

QUARTERLY PORTFOLIO REVIEW

"Don't be pushed around by the fears
in your mind. Be led by the dreams
in your heart!"

Roy T. Bennet

Year in Review

* The stock market pendulum swung back strongly in the second quarter of 2020 on hopes that the economic downturn caused by the coronavirus epidemic will be relatively brief with the help of central bank efforts.

* But as is often the case, gravity--in the form of a recognition that the epidemic will be wreaking health and economic harm for months to come--trimmed back some of the equity markets' gains by quarter-end.

* In the bond market, the riskiest corners also rallied after a tumultuous first quarter, fueled by the Federal Reserve's aggressive efforts to support the U.S. economy, which included purchases of corporate bonds and high-yield exchange-traded funds. Rate-sensitive government bonds were flat as investors turned away from safe havens, but the economic outlook remained weak.

* Referrals: We have received quite a few referrals in 2020. Thank you for your continued confidence.

BENCHMARKS YTD THROUGH 6/30/2020

FTSE World Gov't Bond Index 3-7 Yr. Hedged	4.33%
Russell 2000 (US Small Cap index)	-13.61%
S&P 500 (US Large Cap index)	-4.04%
Wilshire 5000 (US Total Market index)	-3.82%
MSCI EAFE (International Stock index)	-12.59%

WHAT A DIFFERENCE A QUARTER MAKES

The second quarter of 2020 notched the best quarterly performance since 1998, with each of the benchmark indexes making sizeable gains over their historically poor first-quarter tallies. However, much of the second-quarter growth in the stock market and economy is more of a bounce back from a dismal March and April, when pandemic-related lockdowns and restrictions virtually shut down the economy. Nevertheless, stocks rose as investors focused on favorable economic data and the possibility of further government stimulus, despite rising virus cases and tepid trade relations with China.

- **Employment:** Employment rose by a stunning 2.509 in May after falling 20.687 in April. Notable job gains occurred in leisure and hospitality, construction, education and health services, and retail trade. The unemployment rate dropped 1.4 percentage points to 13.3% for the month as the number of unemployed persons dropped by close to 2.1 million to 21.0 million.
- **FOMC/interest rates:** The Federal Open Market Committee held its regularly scheduled meeting in early June and unanimously voted to hold the target range for the federal funds rate at its current 0.00%-0.25%. According to the Committee, the ongoing public health crisis caused by the COVID-19 pandemic will weigh heavily on economic activity, employment, and inflation in the near term, while posing considerable risks to the economic outlook over the medium term.
- **GDP/budget:** According to the third and final estimate for the first-quarter gross domestic product, the economy decelerated at an annualized rate of 5.0%. Consumer spending was a big drag, falling 6.8%, reeling from the initial effects of the COVID-19 pandemic.

QUARTERLY CLIENT WEBINAR

Date: Thursday, July 23rd, Starting time: 12:30 pm, Eastern Standard Time

Meeting Number: 132 786 3290; Password is 1234 if asked

Website link: <https://afadvisorsevents.webex.com/afadvisorsevents/onstage/g.php?MTID=ea95e10face0dcb6f3c4413257a943ffb>

To join the teleconference only: US TOLL: +1-415-655-0002 Access code: 132 786 3290

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.