March 2020 Monthly Market Update

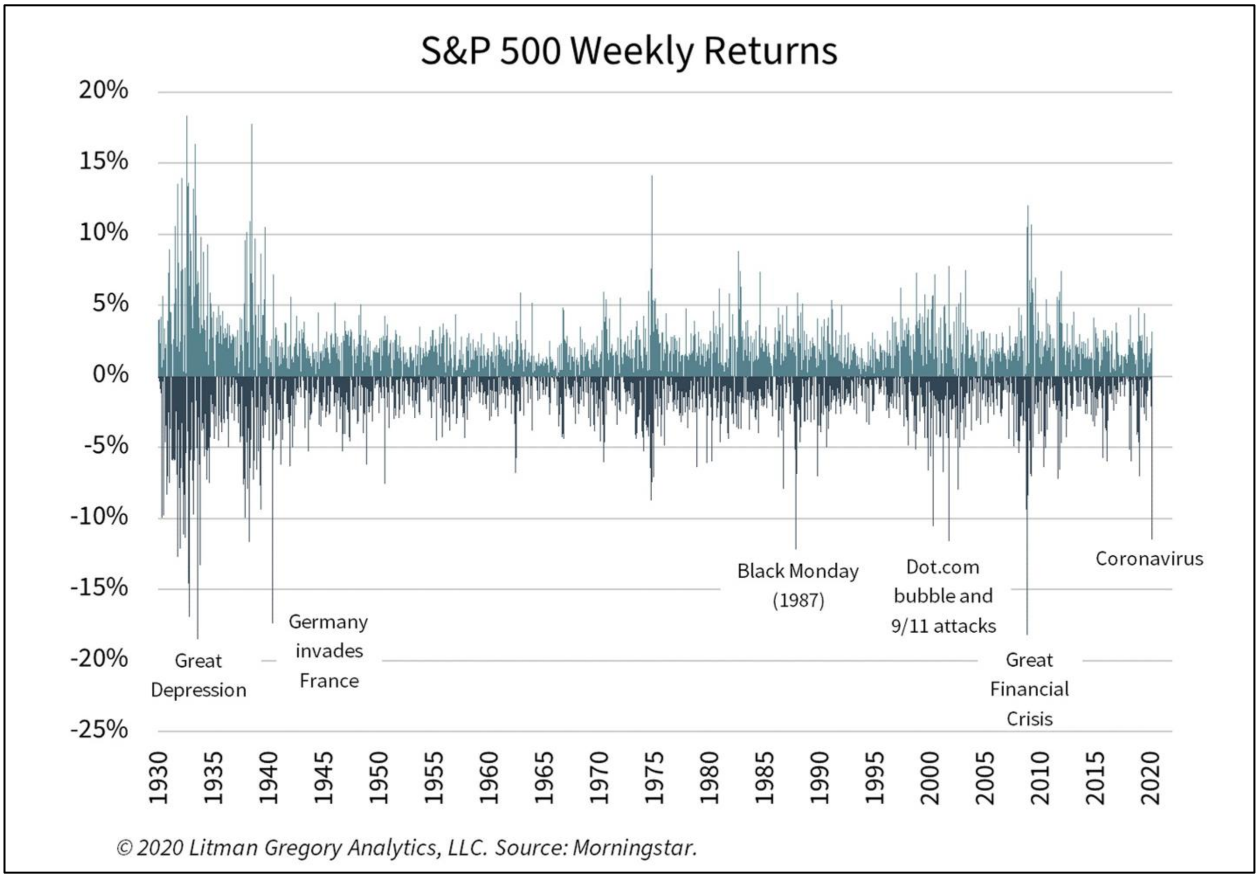
February Benchmark Returns	MTD	QTD	YTD
EQUITY BENCHMARKS			
Vanguard 500 Index	-8.2%	-8.3%	-8.3%
iShares Russell 1000 ETF	-8.1%	-8.0%	-8.0%
iShares Russell 1000 Value ETF	-9.3%	-11.2%	-11.2%
iShares Russell 1000 Growth ETF	-6.6%	-4.5%	-4.5%
iShares Russell 2000 ETF	-8.8%	-11.7%	-11.7%
Vanguard REIT	-7.1%	-6.0%	-6.0%
iShares MSCI ACWI ETF	-7.5%	-8.8%	-8.8%
Vanguard FTSE Developed Markets ETF	-7.7%	-10.4%	-10.4%
Vanguard FTSE Europe ETF	-8.0%	-10.8%	-10.8%
Vanguard FTSE Emerging Markets ETF	-3.5%	-8.9%	-8.9%
FIXED-INCOME BENCHMARKS			
Vanguard Total Bond Market Index	1.7%	3.9%	3.9%
Vanguard Intermediate-Term Tax-Exempt	1.1%	2.7%	2.7%
iShares TIPS Bond ETF	0.9%	3.1%	3.1%
ICE BofA Merrill Lynch U.S. High Yield Cash Pay Index	-1.5%	-1.5%	-1.5%
S&P/LSTA Leveraged Loan Index	-1.3%	-0.8%	-0.8%
ALTERNATIVE BENCHMARKS			
HFRX Global Hedge Fund Index	-1.4%	-1.0%	-1.0%
Bloomberg Commodity Index	-5.0%	-12.0%	-12.0%
SG Trend Index	-0.0%	0.9%	0.9%
3-Month LIBOR	0.2%	0.4%	0.4%

Fears and concerns about the spread of the novel coronavirus outside of China and its potential economic impact drove stock markets lower in February. U.S. stocks fell around 8% (and are down nearly 13% from their recent all-time high), while European stocks fell a similar amount and emerging-market stocks dropped 3.5% for the month.

The final week of the month was particularly rough for U.S. stocks—falling every day of the week and logging an 11.5% total loss. This was the worst weekly loss for the S&P 500 since October 2008 and the sixth-worst week since the 1930s. It's fair to say volatility has returned to the markets.

It remains difficult to handicap what the economic impact of the coronavirus will be. But it remains a widely held assumption that the virus will not have a long-term effect on economic growth, although most economists are cutting near-term GDP growth estimates. For example, the OECD recently cut their 2020 global GDP growth estimate to 2.4% (it was just shy of 3% last November). They revised China's GDP growth sharply to below 5% this year, down from 6.1% last year. They wrote that "broader contagion across the wider Asia-Pacific region and advanced economies—as has happened in China—could cut global growth to as low as 1.5% this year, halving the OECD's previous 2020 projection from last November." The risk of a recession has increased in the near term for some countries. For example, Japan will likely be in a recession when their next GDP number is released. Though, in recent days central bankers around the world have said they are ready to act if the economic impact deems it necessary.

Fixed-income markets rallied on the virus fears, as well as an increasing belief that the Federal Reserve would intervene in the markets and cut interest rates. U.S. core bonds gained 1.7% and intermediate-term Treasuries rallied nearly 3% in February—with most of that return coming during the final week of the month. Treasury rates fell to all-time lows, with the 10-year Treasury closing the month at 1.13%. The long-end of the curve (the



30-year rate) fell all the way to 1.65%, which is smack dab in the middle of the *federal funds rate's* target range. This leaves much of the Treasury curve inverted.

At the beginning of this week (March 2nd), the futures market had quickly moved to an extreme position and expected with *100% certainty* that the Fed would cut the federal funds rate by 50 basis points at their next FOMC meeting on March 18. On Tuesday, the very next day, Fed chair Jerome Powell cut the policy rate by 50 basis points and the market got the rate cut it was expecting two weeks early. This is the Fed's first emergency rate cut since the financial crisis in 2008, as well as the largest single-day decrease since then. In the Fed's press release, they wrote: "The fundamentals of the U.S. economy remain strong. However, the coronavirus poses evolving risks to economic activity." Finance ministers and central bank governors of G7 countries also issued a joint statement on March 3 stating they remain committed to using "all appropriate policy tools to achieve strong, sustainable growth and safeguard against downside risks." Monetary authorities are pledging to ease monetary/financial conditions.

U.S. stocks rallied very sharply on March 2nd but fell after the Fed cut the next day. Should the extreme volatility continue to the downside, we will be looking at opportunities to increase exposure to beaten down asset classes, such as U.S. stocks.