RESEARCH REVIEW

APRIL 2020

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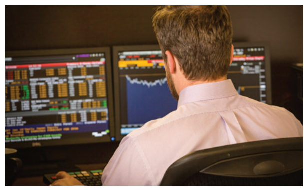

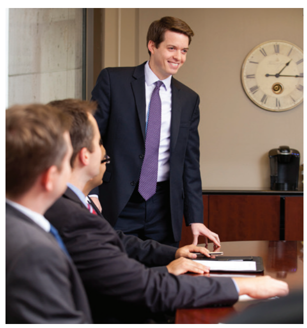

U.S. economic data took an expected but devastating turn for the worse in April, with the labor market shedding more than 20 million jobs and the unemployment rate spiking to 14.7%, the highest level since the Bureau of Labor Statistics data series began in 1948. The initial estimate of first-quarter GDP was released at month-end and showed the U.S. economy contracting 4.8% quarter-over-quarter, the worst quarterly real GDP print since the fourth quarter of 2008.

Despite some of the most challenging economic conditions since the Great Depression, risky assets generated overwhelmingly positive returns—particularly among global equities, which saw double-digit total returns in most domestic sectors. International equities also posted strong performance. In bonds, most major sectors experienced positive returns, the theme of which was magnified in below investment-grade credit as the Federal Reserve's (Fed's) announcement of the creation of a special purpose vehicle (SPV) to purchase corporate bonds helped tighten credit spreads. Performance across real assets was also generally positive in April, with a sharp rebound experienced in energy infrastructure.

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ECONOMIC UPDATE

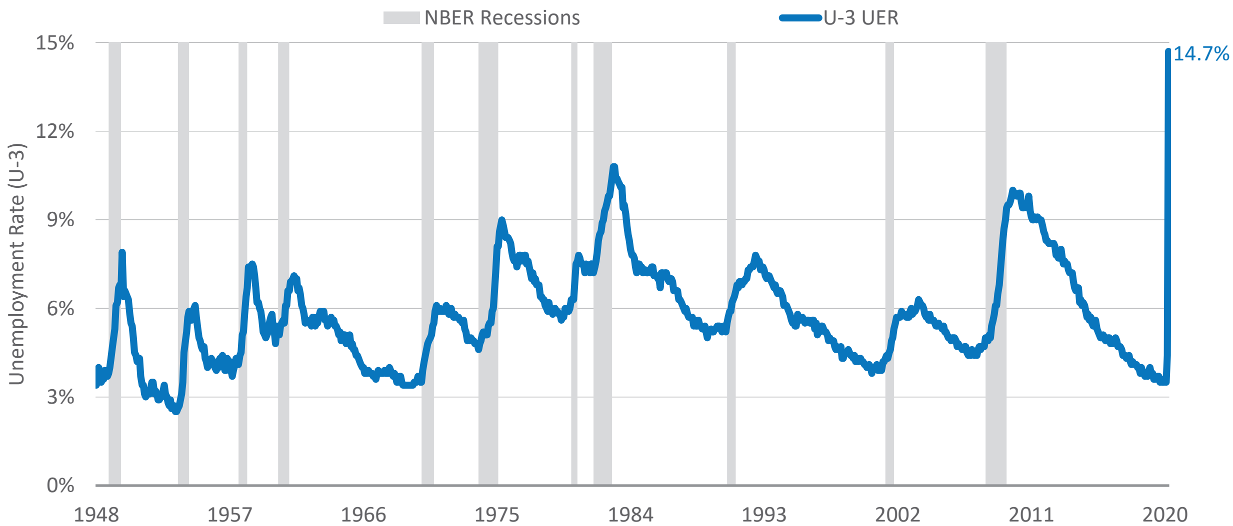
Labor Market Sheds 20 Million Jobs in April as Unemployment Hits Record

As COVID-19 spread throughout the nation in April, key U.S. economic data weakened to depths not witnessed since the Great Depression. For example, the Bureau of Labor Statistics reported the loss of 20.5 million nonfarm payrolls jobs, the worst print of this data, dating back to 1939, and more than 10 times worse than the previous record of 1.96 million job losses experienced at the conclusion of World War II in September 1945.

The historic increase in the number of unemployed persons and a more than 6 million person decline in the size of the labor force sent the headline unemployment (U-3) rate to 14.7%, from 4.4% in March, the highest reading since at least 1948.

UNEMPLOYMENT JUMPS TO HIGHEST LEVELS SINCE WWII

U.S. Unemployment Rate and Business Cycles



Data sources: Bloomberg, L.P., BLS, NBER

Although the employment picture appears dire, once shutdown measures begin to be lifted and business activity resumes in earnest, many of these jobs should presumably return. The resumption of employment could eventually lead to new job readings of historic scale, but in a positive fashion, unlike the current and near-term backdrop.

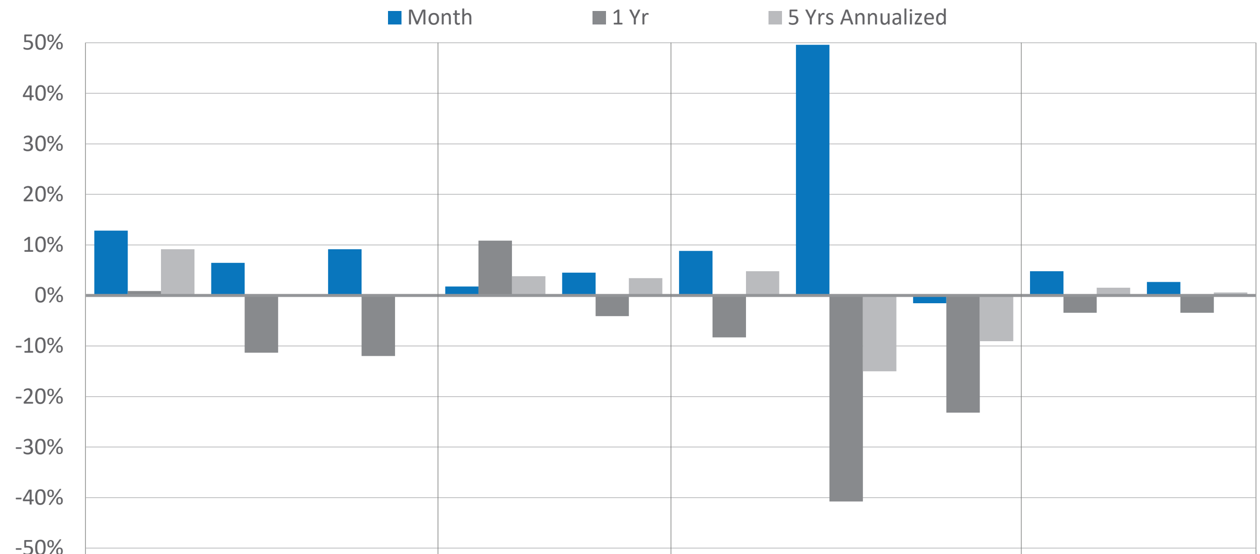
The looming restart to the economy—which cannot come soon enough for millions of struggling American households and small businesses—may be followed by an eventual pullback in Fed liquidity, the accommodative measures of which have recently included multi-trillion dollar increases in its balance sheet, as well as interest rates at the zero-bound. This tapering of liquidity, which at the present time appears supportive, could lead to a renewed increase in market volatility, potentially increasing the opportunity set for skilled active managers.

In the interim, the U.S. economy is likely to display fits and starts, as the return to normality will first be accompanied by negative economic readings not witnessed in nearly 100 years, as the corporate bias ultimately shifts back to a "growth" versus "preservation" mindset.

To conclude, market performance in April was strongly positive, particularly among global equities, as historically weak economic data was met with offsetting accommodative policy measures, both monetary and fiscal, the existence of which may ultimately be reined in to some degree once a new sense of normality is established.

MARKET RETURNS

APRIL 2020



	GLOBAL EQUITY			FIXED INCOME		REAL ASSETS			DIVERSIFYING STRATEGIES	
	S&P 500 Index	MSCI EAFE Index	MSCI Emerging Mkts Index	Blmbrg Barclays U.S. Agg Index	Blmbrg Barclays HY Index	FTSE NAREIT All Equity Index	Alerian MLP Index	Blmbrg Cmdty Index	HFRI Fund Wtd Comp. Index	HFRI Fund of Fund Index
Month	12.8%	6.5%	9.2%	1.8%	4.5%	8.8%	49.6%	-1.5%	4.8%	2.7%
1 Yr	0.9%	-11.3%	-12.0%	10.8%	-4.1%	-8.3%	-40.8%	-23.2%	-3.4%	-3.4%
5 Yrs Annualized	9.1%	-0.2%	-0.1%	3.8%	3.4%	4.8%	-15.0%	-9.1%	1.5%	0.6%

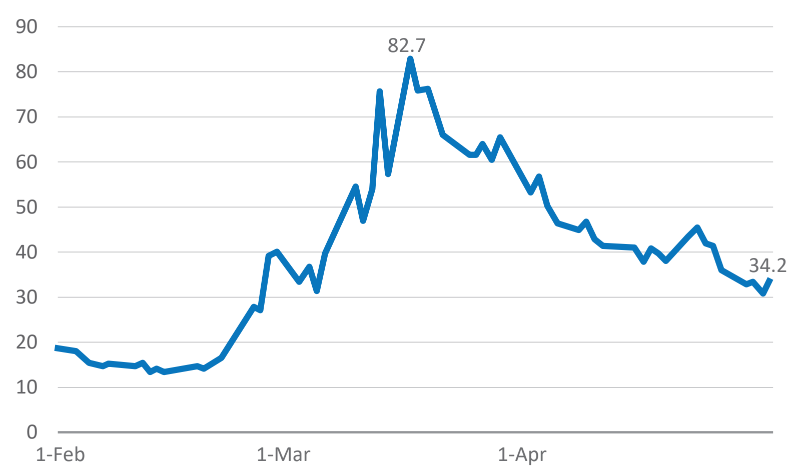
Data sources: Lipper, HedgeFund Research

GLOBAL EQUITY

- The market displayed a bear market rally in April, after market fear peaked in March as measured by the CBOE Volatility Index (VIX). Thus far the bear market rally has been the best in history, in terms of both magnitude and duration, with the S&P 500 recovering close to 60% of the first quarter's losses.
- The VIX peaked on March 16, above the Global Financial Crisis peak of 80.9, and significantly dropped through April. Although the VIX's decline signals improved investor sentiment, the implied volatility measured by the VIX remains elevated, illustrating the persistence of market stress.
- Trillions of dollars of government stimulus fueled the market rebound in April, despite poor economic data. Additionally, markets rallied as new COVID-19 cases began to fall

VIX SUBSIDES FROM MARCH 16 PEAK

CBOE Volatility Index



Data sources: FTSE Russell

and governments put plans into motion to reopen their economies.

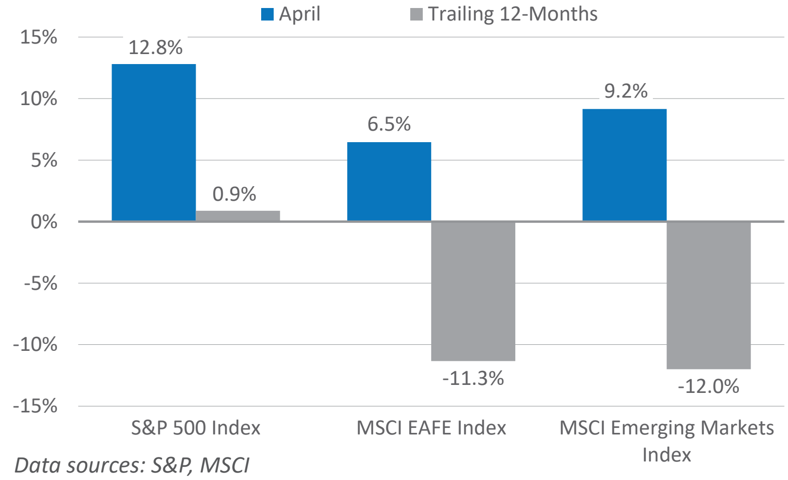
- Broad themes for the month included the U.S. market outperforming international and emerging markets, emerging markets outperforming international developed markets, growth continuing to outperform value, and small cap stocks rebounding to outperform large cap stocks.
- The S&P 500 Index recovered approximately 60% of its decline with April's rally amid comments from government officials that showed eagerness to end the lock-down and restart the economy. The rally was the U.S. equity market's best monthly performance since 1987 and third largest monthly rise since World War II.
- Emerging markets' outperformance versus international developed markets was due in part to a number of central banks cutting rates to support their economies. Additionally, certain Asian economies, like China's, gradually reopened throughout April and as a result, there was a general recovery in production and retail sales within the region.

FIXED INCOME

- After announcing unprecedented policies with record speed in March, the Fed made headlines once again on April 9 as they announced an expansion of the lending programs in place to support fixed income markets to include eligible below investment-grade exchange traded funds (ETFs) and fallen angels. At the April 29-30 meeting, the Fed chose to keep rates unchanged, pledging to remain accommodative and support the economy through a recovery.
- April saw 30-year mortgage rates hit record lows, although they have not declined at the same pace as Treasury yields, due in part to the influences of loan servicing costs and supply constraints.
- In a reversal from the prior month, credit markets rebounded sharply in April, resulting in the Bloomberg Barclays Corporate Index posting its best month of performance since 2008.

U.S. MARKETS SHOW THE STRONGEST APRIL RALLY

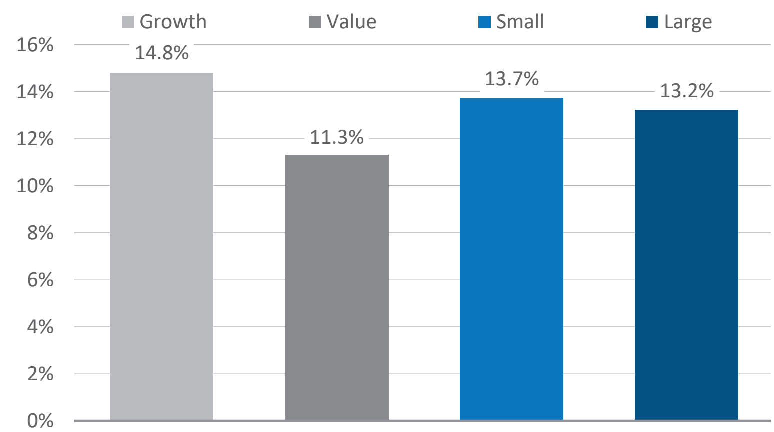
Equity Indices Performance (Returns in U.S. Dollars)



Data sources: S&P, MSCI

STYLE RETURNS PERSIST WITH GROWTH'S GAIN

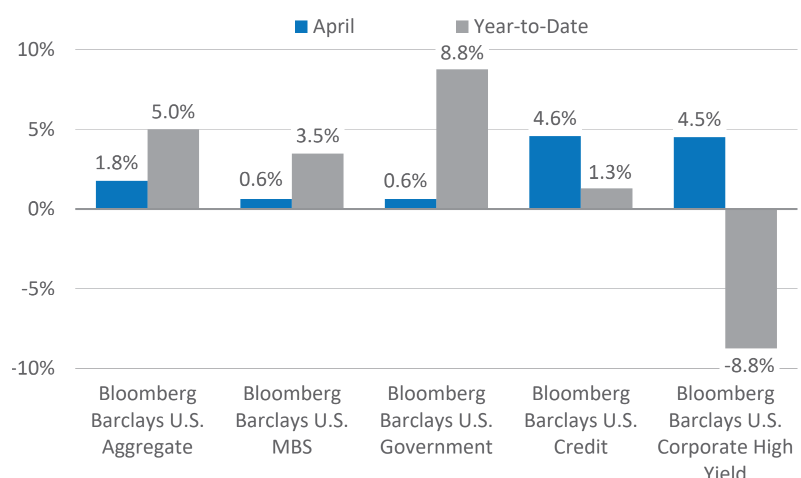
U.S. Style Returns (APRIL 2020)



Data source: FTSE Russell

CREDIT MARKETS LEAD BOND RETURNS IN APRIL

Bond Indices Performance



Data source: Bloomberg, L.P.

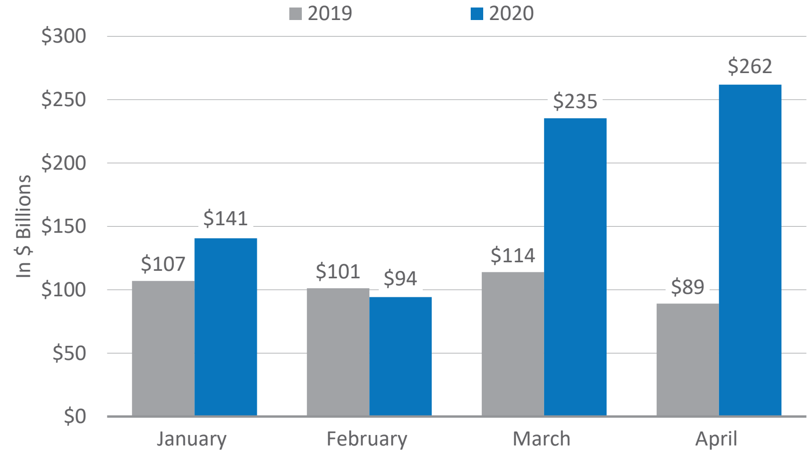
- Despite the strong performance witnessed by credit, fixed income markets remained bifurcated over the month, with segments either implicitly or explicitly supported by the Fed outperforming segments of the market not currently being supported. Investment-grade corporate securities led other segments of the market, followed by high yield, while loans and securitized credit continued to lag the broader market.
- Within investment-grade, lower quality bonds outperformed their higher quality peers for the month, with the opposite being true for below investment-grade (high yield) bonds, as CCC-rated bonds significantly underperformed. Longer-duration securities generally outperformed their lower duration peers.
- Despite record low oil prices, high yield spreads tightened during the month, led by a rebound in the energy sector. High yield spreads remained above their historical averages at April's end.
- The pickup in new issuance of investment-grade bonds that began in March continued, resulting in the issuance of over $260 billion of investment-grade corporate bonds in April. This exceeds issuance in March 2020, making April 2020 the single largest month of investment-grade bond issuance on record.

REAL ASSETS

REAL ESTATE

- Stay-at-home orders and the broad suspension of economic activity due to COVID-19 significantly impacted nearly all areas of the REIT market.
- Retail and lodging have been most affected by COVID-19 thus far, with nearly all travel suspended and over 70,000 national retail stores temporarily closed. This comes on the back of sluggish performance through 2019 for both sectors. The expectation of many investors is that many tenants may require lease payment deferrals or forgiveness to weather the impact of the virus.

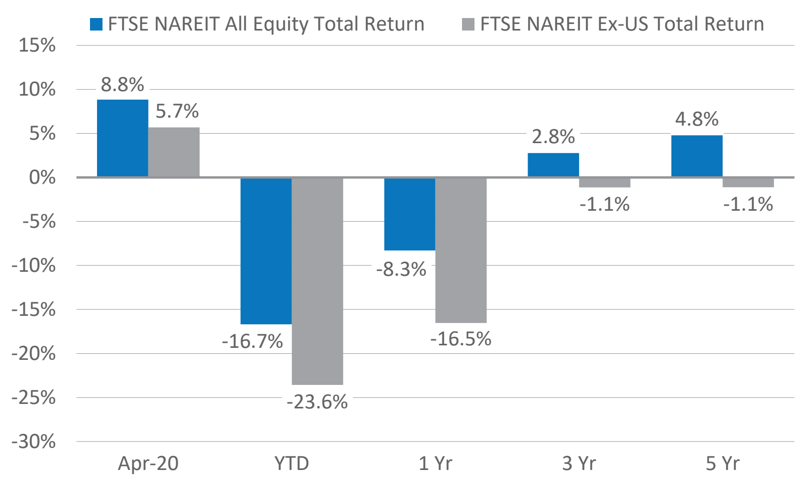
INVESTMENT-GRADE BOND ISSUANCE SURGES IN 2020



Data source: Securities Industry and Financial Markets Association (SIFMA)

REITS RALLY DESPITE DRAG FROM RETAIL AND LODGING

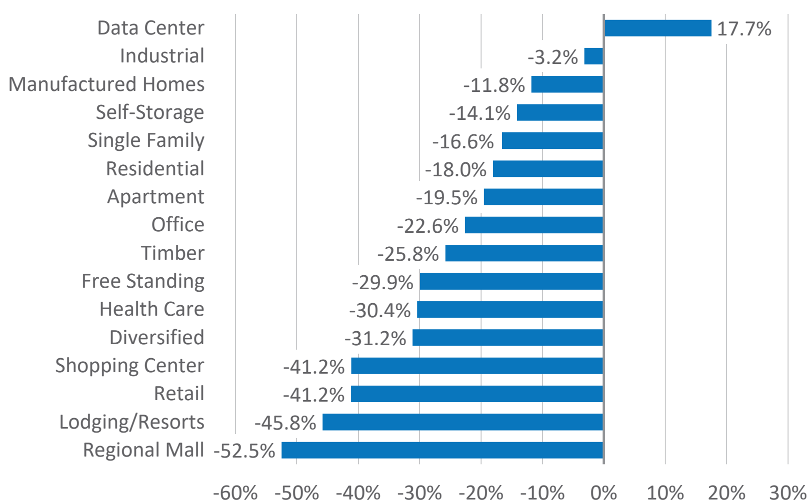
Domestic vs. International REIT Returns



Data source: NAREIT; data as of April 30, 2020

DATA CENTERS THE ONLY POSITIVELY PERFORMING SECTOR

NAREIT Subsector YTD Performance



Data source: NAREIT

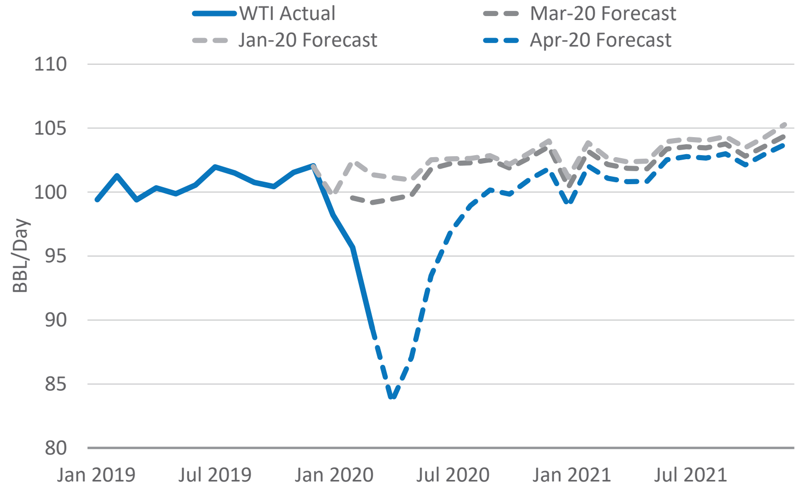
- Data Centers was the only sector with positive YTD performance at the end of the month due to its more defensive characteristics in the face of this pandemic. Data centers and cell tower REITs stand to benefit from an accelerated adoption of online education and virtual meetings due to COVID-19.
- U.S. REITs have underperformed the broader market YTD 2020, with shutdowns creating challenges for landlords and negatively impacting cash flows across a wide variety of property types.

NATURAL RESOURCES

- Crude oil experienced significant volatility over the month of April, as OPEC and its allies agreed to cut production by 9.7MM bbl/day. However, gains were limited by concerns that the cuts would not be sufficient to prevent oversupply as demand remains muted. Crude oil prices declined during the month of April, closing below $20/bbl for the one-month contract.
- Crude oil prices closed in negative territory for the first time in recorded history, at $-37.63/bbl on April 20, before rebounding to close out the month. YTD as of the end of April, crude is down 68.6%. Crude had rebounded by early May, however, settling in the low-to-mid $20 range.
- Negative oil prices in late April were the result of a convergence of the financial oil markets and the physical oil markets when the May contract approached expiration. Unable to take the physical delivery of oil, traders were forced to pay buyers to take their barrels.
- Global crude demand has been largely impacted by COVID-19, with the U.S. Energy Information Administration revising their demand forecast down 5.2% in 2020. According to some estimates, about 40% of the world's population was advised to stay home in April to limit the spread of COVID-19. The high level of volatility in the markets presents considerable challenges in forecasting both oil prices and global oil consumption levels in the near future.
- The entire futures strip for crude has fallen, with expectations that crude will remain under $32/BBL through the next 12 months.

CRUDE OIL DEMAND RECOVERY EXPECTED TO TAKE TIME

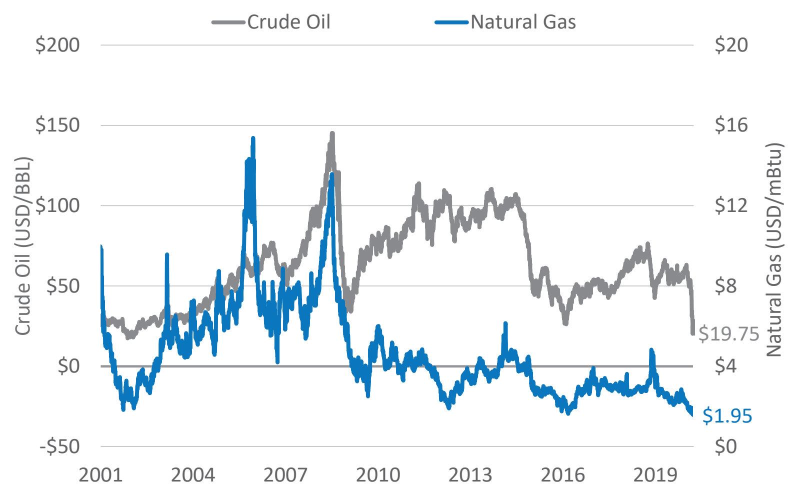
EIA Crude Demand Forecasts as of April 2020



Data source: Bloomberg, L.P.

CRUDE OIL GOES NEGATIVE AND ENDS APRIL UNDER $20

Crude Oil and Natural Gas Prices



Data source: Bloomberg, L.P.; data as of April 30, 2020

- Natural gas closed the month at $1.95/MMBtu for a one-month contract, up 18% from March. This increase can be attributed to lower associated gas production, which typically accompanies oil production.
- Commodity prices, as measured by the Bloomberg Commodity Index (BCOM), ended the quarter up 17.5%, mostly attributable to the increase in energy prices.

MASTER LIMITED PARTNERSHIPS (MLPs)

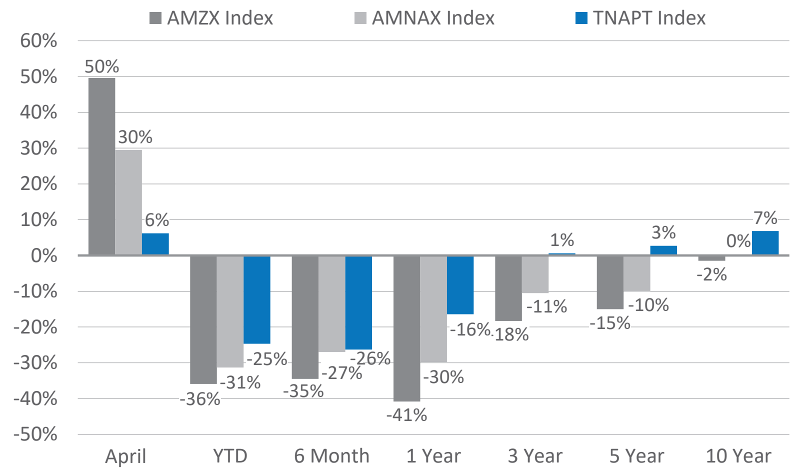
- MLPs, as measured by the Alerian MLP Total Return Index, returned 48.3% in April—the strongest performing month on record—buoyed by the initial round of positive MLP earnings and a large round of distribution ex-dates.
- The index's weak YTD performance is due predominately to the decline in oil prices, with MLPs trading largely in line with crude oil during the first quarter.
- The current yield on MLPs stood at 12.2% as of the end of April.

DIVERSIFYING STRATEGIES

- Hedge funds recovered dramatically from their March lows in April, reporting their largest monthly gain in over 10 years.
- Event-driven strategies rebounded in April, recovering from steep declines as both credit and equity markets rallied with increasing optimism around the re-opening of global economies.
- Trend following profited from downtrends in energy, as crude oil prices declined on global demand concerns and worries about limited storage capacity. Trend following also saw gains as volatility in the broader market stayed high, coming from precious metals and commodity exposures on both the long and short side.

MLPs JUMP ALMOST 50%

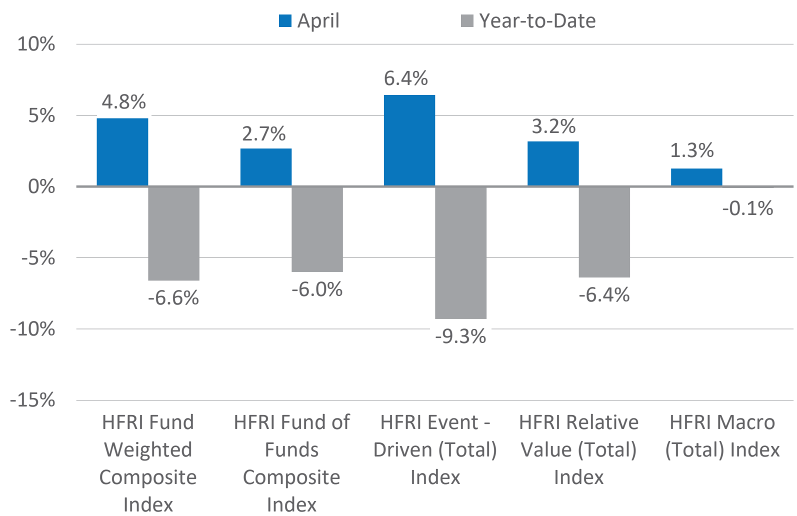
Midstream Index Trailing Returns



Data source: Bloomberg, L.P.

HEDGE FUNDS BUMP UP IN APRIL

HFRI Indices Performance (Returns in U.S. Dollars)



Data source: HedgeFund Research

INDICES

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships that provides investors with an unbiased, comprehensive benchmark for this emerging asset class.

Barclays Capital Fixed Income Indices is an index family comprised of the Barclays Capital Aggregate Index, Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, Municipal Index, High-Yield Index, and others designed to represent the broad fixed income markets and sectors within constraints of maturity and minimum outstanding par value. See https://ecommerce.barcap.com/indices/index.dxml for more information.

The CBOE Volatility Index (VIX) is an up-to-the-minute market estimate of expected volatility that is calculated by using real-time S&P 500 Index option bid/ask quotes. The Index uses nearby and second nearby options with at least 8 days left to expiration and then weights them to yield a constant, 30-day measure of the expected volatility of the S&P 500 Index. FTSE Real Estate Indices (NAREIT Index and EPRA/NAREIT Index) includes only those companies that meet minimum size, liquidity and free float criteria as set forth by FTSE and is meant as a broad representation of publicly traded real estate securities. Relevant real estate activities are defined as the ownership, disposure, and development of income-producing real estate. See www.ftse.com/Indices for more information.

HFRI Monthly Indices (HFRI) are equally weighted performance indexes, compiled by Hedge Fund Research Inc. (HFX), and are used by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 37 different categories by strategy, including the HFRI Fund Weighted Composite, which accounts for over 2000 funds listed on the internal HFR Database. The HFRI Fund of Funds Composite Index is an equal weighted, net of fee, index composed of approximately 800 fund- of- funds which report to HFR. See www.hedgefundresearch.com for more information on index construction.

J.P. Morgan's Global Index Research group produces proprietary index products that track emerging markets, government debt, and corporate debt asset classes. Some of these indices include the JPMorgan Emerging Market Bond Plus Index, JPMorgan Emerging Market Local Plus Index, JPMorgan Global Bond Non-U.S. Index and JPMorgan Global Bond Non-U.S. Index. See www.jpmorgan.com for more information.

Merrill Lynch high yield indices measure the performance of securities that pay interest in cash and have a credit rating of below investment grade. Merrill Lynch uses a composite of Fitch Ratings, Moody's and Standard and Poor's credit ratings in selecting bonds for these indices. These ratings measure the risk that the bond issuer will fail to pay interest or to repay principal in full. See www.ml.com for more information.

Morgan Stanley Capital International – MSCI is a series of indices constructed by Morgan Stanley to help institutional investors benchmark their returns. There are a wide range of indices created by Morgan Stanley covering a multitude of developed and emerging economies and economic sectors. See www.morganstanley.com for more information.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs.

Russell Investments rank U.S. common stocks from largest to smallest market capitalization at each annual reconstitution period (May 31). The primary Russell Indices are defined as follows: 1) the top 3,000 stocks become the Russell 3000 Index, 2) the largest 1,000 stocks become the Russell 1000 Index, 3) the smallest 800 stocks in the Russell 1000 Index become the Russell Midcap index, 4) the next 2,000 stocks become the Russell 2000 Index, 5) the smallest 1,000 in the Russell 2000 Index plus the next smallest 1,000 comprise the Russell Microcap Index, and 6) U.S. Equity REITS comprise the FTSE Nareit All Equity REIT Index. See www.russell.com for more information.

S&P 500 Index consists of 500 stocks chosen for market size, liquidity and industry group representation, among other factors by the S&P Index Committee, which is a team of analysts and economists at Standard and Poor's. The S&P 500 is a market-value weighted index, which means each stock's weight in the index is proportionate to its market value and is designed to be a leading indicator of U.S. equities, and meant to reflect the risk/return characteristics of the large cap universe. See www.standardandpoors.com for more information.

Information on any indices mentioned can be obtained either through your consultant or by written request to information@feg.com

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All data is as of April 30, 2020 unless otherwise noted.

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Research and Investments Team as of date of publication.