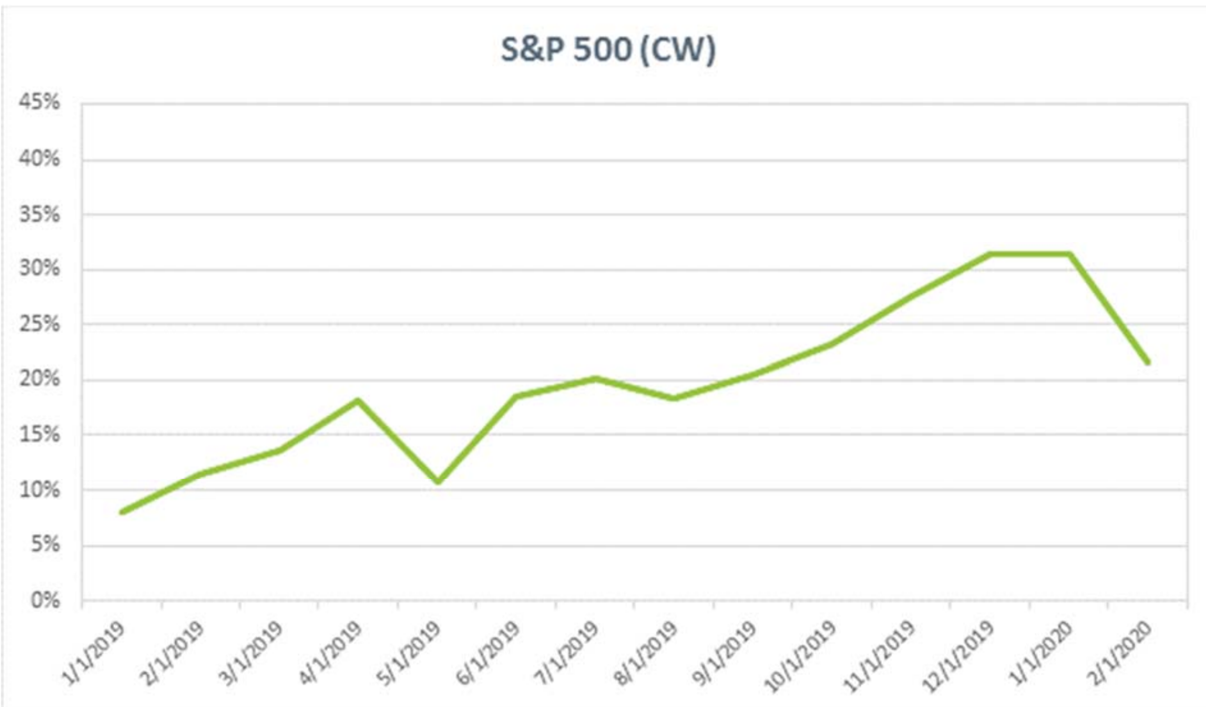
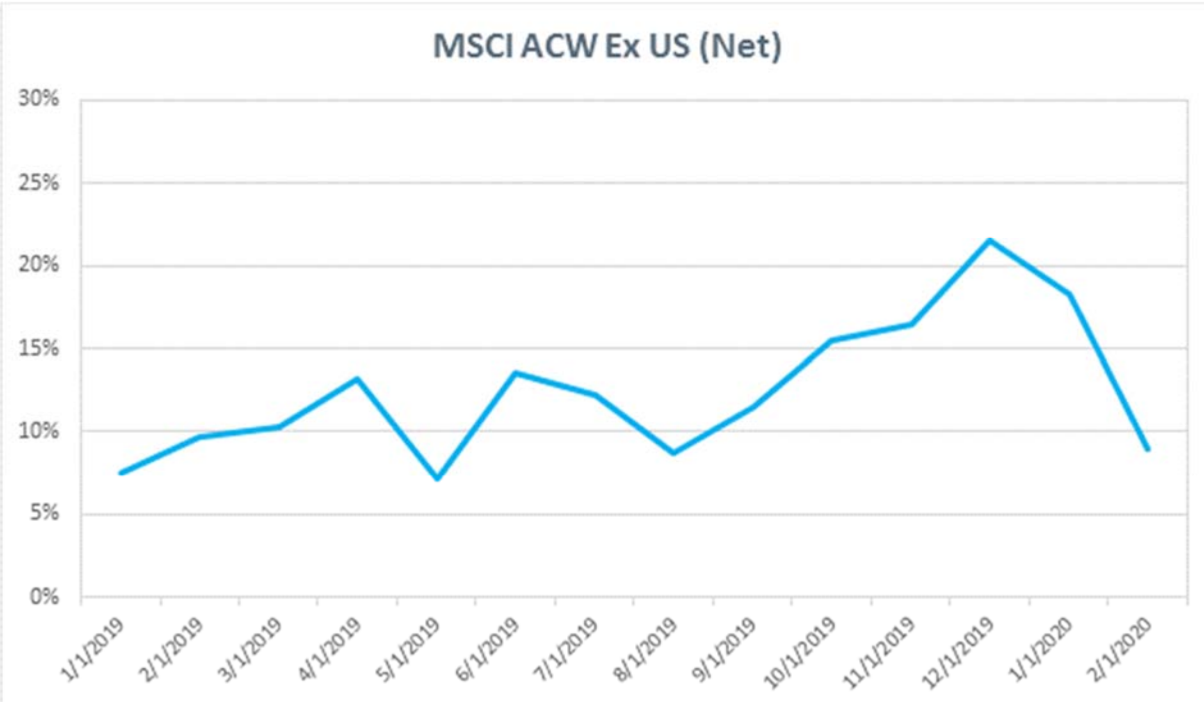
February 28, 2020

Market Volatility

Dear Valued Clients:

This week, February 24 – 28, has been one for the record books in many ways. The S&P 500 fell 11.5% in just five trading days. The global equity market followed suit with the MSCI ACWI ex US index dropping 9.0%. Bond yields declined globally with the US 10-year yield falling to a historically low 1.16% and the yield curve showing that rates have fallen precipitously across all maturities while key sovereign yields outside the US retreated more deeply into negative territory.





MSCI ACW Ex US (Net)
30%
25%
20%
15%
10%
5%
0%
1/1/2019
2/1/2019
3/1/2019
4/1/2019
5/1/2019
6/1/2019
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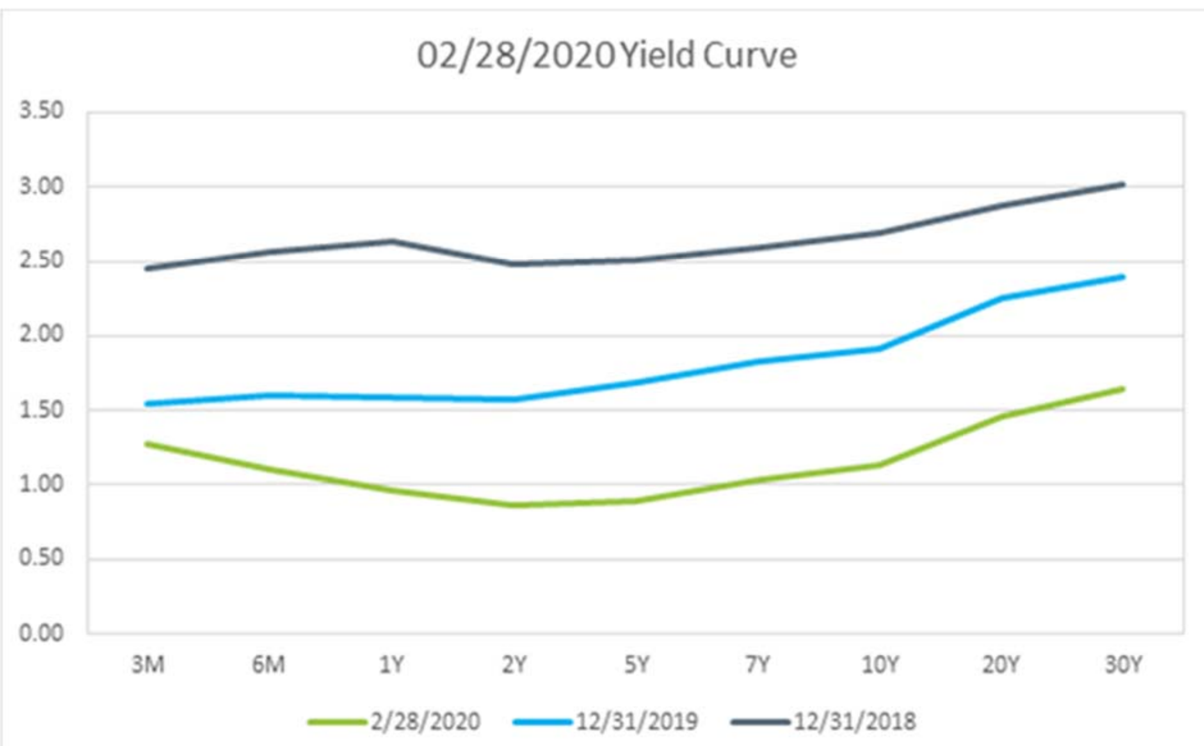
1/1/2020
2/1/2020



02/28/2020 Yield Curve
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
3M
6M
1Y
2Y
5Y
7Y
10Y
20Y
30Y
2/28/2020
12/31/2019
12/31/2018

From our vantage point, this appears to be a classic collision of a US equity market that had reached valuation levels beyond most historical peaks following the 31.5% gains in 2019 with the Coronavirus serving as an unnerving catalyst and whose ultimate effects on the real economy globally, the capital markets, and on individual companies as well as on investor behavior are uncertain to say the least. Our firm has been monitoring data associated with the spread of the virus, reports by companies of the near-term effects on revenue and earnings, and the many communications with managers in all asset classes. With cases reported now on every continent except Antarctica, it is clearly a global concern.

It would be foolhardy for us to make predictions about the course of the virus. We make no claims of expertise in epidemiology. We do know, however, that in virtually all such similar circumstances, capital markets history suggests that methodical rebalancing in the face of significant changes in asset class valuations, such as we see occurring today, have historically been a beneficial move for institutional investors. Abandoning a stable, long-term, well-diversified investment strategy is perhaps the riskiest move an institutional investor can take, even in the face of admittedly significant uncertainty.

Market returns will be driven by what actually unfolds relative to what is currently priced in. In the face of this uncertainty, we remain mindful of the benefits of diversification and investment policy discipline.

At RVK, we will continue our intense efforts to monitor and understand the virus' effects on the capital markets, asset classes, and our clients' portfolios. Additionally, we are taking steps internally to strengthen our ability to assist and advise our clients in the event of potential travel challenges or even outright restrictions in the US. You will hear more from us about this shortly. In the meantime, do not hesitate to reach out to your RVK consulting team with any questions or requests for information or assistance.

Sincerely,

Becky Gratsinger