Quarterly Outlook

APRIL 2020

First Quarter 2020

The longest expansion on record ended in stunning fashion, as an unfolding global pandemic caused an abrupt market decline and left credit markets paralyzed. Following an 11-year run fueled by cheap credit and full employment, pandemic containment measures brought the bull market down, engulfing investment markets in a wave of volatility.

The response to the COVID-19 outbreak has been massive. The Fed and Treasury combined forces to provide extraordinary monetary stimulus, cutting interest rates to zero, and, importantly, providing liquidity for frozen bond and credit markets. In order to buy time for the health crisis to pass, Congress adopted a $2 trillion spending package providing cash and loans to businesses, individuals and families suffering from containment measures.

The speed and size of the response was impressive, yet we expect that multiple phases of support will be required to prop up individuals and small businesses. How fast and efficiently the government's programs are implemented and utilized will be a major factor in determining the speed of the economic recovery, in addition to the medical community's response and resolve.

There is no immediate solution, and bad news will continue to rain over the next few months, including staggering job losses that will have a cascading effect throughout the economy. The next two quarters' earnings are expected to be extremely weak, but for how long? We believe markets are in a bottoming process and will enter a period of revaluation, yet it is much too early to decipher the ultimate economic impact the pandemic will have.

Data from China portends a slow economic recovery as subdued consumers and businesses adjust to a new world. We expect not a snappy recovery but an uneven, slow climb back to normalcy. While the depth and duration of the downturn is unknown and difficult to predict, we see the Fed's "whatever it takes" approach to stabilizing markets as a positive, acting as a backstop against further financial instability.

On the horizon a new normal awaits that will have direct investment implications. Changes may include slower growth and higher taxes for corporations. In addition, deglobalization will likely continue, more private/public partnerships will be necessary including increased corporate governance, creative retail delivery will evolve, and the virtual workplace will become the norm for many, upsetting the commercial real estate market.

Market volatility has decreased from its peak level, but we expect it to remain elevated through the spring as the nation fights a complex health, economic and financial crisis. Every market correction leaves both structural and psychological

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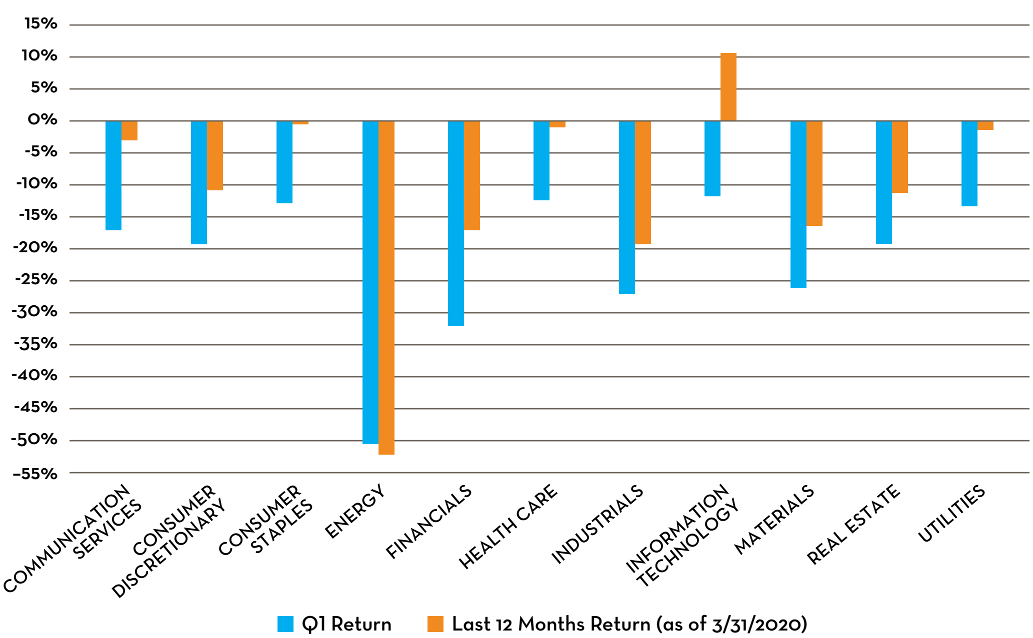
scars, and some people will ultimately get left behind. On the other side of crisis, though, we expect to see opportunity and innovation. Tandem will continue to take a patient, measured approach as we navigate an evolving investment landscape.

Index/Instrument	Category	Q1 Total Return	Last 12 Months Total Return (as of 3/31/2020)
S&P 500	Large-capitalization US stocks	-19.60%	-6.99%
S&P 400	Mid-capitalization US stocks	-29.70%	-22.53%
Russell 2000	Small-capitalization US stocks	-30.62%	-24.01%
MSCI World ex USA Index	Developed markets international stocks	-23.18%	-14.44%
MSCI Emerging Markets Index	Emerging markets international stocks	-23.59%	-17.42%
Bloomberg Barclays US Aggregate Bond Index	Investment-grade US bonds	3.15%	8.93%
US Treasuries	US government bonds	8.20%	13.23%
Bloomberg Barclays US Corporate High-Yield Bond Index	US corporate high-yield bonds	-12.68%	-6.94%
Bloomberg Barclays US MBS Index	US mortgage-backed securities	2.82%	7.03%
Bloomberg Barclays Global Aggregate Bond Index	Global investment-grade bonds	-0.33%	4.20%
Bloomberg Barclays Global High-Yield Bond Index	Global high-yield bonds	-15.02%	-10.04%

Q1 2020 Sector Performance



All sectors of the stock market and major stock indices turned in double-digit losses for the quarter, as did every sector of the S&P 500. Consumer Staples, Health Care and Information Technology fell the least. Investment-grade, high-quality bonds provided portfolio stability, earning positive returns for the quarter and past year.

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