



Capital Market Review
As of March 31, 2020

1 Q20 Market Recap

The experience in the first quarter of 2020 was not beyond imagination, but far from our thinking as we started the quarter. The necessary sudden stop to our economy, due to COVID-19, was stunning. The S&P 500 Index dropped -19.6%, small cap stocks (Russell 2000 Index) down -30.6% and international stocks, (EAFE Index), down -22.8%. Value stocks suffered more than growth stocks and oil prices plummeted.

The BC Aggregate Bond Index was up +3.1% for the quarter, yet most bond funds that held significant credit or international bonds were negative. Municipal bond funds struggled, and high yield bonds were down -11.5%.

The Federal government responded with speed and scale using fiscal and monetary responses to help stabilize the markets. Fortunately, our economy entered this unexpected turn of events in what we believe was good shape. While there are likely to be material long-term changes to the economy and how we do business, we are certain we will heal from this.

- Active management in many areas has been helpful
- Most bond managers struggled relative to the BC Aggregate Bond Index but have been experiencing healthy recovery since March 31, 2020 as of this writing (April 24, 2020)
- Long/short equity managers did their job by helping to dampen volatility
- Value stocks significantly underperformed the S&P 500 Index – there seems to be a strong focus on technology and healthcare at this time, favoring growth
- Private markets did not appear to experience the immediate negative impact of the public markets but will likely have similar struggles over time

Looking forward:

- Capital preservation is first and foremost. Next is generating income and growth, without taking unnecessary risk. New opportunities are being created – current managers are capturing some great investments at bargain prices and we will be introducing new opportunities to clients over the next few weeks
- It is expected that growth stocks will pull through better than value stocks in the early stages of recovery

This has been an extra busy time for us, paying very close attention to the impact the highly volatile market is having on client portfolios; tax loss harvesting; providing client support; processing new business; talking with just about every manager in our client portfolios; and vetting new opportunities to take advantage of the newly created market dislocations.

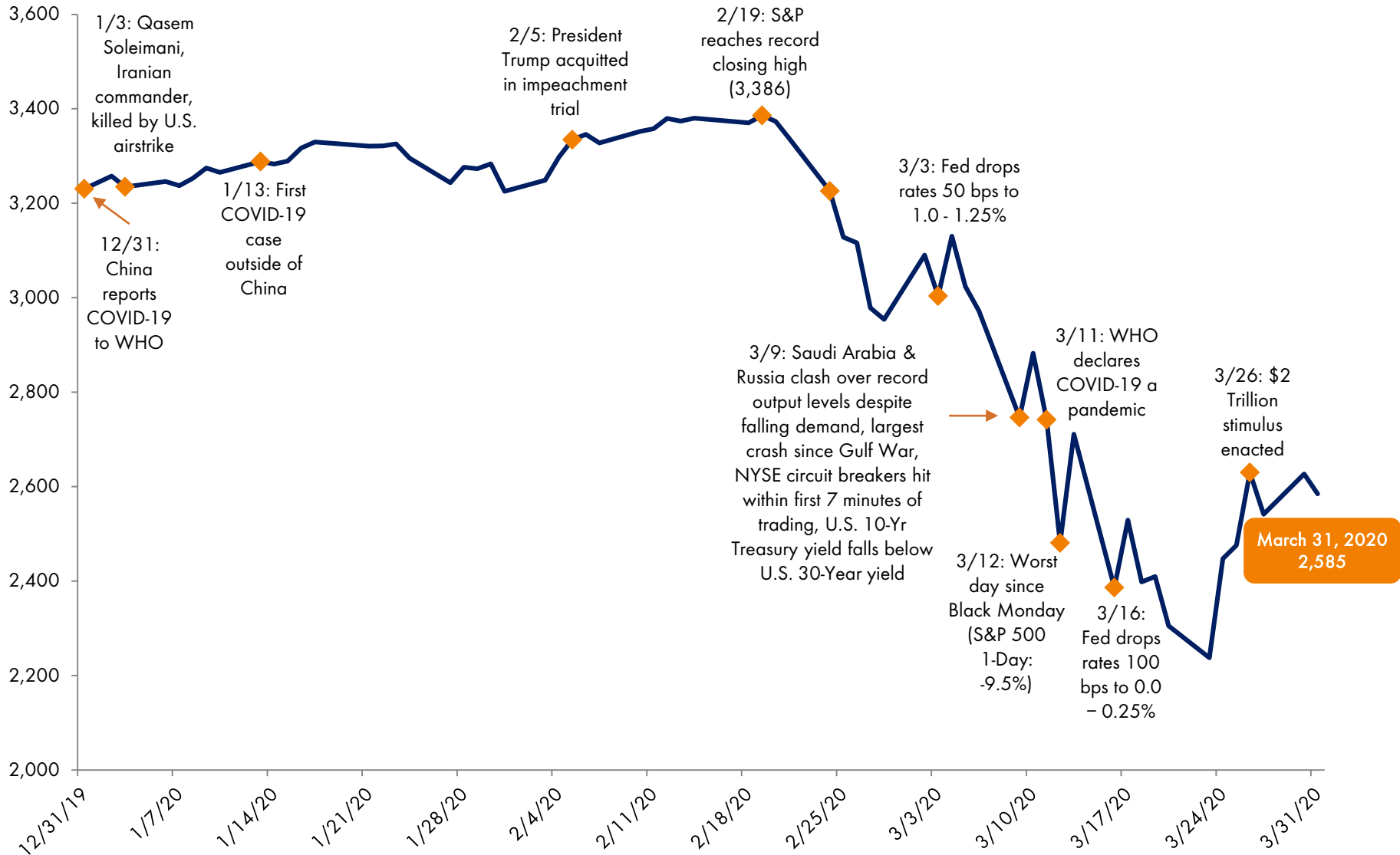
We hope you, your family and friends are all safe and healthy. We look forward to our next meeting with you; take care and stay safe!

The Allium Team

Market Dashboard¹ – As of March 31, 2020

Asset Class	First Quarter	1Q20	1 Year
Domestic Stocks (S&P 500)	<ul style="list-style-type: none"> Stocks experienced their worst quarter since 2008 as investors' fears regarding COVID-19 heightened. All 11 sectors of the S&P 500 generated negative results over the quarter, led by performance from Energy (-50.5%) and Financials (-32.0%). Information Technology (-11.9%) and Healthcare (-12.7%) provided the best results for the quarter. 	-19.6%	-7.0%
International Stocks (EAFE)	<ul style="list-style-type: none"> Developed International Markets lagged over the quarter behind U.S. stocks but ahead of Emerging Markets. The U.S. Dollar appreciated against most major currencies. In local currency terms, results were generally negative for Developed International Markets. Switzerland (-11.6%), Japan (-17.3%) and Hong Kong (-17.7%) were the best performers, while Spain (-28.1%) and Italy (-27.7%) were the lowest performers. 	-22.8%	-14.4%
Emerging Market Stocks (MSCI Emerging Markets)	<ul style="list-style-type: none"> China (-10.3%), Taiwan (-18.4%) and South Korea (-18.4%) were the top performers on a local currency basis over the quarter while Brazil (-35.8%) and India (-27.0%) were the bottom performers on a local currency basis over the quarter. Emerging Markets currencies generally depreciated relative to the U.S. Dollar for the quarter. The Brazilian Real, Mexican Peso, and Russian Ruble experienced the greatest depreciation over the quarter. The Chinese Yen suffered the least depreciation. 	-23.6%	-17.7%
Domestic Bonds (BB Capital Aggregate)	<ul style="list-style-type: none"> Bond returns finished the quarter in positive territory after two interest rate cuts by the Fed and significant flattening of the yield curve. Long-term Government (+20.6%) and Long-term Government/Credit (+6.2%) were the strongest sectors for the quarter while Corporate High Yield (-11.5%) and Emerging Markets (-15.0%) were the weakest. 	3.1%	8.9%
Fiscal Response	<ul style="list-style-type: none"> Congress passed and the President signed into law the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) which will provide \$2 Trillion in relief to America's families and businesses. 		
Monetary Response	<ul style="list-style-type: none"> The Fed moved quickly to help market liquidity; taking a number of actions which included cutting the Fed Fund's rate 150 basis points to zero, re-initiating quantitative easing, and supporting the commercial paper, repo and money markets. 		

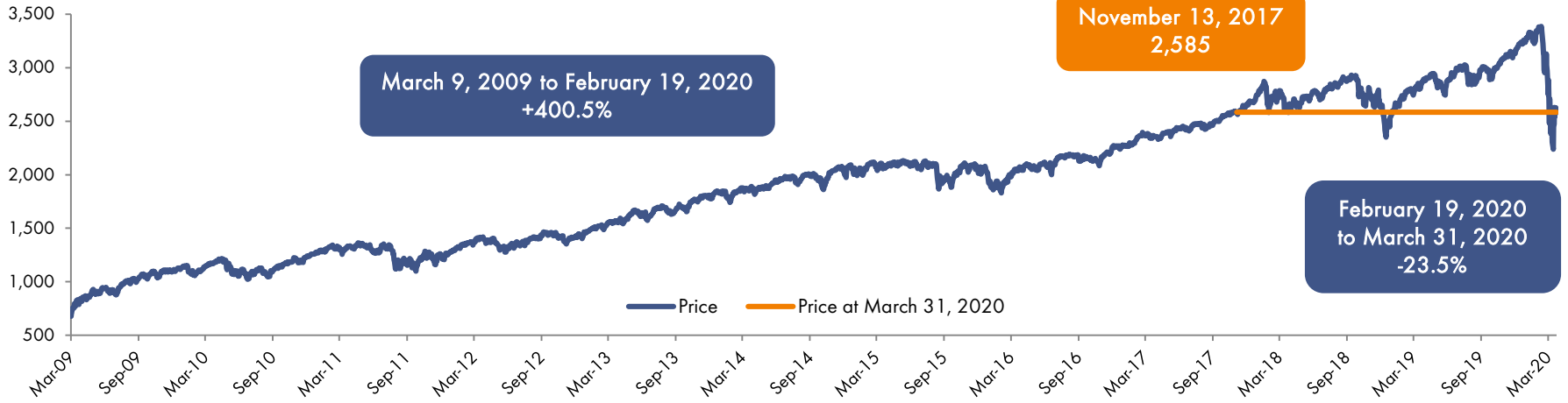
Value of the S&P 500 Index



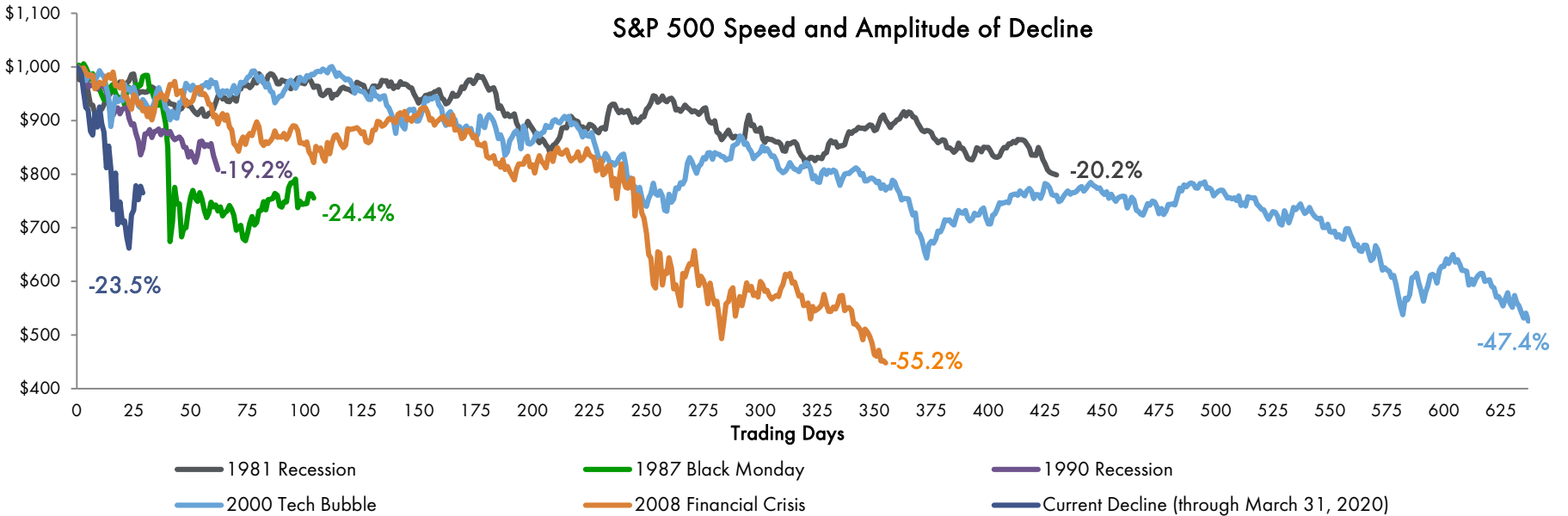
Source: Bloomberg

COVID Crisis Market Decline

S&P 500 Price since 2009

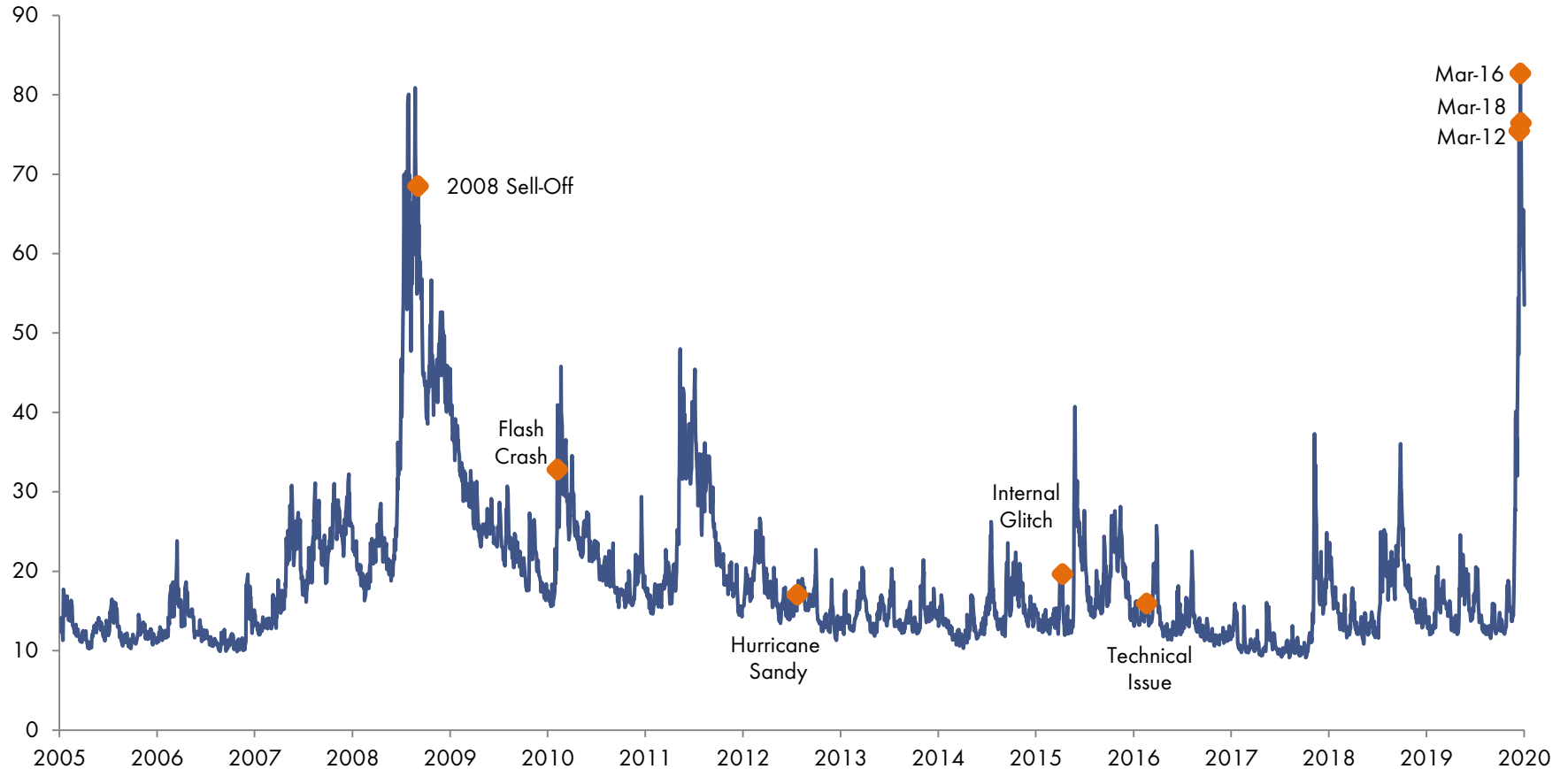


S&P 500 Speed and Amplitude of Decline



Source: Bloomberg

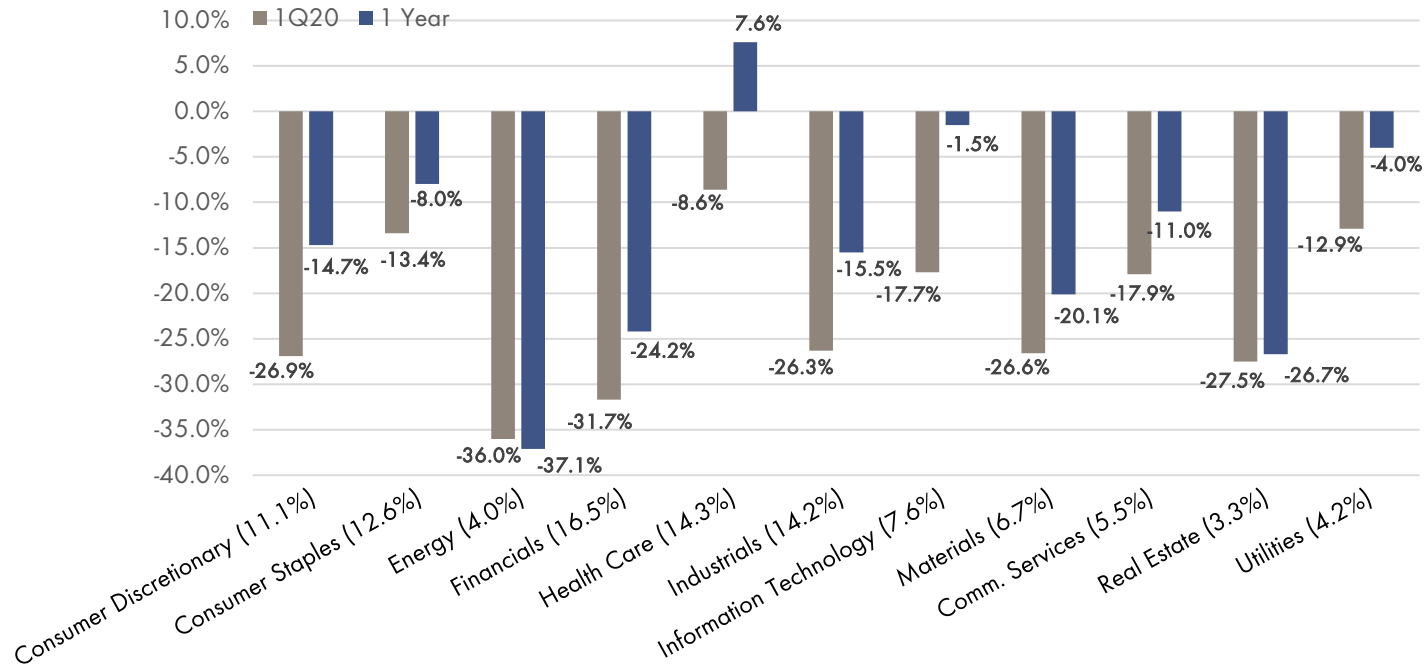
Volatility (VIX Price) and Trading Halts



Trading halts were first introduced to the NYSE in 1873. Initially, trading halts were mostly used to halt trading during historical events such as WWI, assassination of Abraham Lincoln, Apollo moon landing, etc. In 1997, circuit breakers were introduced for the first time as a way to prevent massive sell-offs such as “Black Monday”.

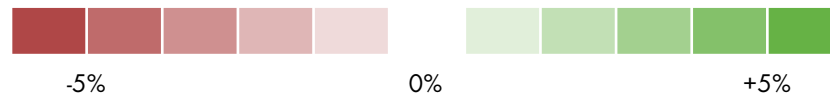
International Stock Market – Sector and Style

EAFE Sector Performance



	1Q20		
	Value	Core	Growth
EAFE	-28.2%	-22.8%	-17.5%
ACWI ex U.S.	-28.5%	-23.4%	-18.2%
Emerging Markets	-28.0%	-23.6%	-19.3%

	1 Year		
	Value	Core	Growth
EAFE	-22.8%	-14.4%	-5.8%
ACWI ex U.S.	-23.7%	-15.6%	-7.3%
Emerging Markets	-25.3%	-17.7%	-9.9%

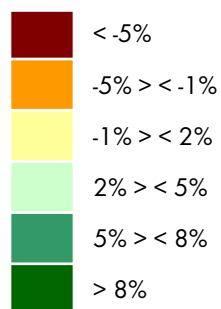


Global Stock Returns

First Quarter Relative Strength

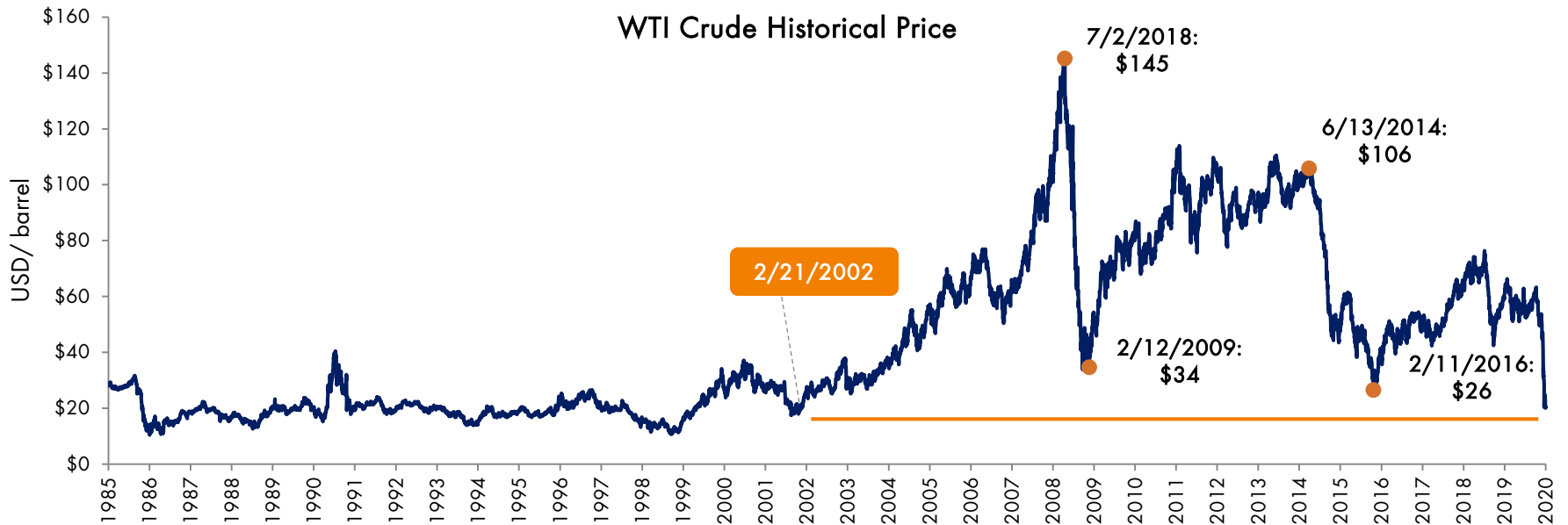
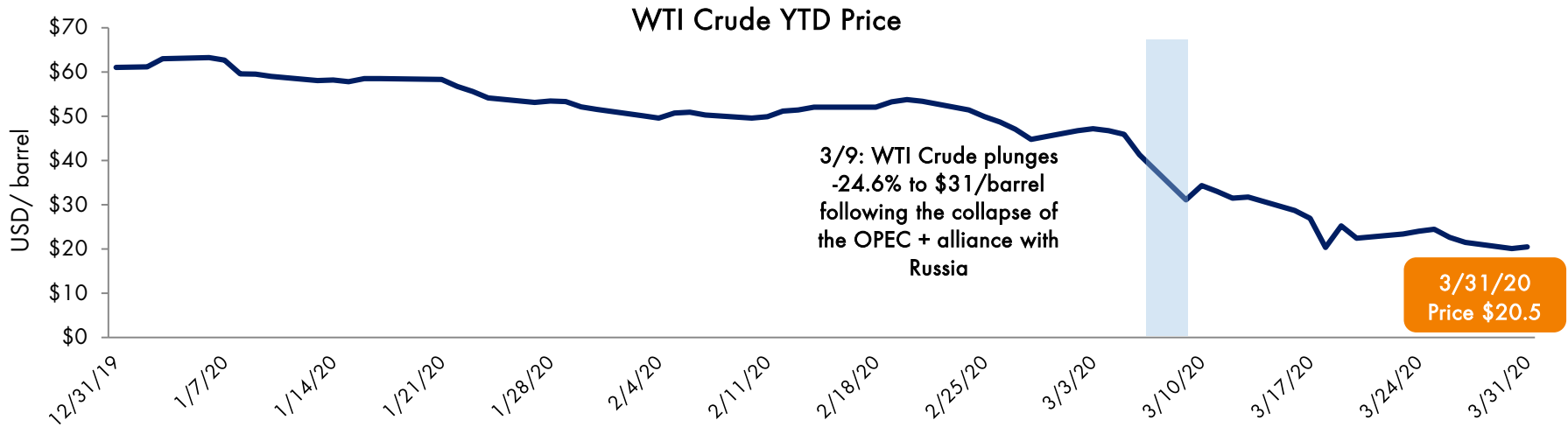


Relative Strength

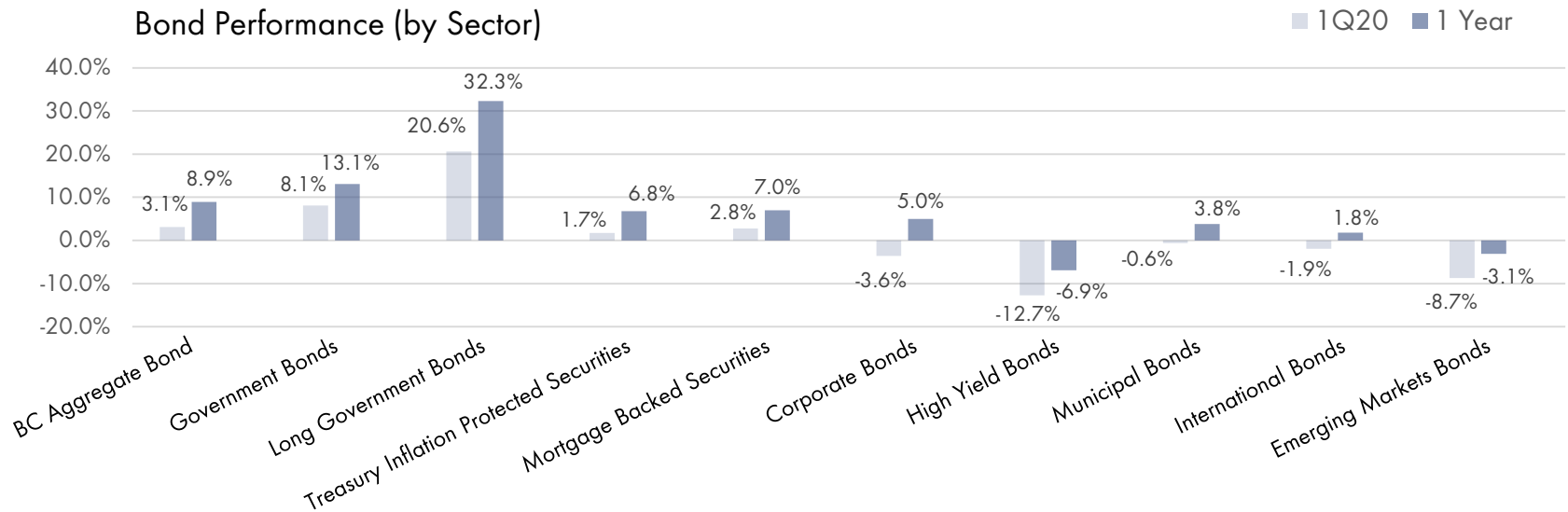
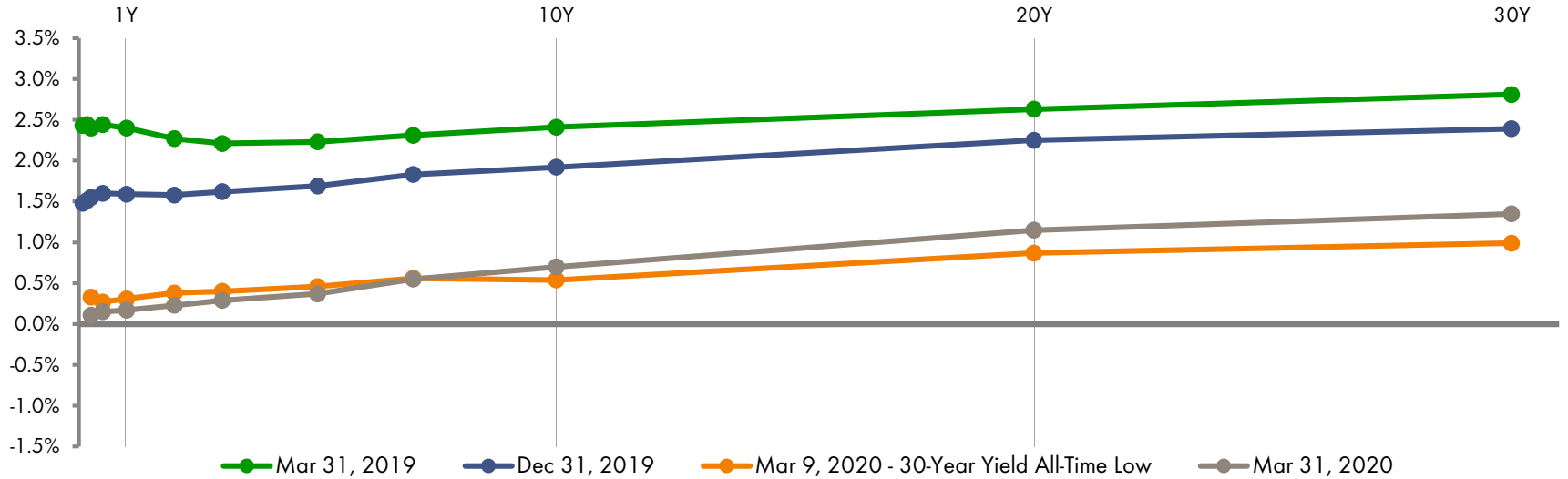


	1Q2020		1 Year	
	Local Return	USD Return	Local Return	USD Return
North America				
Canada	-20.5%	-27.5%	-14.7%	-19.9%
United States	-19.6%	-19.6%	-7.0%	-7.0%
Europe				
France	-25.9%	-27.6%	-15.8%	-17.7%
Germany	-25.3%	-27.0%	-15.6%	-17.5%
Italy	-27.7%	-29.3%	-19.6%	-21.4%
Spain	-28.1%	-29.8%	-24.8%	-26.5%
Switzerland	-11.6%	-11.5%	0.6%	3.5%
United Kingdom	-23.9%	-28.8%	-19.1%	-23.0%
Asia Pacific				
Australia	-23.3%	-33.2%	-14.5%	-26.3%
Hong Kong	-17.7%	-17.3%	-22.0%	-21.1%
Japan	-17.3%	-16.8%	-9.0%	-6.7%
International Developed Markets Index				
MSCI EAFE Index	-20.5%	-22.8%	-12.6%	-14.4%
Emerging Markets				
Brazil	-35.8%	-50.2%	-22.5%	-41.9%
China	-10.3%	-10.2%	-6.3%	-5.8%
India	-27.0%	-31.1%	-24.5%	-30.9%
South Korea	-18.4%	-22.4%	-10.8%	-16.8%
Mexico	-19.8%	-35.5%	-17.6%	-31.9%
Russia	-21.9%	-36.4%	0.1%	-14.4%
South Africa	-23.8%	-40.3%	-22.1%	-37.1%
Taiwan	-18.4%	-19.1%	-0.6%	1.3%
Emerging Markets Index				
MSCI EM Index	-19.1%	-23.6%	-13.0%	-17.7%

Price of Oil

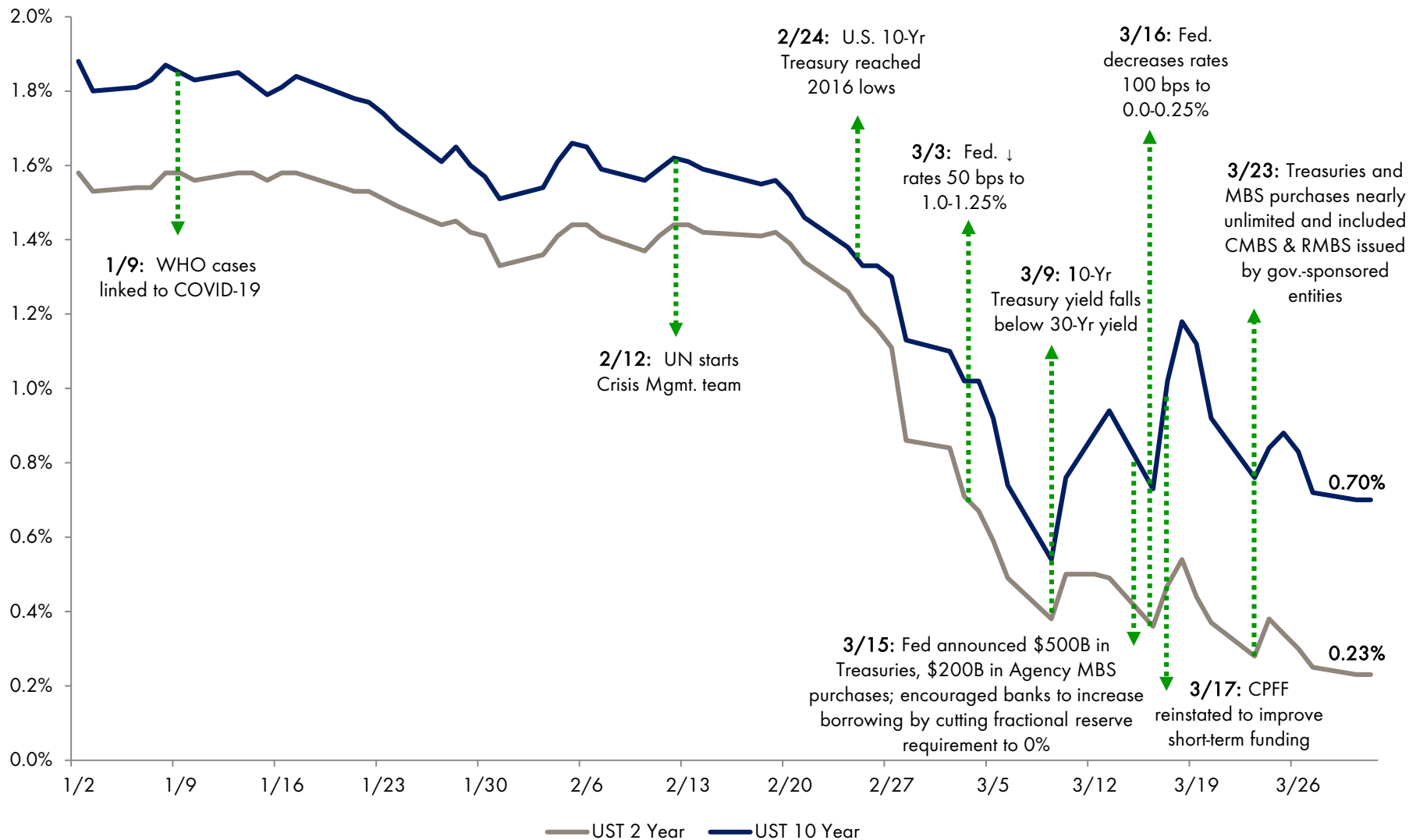


Treasury Yield Curve and Bond Sector Returns



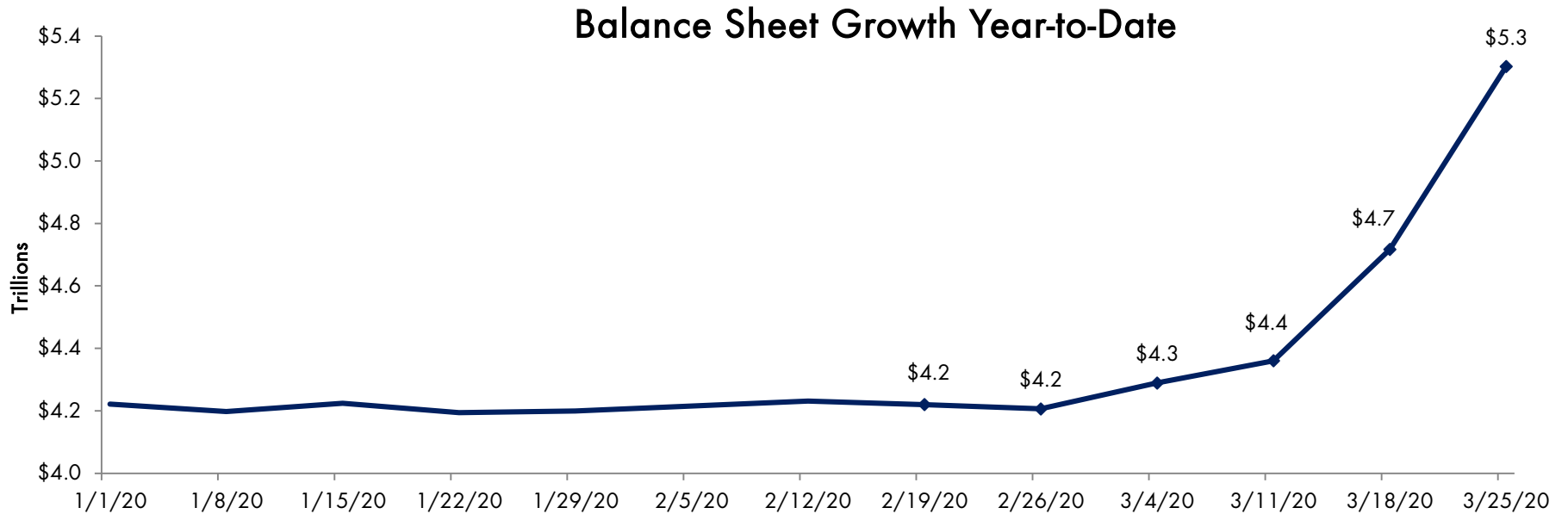
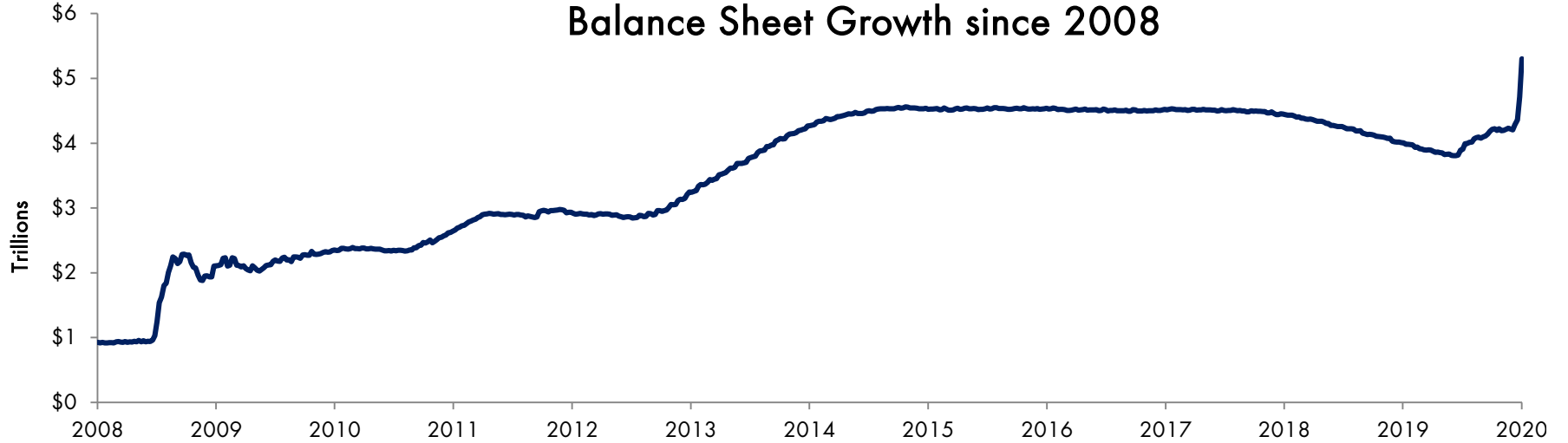
Source: U.S. Treasury, Bloomberg

Daily Treasury Yields Year-to-Date 2020



Source: FOMC, Bloomberg

The Federal Reserve's Balance Sheet



Monetary Policy

Monetary Action	Date	
Policy Rate Cuts	3/3 3/15	<ul style="list-style-type: none"> • Cut Fed Funds Target Rate by 50 bps (1.00-1.25%) • Cut Fed Funds Target Rate by 100 bps (0.00-0.25%)
Permanent Open Market Operations (Quantitative Easing)	3/15 3/23	<ul style="list-style-type: none"> • \$500B of US Treasury and \$200B of MBS purchases • Later, Treasury and MBS purchases deemed essentially unlimited, which includes CMBS and RMBS issued by government sponsored entities
Discount Window & Reserve Changes	3/15	<ul style="list-style-type: none"> • Cut discount rate to 0.25%, cut fractional reserve requirement to 0.00% • Encouraging banks to borrow, boost liquidity
Commercial Paper Funding Facility (CPFF)	3/17 3/23	<ul style="list-style-type: none"> • Purchase A1/P1 and high quality tax-exempt commercial paper from issuers at 3m OIS + 200 bps • \$10B credit protection from the Treasury's Exchange Stabilization Fund
Primary Dealer Credit Facility (PDCF)	3/17	<ul style="list-style-type: none"> • Provides loans up to 90 days to primary dealers at discounted rates
Money Market Liquidity Facility (MMLF)	3/18	<ul style="list-style-type: none"> • Established to lend banks reserves so that they can purchase assets from money market funds • \$10B credit protection from the Treasury's Exchange Stabilization Fund
Term Asset-Backed Loan Facility (TALF)	3/23	<ul style="list-style-type: none"> • Supports credit flows to consumers and businesses • Permits issuance of ABS backed by student loans, auto loans, credit card loans, and guaranteed by the Small Business Administration
Primary & Secondary Market Corporate Credit Facilities	3/23	<ul style="list-style-type: none"> • \$300B in new financing provided to investment-grade companies

Tactical Positioning 1 Q20

Asset Class	Underweight Overweight Neutral to Target	Comments
Cash	Overweight for clients with regular spending	Money market funds when possible in lieu of cash reserves
Low Duration	Neutral	Conservative "dry powder" for rebalancing purposes
Fixed Income	Neutral	Active management and higher quality preferred, diversified including global bonds, international bonds – 20% or less of overall fixed income exposure
Credit Alternatives	Overweight	Important to recognize added risk for increased return potential, illiquidity
Large Cap	Neutral	
Mid Cap	Neutral	
Small Cap	Neutral	Active management preferred
International	Underweight to Neutral	Active management preferred
Emerging Markets	Overweight	Attractive from a valuation standpoint, active management preferred
Liquid Alternatives	Neutral	
Long/Short Equity	Neutral to overweight	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 – 1Q 2020

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1Q20	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 3.1	US Large Cap 7.6
	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 0.4	US Mid Cap 7.2
	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	US Large Cap -19.6	Real Estate 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	Intl Equity -23.4	US Small Cap 5.7
	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	Real Estate -23.4	Emg Mrks 5.4
	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 -23.6	US Bonds 4.4
	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	US Mid Cap -27.1	Intl Equity 3.4
	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 -30.6	Inflation 1.9
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		

Note Long/Short Equity return data lags the timing of our quarterly updates. It will be included on an annual basis.

Source: Morningstar

Important Disclosures

- These materials have been prepared exclusively for a presentation and may not be distributed in whole or in part to any other person without the express written consent of Allium Financial Advisors, LLC.
- Statements within this presentation should not be construed as guarantees, warranties or predictions of future events, portfolio allocations, portfolio results, investment returns, or other outcomes. None of the material contained in this presentation is intended as a solicitation or offer to purchase or sell a specific stock.
- Past performance of indexes does not guarantee future results. Future returns may differ significantly from the past due to materially different economic and market conditions and other factors.
- Investment advisory services offered through Allium Financial Advisors, LLC, a Registered Investment Advisor with the U.S. Securities and Exchange Commission. This material is intended for informational purposes only. It should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney or tax advisor.