Quarterly Investment Summary

MARCH 2020

Performance Summary (as of 03/31/2020)

	Target Allocation	Trailing Returns				
	Equity/Fixed	3 Months	YTD	1 Year	3 Year	5 Year
Fixed Income	0%/100%	-0.30%	-0.30%	4.05%	2.95%	2.31%
Conservative	25%/75%	-5.51%	-5.51%	0.60%	2.90%	2.86%
Balanced	50%/50%	-11.16%	-11.16%	-3.46%	2.46%	3.11%
Growth	75%/25%	-17.12%	-17.12%	-8.17%	1.69%	3.16%
Equity	100%/0%	-23.67%	-23.67%	-13.81%	0.32%	2.99%

Market Commentary

- The longest economic expansion in U.S. history came to an abrupt end as fears over the coronavirus prompted governments to take drastic action to slow the spread of the disease. While the impact to the U.S. economy is uncertain, going into this crisis the U.S. economy was in a strong position. February marked the 128th month of the expansion, and first quarter GDP was expected to come in somewhere around 1.5% to 2%, in-line with the rate seen over the past decade. Nonfarm payrolls increased by 273,000 in both January and February and the unemployment rate averaged 3.6% over the past 12 months, a level last seen in 1969. The ISM Manufacturing index rebounded back above 50 in both January and February, indicating expansionary expectations. However, since those numbers were released the economic landscape has changed dramatically. The U.S. economy is likely to witness one of the sharpest declines seen since the Great Depression. Initial jobless claims for the week ending March 21st soared by 3.28 million or nearly five times the prior record of 695,000 in October 1982. The unemployment rate is also certain to soar in the coming months as companies ranging from hotels, airlines, casinos, retailers, restaurants, and countless other large and small businesses announce furloughs and layoffs. Finally, due to a collapse in demand and increased production the price of oil has plummeted, trading at the lowest level since February 2002.

- Positive momentum from 2019 continued into the first several weeks of the first quarter. However, as cases of COVID-19 increased in China and then throughout Asia, Europe and the U.S., business began to slow, and supply chains were impacted, negatively impacting the stock market. By March 23rd the S&P had dropped 34% from its high, losing nearly $10 trillion in value. As the month concluded, however, markets rallied off this low. For quarter, the S&P 500 finished down by 20%, its worst quarter since the financial crisis in 2008. Smaller stocks fared even worse with the Russell 2000 down over 30%. International markets were also hit hard with both developed and emerging markets each losing nearly 25% during the quarter.

- As the epidemic continued to evolve, the Federal Reserve's Open Market Committee made a series of moves in response. On March 2nd, the Fed cut interest rates by 50 basis points in an inter-meeting move, citing the evolving risk the coronavirus poses for economic activity. Then, on Sunday, March 15th, a second emergency meeting resulted in cutting the rate by a full percentage point to a range of 0.00% - 0.25%. They also announced they would buy an additional $700 billion in securities and cut the discount rate by 150 basis points to 0.25%. Yields on treasury securities dropped precipitously, leading values higher, as investors fled risky assets and sought the safety of government debt. Unsurprisingly, corporate debt, and especially high yield bonds, underperformed for the month.