



Capital Market Review
As of June 30, 2020

2Q20 Market Recap

The Fed's unprecedented stimulus had a huge impact on the market in the second quarter; interest rates stabilized, the bond market snapped back, and the stock market rebounded significantly. We face an uncertain economy in the near term. Unemployment is still over 11%, a resurgence in COVID-19 cases continues to delay our recovery and material long-term changes seem to be developing in how we do business. The rapid market rebound makes it feel like the markets are disconnected from the actual state of our economy, but the market is always attempting to look forward. We look forward to the day when a vaccine is approved for use, a tangible path to recovery.

In the meantime, we remain cautious and more tactical than usual. We are tactically rebalancing where necessary, capturing opportunities when available, repositioning in the bond portion of portfolios to try and best manage risk and yield, and pursuing managers that can take advantage of the special opportunities that are created in this incredible time of disruption. Diversification has never felt more important, nor has active management. That may seem counterintuitive when the stock market returns are so heavily driven by the top five names in the S&P 500. We believe there is so much more growth potential and opportunity to manage overall volatility and generate yield by investing broadly across the full spectrum of asset classes with high quality, proven money managers. This quarter could not have proven this theory any better.

In a world experiencing major changes, one thing remains constant: our advice to stay true to your long-term investment strategy with an eye for opportunity.

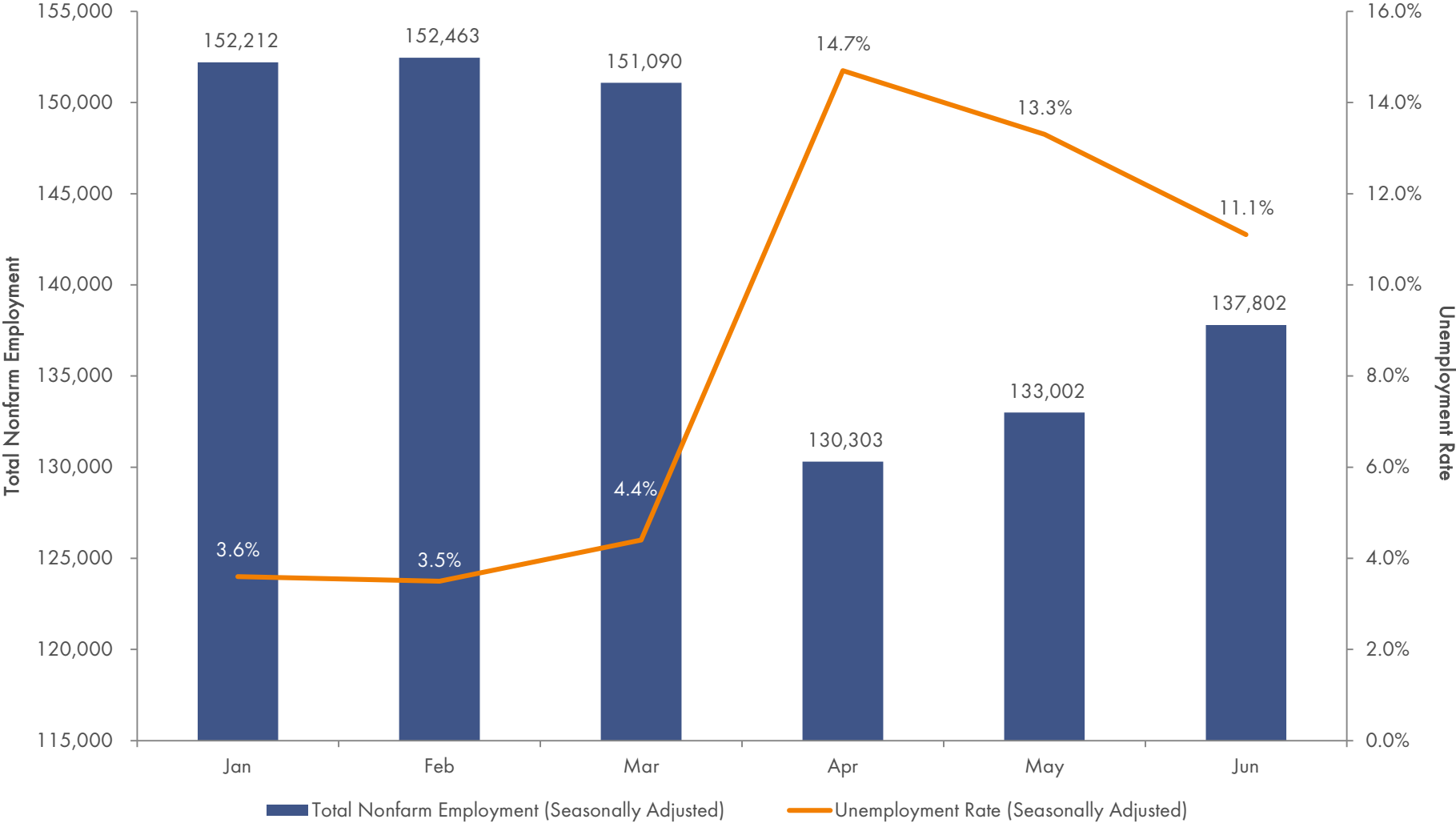
Enjoy the rest of your summer, we look forward to our upcoming quarterly performance meetings!

Your Allium Team

Market Dashboard¹ – As of June 30, 2020

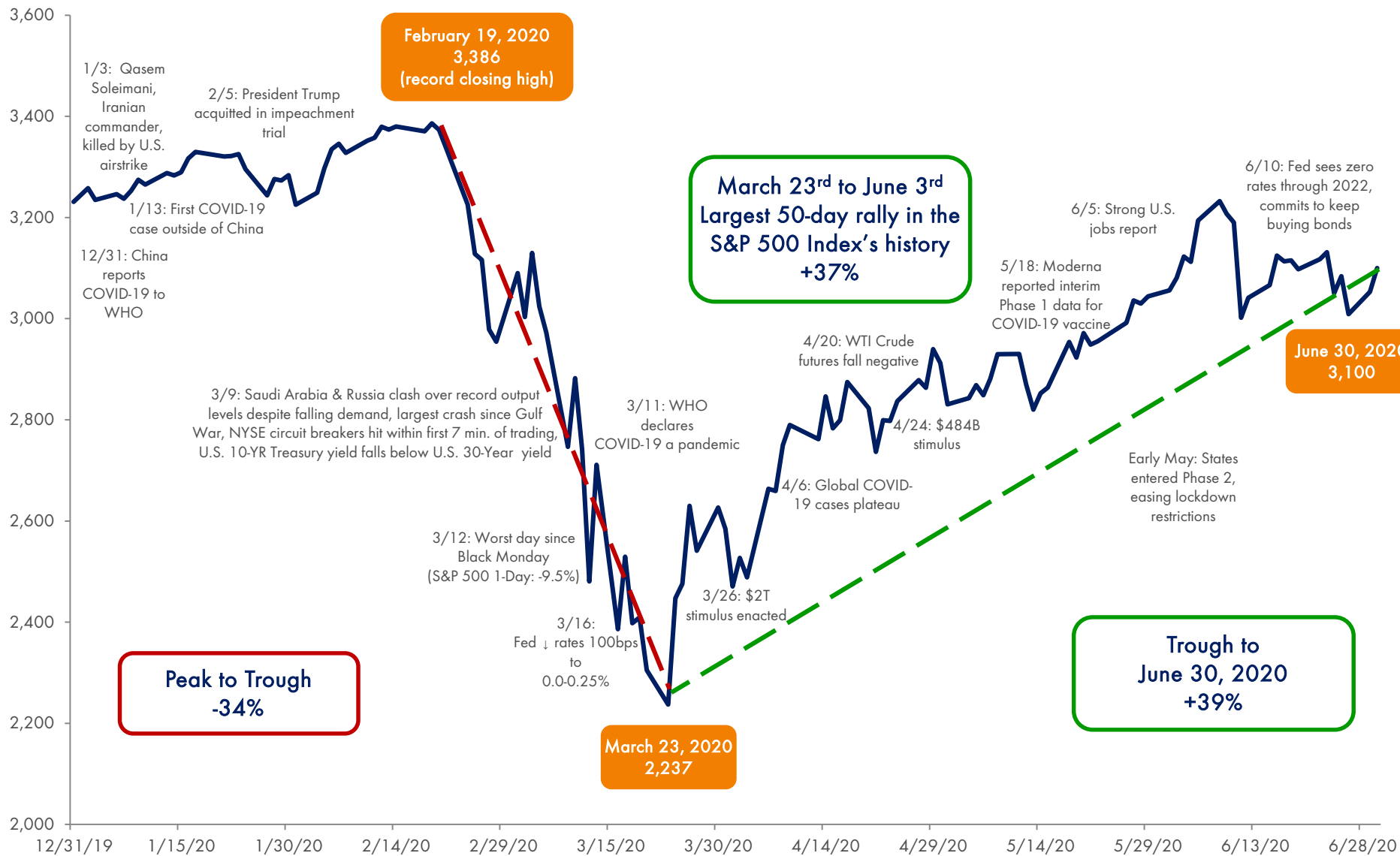
Asset Class	Quarterly Commentary	2Q20	YTD
Domestic Stocks (S&P 500)	<ul style="list-style-type: none"> U.S. stocks experienced their best quarter in over two decades after fiscal and monetary stimulus measures were put in place in response to the COVID-19 crisis and the reopening of the economy. All eleven sectors of the S&P 500 generated positive results over the quarter, led by Consumer Discretionary (+32.9%), Energy (+30.9%) and Information Technology (+30.5%). Utilities (+2.7%) and Consumer Staples (+8.1%) provided the lowest results for the quarter. 	20.5%	(3.1%)
International Stocks (EAFE)	<ul style="list-style-type: none"> Developed International Markets rallied over the quarter, but fell behind U.S. stocks and Emerging Markets stocks. The U.S. Dollar depreciated against most major currencies. In local currency terms, results were generally positive for Developed International Markets. Germany (+23.6%), Canada (+15.0%) and Australia (+14.6%) were the best performers, while Spain (+7.8%) and the United Kingdom (+8.2%) were the lowest performers. 	14.9%	(11.3%)
Emerging Market Stocks (MSCI Emerging Markets)	<ul style="list-style-type: none"> Brazil (+30.1%), South Africa (+23.7%), and India (+20.3%) were the top performers on a local currency basis over the quarter, while Mexico (+9.3%) and Russia (+9.5%) were the bottom performers. Emerging Markets currencies provided mixed results relative to the U.S. Dollar for the quarter. The Russian Ruble experienced the greatest relative appreciation while the Brazilian Real saw the greatest relative depreciation. 	18.1%	(9.8%)
Domestic Bonds (BB Capital Aggregate)	<ul style="list-style-type: none"> Bond returns were positive over the quarter, following addition monetary policy measures by the Fed and other central banks aimed at addressing historic unemployment levels. High Yield (+10.2%) and Emerging Markets (+9.1%) were the strongest sectors while domestic Long Term Government (+0.3%) and Intermediate Term Government (+0.5%) were the weakest. 	2.9%	6.1%
Interest Rates	<ul style="list-style-type: none"> The Federal Open Market Committee's (FOMC) target federal funds rate remained unchanged at a range of 0.00% – 0.25%. The 10-year yield fell 4 basis points to 0.66% and the 30-year yield rose 6 basis points to 1.41%. 		

Jobs and Unemployment



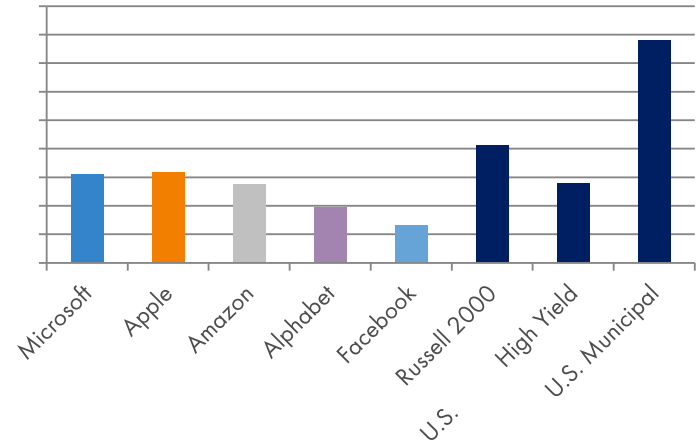
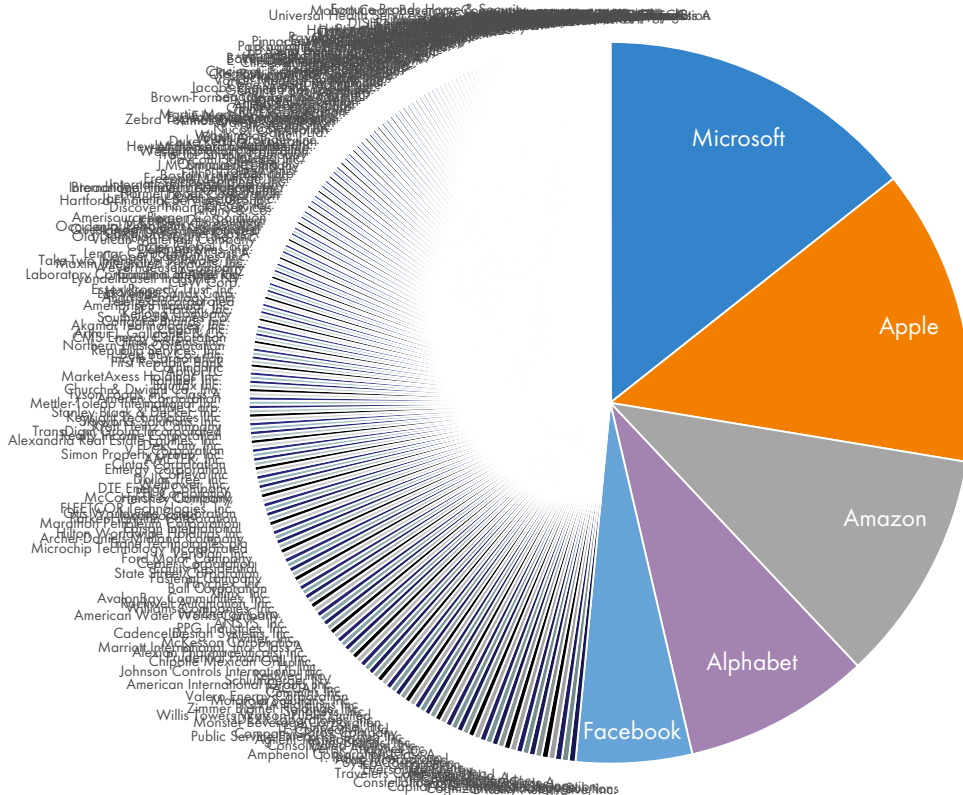
Source: U.S. Bureau of Labor Statistics

S&P 500 Index



S&P 500 Index Weighting

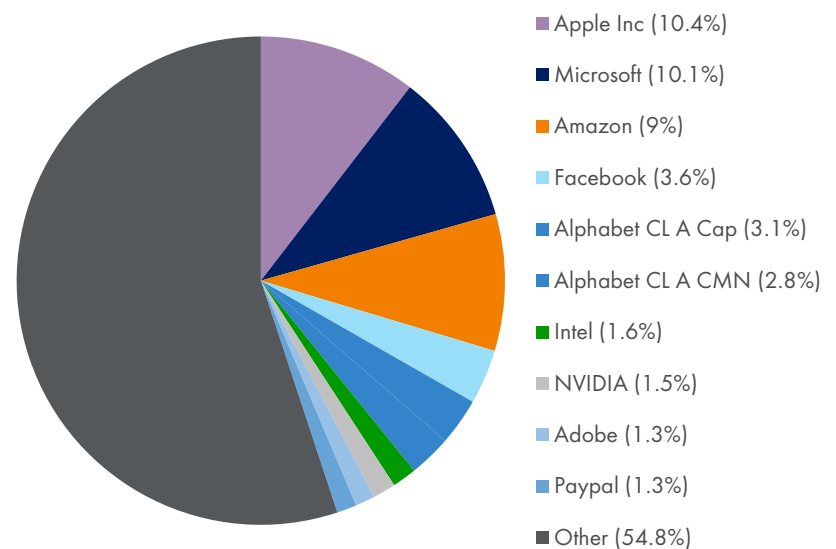
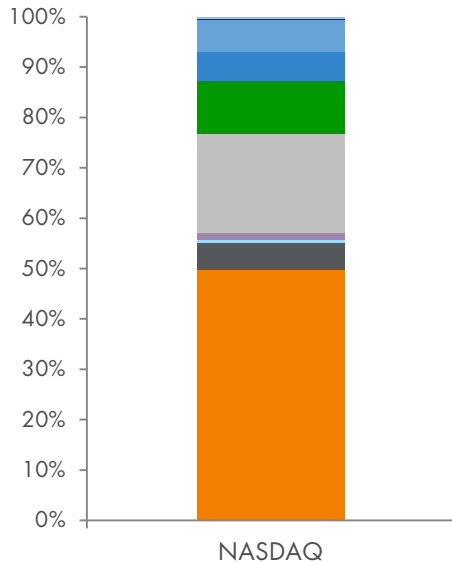
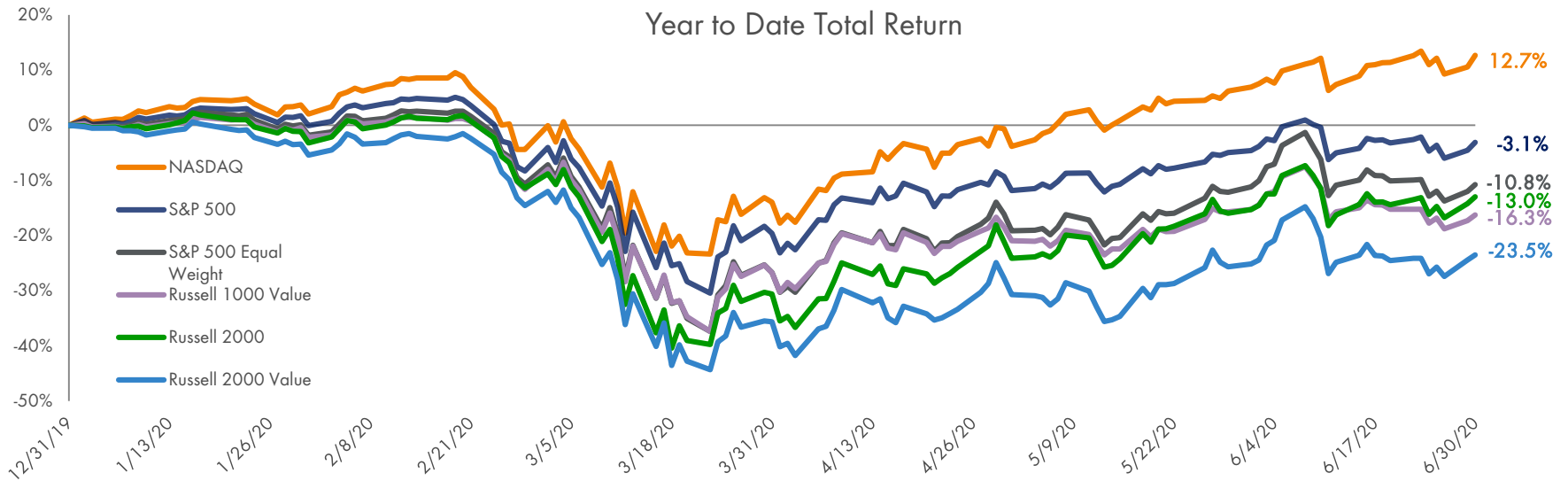
S&P 500 Index Weighting Top 5 vs Bottom 350 Companies



	Mkt Cap (\$T)	Trailing P/E	% of S&P 500
Microsoft	\$1.54	35.9x	5.7%
Apple	\$1.58	28.6x	5.3%
Amazon	\$1.38	131.8x	4.1%
Alphabet	\$0.97	29.1x	3.3%
Facebook	\$0.65	27.6x	2.1%
S&P 500	\$26.77	21.8x	-

NASDAQ Comparison

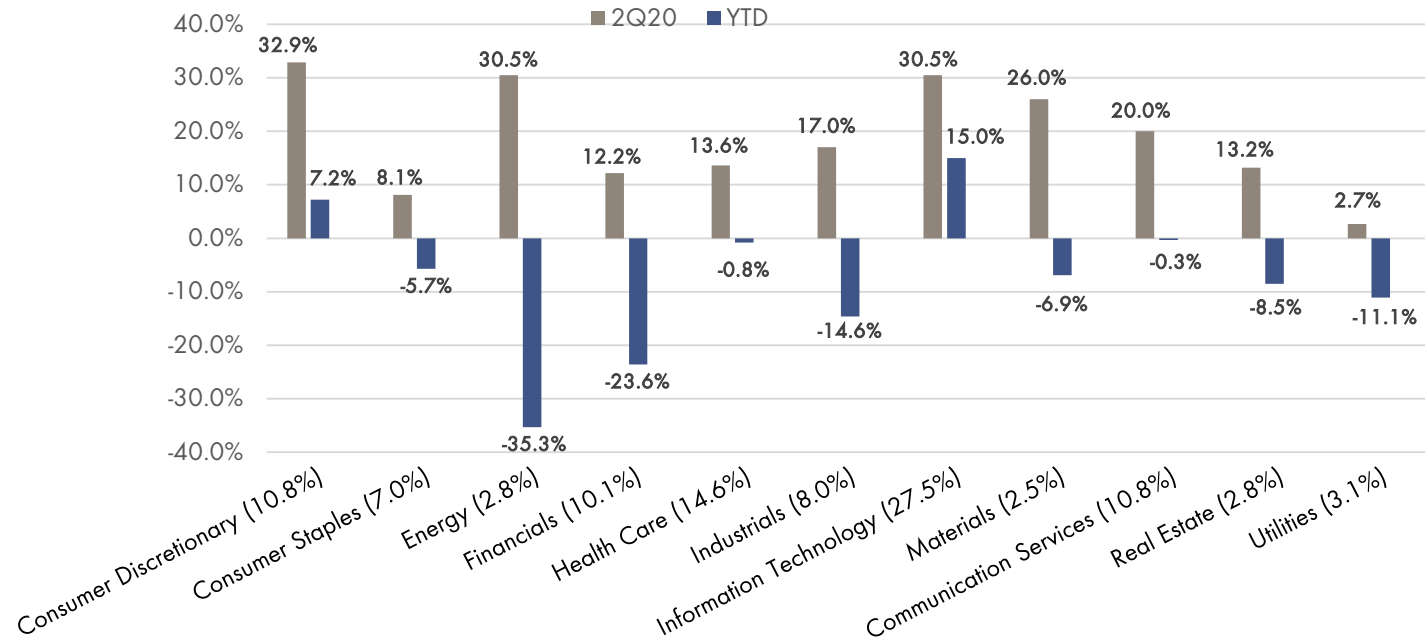
Year to Date Total Return



Source: Bloomberg, NASDAQ

U.S. Stock Market – Sector and Style

S&P 500 Sector Performance

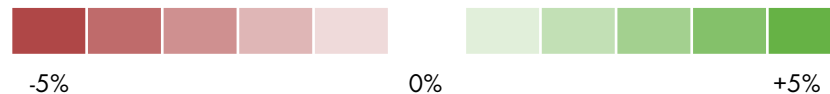


2Q20

S&P 500	20.5%		
Russell 3000	22.0%		
Large	27.8%	21.8%	14.3%
Mid	30.3%	24.6%	19.9%
Small	30.6%	25.4%	18.9%
	Growth	Core	Value

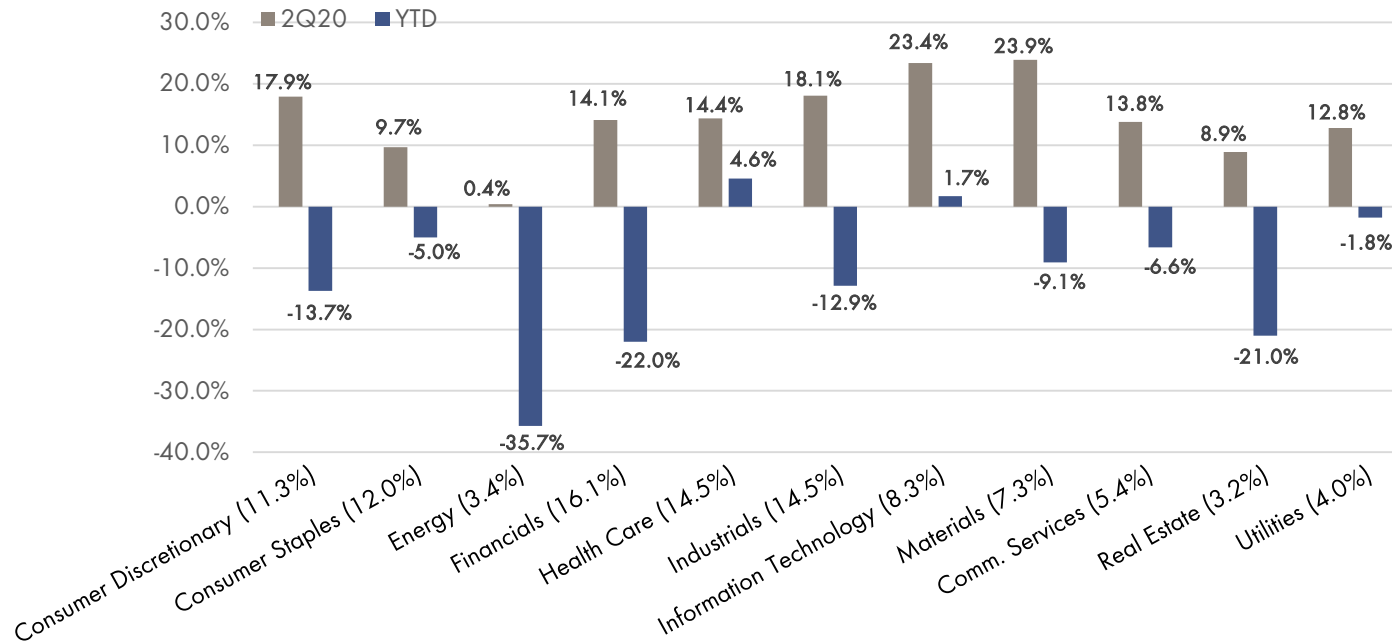
Year to Date

S&P 500	-3.1%		
Russell 3000	-3.5%		
Large	9.8%	-2.8%	-16.3%
Mid	4.2%	-9.1%	-18.1%
Small	-3.1%	-13.0%	-23.5%
	Growth	Core	Value



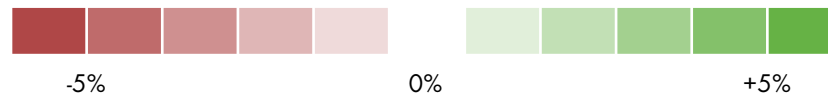
International Stock Market – Sector and Style

EAFE Sector Performance



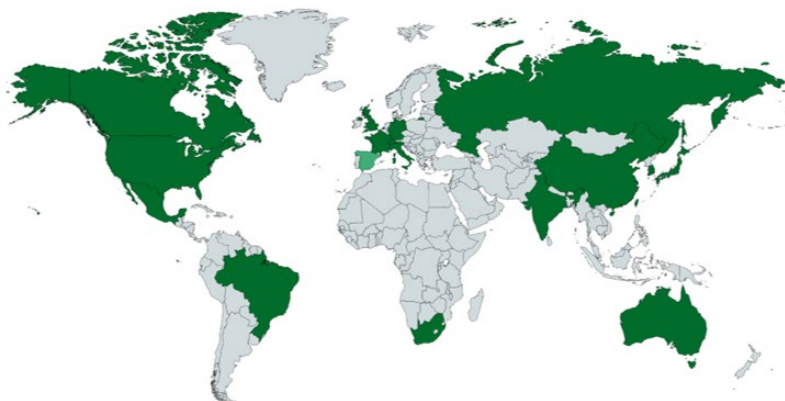
	2Q20		
EAFE	16.9%	14.9%	12.4%
ACWI ex U.S.	19.1%	16.1%	12.8%
Emerging Markets	22.1%	18.1%	13.8%
	Growth	Core	Value

	Year to Date		
EAFE	-3.5%	-11.3%	-19.3%
ACWI ex U.S.	-2.6%	-11.0%	-19.4%
Emerging Markets	-1.5%	-9.8%	-18.0%
	Growth	Core	Value

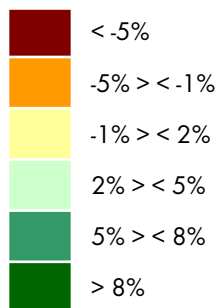


Global Stock Returns

Second Quarter Relative Strength

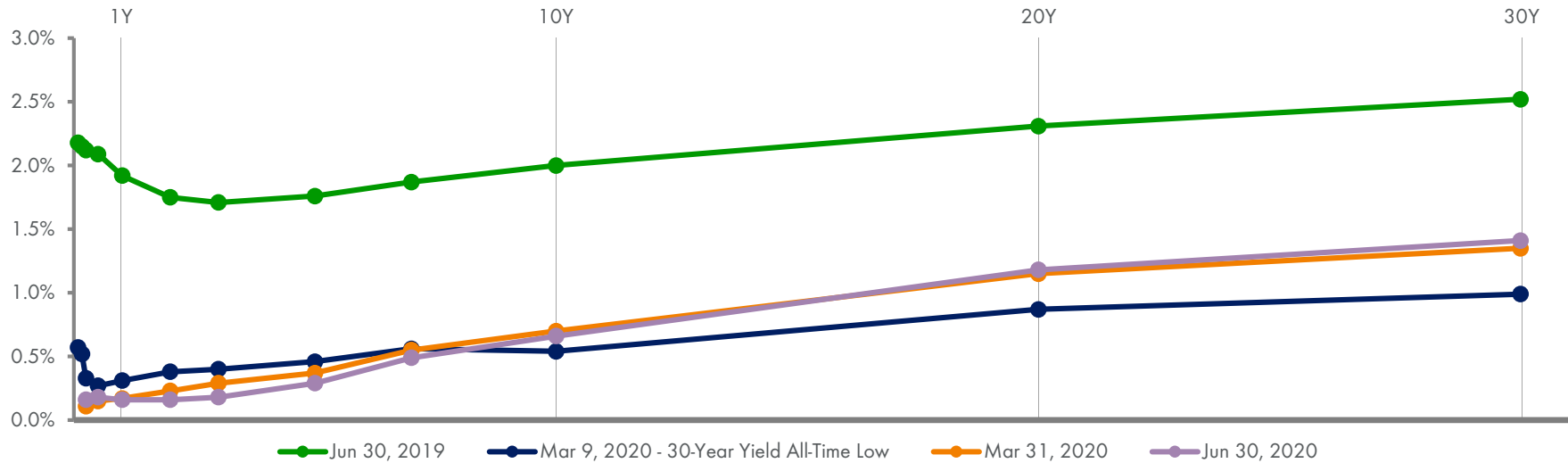


Relative Strength

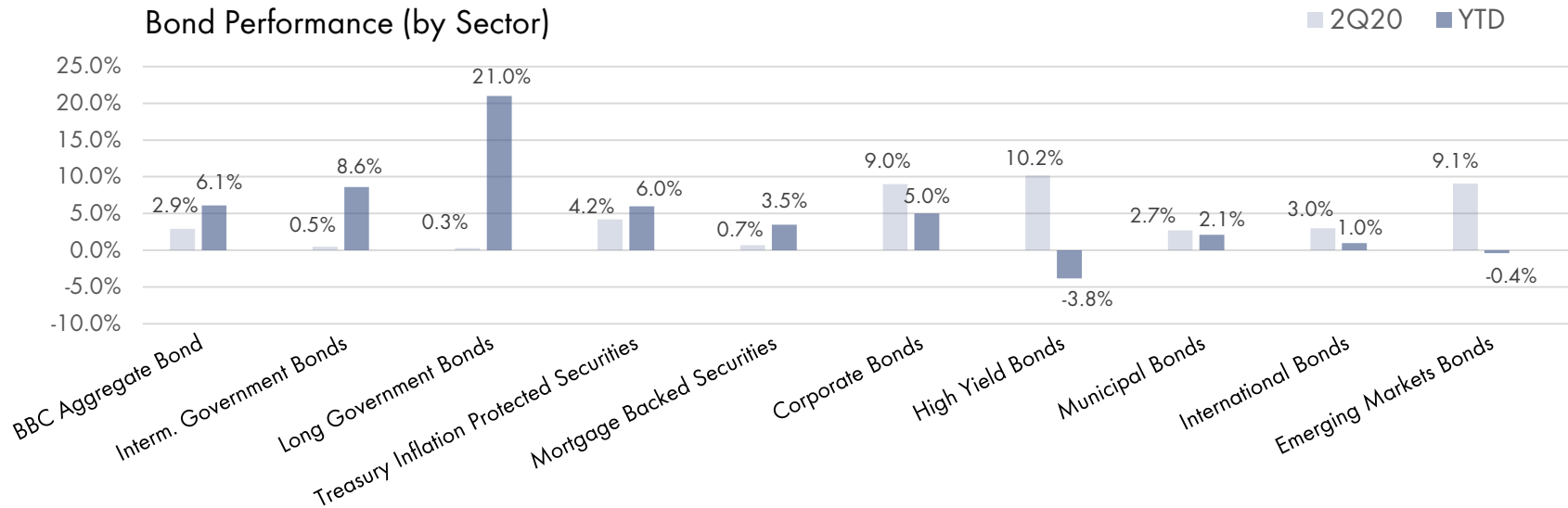


	2Q2020		YTD	
	Local Return	USD Return	Local Return	USD Return
North America				
Canada	15.0%	20.2%	-8.5%	-12.9%
United States	20.5%	20.5%	-3.1%	-3.1%
Europe				
France	13.5%	16.1%	-15.9%	-15.9%
Germany	23.6%	26.5%	-7.7%	-7.6%
Italy	13.4%	16.1%	-18.0%	-17.9%
Spain	7.8%	10.3%	-22.6%	-22.5%
Switzerland	8.7%	10.9%	-3.9%	-1.8%
United Kingdom	8.2%	7.8%	-17.7%	-23.3%
Asia Pacific				
Australia	14.6%	28.9%	-12.1%	-14.0%
Hong Kong	9.2%	9.2%	-10.2%	-9.7%
Japan	11.5%	11.6%	-7.8%	-7.1%
International Developed Markets Index				
MSCI EAFE Index	12.6%	14.9%	-10.5%	-11.3%
Emerging Markets				
Brazil	30.1%	22.8%	-16.5%	-38.9%
China	15.3%	15.3%	3.4%	3.5%
India	20.3%	20.6%	-12.1%	-16.9%
South Korea	18.1%	19.5%	-3.6%	-7.3%
Mexico	9.3%	11.0%	-12.4%	-28.4%
Russia	9.5%	18.7%	-14.4%	-24.5%
South Africa	23.7%	27.1%	-5.8%	-24.1%
Taiwan	18.4%	21.4%	-3.3%	-1.8%
Emerging Markets Index				
MSCI EM Index	16.7%	18.1%	-5.5%	-9.8%

Treasury Yield Curve and Bond Sector Returns



Bond Performance (by Sector)



Source: U.S. Treasury, Bloomberg

Tactical Positioning 2Q20

Asset Class	Underweight Overweight Neutral to Target	Comments
Cash	Overweight for clients with regular spending	Money market funds are not paying much more than cash reserves at this time
Low Duration	Overweight	Conservative "dry powder" for rebalancing purposes, capital calls
Fixed Income	Neutral to underweight	Active management and higher quality portfolios preferred. Diversified, including global bonds/international bonds – 20% or less of overall bond exposure
Credit Alternatives	Neutral to overweight	Important to recognize added risk for increased return potential, illiquidity
Large Cap	Neutral to underweight	Active management worth consideration at this time, seeking a tilt towards value
Mid Cap	Neutral	Some tactical use of active management
Small Cap	Neutral	Active management preferred
International	Neutral to underweight	Active management preferred
Emerging Markets	Overweight	Attractive from a valuation standpoint, active management preferred
Liquid Alternatives	Neutral to underweight	
Long/Short Equity	Neutral	We remain convicted in the important risk management role of this asset class
Private Equity	Neutral	Actively pursuing special opportunities and distressed debt
Private Real Estate	Neutral	Geographical diversification, selective opportunities

Annual Total Returns of Key Asset Classes 2009 – 2Q 2020

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD2020	15 Year Annualized
Best ↑	Emg Mkts 78.5	US Small Cap 26.9	Real Estate 16.0	Emg Mkts 18.2	US Small Cap 38.8	US Large Cap 13.7	Real Estate 15.0	US Small Cap 21.3	Emg Mkts 37.3	Real Estate 8.3	US Large Cap 31.5	US Bonds 6.1	US Large Cap 8.8
	Intl Equity 41.4	US Mid Cap 25.5	US Bonds 7.8	US Mid Cap 17.3	US Mid Cap 34.8	US Mid Cap 13.2	Long/Short Eq 3.6	US Mid Cap 13.8	Intl Equity 27.2	Inflation 1.9	US Mid Cap 30.5	Inflation 0.3	US Mid Cap 8.5
	US Mid Cap 40.5	Emg Mkts 18.9	Inflation 3.0	Intl Equity 16.8	US Large Cap 32.4	Real Estate 12.5	US Large Cap 1.4	US Large Cap 12.0	US Large Cap 21.8	US Bonds 0.0	Real Estate 28.7	Long/Short Eq -2.5	US Small Cap 7.0
	US Small Cap 27.2	Real Estate 16.4	US Large Cap 2.1	US Small Cap 16.3	Long/Short Eq 17.7	US Bonds 6.0	Inflation 0.7	Emg Mkts 11.2	US Mid Cap 18.5	US Large Cap -4.4	US Small Cap 25.5	US Large Cap -3.1	Real Estate 6.9
	US Large Cap 26.5	US Large Cap 15.1	US Mid Cap -1.5	US Large Cap 16.0	Intl Equity 15.3	Long/Short Eq 5.5	US Bonds 0.5	Real Estate 8.8	US Small Cap 14.6	Long/Short Eq -4.6	Intl Equity 21.5	US Mid Cap -9.1	Emg Mkts 6.3
	Long/Short Eq 19.5	Intl Equity 11.2	US Small Cap -4.2	Real Estate 10.9	Real Estate 13.9	US Small Cap 4.9	US Mid Cap -2.4	Intl Equity 4.5	Long/Short Eq 13.4	US Mid Cap -9.1	Emg Mkts 18.4	Emg Mkts -9.8	Long/Short Eq 5.3
	US Bonds 5.9	Long/Short Eq 9.3	Long/Short Eq -7.3	Long/Short Eq 8.2	Inflation 1.5	Inflation 0.8	US Small Cap -4.4	US Bonds 2.6	Real Estate 7.6	US Small Cap -11.0	Long/Short Eq 12.2	Intl Equity -11.0	Intl Equity 4.4
	Inflation 2.7	US Bonds 6.5	Intl Equity -13.7	US Bonds -2.0	US Bonds -2.0	Emg Mkts -2.2	Intl Equity -5.7	Inflation 2.1	US Bonds 3.5	Intl Equity -14.2	US Bonds 8.7	US Small Cap -13.0	US Bonds 4.4
Worst ↓	Real Estate -29.8	Inflation 1.5	Emg Mkts -18.4	Inflation 1.7	Emg Mkts -2.6	Intl Equity -3.9	Emg Mkts -14.9	Long/Short Eq -3.4	Inflation 2.1	Emg Mkts -14.6	Inflation 2.3	Real Estate -13.3	Inflation 1.9

Source: Morningstar

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