May 2020

SOL CAPITAL MANAGEMENT COMPANY

CLIENT INVESTMENT LETTER

Global Markets & Economic Update

Inside this issue:

As we entered 2020, we commented on how an 11-year bull market and an expanding but late-cycle global economy set the stage for difficult capital allocation decisions. We were concerned about the fair-to-overvaluation of certain market sectors, which could translate into lower expected returns going forward. Nevertheless, based on the usual causes (economic excesses, overleverage, inflation, restrictive monetary policy, commodity price shocks, etc.), a recession did not appear to be on the horizon – save for an exogenous shock to supply or demand.

That exogenous shock arrived in earnest in the form of an unexpected, extremely aggressive and fatal coronavirus. With the lockdown of over 60 million people in China's Hubei province in January, the world's attention turned to the COVID-19 virus and how to prevent it from spreading to other countries. When it quickly became evident that stopping the virus was impossible, priorities shifted to slowing the infection rate in order to avoid overburdening healthcare systems, as witnessed in Iran and Italy. Governments around the world (both in developed and emerging economies) mandated self-isolation, social distancing, and localized quarantines, which effectively paralyzed the global economy in their wake.

Asian and European financial markets reacted first to the growing crisis and, by late February, U.S. markets were no longer immune. What followed was the swiftest plunge into a bear market[1] in history as investors tried to price an imminent global recession of uncertain depth and duration. Indiscriminate selling and a race to cash created historic levels of volatility. Exchange circuit breakers were triggered on a near-daily basis as broad market indices experienced double-digit moves. Pundits and investors naturally recalled the Global Financial Crisis of 2008-2009. However, the sell-off we witnessed in the first quarter of 2020 was not a financial crisis; it was an extraordinary health crisis that morphed into an economic and liquidity crisis.

We have commented in the past about the dominance of high-frequency trading and automated algorithmic strategies in daily trading volumes. In a normal environment, they are continuously trading, seeking out and eliminating arbitrage opportunities. In theory, they make markets more efficient, but in moments of sheer panic (or euphoria), they exacerbate momentum. As investors purged positions, leveraged strategies were forced to sell anything they could to limit losses and meet margin calls, and some funds were forced to sell their most liquid investments just to meet redemptions. Meanwhile, there were no large institutional buyers on the

[1] A bear market constitutes a fall of over 20% from a prior peak.

Global Markets & Economic Update Cont.

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other side, waiting to buy up the shares and bonds being dumped in the few chaotic days of late-February and early-March. As market liquidity evaporated, bid-ask spreads[2] widened, and many high-quality companies saw their shares trade below their book value, while even AAA-rated corporate debt and asset-backed securities sold off excessively.

Fortunately, and unlike in 2008, global central banks wasted no time in stepping in to stabilize the financial system. An unprecedented amount of liquidity support has already been committed by the Federal Reserve, European Central Bank, Bank of Japan, and many others (see Exhibit 1). Governments around the world are also releasing trillions of dollars' worth of fiscal stimulus in an attempt to support their economies through several expected months of suspended animation. By the end of March, the immense liquidity injected into the global financial system had helped to stabilize the market freefall, and since quarter-end we have seen some recovery from the depths witnessed just a few weeks ago (see Exhibits 2 and 3).

In this letter, we will only briefly discuss the performance of equity and bond markets, as we believe readers are already well aware of the magnitude of last quarter's market moves. We will instead spend more time discussing the response from global policymakers, how that response has impacted markets, as well as the economic and investment implications of the crisis and stimulus measures. We will also review a few fundamental investment principles and highlight some of the specific steps we are taking in client portfolios.

Exhibit 1
Global Monetary and Fiscal Stimulus

Country	Central Bank Liquidity Injection US$ trillions	Central Bank Liquidity Injection GDP %	New Govt Fiscal Stimulus US$ trillions	New Govt Fiscal Stimulus GDP %	Rate cuts basis points
United States	$4.80	22.4%	$2.82	13.1%	-150
Eurozone	$1.10	8.3%	$1.76	13.2%	
Japan	$0.20	3.9%	$0.99	19.2%	
United Kingdom	$0.25	9.0%	$0.14	5.1%	-65
China	$1.29	9.0%	$0.54	3.8%	-100
Others	$0.65		$1.85		
Total	**$8.29**	**9.6%**	**$8.10**	**9.4%**	

Source: Cornerstone, JPM Economic Research. Apr 15, 2020. Others include: RoW, Asian Development Bank, IMF, World Bank.

Source: Cembalest, Michael. Eye on the Market. J.P. Morgan, April 23, 2020. Note: The total amounts of stimulus and support for markets are not fully captured by the chart above. They do not include all asset purchase commitments, direct lending programs and guarantee/backstop programs. Once those programs are included, the Fed's total liquidity injection, for example, is approximately $8 trillion.

[2] A bid-ask spread is the difference between the highest price a buyer is willing to pay for a security and the lowest price a seller is willing to sell.

Financial Market Performance

All major equity indices across geographies, market caps, and sectors exhibited significant declines in the first quarter (see Appendix A). U.S. equities (as measured by the S&P 500 Index) fell nearly 34% from peak to trough[3], and while there was some recovery prior to quarter-end, equities saw their sharpest quarterly downturn since 2008. Small-cap stocks, which will face an economic downturn of unknown length and magnitude with limited financial resources, fell significantly more than large caps (-30.6% vs. -19.6%, respectively). Similar reactions to the pandemic's spread and the ensuing economic lockdown were seen in international developed and emerging market equities (-22.8% and -23.6%, respectively). Across all regions, large-caps and growth held up meaningfully better than small-caps and value. In fact, the spread between growth and value was near the highs of the late 1990s (see Appendix B).

"...while there was some recovery prior to quarter-end, equities saw their sharpest quarterly downturn since 2008."

Exhibit 2
Total Return* for Selected Equity Indices

Major Equity Indices	First Quarter (%) (12/31/19 to 03/31/20)	Year-to-Date (%) (12/31/19 to 04/17/20)
S&P 500 Index	(19.6)	(10.5)
S&P 500 *Growth* Index	(14.5)	(4.1)
S&P 500 *Value* Index	(25.3)	(17.7)
Russell 3000 Index (Total U.S. market)	(20.9)	(12.1)
Russell 2000 Index (Small Cap)	(30.6)	(26.0)
MSCI All Country World ex-U.S. Index (Net)	(23.4)	(19.6)
MSCI EAFE (International) Index (Net)	(22.8)	(19.7)
MSCI Emerging Markets Index (Net)	(23.6)	(18.8)
MSCI ACWI Commodity Producers (Net)	(38.8)	(33.8)

Source: Bloomberg
**Includes price appreciation plus dividends and/or interest.*

Transportation stocks led the selloff followed by energy companies, punished in the markets due to collapsing consumer demand resulting from the lockdowns and an oversupply of oil that was exacerbated by the Saudi-Russian price war, instigated near the onset of the COVID-19 turmoil. The real estate and financial sectors (especially banks) were also badly hit. In addition to earnings pressure from declining interest rates, shares dropped on worries of a dramatic surge in defaults, not to mention their standing as proxies for the overall economy made them ripe targets for panic (and

[3] From February 19 to March 23, 2020.

Financial Markets Performance Cont.

"Quarter-end returns for many fixed income indices masked the scale of the temporary dislocations that were witnessed, especially in investment-grade credit markets."

speculative) selling. Consumer staples, healthcare, and technology shares declined as well, but to a lesser extent thanks to their relative economic resilience in the face of this crisis.

Global bond markets also reacted meaningfully to the accelerating spread of COVID-19. Credit instruments including high-yield debt and even higher quality investment-grade bonds experienced substantial yield expansion, as institutional investors rushed to unwind leveraged positions, but were having a difficult time finding buyers. Quarter-end returns for many fixed income indices masked the scale of the temporary dislocations that were witnessed, especially in investment-grade credit markets.

Exhibit 3

Total Return* for Major Fixed Income & Hedge Fund Indices

Major Fixed Income & Hedge Fund Indices	First Quarter (%) (12/31/19 to 03/31/20)	Year-to-Date (%) (12/31/19 to 03/31/20)
Bloomberg Barclays U.S. Aggregate Bond Index	3.1	4.7
Bloomberg Barclays U.S. Government/Credit Index	3.4	5.5
ICE BofAML 1-3 year U.S. Broad Market Index	1.5	2.0
ICE BofAML U.S. High Yield BB-B Bond Index	(11.9)	(7.0)
JP Morgan Non-U.S. Global Bond Index (GBI) Hedged	1.5	1.5
JP Morgan EMBI Global Index in USD (Emerging Markets)	(11.8)	(10.1)
HFRX Equal Weighted Strategies Index (Hedge Funds)	(7.1)	(4.9)

As long-term rates plummeted, prices of mortgage-backed securities came under pressure, given the uncertainty around a proposed moratorium on mortgage payments, as well as the immediate wave of early repayment requests. In municipal markets, the yield differential between high-quality municipal bonds and similarly-dated Treasury bonds increased to near record levels as investors feared state and local coffers would run dry in the impending recession.

Response from Global Policymakers

While financial markets were severely impacted in the first quarter by a variety of factors that hit with alarming speed, depth, and breadth, we have been impressed by the urgency and scope with which global monetary and fiscal policy has responded to mitigate the harm from both the economic and financial impacts of COVID-19. On the monetary front, armed with experience from the

Response from Global Policymakers Cont.

Global Financial Crisis, the Fed has shown proactive and comprehensive leadership in immediately cutting interest rates to the zero-bound and announcing a wide range of programs to support seemingly all corners of the financial markets in distress. Within just a few weeks, they have moved to stabilize Treasury and mortgage-backed securities markets, short-term funding markets, interbank markets, U.S. dollar swap lines to foreign central banks, money markets, municipal debt markets, asset-backed securities, and more (see Appendix C). Similarly, the ECB launched numerous asset purchasing programs to stabilize credit markets, as the Eurozone economy also veered toward recession.

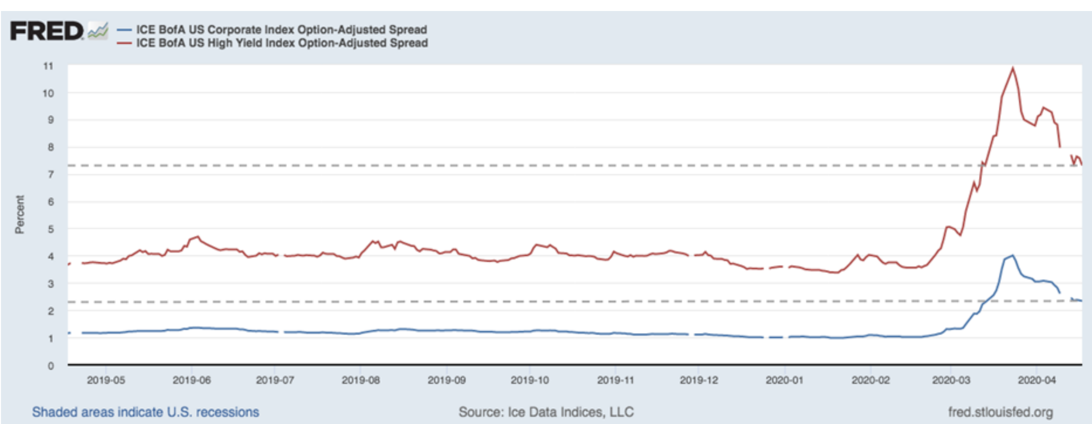
Many of the Fed's emergency plans were not announced at once, but over the course of several weeks, and all will not come into full force until the second quarter. As a result, instead of an immediate market response, we have seen a gradual stabilization, market-by-market and asset class-by-asset class. Credit spreads are still much wider than they were in January, which is to be expected in a recessionary environment, but they are receding from the eye-watering levels we saw in late-March (see Exhibit 4). The Fed and its global counterparts, while not seeking to determine asset prices, are instead making certain there is sufficient liquidity for those that need to transact. Moreover, they have made it crystal clear to markets that their policy arsenals are not empty and they are prepared to do whatever it takes to maintain stability.

Emergency funding and fiscal stimulus from governments around the world has been equally immense, though slower to arrive. Against the backdrop of a staggering 30 million new unemployment claims in the United States (as of April 30), the federal

"...the Fed has shown proactive and comprehensive leadership in immediately cutting interest rates to the zero-bound and announcing a wide range of programs to support seemingly all corners of the financial markets in distress."

Exhibit 4

Credit Spreads Over Previous 12 Months



Source: **The Federal Reserve Bank of St. Louis.** Note: The blue line tracks the market capitalization-weighted option-adjusted spread (OAS) of an index of investment-grade bonds (those rated BBB or higher) versus the prevailing spot U.S. Treasury curve over the last 12 months. The red line tracks an identical OAS for an index of below investment-grade bonds (those rated BB or lower). The grey dotted lines indicate each index's closing spreads on April 17, 2020, 2.34 and 7.31 percentage points, respectively.

Response from Global Policymakers Cont.

government authorized over $110 billion in disaster support for emergency preparedness, including the healthcare response, food security, and various employment and unemployment benefits. Additionally, the U.S. government authorized over $2.5 *trillion* in stimulus to support the economy, including direct payments to low- and middle-income households, expanded unemployment benefits, bailouts of the most affected sectors (e.g. airlines), credit easing and lending programs to large corporations, loans and grants to small businesses, funds for hospitals and healthcare workers, as well as bankruptcy and tax relief to businesses. It is not yet clear when jobless claims will peak, but we will most likely continue to register high levels in the next several weeks. Therefore, while it is estimated that the U.S. has already spent 13% of GDP on stimulus, we expect additional packages may likely be approved in Washington before this crisis is over.

The European Union is also taking steps to fend off as much of the economic pain as possible. Germany, leading the effort, has so far committed 13% of its GDP to boost the economy, despite previous aversions to deficit spending. The E.U. has historically provided a more robust social safety net than the U.S., which has held back their economic growth in expansionary periods, but should benefit them now. So far, the rise in European unemployment has been more muted than in the United States, hopefully resulting in fewer euros spent on additional stimulus.

“Policymakers around the world are doing everything they can to lessen the pain, and at the time of publication, we may be beginning to see some light at the end of the tunnel.“

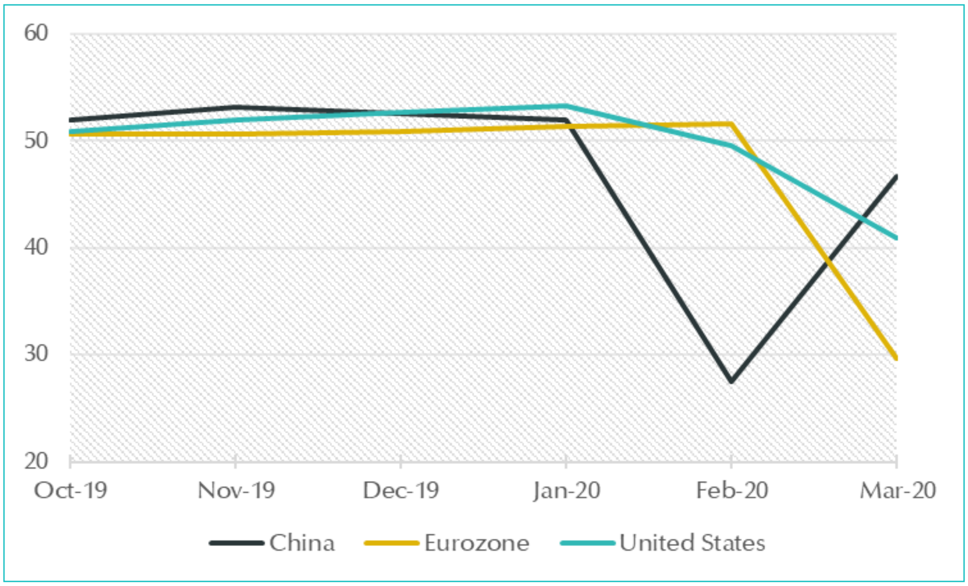
Economic Implications

Never before in the modern age has the world experienced a recession by government decree of this magnitude. At this point, there are no clear projections as to the true impact of the virus on GDP, and it would be futile to speculate on a specific number. Policymakers around the world are doing everything they can to lessen the pain, and at the time of publication, we may be beginning to see some light at the end of the tunnel. After a three-month lockdown, quarantine measures in China are being relaxed, and factories are starting to come back online. Initial estimates of Chinese industrial production are showing a stabilization of activity, meaning the economy may be beginning to clear the pent-up demand, both from domestic consumers as well as foreign trading partners that have not been able to source new products for several months (see Exhibit 5).

While this may end up being a deep global recession, it also has the potential to be one of the shortest. If populations take social distancing orders seriously and testing becomes widely available, the sooner the spread of the virus can be curbed (though it

Economic Implications Cont.

Exhibit 5
Composite PMIs



Source: Bloomberg. Note: A PMI score greater than 50 indicates an expansion of activity, while a score below 50 indicates a reduction of activity.

will never be completely eliminated), and the sooner economies can safely reopen. That said, prematurely relaxing lockdown measures may allow businesses to get back to some semblance of normal, but it risks triggering secondary waves of infections before a vaccine is ready or anti-viral treatments are sufficiently researched and distributed. Several Asian countries have seen additional outbreaks as lockdown measures were gradually eased and citizens (especially students) that had been living abroad returned home. This in turn could lead to further lockdowns going forward. The longer the suspension of economic activity continues, the higher the strain it will put on corporate and personal balance sheets, jeopardizing the survival of some entities and also making an eventual restart more difficult (e.g., more employees to rehire, lost contracts, long–idled machinery).

There are also longer-term implications of the virus and policy responses to consider. First, we may see a reduction in globalization. Companies may soon decide that their supply chains have become too complex and too reliant on "just-in-time" production halfway across the planet. They may decide to build redundancies into their supply chains and/or bring some production back to their consumers' home markets.

Second, central banks may face less independence than they have enjoyed (to varying degrees) in the past. The sharp increase in private and sovereign debt may force monetary policymakers to keep short

"There are also longer-term implications of the virus and policy responses to consider. First, we may see a reduction in globalization... ...Second, central banks may face less independence than they have enjoyed..."

Economic Implications Cont.

-term interest rates low for an extended period of time (even in the face of inflation) and continue to serve as forced buyers of debt.[4] While lower rates would help ease the debt-servicing burden (and if inflation returns, would help reduce the debt's real value), it creates a moral hazard problem for governments and extends the life of inefficient "zombie" companies.

Investment Implications

"Despite the significant tailwinds of unprecedented support from central banks and fiscal lifelines, the global economy faces a broad set of intense headwinds."

After trading wildly from late-February through late-March, equity and fixed income markets reached a low point on March 23. It remains unclear whether that is as far as markets will decline this cycle or if we are due for a secondary correction, and we caution against making any definitive conclusions one way or another. Despite the significant tailwinds of unprecedented support from central banks and fiscal lifelines, the global economy faces a broad set of intense headwinds from financial market dislocations, business disruptions, dividend cuts, earnings disappointments, debt downgrades, defaults, business and supply chain re-engineering, and other fallout from the lockdowns.

As earnings season kicked off in April, we are getting our first glimpse from companies regarding the initial impact on their earnings, financial health, capital return programs, and timetable to recovery. However, in advance of earnings season, a growing tide of public companies across industries suspended or revised downward previously-issued guidance. Negative guidance from management may put many firms in danger of credit downgrades by ratings agencies, which will make it more expensive to raise fresh debt or refinance existing bonds, especially devastating when cash flows are shrinking. As business disruptions continue, investors should likely expect default rates to rise, particularly in the most-affected sectors (e.g. energy, transportation).

Furthermore, not all the headwinds facing markets are as immediately identifiable as earnings announcements and revisions. The spread of COVID-19 has taken a toll on economic ecosystems around the world and, as mentioned previously, many firms will need to seriously rethink their supply chain strategies going forward now that fragilities to business, healthcare, and even national security have been revealed as a result of the global lockdown.

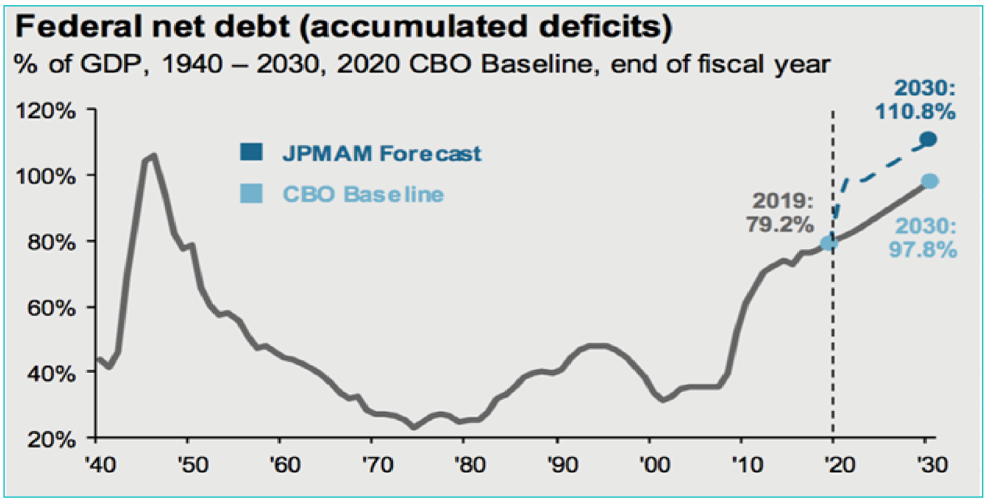
Moreover, as global central banks and governments have given their unwavering commitment to support their markets and economies, this means additional unconventional programs may be announced in the coming months. This immense level

[4] Fels, Joachim. Economic Outlook: From Hurting to Healing. Pacific Investment Management Company LLC, April 8, 2020.

Investment Implications Cont.

of public debt could be an overhang across economies for decades to come (see Exhibit 6 for projections of U.S. federal debt levels). If this level of sustained sovereign borrowing begins to crowd out private borrowers, it could cause longer-term interest rates for all but the safest borrowers to rise.[5]

Exhibit 6
U.S. Debt Levels



Source: Bloomberg. J.P. Morgan Asset Management

We are closely monitoring the status of many of these factors and continue to recommend a cautious, gradual approach to rebalancing portfolios and deploying fresh capital. While volatility may be slowly cooling off from its peaks in March, it may not take much to trigger increased turbulence in markets.

"While volatility may be slowly cooling off from its peaks in March, it may not take much to trigger increased turbulence in markets."

Investment Principles to Remember

The uncertainty surrounding the shorter- and longer-term implications of COVID-19 is causing unease for many investors. However, to counter this anxiety, it is worth taking a step back to revisit a few fundamental principles of investing. First and foremost is diversification. Disruptions to supply chains, ever-changing quarantine restrictions, and potentially permanent changes to consumer preferences make it difficult to determine with absolute certainty which companies will make it through this crisis unscathed, which will emerge stronger, and which will go under. We have always emphasized broad diversification in client portfolios for exactly this reason. Rather than hold a handful of companies, we tend to hold (through mutual

[5] Burgess, Robert. "The Stock Market Has Become One Big Value Trap." Bloomberg News, April 7, 2020.

Investment Principles to Remember Cont.

"In order to allow your wealth to remain invested for long-term growth, while also seeking to protect against the risk of permanent loss of capital, diversification is your best defense."

funds and ETFs) shares of hundreds of firms around the globe. In order to allow your wealth to remain invested for long-term growth, while also seeking to protect against the risk of permanent loss of capital, diversification is your best defense.

The next essential concept to revisit is asset allocation. For investors with near-term liquidity needs, a shorter investment horizon, or simply a lower tolerance for risk, we always recommend a sufficient allocation to fixed income for moments like this. Instead of permanently impairing the growth of your wealth by liquidating long-term investments (i.e. equities) at the worst possible moment, investors should source planned withdrawals from fixed income securities. Your equity allocations should remain invested and be given time to recover from the recent downturn. It is well documented that the average equity returns in the one, three, and five years immediately following severe declines are positive (see Appendix D).

Going into this crisis, we were already making sure any upcoming liquidity needs that were known to us were set aside in cash equivalents and/or very short-term fixed income products.

The two final investment fundamentals to revisit are equity investing and volatility. When you purchase a stock (or an equity fund), you are not buying a chip at a casino table; you are buying proportional ownership of one company (or many companies). The intrinsic value of that stock is the discounted present value of all future earnings, not just next month's or next year's earnings, but decades' worth of earnings. In the short term, the price of the stock will fluctuate in the market around its intrinsic value as investors attempt to reassess how those future earnings will be affected by new information. In the long term, however, stock prices track the overall growth and profitability of the firm and, by extension, the economy.

Strategic and Tactical Actions in Your Portfolios

With these principles in mind, it is easier to understand why in these moments of high volatility, the most beneficial, long-term, strategic action diversified investors can take is to simply stay the course. Your portfolio's asset allocation was specifically tailored to your investment goals, time horizon, risk tolerance, and liquidity needs. Therefore, as long as there have been no changes in those factors, we highly recommend that you stay the course.

This crisis will most likely be temporary. The lockdowns of our cities, states, and countries will not last forever. A vaccine will be developed and immunity among the greater population will increase over time. Our economies will come back online and "new normal" service will resume. The key question is when.

Unfortunately, no one knows for sure, making it almost impossible to time the peaks and troughs of the market.

Strategic and Tactical Actions in Your Portfolios Cont.

Most indices set records last quarter given the swiftness with which they fell from record highs into bear markets. It typically takes markets eight months or longer to fall 20% from their peaks; this time we saw that fall in three weeks.

However, as swiftly as markets fell, so can they rebound, and it is well documented how missing just a few of the markets' best days can have a consequential impact on long-term compounded returns (see Exhibit 7).

Exhibit 7

Hypothetical $1,000 Investment in the S&P 500 Over 30 Years (Ending Values and Annualized Returns)

Source: **Dimensional Fund Advisors LP.** Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

In US dollars. For illustrative purposes. The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day (s). Annualized returns for the missed best day(s) were calculated by substituting actual returns for the missed best day(s) with zero. S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. "One-Month U.S. T- Bills" is the IA SBBI US 30 Day TBill TR USD, provided by Ibbotson Associates via Morningstar Direct. Data is calculated off rounded daily index values.

That said, "staying the course" includes making appropriate, tactical adjustments to portfolios. We are working aggressively to take advantage of the temporary decline by executing tax-efficient security exchanges, as well as upgrading certain holdings into higher-quality names that have sold off hard. As we swap equity and fixed income instruments to harvest losses, we immediately reinvest the proceeds in similar, but not necessarily identical, products to ensure your portfolio remains fully invested to take advantage of the recovery.

Furthermore, our active equity and fixed income managers have been very busy in this environment. In the midst of the market turmoil, they have been topping up existing holdings and buying new positions whose prices had fallen to attractive entry points. Additionally, they have

"However, as swiftly as markets fell, so can they rebound, and it is well documented how missing just a few of the markets' best days can have a consequential impact on long-term compounded returns..."

Strategic and Tactical Actions in Your Portfolios Cont.

been able to upgrade the quality and value of their funds' holdings.

In terms of more broadly rebalancing client portfolios back to their target asset allocations, we are proceeding gradually. We have cautioned that there might be more bad news to come (e.g., secondary waves of infection, dividend cuts, earnings disappointments, debt downgrades). Therefore, we are only slowly adding back to equities (as well as some credit-sensitive strategies in fixed income), on a client-specific basis. As we redeploy capital back into the market, we are focusing on higher quality assets and sectors that we believe are oversold.

"Your best protection is a strategic, well-diversified portfolio that you should look at with a long-term perspective."

In Closing

The COVID-19 pandemic is different from any health crisis we have seen before, and we are not near the end. There is no certainty that we will face only one major wave of infections, or if we will see repeated lockdowns in the future (either in certain geographic regions or globally). However, everyone is trying to do their part, and the more we follow the recommendations of the world's finest doctors and researchers, the faster we will emerge on the other side of this crisis.

We would like to take this opportunity to thank you for putting your trust in SOL Capital. We want to assure you that we are working diligently every day, leveraging all our resources, network, knowledge, and experience to make sure your portfolios are properly invested for the recovery and that there are sufficient reserves for any near-term liquidity needs. While we have never experienced a pandemic of this nature before, we have gone through severe market downturns and recessions before.

While many of you have been with us through previous cycles, for some of you this may be your first time navigating a severe market downturn. These episodes of high volatility and market stress are never easy to stomach, for the seasoned and novice investor alike. However, these are the critical moments when short-sighted, emotional decisions can have long-lasting ramifications for your wealth. Your best protection is a strategic, well-diversified portfolio that you should look at with a long-term perspective.

If you have any questions or concerns about your portfolio, or if you would like to inform us of any changes in your situation or upcoming liquidity needs, please do not hesitate to call us at +1 (301) 881-3727 or email us at client.services@sol-capital.com.

Yours sincerely,

SOL Capital Management Company

Appendices

Appendix A: Market Returns

Global Equity Returns

Returns (USD), 1st Quarter 2020

	US		Developed ex US		Emerging Markets	
Broad Market	Russell 3000 Index	-20.9%	MSCI World ex USA IMI	-24.0%	MSCI Emerging Markets IMI	-24.4%
Size	Russell 1000 Index	-20.2%	MSCI World ex USA Index	-23.3%	MSCI Emerging Markets Index	-23.6%
	Russell 2000 Index	-30.6%	MSCI World ex USA Small Cap Index	-28.4%	MSCI Emerging Markets Small Cap Index	-31.4%
Relative Price	Russell 3000 Growth Index	-14.9%	MSCI World ex USA IMI Growth	-18.9%	MSCI Emerging Markets IMI Growth	-20.3%
	Russell 3000 Value Index	-27.3%	MSCI World ex USA IMI Value	-29.2%	MSCI Emerging Markets IMI Value	-28.6%

Source: Dimensional Fund Advisors LP

Appendix B: Large-Caps vs. Small Caps & Growth vs. Value

Source: Bloomberg LP

Appendices

Appendix C: The Federal Reserve Programs

Federal Reserve Programs to Support Credit (US$, Billions)

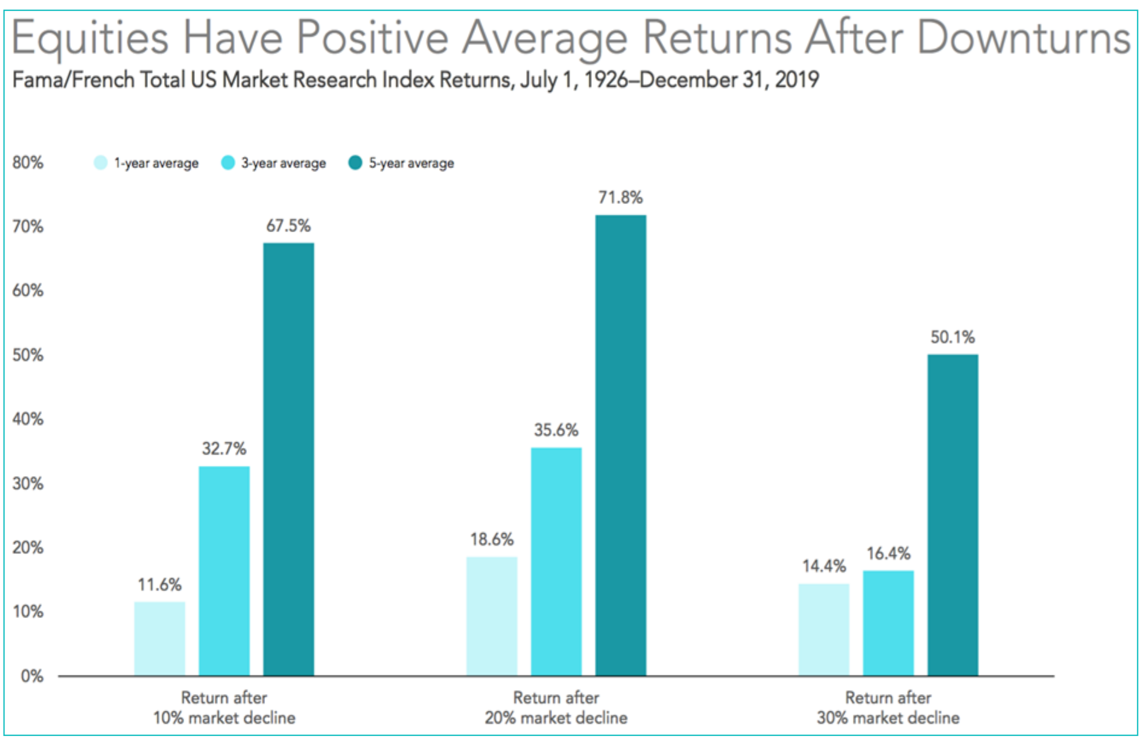
Targeted Sector & Policy	Asset Purchases	Direct Lending	Guarantee/Backstop	
Government				
QE Treasury Purchases	$2,200			
Commercial Paper Funding Facility (Muni CP)			$30	
Households				
QE MBS Purchases	$1,000			
TALF (Consumer ABS Purchases)	$100			
Businesses				
Commercial Paper Funding Facility (Non-Fin Corp CP)			$240	
Primary Market Corporate Credit Facility		$500		New
Secondary Market Corporate Credit Facility	$250			New
Paycheck Protection Program Lending Facility	$350			New
Municipal Liquidity Facility		$500		New
Main St Loan Facility		$600		New
Financials/Liquidity				
Repo Operations		$200		
Commercial Paper Funding Facility (Fin + ABCP)			$640	
Money Market Mutual Fund Liquidity Facility			$1,400	
Total by type of program	$3,900	$1,800	$2,310	
Cumulative Total			**$8,010**	

Other Fed facilities include the revival of the Primary Dealer Credit Facility for broker-dealers, and FX swap lines for developed and developing economy central banks.

Source: Bridgewater, J.P. Morgan Asset Management. April 2020.

Source: Cembalest, Michael. Eye on the Market. J.P. Morgan, April 23, 2020.

Appendix D: Equity Returns After Market Downturns



Source: Bloomberg LP

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