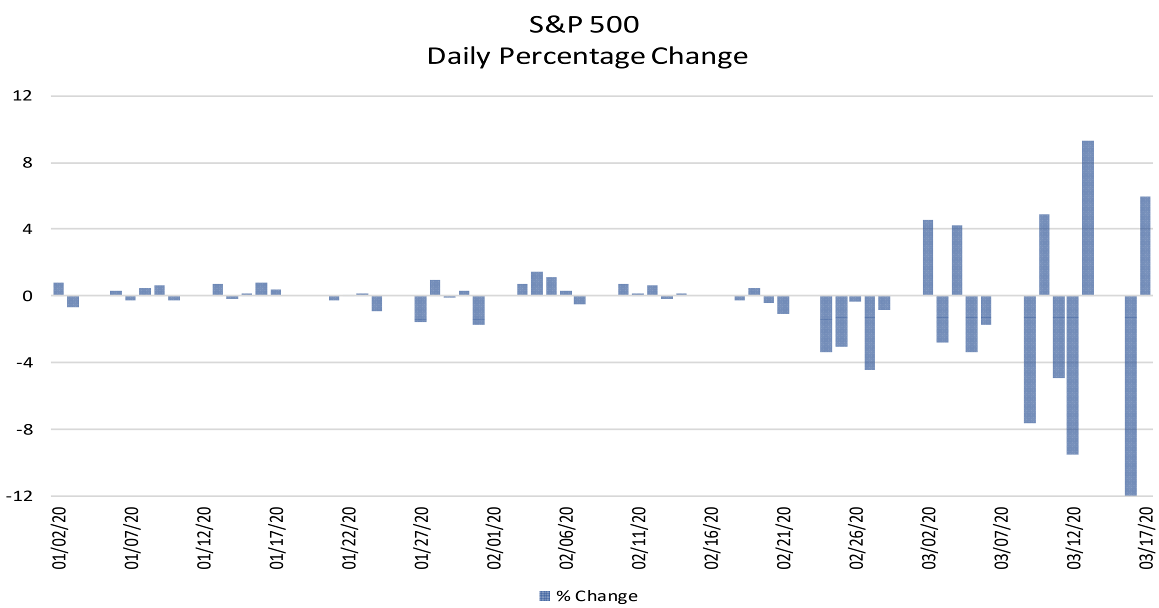
Segal Marco Advisors

March 20, 2020

MEMORANDUM

Over the last three weeks, we have all entered a new world as the COVID-19 has evolved quickly into a global pandemic, disrupted the lives of individuals and families as well as the financial markets. On March 18, 2020, the market dropped below the 2018 lows in reaction to the news on business disruption, social distancing and sheltering. Finding a bottom is never predictable and with all this uncertainty and short term market volatility, even trend analysis offers little insight. As seen in the chart below, 10 recent days have posted moves of +/- 4%.



For those who remember the 2008/2009 period, this feels a lot like bad déjà vu. In fact, we are seeing the toolbox of stimulus from that era revisited. Unfortunately, markets hate uncertainty and with the spread and containment of this virus still being unknown, it has been difficult to price a true "fair" value accurately within equities. Furthermore, liquidity in the market has become paramount, adding to declines across both stocks and bonds. The correlation benefit of bonds to stocks has recently deteriorated, as corporate spreads widened at the increased prospect of recession, investors have moved to cash and have recognized that there will be upward pressure on yields as the U.S. will have to issue significant debt to fund the proposed fiscal programs.

There is a time where the markets will price in such a desperate view that buying will begin again. Similar to 2008, Congress has been slow to respond, but the Treasury and Federal Reserve have worked hard to provide an incremental list of liquidity and measures to keep the markets working. Globally, stimulus packages are being discussed in the multi trillions with the European Central Bank announcing $750 Euro private and public debt purchases.

The Defined Contribution line-up is structured with low, intermediate and high risk investment options enabling participants to have investments applicable to their ages and/or risk profile. The firms that manage the Defined Contribution Plans' options are charged with adhering to their investment style and strategies through all market environments. We are in contact with these firms and continue to monitor adherence to the stated strategies.

Segal Marco has navigated many challenging periods like the dot.com bust of 2000, 9/11, the Global Financial Crisis of 2008 and the H1N1 pandemic in 2009. Though the magnitude and duration of the COVID-19 disruption are as yet unknown, there will be an end. It is important to be patient, don’t overact and continue with your own long term retirement plan.