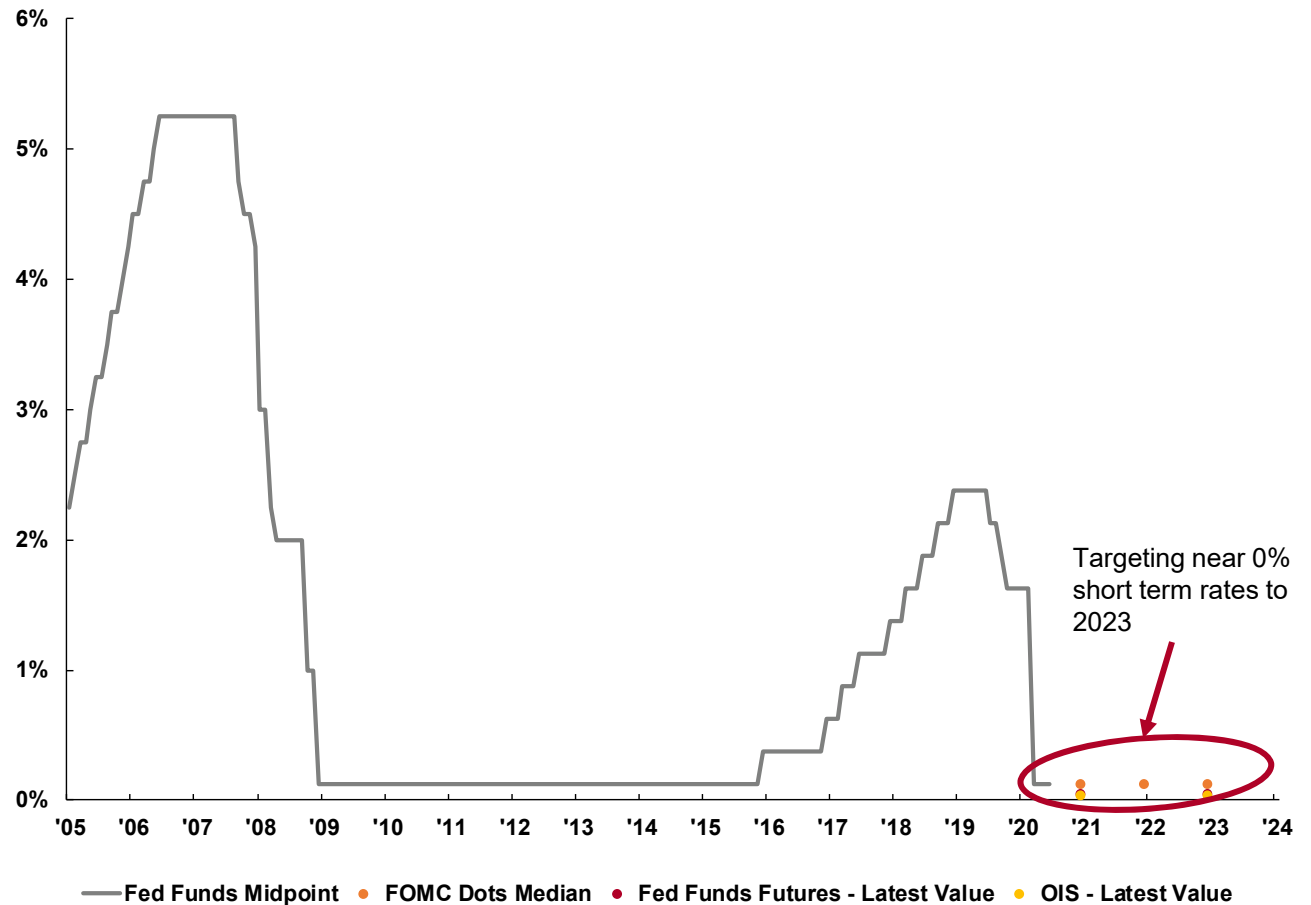
\$6T

Significant Monetary
Stimulus by Fed

Unprecedented Economic
Response & Continued Support

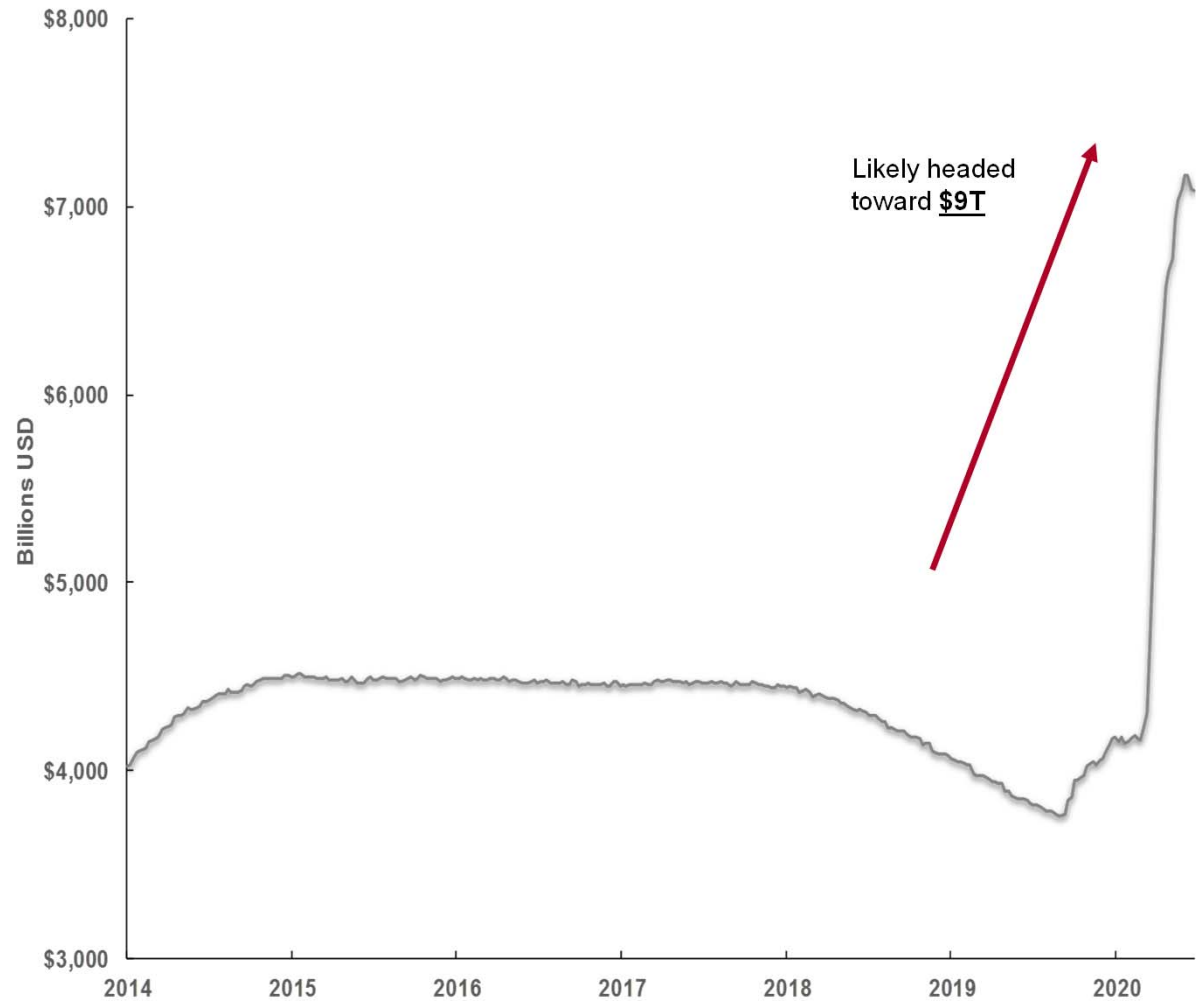
FEDERAL RESERVE PROVIDING EMERGENCY SUPPORT WITH 0% RATES

- Fed funds target is back to zero.
- Fed and market forecasts aim for rates to remain very low to 2023.
- Support for U.S. economy and financial markets.



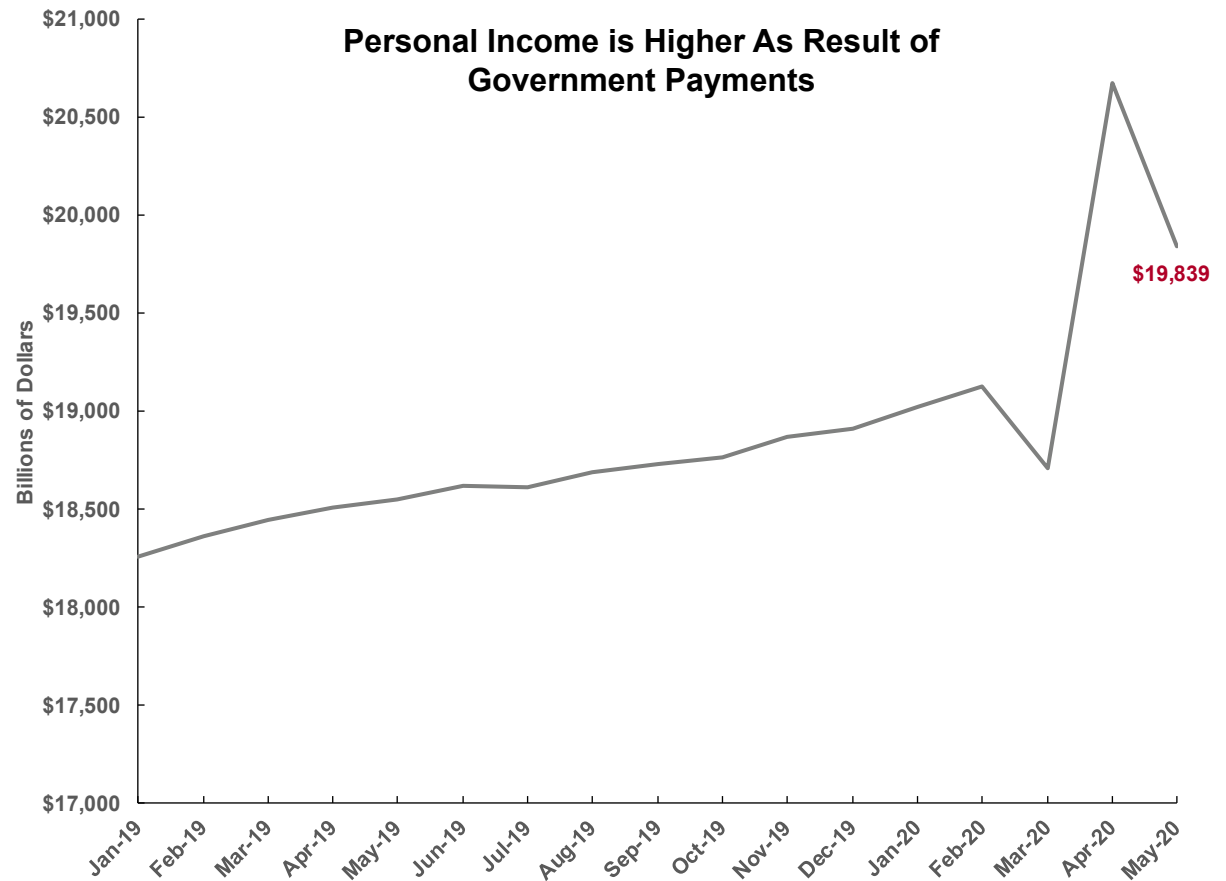
FEDERAL RESERVE BALANCE SHEET INCREASING DRAMATICALLY

- The Fed is the lender of last resort, providing liquidity to volatile financial markets.
- Historically, quantitative easing has supported lower yields and higher stock prices.



FISCAL SUPPORT: INCOME BRIDGE UNTIL RECOVERY IS SELF-SUSTAINING

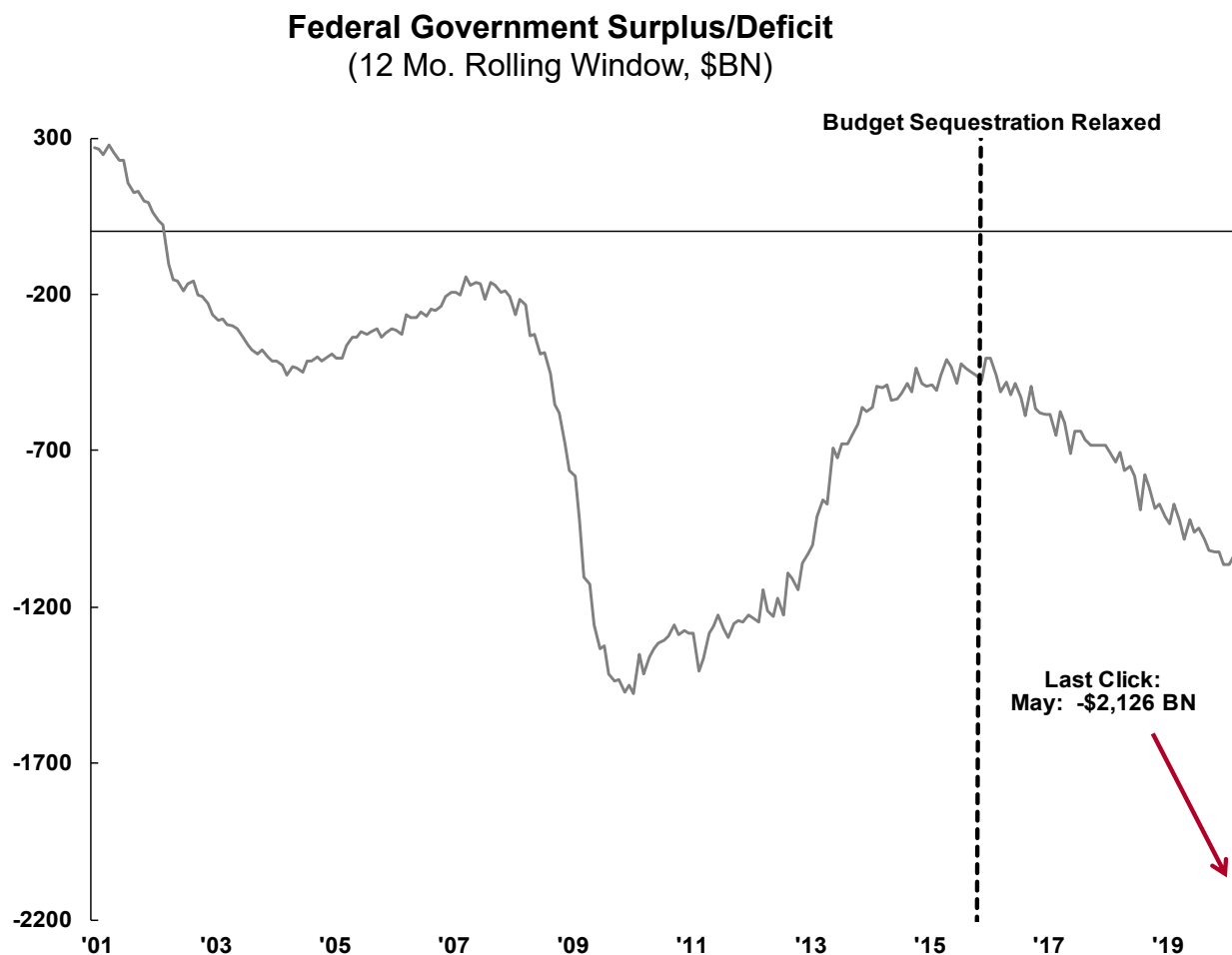
- Direct payments to individuals through stimulus checks and expanded unemployment benefits meant personal income actually went up as the economy shut-down.
- Congress expects to pass another income support program as Paycheck Protection Program, and extra \$600/week jobless benefits expire in July.



Source: Federal Reserve Bank of St. Louis. Personal income is the income that persons receive in return for their provision of labor, land, and capital used in current production and the net current transfer payments that they receive from business and from government. Personal income is equal to national income minus corporate profits with inventory valuation and capital consumption adjustments, taxes on production and imports less subsidies, contributions for government social insurance, net interest and miscellaneous payments on assets, business current transfer payments (net), current surplus of government enterprises, and wage accruals less disbursements, plus personal income receipts on assets and personal current transfer receipts. Data shown as of June 26, 2020.

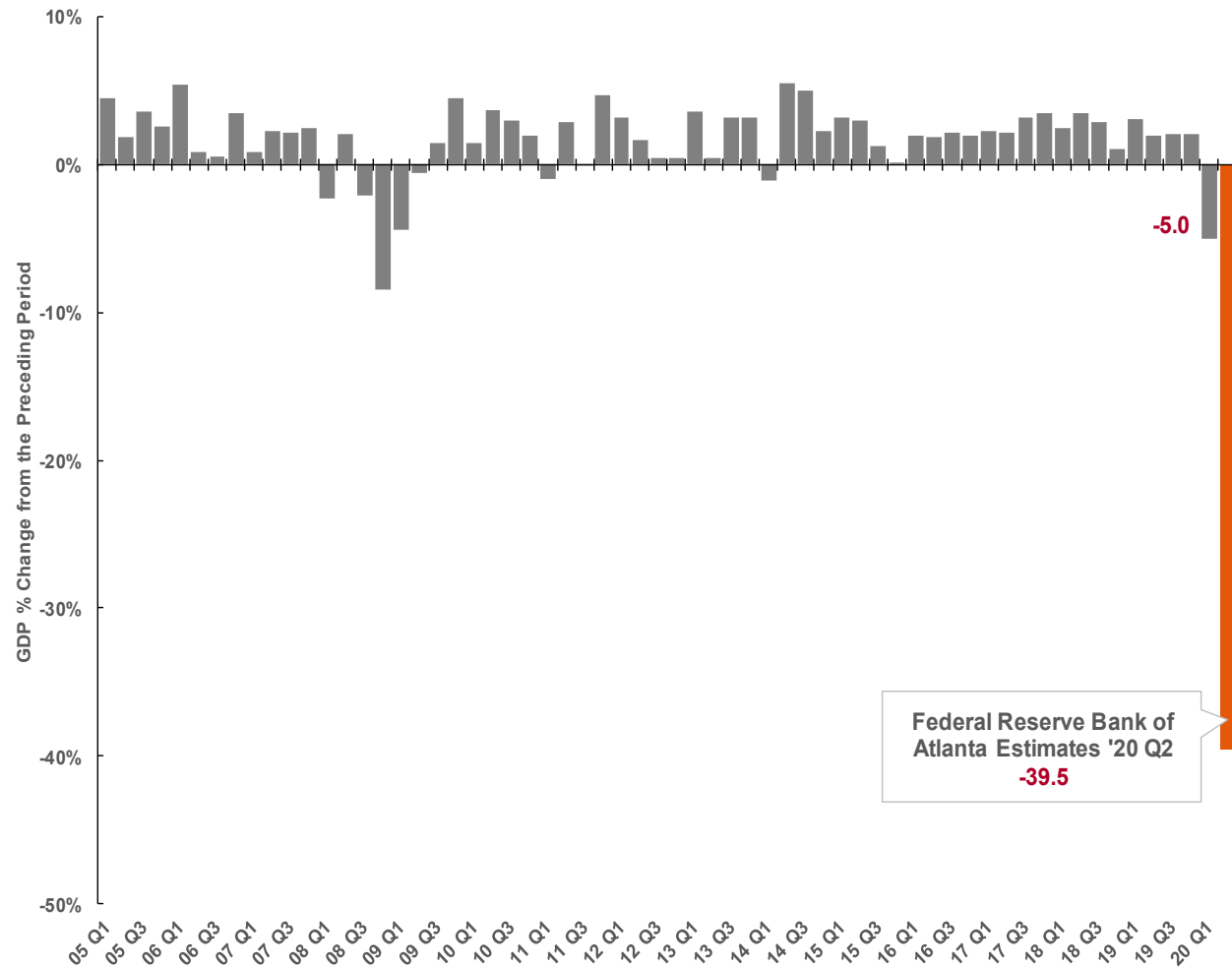
BORROWING THE MONEY TO PAY FOR THE RECOVERY

- Fiscal stimulus and delayed tax collections have widened the budget deficit dramatically.
- U.S. Treasury issuance will hit record highs.
- Fed quantitative easing helps absorb increased debt issuance, but there are longer term negative economic consequences.



U.S. ECONOMIC GROWTH UPDATE

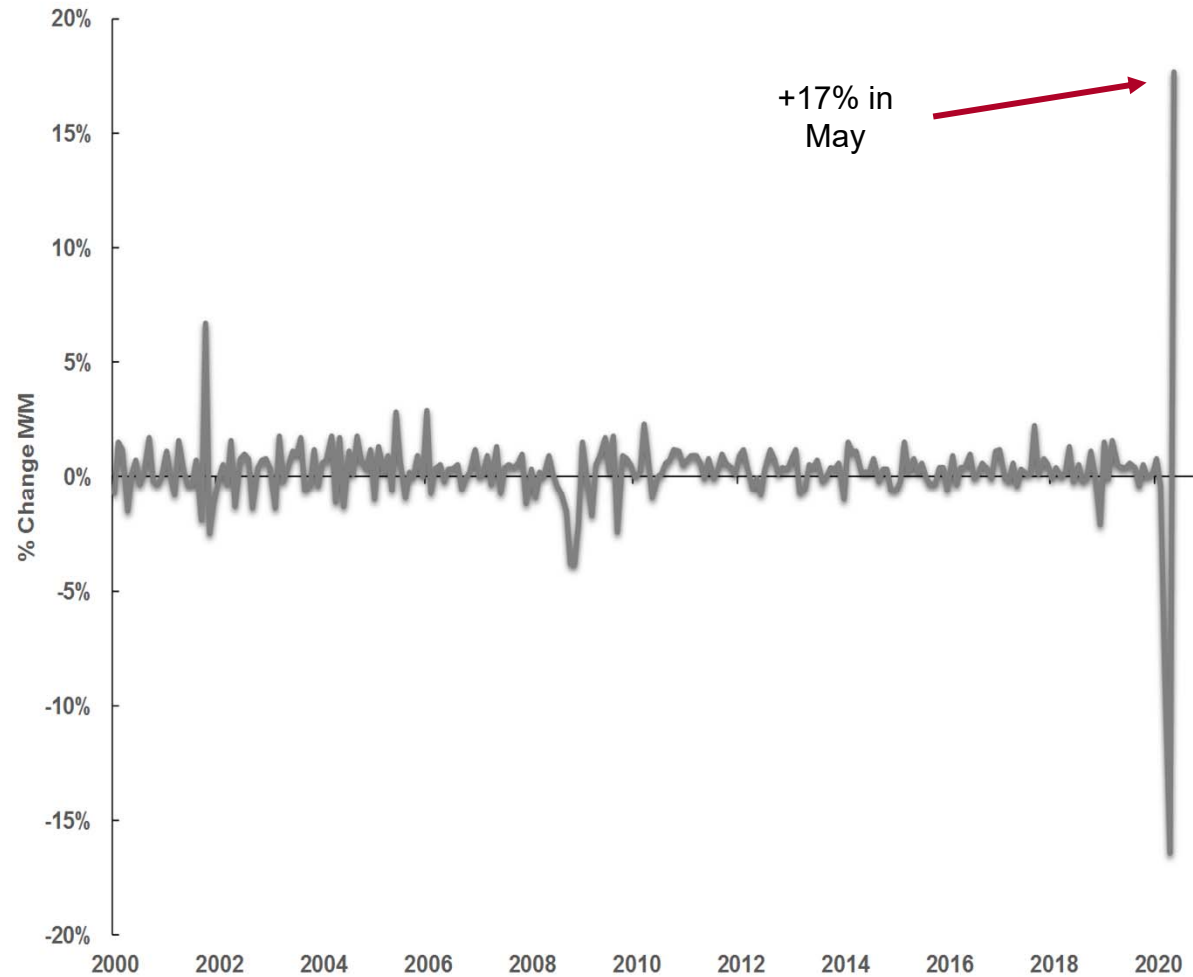
- The broadest measure of the U.S. economy, GDP, declined by 5.0% in Q1 2020.
- Expect Q2 2020 to be very negative.
- Expect positive growth in Q3 and Q4 of 2020.



Source: Federal Reserve Bank of Atlanta. Data shown as of May 28, 2020. Estimate data shown as of June 26, 2020.

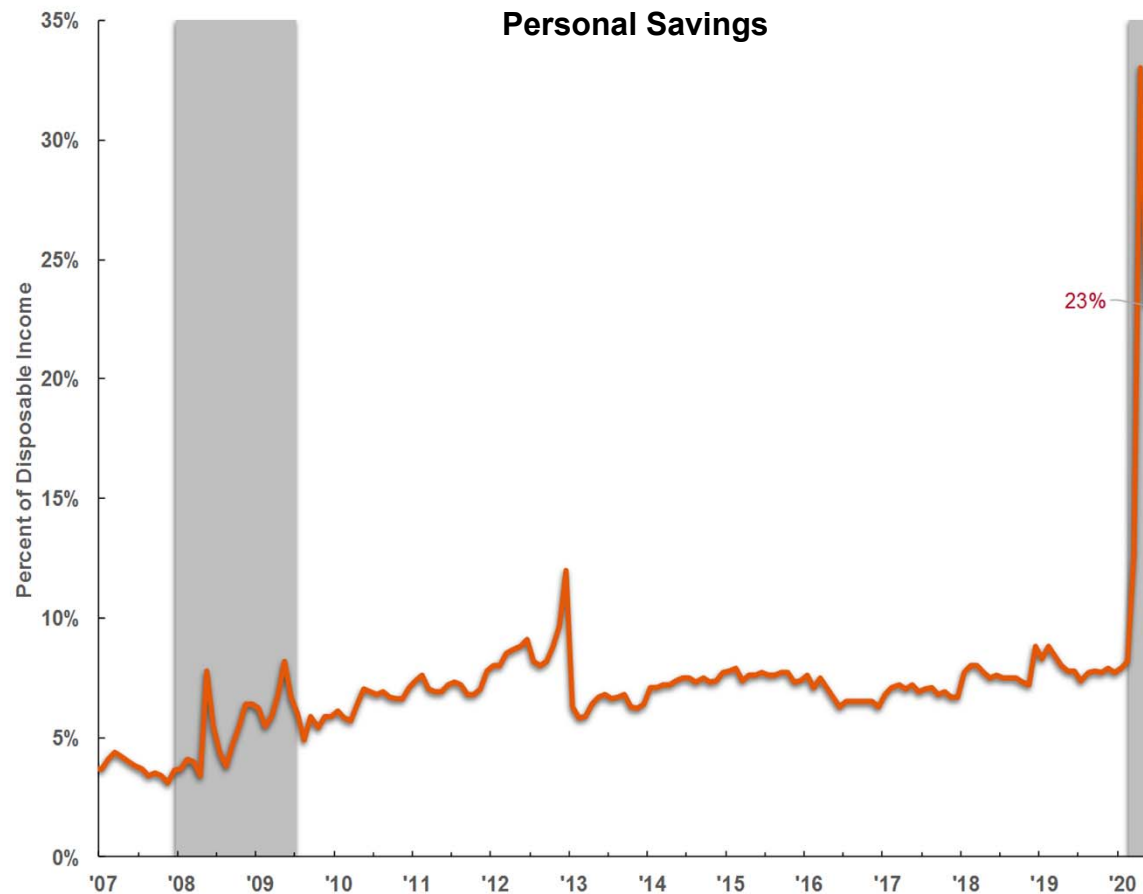
RETAIL SALES

- April retail sales collapsed when retail shops, bars, restaurants, and service businesses closed.
- Experienced a sharp reversal in May as states re-opened, and U.S. government provided income support.
- Online retailers continue to gain market share
- With a phased-in economic reopening, we expect more U.S. government support until jobs and income trends are self-sustaining.



U.S. CONSUMERS ARE BEING CAUTIOUS

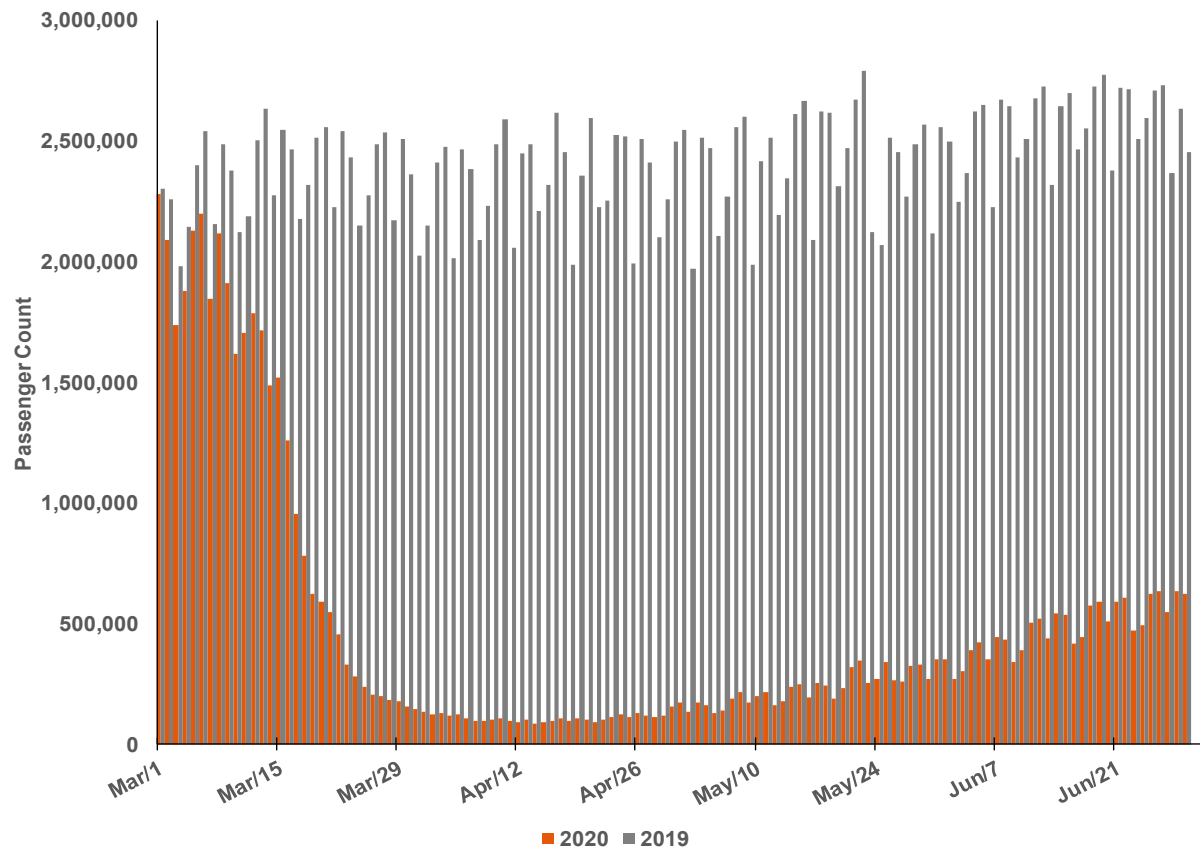
- Less ability to spend along with rising incomes meant the savings rate exploded higher.
- Dry powder: record \$4 trillion held in U.S. money market funds.
- Consumer confidence levels will drive future spending and savings.



Source: Federal Reserve Bank of St. Louis. Personal saving is equal to personal income less personal outlays and personal taxes; it may generally be viewed as the portion of personal income that is used either to provide funds to capital markets or to invest in real assets such as residences, Wall Street Journal. Data shown as of June 26, 2020.

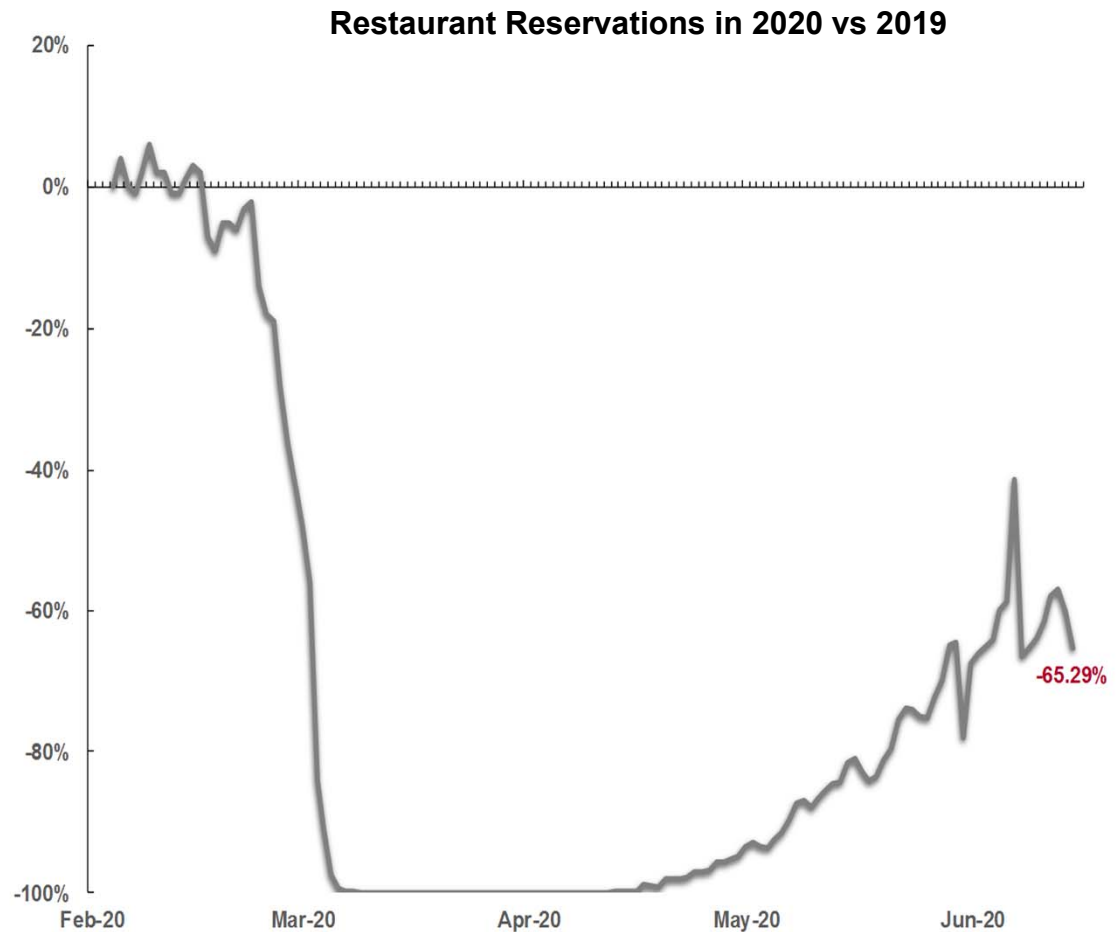
IMPACT OF THE SHUTDOWN IS UNPRECEDENTED: TSA PASSENGER COUNT APPROACHED ZERO, NOW RISING

- Leisure, hospitality, and travel-related industries will likely be the slowest to recover.
- While levels are down 80% from 2019, the recovery in air travel has begun.
- Daily TSA passenger counts near 500,000 in June 2020 vs. nearly 2.5 million last year.
- With air travel fears high and lower personal and business travel, technology firms offering virtual options are benefiting.



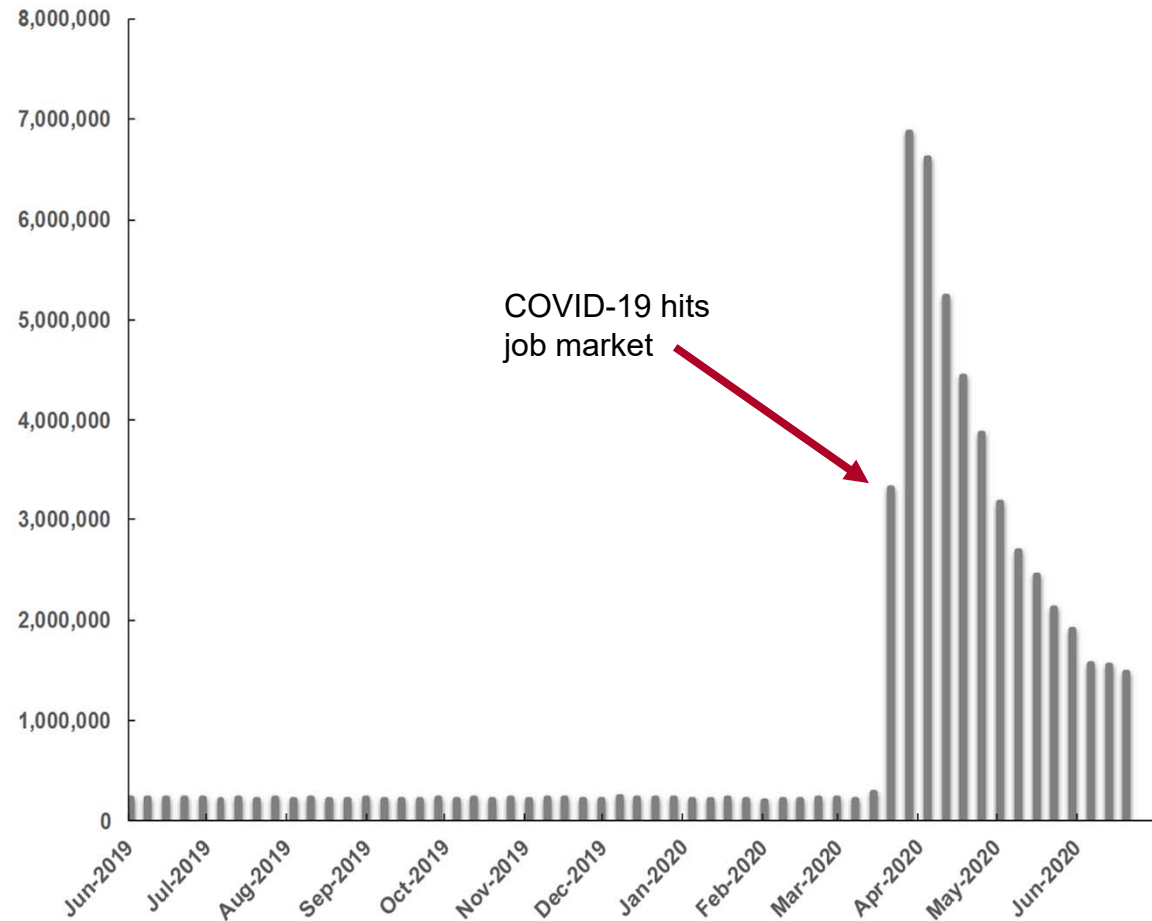
SMALL BUSINESSES ARE VITAL TO U.S ECONOMY

- Small and medium sized businesses (< 500 employees) account for nearly half of all private sector jobs.
- A large proportion of sectors most exposed (restaurants, retail, hotels) to the virus consist of small businesses.
- Over 60% of accommodation and food services industry is run by small businesses



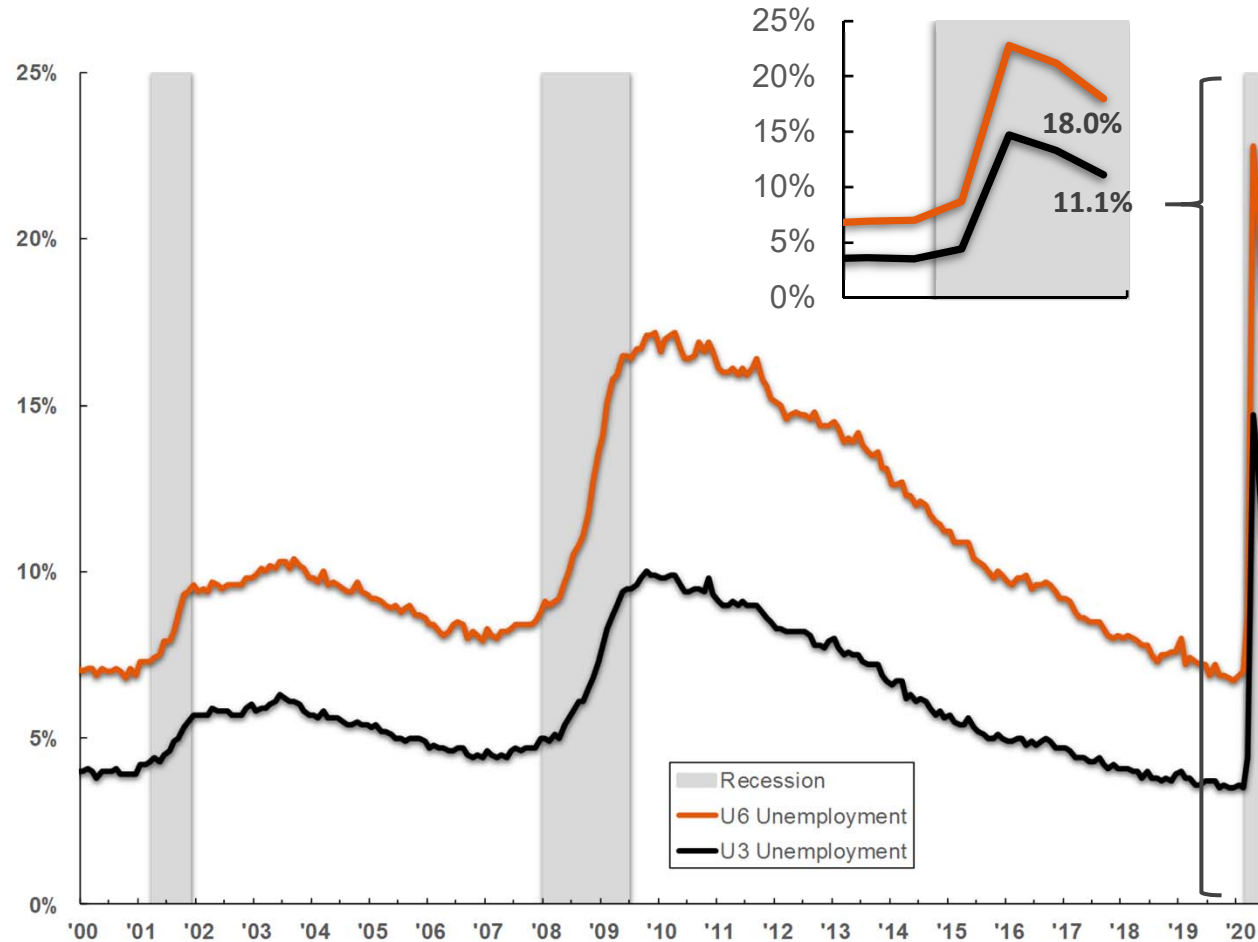
IMPACT OF THE SHUTDOWN IS UNPRECEDENTED: JOBLESS CLAIMS AT RECORD LEVELS

- Weekly jobless claims are a timely indicator for the job market and gave us an early sense of the magnitude of job losses.
- Continuing claims surpassed 25MM before retreating.



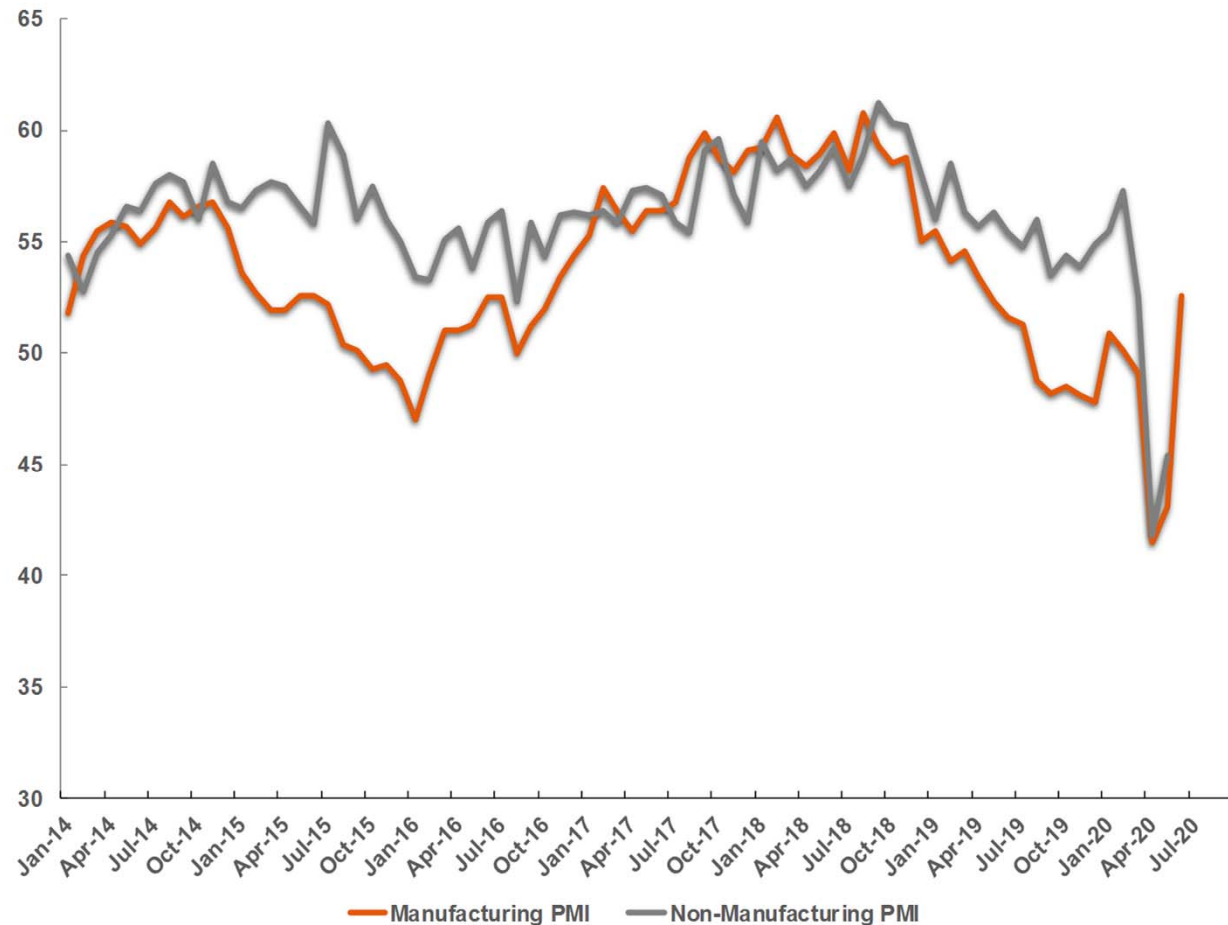
IMPACT OF THE SHUTDOWN IS UNPRECEDENTED: HIGH UNEMPLOYMENT RATE

- More than 20 million workers pushed into unemployment
- Millions more pushed out of the labor force
- Expect gradual decline in unemployment rate with ongoing support from fiscal and monetary policy.



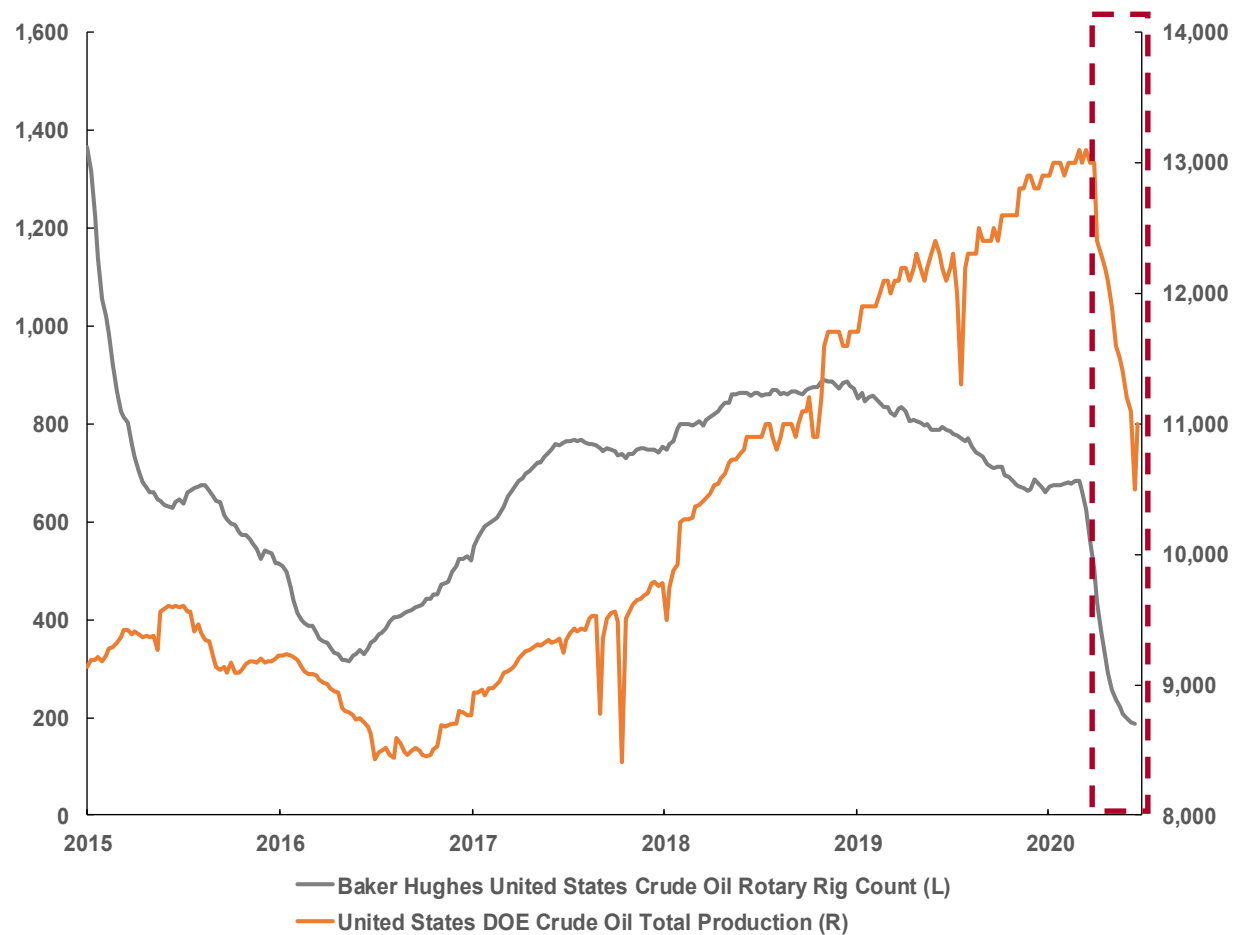
U.S. PURCHASING MANAGER INDEXES

- These indexes provide insight into manufacturing and services industries.
- It appears the decline bottomed in May.
- Cyclical stocks rising alongside positive rate of change in manufacturing.



RIG COUNTS AND TOTAL OIL PRODUCTION ON STEEP DECLINE IN 2020

- As oil prices fell in the U.S., rig count fell leading to a decline in domestic oil production.
- OPEC and Russia agreed to reduce production as well.
- Lower oil prices keep short term inflation in check.



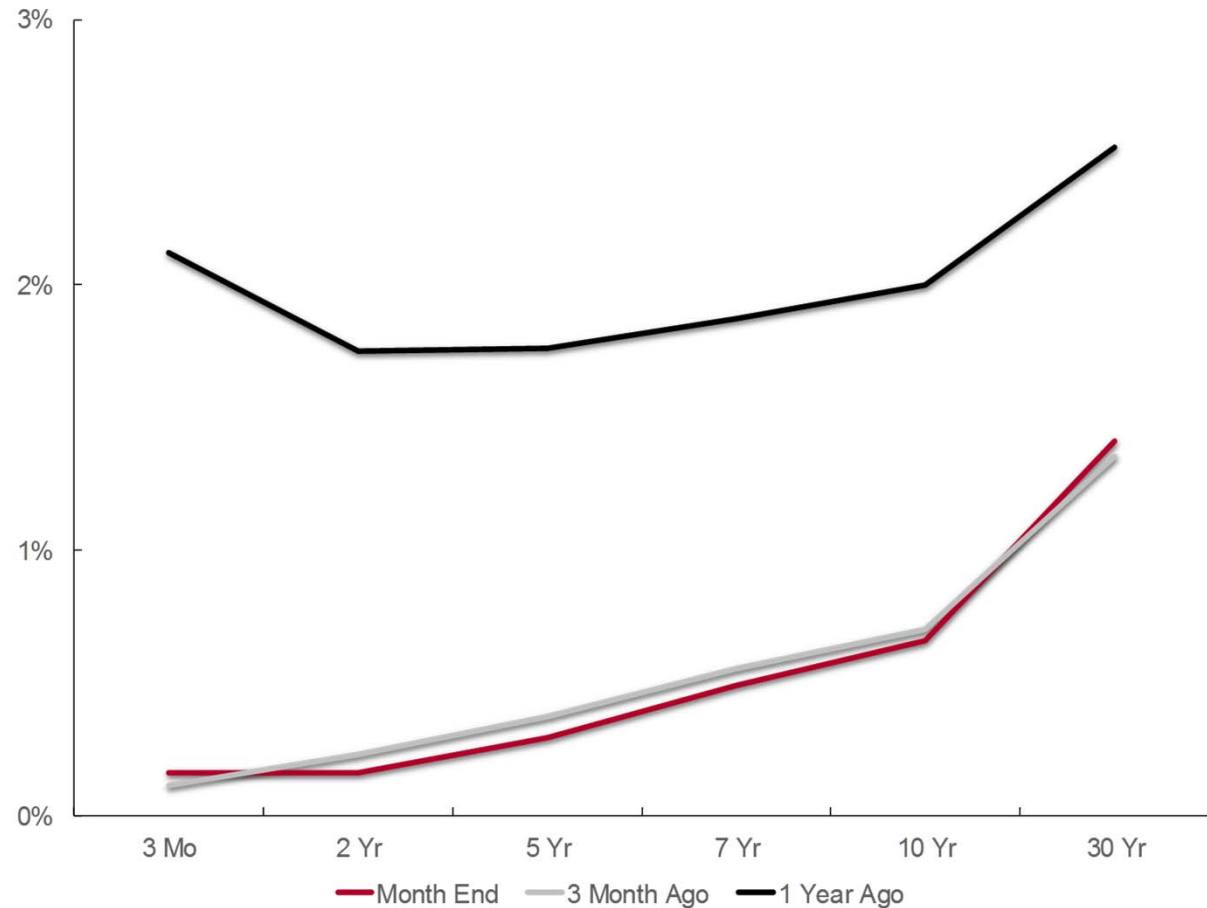
AFTER PRECIPITOUS FALL, S&P 500 HAS NEARLY RECOVERED

- After seeing all time highs in Feb, stocks quickly retreated as the economy stopped.
- Since setting lows near the end of March, the S&P is up near 40%.
- S&P EPS estimates for 2020, and 2021 = \$125/share, \$165/share.
- Valuations are high, but interest rates are near 0%.



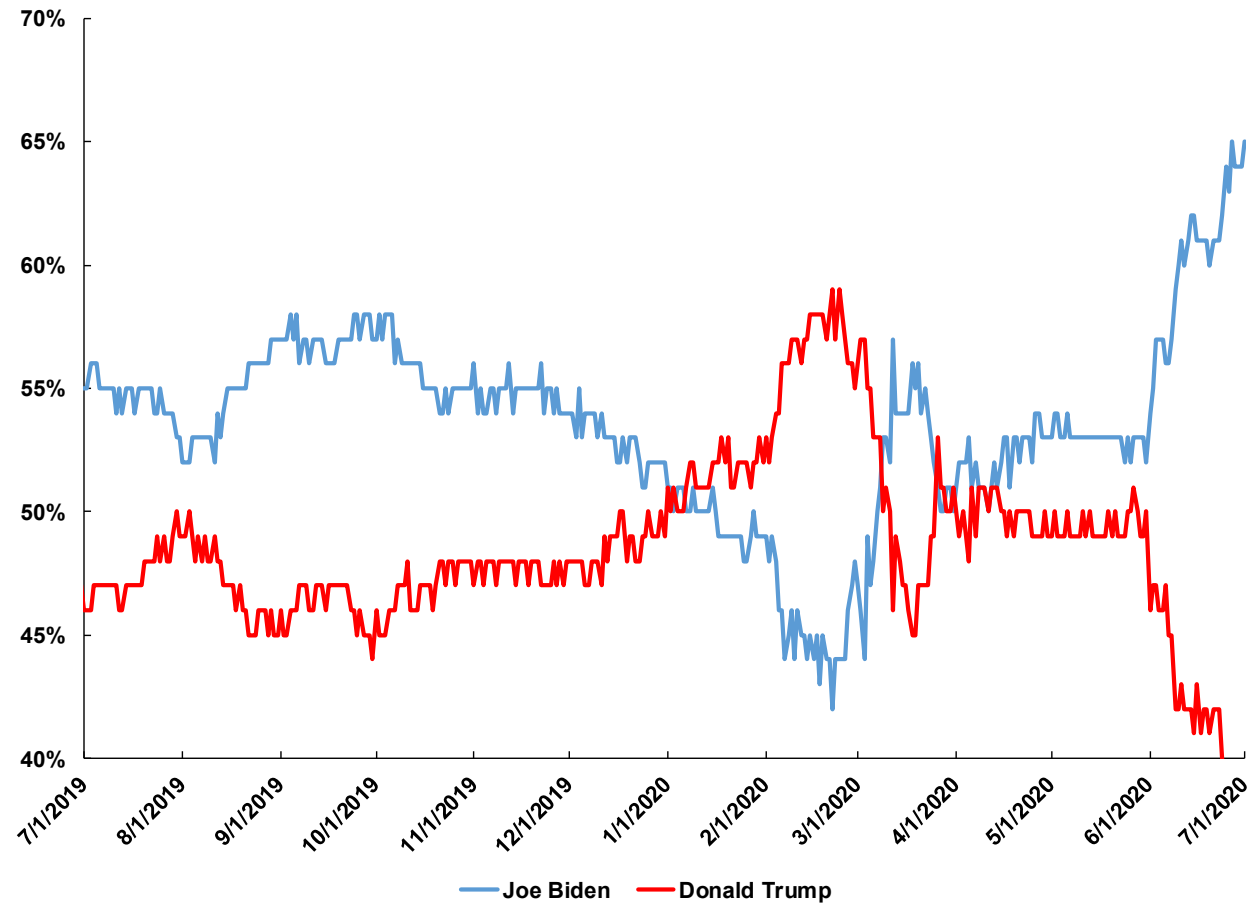
U.S. TREASURY RATES FALL DRAMATICALLY

- Historic fall in interest rates.
- An upward sloping yield curve is a good sign for the economy.
- The Fed is discussing “yield curve control” as an option for future monetary policy.

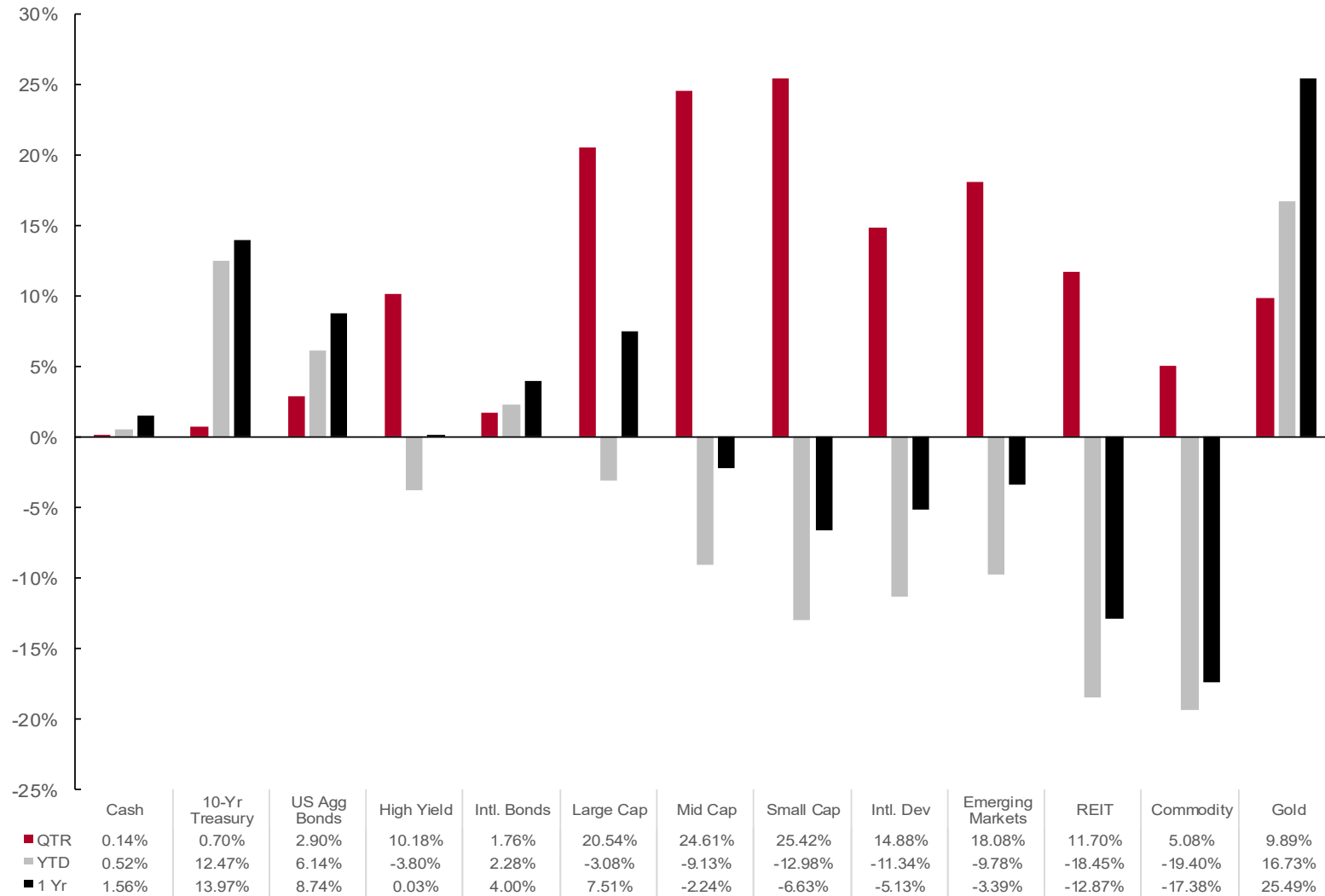


PRESIDENTIAL POLLS 2020

- Not too early to be thinking about the market and economic implications of potential changes in Washington D.C.



MARKET SUMMARY



Source: Morningstar. Data shown as of June 30, 2020.

BROAD MARKET OVERVIEW

Returns (%)	3 Mo.	YTD	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
Capital Markets						
DJ Industrial Average TR USD	18.51	-8.43	-0.54	9.08	10.61	12.99
NASDAQ 100 TR USD	30.30	16.89	33.78	22.91	19.57	20.69
Russell 3000 TR USD	22.03	-3.48	6.53	10.04	10.03	13.72
S&P 500 TR USD	20.54	-3.08	7.51	10.73	10.72	13.99
Domestic Large Cap Equities						
Russell 1000 TR USD	21.82	-2.81	7.48	10.64	10.47	13.97
Russell 1000 Value TR USD	14.29	-16.26	-8.84	1.82	4.64	10.41
Russell 1000 Growth TR USD	27.84	9.81	23.28	18.99	15.88	17.23
Domestic Mid Cap Equities						
Russell Mid Cap TR USD	24.61	-9.13	-2.24	5.79	6.76	12.35
Russell Mid Cap Value TR USD	19.95	-18.09	-11.81	-0.54	3.32	10.29
Russell Mid Cap Growth TR USD	30.26	4.16	11.91	14.75	11.59	15.09
Domestic Small Cap Equities						
Russell 2000 TR USD	25.42	-12.98	-6.63	2.01	4.29	10.50
Russell 2000 Value TR USD	18.91	-23.50	-17.48	-4.35	1.26	7.82
Russell 2000 Growth TR USD	30.58	-3.06	3.48	7.86	6.85	12.92
International Equities						
MSCI EAFE NR USD	14.88	-11.34	-5.13	0.81	2.05	5.73
MSCI EAFE Value NR USD	12.43	-19.27	-14.48	-4.43	-1.59	3.53
MSCI EAFE Growth NR USD	16.95	-3.53	4.15	5.90	5.52	7.78
MSCI ACWI Ex USA NR USD	16.12	-11.00	-4.80	1.13	2.26	4.97
MSCI EM NR USD	18.08	-9.78	-3.39	1.90	2.86	3.27
Cash & Fixed Income						
FTSE Treasury Bill 3 Mon USD	0.14	0.52	1.56	1.72	1.15	0.61
BBgBarc US Agg Bond TR USD	2.90	6.14	8.74	5.32	4.30	3.82
BBgBarc Gbl Agg Ex USD TR Hdg USD	1.76	2.28	4.00	4.94	4.49	4.20
BBgBarc US Corporate High Yield TR USD	10.18	-3.80	0.03	3.33	4.79	6.68
Alternatives						
MSCI US REIT GR USD	11.70	-18.45	-12.87	0.08	4.08	9.06
Bloomberg Commodity TR USD	5.08	-19.40	-17.38	-6.13	-7.69	-5.82

Source: Morningstar. Data shown as of June 30, 2020.

ASSET CLASS QUILT

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	
26.85%	7.84%	18.22%	38.82%	13.69%	5.67%	21.31%	37.28%	3.17%	36.39%	9.81%	Best Performing ↑ ↓ Worst Performing
25.48%	4.98%	17.51%	34.76%	13.45%	1.38%	17.34%	30.21%	0.01%	31.49%	6.14%	
18.88%	3.94%	17.32%	33.48%	13.22%	1.36%	17.13%	25.03%	-1.51%	30.54%	2.28%	
16.71%	2.64%	17.28%	32.53%	13.05%	0.55%	13.80%	21.83%	-2.08%	26.54%	-3.08%	
15.51%	2.11%	16.35%	32.39%	8.79%	-0.81%	11.96%	18.52%	-4.38%	25.52%	-3.80%	
15.12%	0.39%	16.00%	22.78%	5.97%	-2.44%	11.19%	14.65%	-8.27%	22.01%	-9.13%	
15.06%	-1.55%	15.81%	7.44%	4.89%	-3.83%	7.08%	13.66%	-9.06%	18.42%	-9.78%	
7.75%	-4.18%	15.26%	1.18%	2.45%	-4.41%	4.90%	7.50%	-11.01%	14.32%	-11.34%	
6.54%	-12.14%	6.46%	-2.02%	-2.19%	-4.47%	2.65%	3.54%	-13.79%	8.72%	-12.98%	
3.28%	-18.42%	4.21%	-2.60%	-4.90%	-14.92%	1.00%	2.48%	-14.57%	7.57%	-16.26%	

S&P 500
Large Cap Value
Large Cap Growth

Mid Cap Blend
Small Cap Blend
Foreign Bonds

Foreign Stocks
Emerging Markets
High Yield

Bonds

Source: Morningstar. Data shown as of June 30, 2020.

EQUITY RETURNS ACROSS PERIODS

3 Month

	Value	Core	Growth
Large	14.3	20.5	27.8
Mid	19.9	24.6	30.3
Small	18.9	25.4	30.6
Int'l	12.8	16.1	19.1

1 Year

	Value	Core	Growth
Large	-8.8	7.5	23.3
Mid	-11.8	-2.2	11.9
Small	-17.5	-6.6	3.5
Int'l	-15.3	-4.8	5.8

3 Year

	Value	Core	Growth
Large	1.8	10.7	19.0
Mid	-0.5	5.8	14.8
Small	-4.3	2.0	7.9
Int'l	-4.0	1.1	6.1

5 Year

	Value	Core	Growth
Large	4.6	10.7	15.9
Mid	3.3	6.8	11.6
Small	1.3	4.3	6.9
Int'l	-1.2	2.3	5.6

Source: Morningstar. Returns in the style boxes are represented by the Russell indexes and the S&P 500 for the Large Cap Core space. Returns in the international boxes are represented by the MSCI ACWI Ex USA indexes. Boxes shown in red represent returns below 0%. Gray boxes represent returns between 0% and 10%. Returns above 10% are shown in black. Data shown as of June 30, 2020.


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