

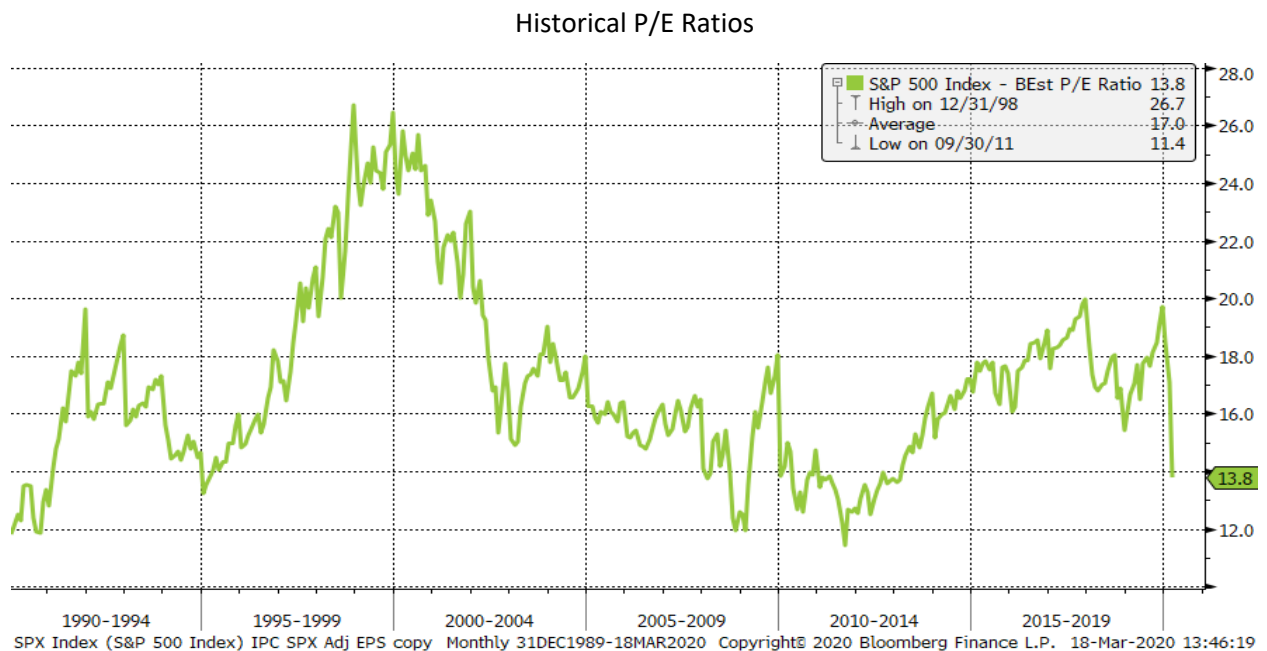
Subject: March 18 Market Reaction

What is the market signaling to us today?

While the recent market movements have been jarring, resets in market expectations are normal. The market is making sure it is correctly in-line with the future strength of its companies.

The equity market is considered to be a leading indicator, which means that it tends to change *before* the economy begins to go in a different direction. In this case, equity prices and valuations dropped in anticipation of a slowing economy. Stock prices settle on levels that investors eventually believe will match the future earnings of companies. The recent high volatility is the result of a portion of investors expecting a worst-case scenario. History tells us that things may not be as rosy as expected and situations may not be as dire as anticipated.

The chart below shows historical forward-looking price to earnings (P/E) ratios of S&P 500 companies before coronavirus at approximately 20 (above its average) and after at less than 14 (below its average.)



Source: Bloomberg Finance LP

It is important to remember that, as a leading indicator, stock prices have already settled at values believed to include future periods of lackluster earnings and growth. Remember, though, just as prices dropped in anticipation of the economy slowing, they could also rise before the economy picks up

again. The reason that it is historically beneficial for investors to stay invested and focused on the long-term is that it is very difficult to get both sides of the trades (selling before markets drop and buying before markets rise) correct.

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Investments in fixed income securities are subject to the creditworthiness of their issuers and interest rate risk. As such, the net asset value of bond and real estate funds will fall as interest rates rise.

The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S. Please note that an investor cannot invest directly in an index.

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