

Cherry Bekaert Wealth Management

Market Update: The Quarter in Review

Useful Information for Your Business & Financial Success

Summary

2nd Quarter 2020

US. Stocks

The US equity market posted positive returns for the quarter, outperforming non-US developed markets and emerging markets. Value underperformed growth in the US across large and small cap stocks. Small caps outperformed large caps in the US.

International Developed Stocks & Emerging Stocks

In US dollar terms, developed markets stocks outside the US underperformed both the US equity market and emerging markets equities for the quarter. Small caps outperformed large caps in non-US developed markets. Value underperformed growth across large and small cap stocks.

In US dollar terms, emerging markets underperformed the US equity market but outperformed developed ex US equities. Value stocks underperformed growth stocks and small caps outperformed large caps.

Fixed Income

Interest rates changes were mixed in the US Treasury fixed income market in the second quarter. The yield on the 5-year US Treasury note decreased 8 basis points (bps), ending at 0.29%. The yield on the 10-year Treasury

note decreased 4 bps to 0.66%. The 30-year Treasury bond yield increased 6 bps to finish at 1.41%.

On the short end of the yield curve, the 1-month T-bill yield rose by 8 bps to 0.13%, while the 1-year T-bill yield fell by 1 bps to 0.16%. The 2-year Treasury note finished at 0.16% after a yield decrease of 7 bps.

In terms of total returns, short-term corporate bonds returned 5.59% for the quarter. Intermediate-term corporate bonds returned 7.63%.

Total returns for short-term municipal bonds was 2.38%, while intermediate munis returned 3.19%. General obligation bonds outperformed revenue bonds.

Global Fixed Income

Government bond interest rates in the global developed markets were mixed during the quarter. Longer-term bonds generally outperformed shorter-term bonds. Short- and intermediate-term nominal interest rates were negative in Japan, while all maturities finished the quarter negative in Germany.

Source: MSCI. Past Performance is not a guarantee of future results. All non-US equity market returns are in USD, net dividends, unless otherwise noted. Index is not available for direct investment. Performance does not reflect the expenses associated with management of an actual portfolio.

Past performance is no guarantee of future results. This information is provided for educational purposes only and should not be considered investment advice or a solicitation to buy or sell securities. Please see page 4 for additional footnotes and disclosures.

Long-Term Investors, Don't Let a Recession Faze You

Second Quarter 2020

With activity in many industries sharply curtailed in an effort to reduce the chances of spreading the coronavirus, some economists say a recession is inevitable, if one hasn't already begun.¹ From a markets perspective, we have already experienced a drop in stocks, as prices have likely incorporated the growing chance of recession. Investors may be tempted to abandon equities and go to cash because of perceptions of recessions and their impact. But across the two years that follow a recession's onset, equities have a history of positive performance.

Data covering the past century's 15 US recessions show that investors tended to be rewarded for sticking with stocks. Past data shows that in 11 of the 15 instances, or 73% of the time, returns on stocks were positive two years after a recession began. The annualized market return for the two years following a recession's start averaged 7.8%.

Recessions understandably trigger worries over how markets might perform. But history can be a comfort for investors wondering whether now may be the time to move out of stocks.

As an investment advisory firm, we are working with many clients impacted by COVID-19 (the coronavirus). Our thoughts go out to those impacted by the virus and our community at large that is being overwhelmed by this pandemic. The well-being of our employees, clients, plan participants, partners and communities are of utmost importance to us.

While the world is full of uncertainty now, we will all get through this tough time together. Trusting, lasting relationships are forged going through difficult times together and we plan to build on our trusting, lasting relationships with all of you. It is an honor for Cherry Bekaert Wealth Management LLC to be your trusted advisor.

1. Nelson D. Schwartz, "Coronavirus Recession Looms, Its Course 'Unrecognizable,'" New York Times, March 21, 2020; Peter Coy, "The U.S. May Already Be in a Recession," Bloomberg Businessweek, March 6, 2020.

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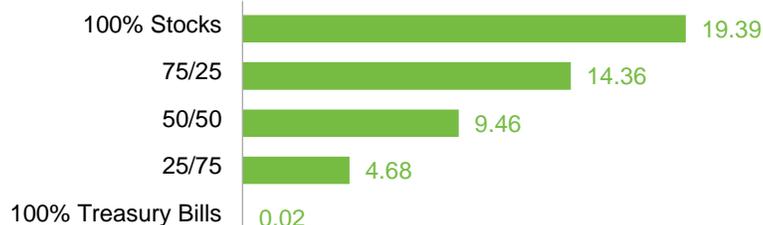
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Impact of Diversification

Second Quarter 2020

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)

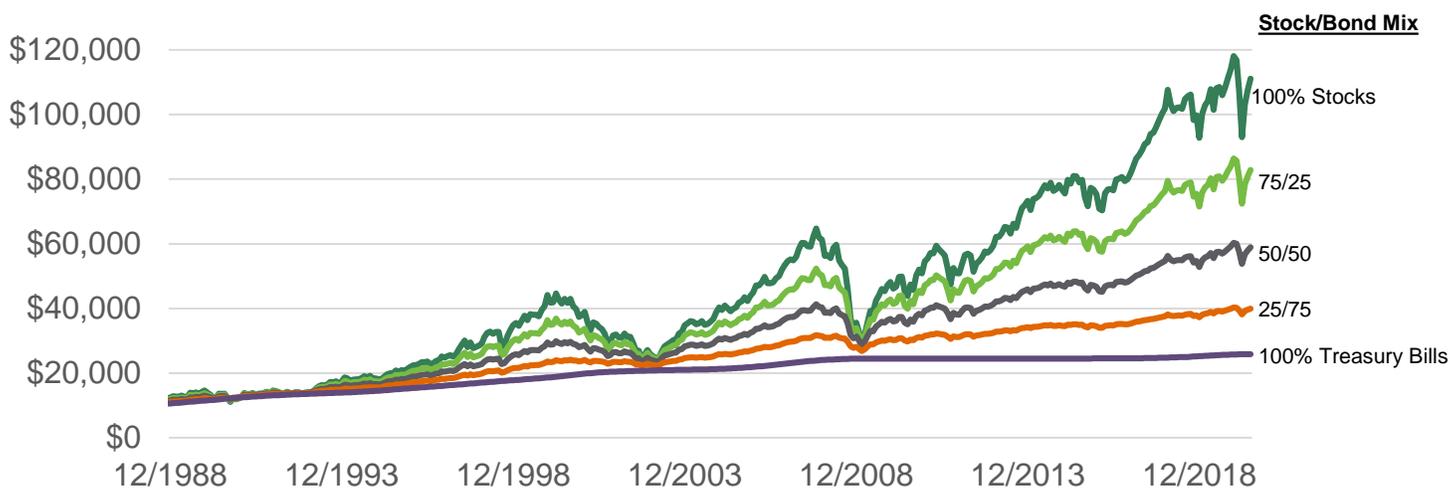


Period Returns (%)

* Annualized

| Asset Class | YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* | 10-Year STDEV ¹ |
|---------------------|-------|--------|----------|----------|-----------|----------------------------|
| 100% Treasury Bills | 0.39 | 1.35 | 1.62 | 1.07 | 0.55 | 0.23 |
| 25/75 | -0.86 | 2.10 | 3.12 | 2.73 | 2.97 | 3.49 |
| 50/50 | -2.34 | 2.57 | 4.48 | 4.29 | 5.31 | 7.00 |
| 75/25 | -4.05 | 2.75 | 5.67 | 5.72 | 7.57 | 10.51 |
| 100% Stocks | -5.99 | 2.64 | 6.70 | 7.03 | 9.74 | 14.02 |

Growth of Wealth: The Relationship between Risk and Return



1. STDEV (standard deviation) is a measure of the variation or dispersion of a set of data points. Standard deviations are often used to quantify the historical return volatility of a security or portfolio.

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio.** Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2020, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

Quarterly Market Summary

Index Returns

| | US Stock Market | International Developed Stocks | Emerging Markets Stocks | Global Real Estate | | US Bond Market | Global Bond Market ex US |
|------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 2Q 2020 | STOCKS | | | | | BONDS | |
| | 22.03% | 15.34% | 18.08% | 11.17% | | 2.90% | 1.76% |
| |  |  |  |  | |  |  |
| Since Jan. 2001 | | | | | | | |
| Avg. Quarterly Return | 2.1% | 1.4% | 2.7% | 2.3% | | 1.2% | 1.1% |
| Best Quarter | 22.0% 2020 Q2 | 25.9% 2009 Q2 | 34.7% 2009 Q2 | 32.3% 2009 Q3 | | 4.6% 2001 Q3 | 4.6% 2008 Q4 |
| Worst Quarter | -22.8% 2008 Q4 | -23.3% 2020 Q1 | -27.6% 2008 Q4 | -36.1% 2008 Q4 | | -3.0% 2016 Q4 | -2.7% 2015 Q2 |

Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Barclays Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2020, all rights reserved. Bloomberg Barclays data provided by Bloomberg.

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Investing risks include loss of principal and fluctuating value. Small cap securities are subject to greater volatility than those in other asset categories. International investing involves special risks such as currency fluctuation and political instability. Investing in emerging markets may accentuate these risks. Sector-specific investments can also increase these risks.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks, including changes in credit quality, liquidity, prepayments, and other factors. REIT risks include changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer.

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