

**Global Economy**

Relative to the historic second half of March, markets appeared comparatively calm throughout April. Alongside that reduction in volatility was a very strong comeback in markets across the risk spectrum, with US equities generally leading the way. The tidal wave of COVID-19 infections that started in China continues to roll through the US and other countries while an undercurrent of optimism is helping to buoy the markets. Hopes of a “V-shaped” economic recovery have mostly vanished, but unprecedented fiscal and monetary support help to mitigate the devastating impact of contractions in both supply and demand resulting from self-imposed lockdowns. Uncertainties around re-starting economic engines and rising geopolitical concerns leave investors feeling more cautious as valuations have advanced.

The Federal Open Market Committee (FOMC) met in April but did not make any change to policy rates. Chairman Powell reiterated the commitment to supporting the stability of the economy in whatever ways possible. He indicated the FOMC would be in no hurry to withdraw the asset purchase program or increase interest rates that remain at the effective lower bound (0.00% to 0.25%). The balance sheet of the Fed grew by \$1.4 trillion in April to \$6.7 trillion.

The first estimate of 1Q-20 real GDP indicated a contraction of -4.8% annualized, due primarily to a -7.6% drop in personal consumption. Analysts expect a more dramatic drop for the second quarter, with estimates ranging from -10% to -40% annualized. Global GDP forecasts for 2020 are now generally in negative territory, with growth of equal or greater magnitude expected to materialize in 2021.

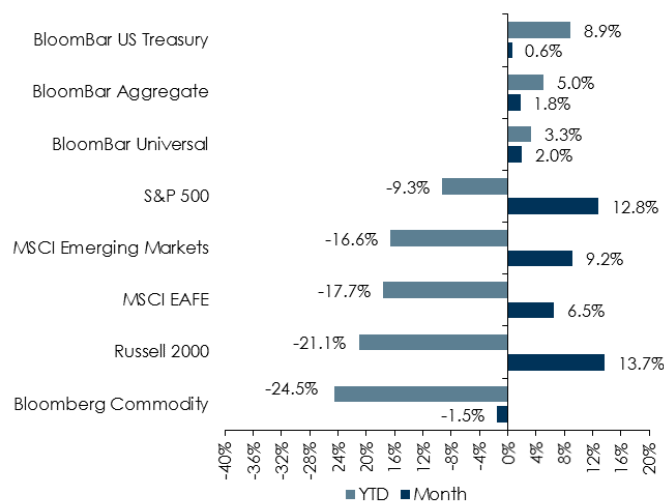
More than 32 million US workers have filed initial unemployment claims since mid-March. Accordingly, the government’s surveys indicate that 20.5 million jobs were lost in April, and the official unemployment rate more than tripled to 14.7%. The 2.5% decline in the labor participation rate kept the unemployment rate from moving even higher. A key factor for consumption will be understanding how many of these losses are temporary as opposed to jobs that will not soon come back. Inflation expectations were relatively stable during the month but rose slightly across the curve. Core CPI is up 2.1% year-over-year, while the FOMC’s preferred measure, Core PCE, edged down to 1.7% year-over-year through March.

	Current	Dec-19
US GDP (%)	-4.80	2.10
US Unemployment (%)	14.70	3.50
CPI (Core) (%)	2.10	2.30
Fed Funds (%)	0.00 – 0.25	1.50 – 1.75
10 Year UST Yld (%)	0.64	1.92
S&P 500 Div Yld (%)	2.08	1.82
S&P 500 P/E (Trailing)	19.87	21.60
Gold/oz.	\$1,694.20	\$1,523.10
Oil (Crude)	\$18.84	\$61.06
Gasoline (Natl Avg)	\$1.87	\$2.66
USD/Euro	\$1.10	\$1.12
USD/GBP	\$1.26	\$1.33
Yen/USD	¥107.18	¥108.61

Source: Bloomberg

**Global Markets**

**Key Market Indices**



Source: Bloomberg

Returns for all major equity sectors and indices came roaring back in April amid optimism that the worst of COVID-19 had passed. The S&P 500, which represents large US-based entities, started to recover from March’s drop with a +12.8% return. Energy (+29.7%) and Consumer Discretionary (+20.5%) led the way with Materials (+15.3%), IT (+13.7%), Communication Services (+13.5%), and Health Care (+12.5%) also posting double-digit gains. Utilities (+3.2%) and Consumer Staples (+6.6%) were the relative laggards. Small cap stocks, as represented by the Russell 2000, came back strongly, at +13.7%, also a good start to recovering from the March dive. Among the sectors, Energy (+37.6%) and Consumer Discretionary (+27.0%) led the way after cratering the month before. Utilities were the only negative performer, just slightly in the red at -0.1%. Across the market capitalization spectrum, Value underperformed Growth.

In the broad international developed markets, the MSCI EAFE index rose +6.5% as nearly every sector and country participated in the rally. Led by Materials (+9.6%), IT (+9.2%), Health Care (+8.8%), and Consumer Discretionary (+8.6%), there was broad support for the markets, with Energy (-0.9%) remaining a notable laggard. Australia (+15.3%) and Germany (+9.8%) did very well during the month, with most other countries in the 5% to 8% range. Spain (+1.5%) and Italy (+1.9%) were relative underperformers.

Emerging market stocks, as represented by the MSCI Emerging Markets index, outperformed their developed market counterparts at +9.2%. India was up +16.1%, and many others were in double-digits as well. Brazil continued to lag at +5.4%, although this represented a notable turnaround story after dropping nearly 40% last month.

Real estate, as measured by the FTSE EPRA/NAREIT Developed index, recovered somewhat in April with a return of +7.1% despite structural headwinds. The energy-related Alerian MLP index improved more significantly and rocketed upward by +49.6%. That said, the near-month NYMEX oil contract was down again in April at -8.0% and is now off by -69.2% year-to-date. Gold extended its 2020 rally, adding +7.0% for the month. The diversified Bloomberg Commodity index was down slightly at -1.5% for the month as broad-based demand for most commodities is still uncertain.

**Global Markets (continued)**

US Treasury (UST) yields held relatively steady across the board in April, failing to confirm the optimism that boosted risk assets. The effect of the Fed's expanded asset purchase capabilities cannot be ignored, as approximately \$1.5 trillion worth of outstanding UST supply has been brought onto the balance sheet since mid-March. Given this backdrop, the overall UST complex continued to perform and pushed year-to-date returns to an impressive +8.9%. The government yield curve steepened modestly, with the benchmark 10-year UST yield settling at a new month-end low of 0.64%. As sovereign yields outside of the US trended lower, the global stock of negative yielding debt expanded back to \$12.0 trillion.

The BloomBar US Aggregate Bond index outperformed risk-free US Treasuries on both an absolute and duration-matched basis as credit spreads recovered materially. With a gain of 1.8% in April, the benchmark's trailing 12-month performance of +10.8% has been astonishing given prevailing yield levels. Despite record-setting new issuance, IG corporates have been well supported by the Fed's announced intent to embark on both primary and secondary market purchases. Corporate spreads improved by 70 bps for the month, with BBB-rated issues recovering most dramatically. As tighter spreads across categories combined with stable UST yields, the benchmark's yield-to-worst tumbled to just 1.31%.

The BloomBar 1-15-Year Municipal index struggled again in April, with the return of -0.7% trailing anything of similar quality. Despite the Fed's new Municipal Liquidity Facility, tax-exempt yields moved higher given uncertainty about fiscal policy support. Lower-rated and longer-dated issues underperformed as Municipal/UST ratios remain at historically cheap levels.

The BloomBar US Corporate High Yield index returned +4.5% for the month, directionally consistent with higher-risk equities. Benchmark spreads were 136 bps tighter on average, although the credit curve remains steep. All-in yields have fallen back to 8.1%, even as default rates pushed ahead of the long-term average. Bank loans had their best monthly return since July 2009, and emerging market bonds produced solid returns as investors sought enhanced income.

**Selected Bond Yields**

10 Year Sovereign Bond Yields (%)		
	Current	Dec-19
Japan	-0.04	-0.02
Germany	-0.59	-0.19
France	-0.11	0.12
United Kingdom	0.23	0.82
Spain	0.72	0.46
United States	0.64	1.92
Italy	1.76	1.41
Mexico	6.57	6.89
Brazil	7.19	6.79

Source: Bloomberg

**Indices Report (Periods Ending April 30, 2020)**

Index Name	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	15 Years (%)
<b>Equity</b>							
S&P 500	12.82	-9.29	0.86	9.04	9.12	11.69	8.59
Russell 1000	13.21	-9.68	0.09	8.68	8.74	11.57	8.66
Russell 1000 Growth	14.80	-1.39	10.84	15.69	13.34	14.41	10.85
Russell 1000 Value	11.24	-18.49	-11.01	1.42	3.90	8.54	6.29
Russell 2500	14.55	-19.50	-14.20	1.13	3.62	8.70	7.78
Russell 2000	13.74	-21.08	-16.39	-0.82	2.88	7.69	7.04
Russell 2000 Growth	14.89	-14.71	-9.22	4.21	5.19	9.96	8.64
Russell 2000 Value	12.34	-27.72	-23.84	-6.06	0.30	5.30	5.29
Wilshire 5000 Cap Wtd	13.26	-10.18	-0.85	8.12	8.55	11.34	8.65
MSCI ACWI	10.76	-12.78	-4.43	5.03	4.94	7.52	6.66
MSCI ACWI ex US	7.64	-17.40	-11.07	0.24	0.31	3.37	4.55
MSCI EAFE	6.54	-17.66	-10.89	-0.09	0.32	4.04	4.14
MSCI EAFE Local Currency	5.51	-16.05	-10.39	-0.02	1.18	5.54	5.02
MSCI EAFE Growth	7.49	-11.23	-1.69	4.84	3.59	6.02	5.57
MSCI EAFE Value	5.44	-24.17	-19.96	-5.09	-3.09	1.93	2.60
MSCI Emerging Markets	9.18	-16.55	-11.65	0.94	0.28	1.80	6.61
<b>Fixed Income</b>							
ICE BofA ML 1-3 Yr Treasury	0.04	2.85	5.25	2.67	1.85	1.41	2.32
BloomBar US Aggregate	1.78	4.98	10.84	5.17	3.80	3.96	4.43
BloomBar Gov't Bond	0.63	8.76	14.10	5.76	3.87	3.68	4.14
BloomBar US Credit	4.58	1.29	9.37	5.40	4.33	5.04	5.17
BloomBar 10 Yr Municipal	-1.02	-1.41	2.67	3.51	3.25	4.21	4.44
BloomBar US Corp High Yield	4.51	-8.75	-4.11	1.87	3.44	5.86	6.73
FTSE World Gov't Bond	1.19	3.22	7.97	4.24	2.98	2.35	3.02
BloomBar Global Aggregate	1.96	1.63	6.56	3.84	2.82	2.67	3.33
BloomBar Multiverse	2.04	0.91	5.84	3.67	2.84	2.78	3.45
<b>Real Assets</b>							
NCREIF Property	0.00	0.71	5.28	6.41	7.65	10.17	8.14
NFI ODCE Net	0.00	0.75	3.93	5.85	7.48	10.42	6.49
FTSE NAREIT US Real Estate	8.30	-21.27	-14.53	-0.57	2.41	7.53	6.38
Bloomberg Commodity	-1.54	-24.47	-23.18	-8.62	-9.07	-7.07	-4.70
<b>Cash and Equivalents</b>							
US T-Bills 90 Day	0.01	0.58	2.07	1.81	1.19	0.64	1.38

## Definitions

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### **Bloomberg Barclays Capital Aggregate**

The Bloomberg Barclays Capital Aggregate index covers the U.S. investment grade fixed rate bond market, including government and corporate securities, agency mortgage pass-through securities, and asset-backed securities.

### **Bloomberg Barclays Capital Global Aggregate Index**

The Bloomberg Barclays Capital Global Aggregate Index provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and U.S.D investment grade 144A securities.

### **Bloomberg Barclays Capital Muni 5 Yr**

The Bloomberg Barclays Capital Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, and Fitch. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate, have a dated-date after December 31, 1990, and must be at least one year from their maturity date.

### **Bloomberg Barclays Capital U.S. Credit Index**

This index is the U.S. Credit component of the U.S. Government/Credit Index. It consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

### **The Bloomberg Barclays U.S. Treasury Index**

The Bloomberg Barclays U.S. Treasury Index is a component of the Bloomberg Barclays U.S. Aggregate Index. This U.S. Treasury Index includes only public obligations of the U.S. Treasury with a remaining maturity of one year or more. U.S. Treasury bills are excluded due to the maturity constraint.

### **The Bloomberg Barclays Capital U.S. Universal Index**

The Bloomberg Barclays Capital U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the Universal Index. The only constituent of the index that includes floating-rate debt is the Emerging Markets Index.

### **BofA ML High-Yield Index Master II**

The BofA ML High-Yield Index is an unmanaged index that tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

### **Bloomberg Commodity Index**

The Dow Jones UBS Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is comprised of futures contracts on physical commodities. Currently the index includes 20 commodity nearby futures contracts, which are weighted to account for economic significance and market liquidity

### **CITI World Government Bond Index**

The WGBI is a market-capitalization-weighted benchmark that tracks the performance of the 19 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

### **FTSE EPRA/NAREIT Developed Index**

The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITs worldwide. The index constituents are free-float adjusted as well as screened for liquidity, size and revenue. The index incorporates Real Estate Investment Trusts (REITs) and Real Estate Holding & Development companies. Constituents are classified into distinct property sectors based on gross invested book assets as disclosed in the latest published financial statement.

### **HFRI Fund of Funds (FOF) Conservative Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index.

### **HFRI Fund of Funds (FOF) Strategic Index**

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index.

### **MSCI ACWI Index (exU.S.)**

The MSCI ACWI Index (ex U.S.) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets outside the United States. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

### **MSCI EAFE® Index**

The MSCI EAFE Index (Europe, Australasia, Far East) is an unmanaged free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. As of June 2006 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

### **MSCI EAFE Growth Index**

The MSCI-EAFE Growth Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

### **MSCI EAFE Value Index**

The MSCI-EAFE Value Index is an unmanaged index constructed from the constituents of the MSCI EAFE Index on a country-by-country basis for the 21 countries included in the index.

### **MSCI Emerging Markets Index**

The MSCI Emerging Markets Index is an unmanaged float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2006 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

### **Ncreif® Property Index**

Ncreif Property Index is a quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

### **Russell 1000® Growth Index**

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 companies with higher price-to-book ratios and higher forecasted growth rates.

### **Russell 1000® Value Index**

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 companies with lower price-to-book ratios and lower expected growth rates.

### **Russell 2000® Index**

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index.

### **Russell 2000® Growth Index**

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth rates.

### **Russell 2000® Value Index**

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

### **Russell Midcap® Index**

The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities in the Russell 1000 Index based on a combination of their market cap and current index membership.

### **S&P 500**

Standard and Poor's 500 Index is a capitalization-weighted index of 500 large U.S. stocks. The index is designed to measure performance of the broad domestic stock market through changes in the aggregate market value of 500 stocks representing all major industries.

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