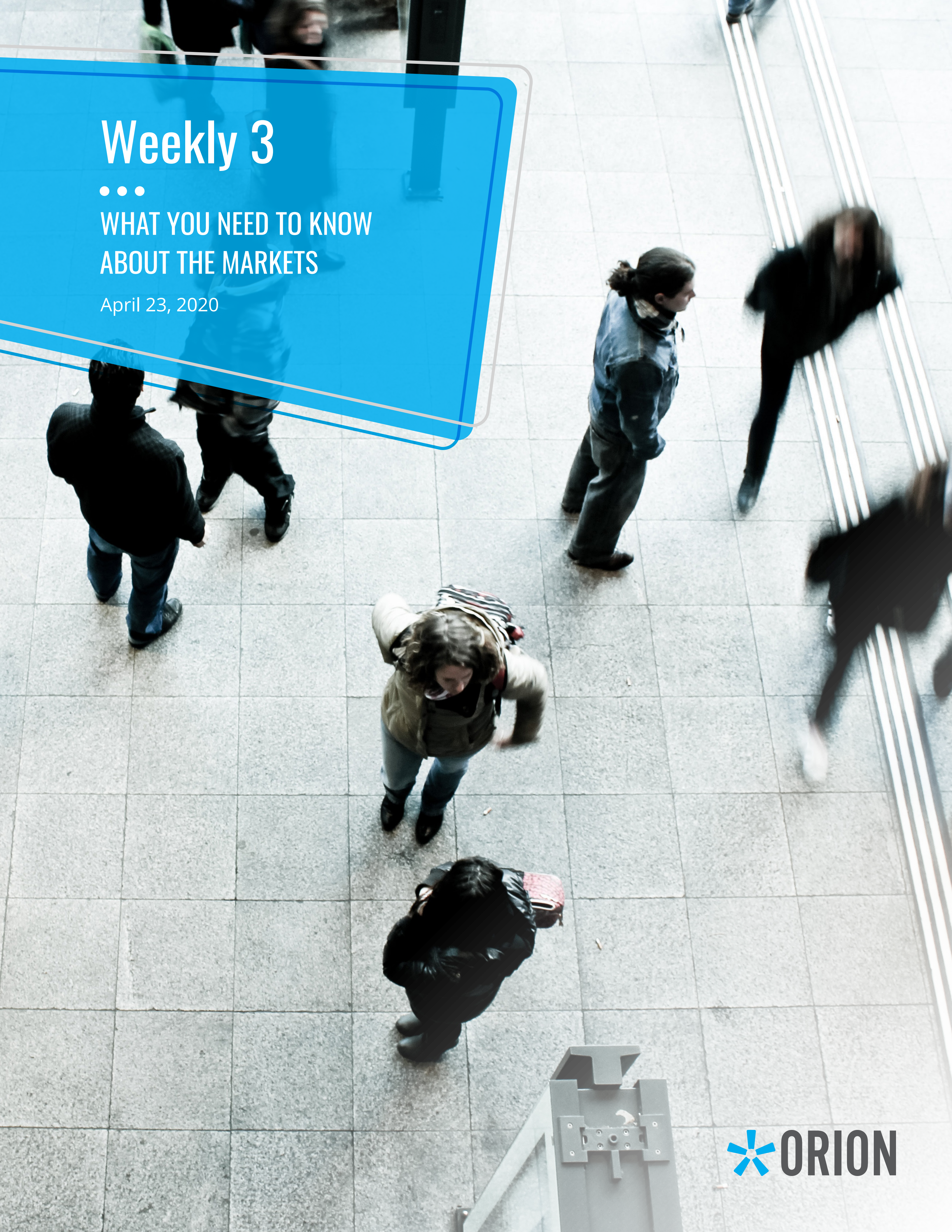

Weekly 3

WHAT YOU NEED TO KNOW ABOUT THE MARKETS

April 23, 2020

Week in Review

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- U.S. equities finished higher for the second week in a row, the longest streak since the market peaked in February. Economic data released for the month of March were weak across the board, reflecting the sudden stop in economic activity as containment measures were implemented. However, new developments in the forward progress in the war against the coronavirus pandemic boosted sentiment and overshadowed some dismal economic releases.
- U.S. stocks added to the previous week's historic rally with consumer discretionary, healthcare, information technology, and communications services sectors leading the way.
- For the week of April 13, the DJIA gained 2%, the S&P 500 rose 3% and the Nasdaq Composite increased 6%. Growth significantly outperformed value, as financials and energy lagged. Commodities dropped 2% and REIT's fell over 4%.
- U.S. Treasury yields were also lower the week, in spite of the risk-on sentiment in equity markets and an increased supply of Treasuries.
- International equity markets lagged the U.S. markets. Emerging Market stocks were up 1.5% and Europe was up nearly 1%.

JACKSON LEE, CFA
Quantitative Portfolio Manager

Source: Bloomberg

Market Performance

as of 04/17/2020

FIXED INCOME	10-YEAR	5-YEAR	3-YEAR	1-YEAR	YTD	QTD	LAST WEEK
Cash Equivalent[1]	+0.58	+1.11	+1.71	+1.87	+0.41	+0.00	+0.01
U.S. Investment Grade Bonds[2]	+3.98	+3.58	+5.06	+11.18	+4.74	+1.54	+0.70
EQUITIES	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Global Equity Market[3]	+6.65	+4.03	+4.26	-6.57	-14.98	+8.50	+2.16
Total U.S. Market[4]	+11.22	+8.14	+8.28	-0.73	-11.66	+11.22	+2.85
Domestic Large-Cap Equity[5]	+11.87	+9.78	+10.60	+4.22	-8.31	+11.63	+3.71
Domestic Small-Cap Equity[6]	+7.21	+0.66	-2.64	-21.44	-26.29	+7.78	-1.31
International Equity[7]	+2.64	-0.25	-0.35	-14.15	-19.87	+5.00	+0.97
Developed International Equity[8]	+2.94	-0.28	-0.49	-13.63	-19.97	+4.45	+0.78
Emerging Market Equity[9]	+1.58	-0.26	+0.14	-15.71	-19.57	+6.57	+1.50
DIVERSIFIERS	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Diversified Alternatives[10]	-6.92	-8.37	-8.75	-22.65	-23.00	+0.39	-2.17
Commodity[11]	+5.40	+0.20	-0.98	-13.30	-20.99	+6.78	-2.14

Source: Morningstar

[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.

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

Need Cash? Draw Down from the Banks.

1

ALECK LIU
Investment Research Analyst

American companies are combating the impacts of the coronavirus by drawing down cash from large Wall Street banks. Luckily, the banks are willing to accommodate for the time being. Generally speaking, most companies have agreements with banks that ensure a set of amount of cash they can tap into — provided they meet various quality metrics (such as a FCF-to-interest ratio or debt-to-equity number). In return for a nominal fee, the bank keeps cash readily available until it is used.

So far that number is approaching $221 billion in the Americas, with signs of it increasing. While this may seem like companies are creating further debt problems, it is probably a good sign for the health of the economy and the companies in the near term. As much as the Federal Reserve has been praised for its willingness to open its pocketbook to keep the economy stable, the banks should also be commended for their willingness to extend credit lines to keep these companies afloat.

This good news is echoed in Europe, with $126 billion drawn down as of April 20. And, last but not least, there has been plenty of issuance recently, showing the debt capital markets have not yet dried up for the companies that are selling bonds to raise cash. While some of these will obviously reach pension funds and institutional investors, there seems to be equal interest to keep these bonds on the books of the banks underwriting them.

These are positive signs that even private enterprises are aligned in the goal to keep the companies and economies of the world running. It is also a statement of confidence from some of the best risk managers in the world that are willing to buy the debt obligations of these companies.

Liquidity, Liquidity, and More Liquidity

2

Since I wrote about this a month ago, the Fed has taken further action to stem a potential liquidity crisis in the fixed-income markets, including unprecedented steps to help even the riskiest of fixed-income markets: the high-yield sector.

Since the Fed began taking action, record flows have occurred. Just this past week, investors poured $10.5 billion into junk bond funds, surpassing the record set just two weeks prior.

The success of the fixed-income markets has been so swift that the Fed has cut its pace of buying Treasuries twice now in the past couple of weeks. First from $50 billion/day to $30 billion/day and then a 50% cut to $15 billion a day. Let's hope this keeps up.

MARC PFEFFER
Chief Investment Officer

Recent Fed Actions

3

Listed below is a summary of some of the highlights of recent actions taken by the Fed:

March 15

- The Federal Funds Rate was cut 100 bps to 0.
- Treasury holdings were increased by $500 billion.
- Agency Mortgage Backed Securities (MBS) holdings were increased by $200 billion.
- The primary credit rate was decreased by 150 bps.
- Reserve requirements were decreased to zero.

March 17

- A Commercial Paper Funding Facility was established to provide a liquidity backstop to U.S. issuers of commercial paper through a special purpose vehicle (SPV).
  - The Treasury will provide $10 billion in credit protection to the Federal Reserve through the SPV.
- A Primary Dealer Credit Facility was established, offering overnight and term funding up to 90 days.
  - This facility will remain available for at least six months.

March 18

- A Money Market Mutual Fund Liquidity Facility or MMLF was established to assist money market funds in meeting demands for redemptions.

March 19

- Temporary dollar liquidity arrangements (swap lines), were established with several reserve banks around the globe, including Australia, Brazil, Denmark, Korea, Mexico, Norway, New Zealand, Singapore, and Sweden.

March 20

- MMLF was expanded to provide liquidity for crucial state and municipal money markets.

April 9

- $2.3 trillion in loans were provided to reach small and medium-sized businesses and U.S. cities and states.
- The Fed committed to buying high-yield ETFs and fallen angels.

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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