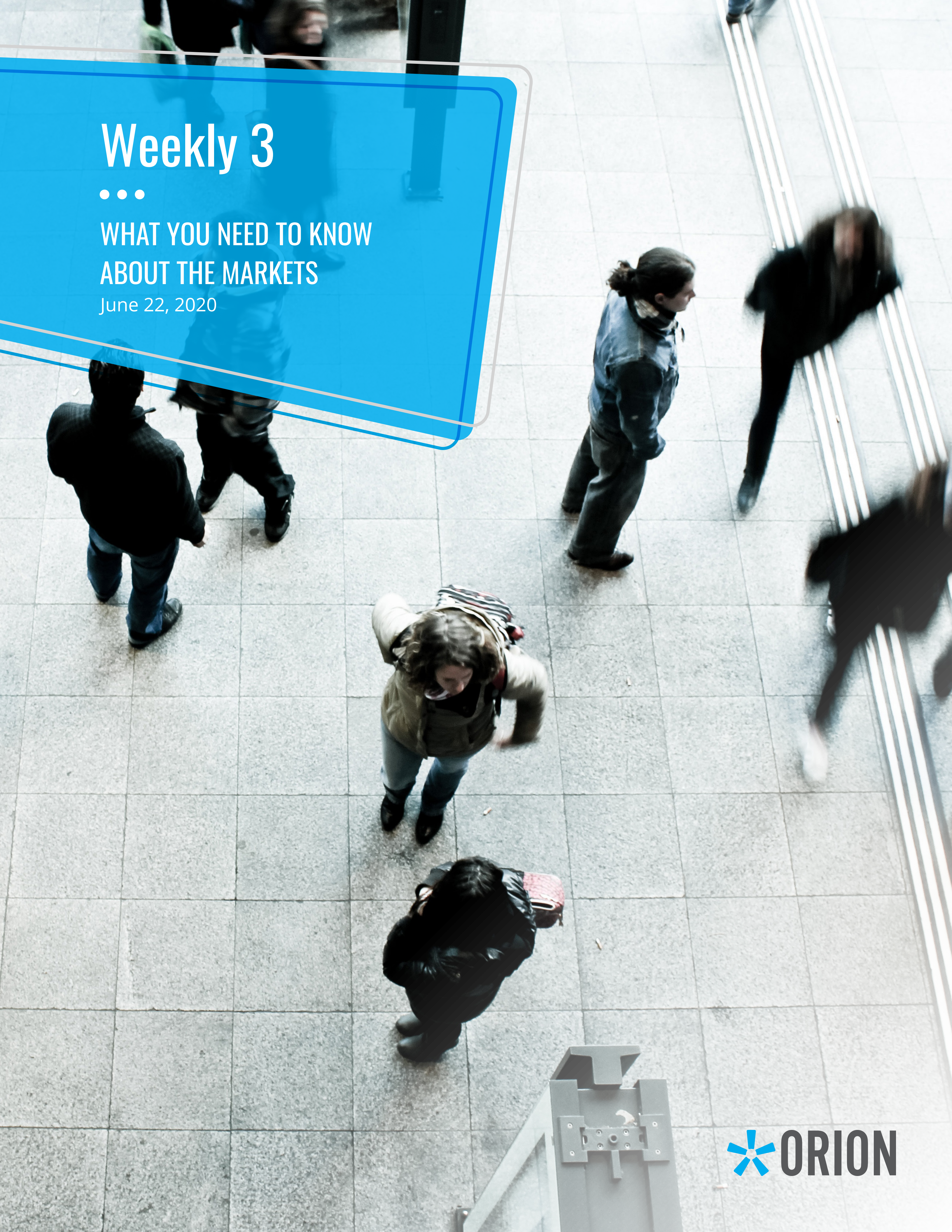
Weekly 3

WHAT YOU NEED TO KNOW ABOUT THE MARKETS

June 22, 2020



ORION

Week in Review

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Market Performance

as of 06/20/2020

FIXED INCOME	10-YEAR	5-YEAR	3-YEAR	1-YEAR	YTD	QTD	LAST WEEK
Cash Equivalent[1]	0.58	1.12	1.67	1.45	0.43	0.02	0.00
U.S. Investment Grade Bonds[2]	3.90	4.20	5.15	8.92	5.92	2.69	0.20
EQUITIES	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Global Equity Market[3]	8.61	6.11	5.88	3.26	-6.12	19.81	1.95
Total U.S. Market[4]	12.93	9.73	9.88	7.34	-3.25	21.80	2.04
Domestic Large-Cap Equity[5]	13.50	11.08	11.60	11.03	-0.97	20.56	2.00
Domestic Small-Cap Equity[6]	9.50	3.26	1.26	-7.78	-14.24	25.39	2.07
International Equity[7]	4.85	2.42	1.52	-1.96	-10.04	17.88	1.85
Developed International Equity[8]	5.24	2.13	1.21	-2.33	-10.25	17.15	1.99
Emerging Market Equity[9]	3.50	3.35	2.62	-0.91	-9.46	19.96	1.42
DIVERSIFIERS	**10-YEAR**	**5-YEAR**	**3-YEAR**	**1-YEAR**	**YTD**	**QTD**	**LAST WEEK**
Diversified Alternatives[10]	1.99	-0.69	-1.18	-4.87	-8.15	6.58	0.46
Commodity[11]	-6.08	-7.28	-5.60	-15.86	-19.90	4.42	1.37
Global Real Estate[12]	6.61	2.49	0.46	-10.28	-15.41	14.32	0.02

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 [12]Morningstar Global Real Estate.

1 *CIO Weekly Viewpoint*

2 *Wait, There's a Presidential Election This Fall?*

3 *Coronavirus: First Hand Experience*

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

CIO Weekly Viewpoint

1

MARC PFEFFER
CLS Chief Investment Officer

- Stocks rebounded last week on mostly better-than-expected economic data and newly announced bond buying programs by the Federal Reserve. U.S. retail sales posted a record gain in May, jumping nearly 18%, as thousands of stores reopened after coronavirus-related restrictions were eased across much of the country.
- The S&P 500 rose by nearly 2%. Small-cap stocks outperformed again. Growth outperformed value by a wide margin.
- The NASDAQ had another strong week, rising nearly 4%, and is up in double digits for 2020. New all-time highs were set on several bellwethers.
- Commodities rose nearly 2% as oil prices rose to nearly $40 per barrel again. REITS lost 1.5%.
- International stocks performed well. European stocks rose 2%. Emerging Markets gained 1.5%.
- The Federal Reserve expanded its efforts once again to bolster credit markets and support the economic recovery. The Fed announced it will now buy individual corporate bonds in addition to the bond ETFs it was already buying. Several corporate ETFs hit all-time highs.
- Important economic data being released this week include existing home sales on Monday, the preliminary Purchasing Managers' Index for June on Tuesday, and personal income and spending on Friday.

Source: Bloomberg, 6/22/2020

Wait, There's a Presidential Election This Fall?

2

NICK CODOLA
Investment Research Analyst

2020 has been tumultuous to say the least. With a global pandemic, a recession, and perhaps depression, protests, and trade tensions, it is easy to forget that in November we will all be casting votes to determine who will lead this country for the next four years.

The chart below shows how many times a president has been reelected, going back to 1900, when the U.S. has experienced a recession (defined as two consecutive quarters of negative GDP growth) either in the first half or second half of the presidential term.

President	Term	First Term Recession	Recession in 2nd Half of First Term	Re-Election	Notes
William McKinley	1897-1901	Yes	Yes	Yes	*Assassinated. First term recession: 1899-1900
Theodore Roosevelt	1901-1909	Yes	Yes	Yes	First Term Recession 1902-1904, took over first term from McKinley
William Taft	1909-1913	Yes	Yes	No	First Term Recession 1913
Woodrow Wilson	1913-1921	No	No	Yes	
Warren Harding	1921-1923	Yes	Yes	No	*Died of a heart-attack
Calvin Coolidge	1923-1929	Yes	Yes	Yes	Took over First Term from Harding. First Term Recession 1923-1924
Herbert Hoover	1929-1933	Yes	Yes	No	First Term Recession 1929-1933
Franklin Roosevelt	1933-1945	No	No	Yes	
Harry Truman	1945-1953	No	No	Yes	*First Term recession started after election
Dwight Eisenhower	1953-1961	Yes	No	Yes	
John Kennedy	1961-1963	No	No	No	Assassinated
Lyndon Johnson	1963-1969	No	No	Yes	
Richard Nixon	1969-1974	Yes	No	Yes	Resigned, First Term Recession was mild -0.6% decline
Gerold Ford	1974-1977	Yes	Yes	No	Took over Nixon's second term
Jimmy Carter	1977-1981	Yes	Yes	No	First Term Recession 1980
Ronald Reagon	1981-1989	Yes	No	Yes	First Term Recession was an external Oil Crisis
George H.W. Bush	1989-1993	Yes	Yes	No	First Term Recession 1990-1991
Bill Clinton	1993-2001	No	No	Yes	
George Bush	2001-2009	No	No	Yes	
Barack Obama	2009-2017	Yes	No	Yes	Inherited GFC from Bush
Donald Trump	2017-?	Yes	Yes	?	Covid-19

Source: https://admin.nber.org/cycles/cyclesmain.html, 6/22/2020
Source: https://www.whitehouse.gov/about-the-white-house/presidents/, 6/22/2020

But how does this break down? Twenty-one presidents have served this country since 1900. Overall, only 62% have been re-elected (13/21). Of the presidents who ran for reelection (discounting JFK, who was assassinated before he could run again), 100% were reelected if the U.S. did not experience a recession during their first term.

2

Fourteen presidents had first-term recessions, and only half of those were reelected. Compared to all presidents from 1900 to present, a first-term recession reduces the odds of reelection to 33%. Using that same metric, a recession in the second half of their term reduces the odds of reelection to 14%. Two presidents who oversaw recessions in the second half of their terms, Teddy Roosevelt and Calvin Coolidge, were vice presidents who ascended to the office of president because of the death of their running mates. So, since 1900, only William McKinley has managed to get reelected while the country was going through a recession in the final two years of his first term. But that is a lot of data-mining. Just using the first data point that only 50% of presidents who had first-term recessions managed to be reelected is a far cry from the 100% chance of re-election enjoyed by the presidents who did not have a recession during their first-term.

But what does this have to do with the market? TheStreet created a basket of stocks which are bullish on Donald Trump's policies back in 2016. Compared to the S&P 500, those stocks have outperformed by 5% annually since. Considering this, it might be wise to invest in stocks right now that favor Joe Biden's policies to potentially hedge bets, before the market starts thinking about the election.

Security	Annualized Return Since 01/01/2017
Trump Portfolio	16%
SPY	11%

Source: Morningstar, as of 6/12/2020

Coronavirus: First Hand Experience

3

JACKSON LEE, CFA
Quantitative Portfolio Manager

Earlier this month, my family and I joined the millions of other Americans who have been diagnosed with COVID-19. It hit us as a surprise because we have been very cautious about following CDC guidelines since the start of the pandemic. I could complain about how unfortunate we are, as less than 1% of the population has been officially confirmed to have the virus, but instead I would like to share how grateful I am for the technological advancements that helped us navigate a challenging time.

As hospitals are a hotspot for the pandemic, we used telehealth for the first time when we initially came down with symptoms. While telehealth has been around for decades, close to 90% of American consumers still prefer the physical doctor's office visit, according to McKinsey's COVID-19 consumer survey.[1] However, the utilization rate for telehealth has increased to 46% during the pandemic, and this trend is most likely going to continue as 76% of Americans are now interested in using telehealth going forward. In addition, the Centers for Medicare & Medicaid Services has temporarily approved more than 80 new services for telehealth, so the options are growing. This expansion of services, coupled with increased interest, creates a $250 billion opportunity for the industry, based on McKinsey's analysis.

Another technology trend I am grateful for is online shopping. After my family was diagnosed, we tried to do our part to prevent the spread of the virus by quarantining ourselves. While online shopping was not new to us, there was a noticeable increase in our usage during the quarantine. An ACI Worldwide report[2] shows the same consumer behaviors across the world as e-commerce sales skyrocketed by 81% in May of 2020 as compared to 2019. Many companies are revamping their e-commerce efforts to remain competitive — the recent partnership between Walmart and Shopify is an example.

Lastly, at Orion we are fortunate enough to have the option to work from home permanently. This transition from the traditional office space to remote work is another trend that is likely to remain post-pandemic, as many companies, such as Facebook, Zoom, Twitter, Shopify, and others, have announced they will allow some employees to work from home permanently. Over the past couple decades, growth of remote work in the U.S. has been lackluster. According to the U.S. Census, only about 5% of the U.S. workforce primarily worked from home in 2017, up from 3% in 2000.[3] During the pandemic, however, Gallup reported 63% of Americans worked from home, and some estimates suggest about 25%-30% will continue to do so.[4]

These technologies and options have been around for some time, but the pandemic has helped accelerate the adoption rates of consumers. It has served as a wake-up call for many businesses to invest in new technologies in order to remain competitive, even after the pandemic is behind us. At CLS, we continue to look for investment opportunities in companies that are the driving forces behind these innovations.

1 *https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/telehealth-a-quarter-trillion-dollar-post-covid-19-reality, June 22, 2020*

2 *https://www.aciworldwide.com/news-and-events/press-releases/2020/june/81-percent-rise-in-may-retail-ecommerce-sales-aci-worldwide-research-reveals, June 22, 2020*

3 *https://qz.com/work/1392302/more-than-5-of-americans-now-work-from-home-new-statistics-show/#:~:text=According%20to%20recently%20released%20data,for%20more%20flexible%20work%20environments, June 22, 2020*

4 *https://news.gallup.com/poll/306695/workers-discovering-affinity-remote-work.aspx, June 22, 2020*

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. Morningstar Gbl Real Estate NR USA Index: measures the performance of mortgage companies, property management companies and REITs. The Russell 2000 is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small cap stocks. The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment. 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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