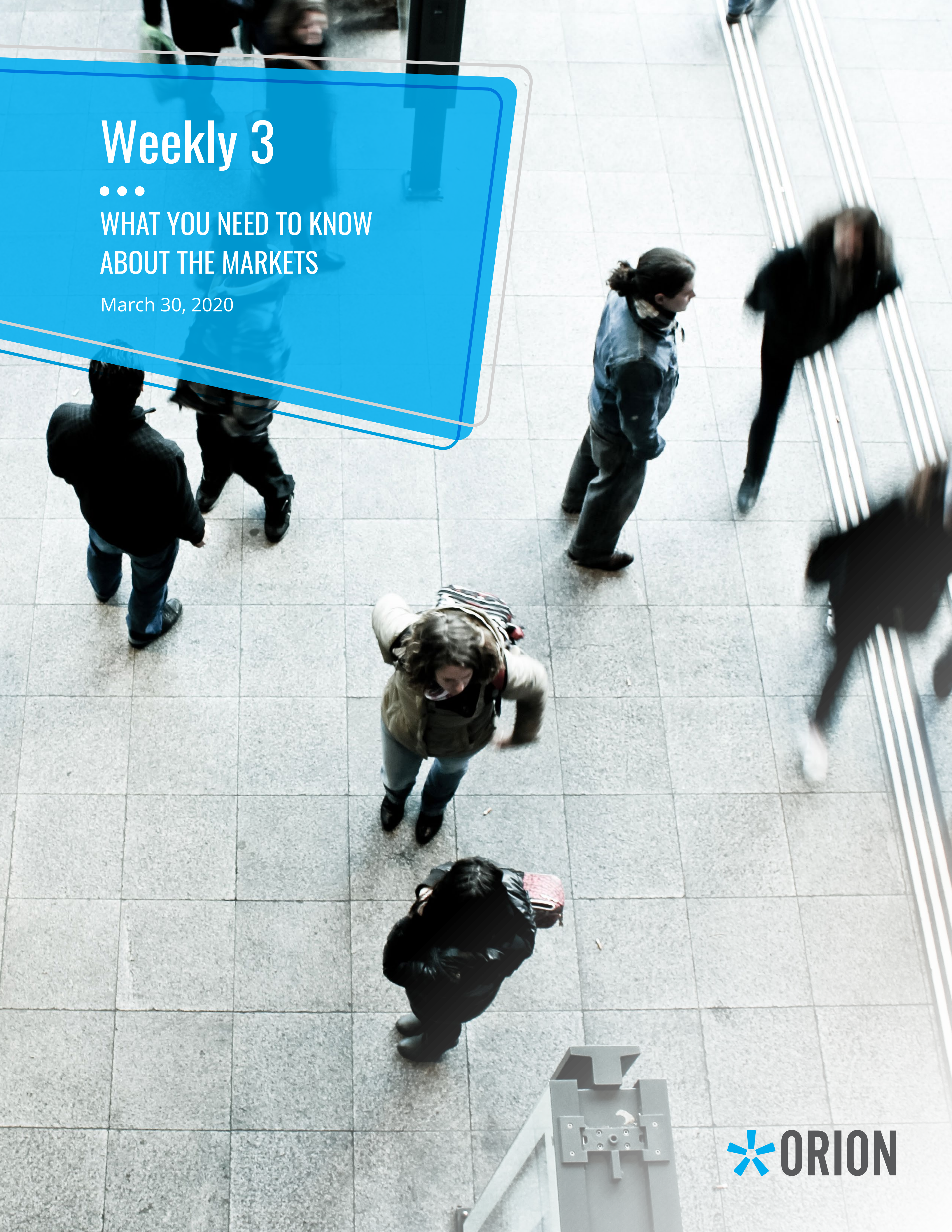

Weekly 3

WHAT YOU NEED TO KNOW ABOUT THE MARKETS

March 30, 2020

Week in Review

- Global stock markets were sharply higher last week, after a terrible week prior. Most indexes saw returns of 10% or more. Leading the way were Real Estate Investment Trusts (REITS), up close to 18%. We noticed the markets that were punished the prior week tended to show the strongest returns.
- U.S. stocks were up close to 11%, and international stocks up over 9%.
- Diversifiers to stocks, such as bonds, were up over 2%, commodities up close to 3%, and liquid alternatives over 5%.
- Some highlights of the last week included Germany (USD) up over 15% and the UK (USD) up over 16%. The U.S. Dollar index also fell on the week.
- Please continue reading for more highlights and interesting observations, including how bonds have been behaving, as well as an economic update.
- Even though last week was sharply positive, we are not sure if we have found the bottom yet. The market never gives investors an 'all clear' signal, and thus it is prudent to expect upward and downward volatility to persist.
- But, we believe wholeheartedly that staying the course with balanced, diversified portfolios designed for the long-term is your best option for success. We will continue to update you with our thinking as it evolves.

If you have any questions, please feel free to reach out to us:

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New Market Volatility Command Center

In addition, we invite you to visit the below for an update on commentary, including daily videos:

https://www.orionportfoliosolutions.com/market-command-center/

1 *5 quick Insights from recent market action*

2 *Bonds Behaving Badly*

3 *Economic update: sharp recovery*

The Weighing Machine podcast is on Google Play and iTunes.

On Orion Portfolio Solutions' The Weighing Machine podcast, Rusty Vanneman and Robyn Murray cut through the market clamor and focus on time-tested, proven principles that help financial advisors and investors reach their long-term financial goals.

Market Update Video

Market Performance

as of 03/27/2020

FIXED INCOME	10-YEAR	5-YEAR	3-YEAR	1-YEAR	YTD	QTD	LAST WEEK
Cash Equivalent[1]	0.58	1.11	1.72	2.00	0.41	0.41	0.00
U.S. Investment Grade Bonds[2]	3.84	3.28	4.63	8.25	2.66	2.66	2.66
EQUITIES	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Global Equity Market[3]	5.93	2.50	1.08	-12.12	-22.71	-22.71	10.20
Total U.S. Market[4]	10.15	5.74	4.12	-9.07	-21.81	-21.81	10.76
Domestic Large-Cap Equity[5]	10.67	7.23	6.09	-5.18	-19.38	-19.38	9.93
Domestic Small-Cap Equity[6]	6.81	-0.91	-5.11	-25.17	-32.27	-32.27	12.58
International Equity[7]	2.34	-0.77	-2.30	-16.31	-24.51	-24.51	9.68
Developed International Equity[8]	2.65	-0.98	-2.30	-15.83	-24.30	-24.30	11.34
Emerging Market Equity[9]	1.28	-0.04	-2.21	-17.71	-25.11	-25.11	5.16
DIVERSIFIERS	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Diversified Alternatives[10]	1.15	-1.89	-3.07	-9.87	-13.76	-13.76	5.20
Commodity[11]	-6.44	-7.74	-7.81	-21.68	-22.23	-22.23	2.65

[1]Morningstar Cash Index [2]Bloomberg Barclay's Capital U.S. Aggregate Bond Index [3]Morningstar Global Market Large-Mid Index [4]Morningstar U.S. Market Index [5]Morningstar U.S. Large Cap Index [6]Morningstar U.S. Small Cap Index [7]Morningstar Gbl ex U.S. Large-Mid Index [8]Morningstar DM ex U.S. Large-Mid Index [9]Morningstar EM Large-Mid Index [10]Morningstar Diversified Alternatives Index [11]Bloomberg Commodity Index.

5 Quick Insights from Recent Market Action

1

Are we in a new bull market already?

- One market index – the Dow Jones Industrial Average – increased over 20%, from its low point on 3/23 to a high on 3/26.
- However, even with this recent rally, the index still sat over 20% beneath its peak on 2/19.
- Will the next move be higher or lower? At some point we will see the bottom, and perhaps we have already experienced it.

CASE EICHENBERGER,

CIMA®
Senior Client Portfolio Manager

Emerging Markets have done better than you may have thought, even better if you are a local.

- From peak to trough from 2/19/20 to 3/23/20, we noticed emerging markets outpacing U.S. stocks by 4%.
  - This is somewhat odd, given investors' perception that emerging markets always fall more in times of stress.
  - What is even more remarkable, is that this outperformance came as their currencies were getting crushed, down over 11% during that time span.
  - If you hedged your currency risk (as a U.S. investor), or were a local investing in emerging markets, you fared even better, outpacing U.S. stocks by over 9%!

Fiscal and Monetary Policies have been welcomed.

- The Fed vowed to purchase an extended list of fixed income assets to introduce stability and liquidity in fixed income markets.
- On Friday, the U.S. passed the largest stimulus package in its history, valued at over $2 Trillion.
- Both these measures helped set the stage for the largest 3-day stock rally since 1933, with most indexes up over 15% in just that timespan.

Labor situation – unemployment claims rise to record.

- It wasn't all good news, far from it on the labor front.
  - 3.28 million workers applied for unemployment benefits las week, a new all-time high by far. Much larger than the last crisis in 2008.
  - However, this is viewed as a lagging indicator to stocks and was already 'priced in' by the market the week prior, with stocks down sharply.
  - On the day the claims were released, stocks rallied. Why?

    No one can know for sure, but recent days and weeks like this makes it impossible to time the market – stay balanced.

Covid-19 Update

1

- Analysts Nick Codola and Brad Lenz have been doing some great work setting up our 'command center' for tracking the virus and keeping tabs on global impacts.
  - This may not directly impact investment decisions, but staying informed and watching trends may prove useful once we see worldwide cases plateau.
- In terms of countries with the lowest percent of population confirmed, Japan and the Philippines are currently the best, while Spain and Italy are faring the worst, with the U.S. in the middle.

Bonds Behaving Badly

with assistance from Grant Engelbart, CFA, CAIA

2

We have experienced the quickest decline into a bear market in history. The speed and ferocity of our declining stocks is something never felt before.

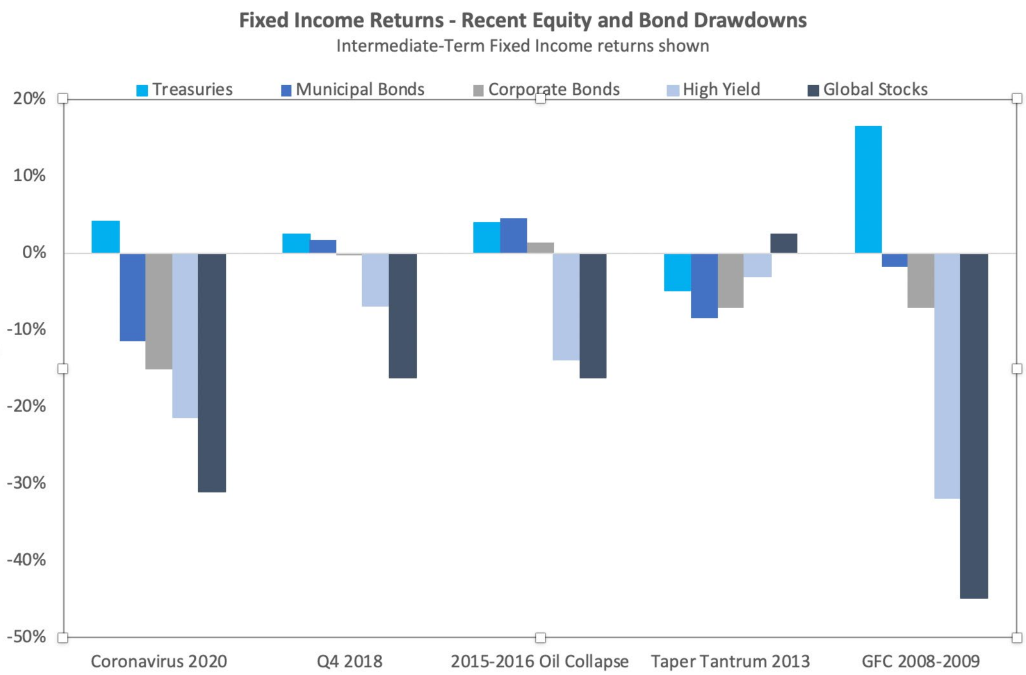
Stock market volatility, in terms of daily closing prices, has now rivaled the great depression era. It has been a little more than a month, but it has felt like six.

The above points are related to stocks, but bonds have been having a rough go as well.

Bonds in investor portfolios are there for their 'boring' attributes. Fixed payments make them a typical anchor to stock market volatility. Stocks are intended for participating in a company's growth and prosperity, while bonds are there to generate income and dampen the volatility of your portfolio.

However, recently, bonds have been under pressure as well. We occasionally see this during times of panic and extreme declines. Liquidity is something investors crave in mass quantities during these times, which can affect bonds just as much as stocks.

The below shows various bond market responses to volatility; you can see that bonds, particularly investment grade bonds, have had a rough go lately.



Source: Morningstar, as of 3.20.20

During short-term panics, investors may look to unload their bonds at any costs (unless they are treasuries, which have held up well). This can cause short-term price dislocations from their fundamental underlying value.

We have seen bond Mutual Funds, bond ETFs, and individual bonds become affected.

It is important to understand if you are a forced-seller of bonds, you must take whatever price you can get at the time – and since bonds trade far, far, far less than stocks and don't get valued as much, this can be bad for investor selling and great for the dealer buying at a discount.

If you are a long-term investor, like we are, this creates opportunity to purchase while at a discount.

And if you are a client invested in the bond or bond funds, be patient, the losses you see are the product of other investors acting badly. In fact, since the Fed stepped in to provide extra liquidity, we have seen various discounts in bonds close and become closer to where we expect them to be valued at.

In summary, the bonds you own are there for the same reason we discussed above – income and price stability; patience is key.

There is no doubt that we are in a very difficult time, and it is only natural for the public to be concerned. Through all this tragedy, however, there are a few silver linings. First and foremost, this is a wakeup call for all of us to practice good personal hygiene even after this pandemic is over. This is also a good time to take a step back and spend some quality time with our families as we do our part by social distancing. Take the opportunity to learn a new skill set that will help you advance either professionally or personally. At the end of the day, this too shall pass, and the current market environment provides great opportunities for active managers.

Economic update: sharp recovery

3

Our investment team has been busy gathering all sorts of new information to best make investment decisions for the long-term in this unprecedented time.

We note that various Wall Street estimates for GDP are starting to come in for 2020 – and they don't look great – which we knew already.

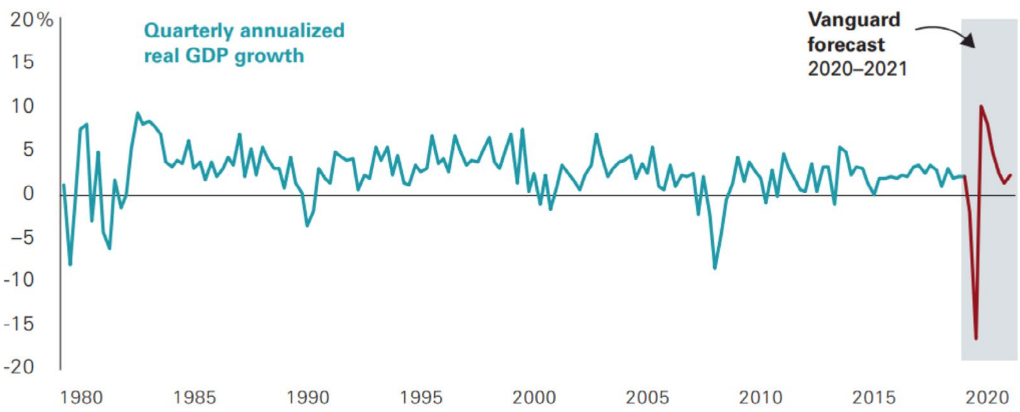
To our earlier note, the stock market is always discounting the future, and the sharp decline should tell us that GDP may not be stellar. Below are some summary findings.

- First Quarter GDP may still be positive
  - Our average and median estimate, from Wall Street banks and analysts, shows a growth between 1 and 1.5%.
- Second Quarter GDP looks to be a very sharp drop
  - The average estimate coming in at a loss of 3%, but ranging to as low as down 30%.
- Third and Fourth Quarter estimates then pick up as citizens ultimately get back to work

Typically, an event driven shock like a virus results in a quick decline, then a quick recovery back to some sense of normality. We believe this to be the case in front of us.

The below chart from our partners at Vanguard illustrates this.

A sharp but short contraction



Sources: U.S. Bureau of Economic Analysis historical data, Vanguard calculations.

We don't know when the market will bottom, but we do know that this will end eventually. The news is set to get worse regarding deaths and people contracting the virus. Unemployment will go up and GDP will decline, but just know that most of this is 'priced in' to the market already and a little bit of good news can get us back on track to stock market growth once again.

Do not underestimate our ability to adapt and prosper.

Stay well.

The Morningstar Global Market Large-Mid Index is an index that measures the performance of the global market's equity markets targeting the top 90% of stocks by market capitalization. The Morningstar U.S. Market Index is an index that measures the performance of U.S. securities and targets 97% market capitalization coverage of the investable universe. It is a diversified broad market index. The Morningstar U.S. Large Cap Index is an index that measures the performance of U.S. large-cap stocks. These stocks represent the largest 70% capitalization of the investable universe. The Morningstar U.S. Small Cap Index is an index that measures the performance of U.S. small-cap stocks. These stocks fall between the 90th and 97th percentile in market capitalization of the investable universe. In aggregate, the Small Cap Index represents 7% of the investable universe. Morningstar Global ex U.S. Large-Mid Index is an index that measures the performance of Global Markets (ex-U.S.) equity markets targeting the top 90% of stocks by market capitalization. The Morningstar DM ex U.S. Large-Mid Index is an index that measures the performance of developed markets ex-U.S. equity markets targeting the top 90% of stocks by market capitalization. The Morningstar EM Large-Mid Index is an index that measures the performance of emerging markets targeting the top 90% of stocks by market capitalization. The Barclay's Capital U.S. Aggregate Bond® Index measures the performance of the total United States investment-grade bond market. The Morningstar Cash Index is an index that measures the performance of a Treasury Bill with six to eight weeks until maturity in the U.S. market. The Morningstar Diversified Alternatives Index allocates among a comprehensive set of alternative underlying ETFs that employ alternative and non-traditional strategies such as long/short, market neutral, managed futures, hedge fund replication, private equity, infrastructure or inflation-related investments. The Bloomberg Commodity Index is made up of exchange-traded futures on physical commodities and represents commodities that are weighted to account for economic significant and market liquidity. This index provides investors with a means of understanding the performance of commodity futures markets and serves as a benchmark for investment performance of commodities as an asset class. The S&P 500 Index is an unmanaged index of 500 large-capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The volatility of the indexes may be materially different from the individual performance attained by a specific investor. In addition, portfolio holdings of investors may differ significantly from the securities that comprise the indexes. You cannot invest directly in an index.

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