GRANT STREET ASSET MANAGEMENT, INC.

QUARTERLY LETTER

2nd QUARTER 2020

6/30/2020

The market environment of 2020 thus far has been a tale of two quarters. While the first quarter saw astonishing declines in economic activity, employment rates and financial markets, the second quarter marked a dramatic shift in investor sentiment towards the potential impact of the COVID-19 virus on financial markets. Despite the virus continuing its spread around the globe, and recently at an increasing rate, investors seemed to "settle in" to the new reality of living with COVID-19, and optimism built throughout the quarter as states began to lift the stay-at-home restrictions and shut-downs. As a result, equity markets and risk assets rebounded with strong momentum. The S&P 500 Index saw the shortest bear market in history, as it clawed back within 8.3% of its all-time high reached on February 19, 2020. We continue to see strong performance across segments of the market less affected by the virus (or even benefiting from it) such as technology and healthcare, while more cyclical sectors have not recovered as much in the second quarter (energy and financials). Large company stock indexes continue to dominate the performance landscape, driven by heavy weights in technology stocks compared to mid and small sized stock indexes.

Equity Index	1Q 2020	2Q 2020	Year-to-Date
S&P 500 (Large Companies)	-19.6%	20.5%	-3.1%
S&P 400 (Mid-sized Companies)	-29.7%	24.1%	-12.8%
Russell 2000 (Small-sized Companies)	-30.6%	25.4%	-13.0%
MSCI EAFE (Europe, Australia & Far East)	-22.7%	14.9%	-11.3%
MSCI Emerging Markets	-23.6%	18.1%	-9.8%
MSCI ACWI (All Country World Index)	-21.4%	19.2%	-6.3%

Although investors embraced stocks after digesting the initial fear and possibilities of what COVID-19 may mean for the world and markets, we don't necessarily feel there was much fundamental or data-driven support for the recent rally. We would offer that there have been some glimmers of positivity in data throughout the quarter that were better than anticipated. Unemployment unexpectedly dropped to 13.3% in May from 14.7% in April, when most economists expected a continued jump to nearly 18%. Retail sales surged in May (up 17.7%), the U.S. Leading Economic Indicator Index rose in May (+2.8%), and the University of Michigan Consumer Sentiment survey recorded its second straight monthly gain in June (78.1) after hitting a low in April. Although these data points capture a very short period and provide limited visibility, there is no question that consumers bounced back once lock-downs eased. Another significant support for the market rally was the swift and strong response by the federal government, both fiscally and monetarily. On the fiscal

PITTSBURGH: 380 SOUTHPOINTE BLVD. ▪ PLAZA II, SUITE 315 ▪ CANONSBURG , PA 15317 412-257-8060 ▪ Fax 412-257-8435
CHARLOTTE: 128 SOUTH TRYON STREET ▪ SUITE 1710 ▪ CHARLOTTE, NC 28202 704-719-1060 ▪ Fax 412-257-8435

stimulus side, Congress approved the $2.2 trillion CARES Act on March 27 which provided economic stimulus payments directly to American families, protection for businesses through the Paycheck Protection Program, expanded unemployment support and additional aid for healthcare providers along with state and local governments. With respect to monetary policy, the Federal Reserve has been a buyer of treasury, corporate and even below investment grade fixed income to provide support to bond markets. The Federal Reserve also decided unanimously, at its most recent June meeting, to keep its target range for interest rates between 0% and 0.25% while also signaling this zero bound may persist through at least 2022. The Fed's actions are unprecedented and firmly support risk assets. As a result, all segments of the bond market got a boost from the Fed's buying plan, especially low-quality (high yield) debt.

Fixed Income Index	**1Q 2020**	**2Q 2020**	**Year-to-Date**
Bloomberg Barclays U.S. Aggregate Bond	3.2%	2.9%	6.1%
Bloomberg Barclays 1-3 yr. U.S. Treasury	2.8%	0.2%	3.0%
U.S. 3-month T-Bills	0.6%	0.0%	0.6%
Bloomberg Barclays U.S. Corporate High Yield	-12.7%	10.2%	-3.8%
Bloomberg Barclays Municipal Bond	-0.6%	2.7%	2.1%
Bloomberg Barclays Municipal 5-year	-1.0%	3.3%	2.2%

While some consumer-related data points were surprisingly upbeat, we remain cautious as long-term investors for a number of reasons. First, not all news for consumers has been good. For example, as much as 30% of Americans did not make their housing payments in June. Providing support and protection related to housing instability is the theme of another potential round of fiscal stimulus that is in the works. Second, we have not yet learned how corporations are faring through this environment, and stock prices tend to follow earnings. In fact, price to earnings ratios (P/E), a measure of the cheapness or expensiveness of stocks, reflect a market that is more expensive today than at the highs reached in February. This is because analysts' estimates for earnings have fallen dramatically while prices have risen. While the 25-year average P/E ratio of the S&P 500 is 16.4 times earnings, today the S&P 500 sits at 21.4 times -- a level we have not seen in stocks since 2001. The results of second quarter earnings and outlooks from management teams will be an important factor in the future direction of markets from here. Third, Presidential elections have historically created volatility without the help of other headlines and may do so this year as well. Finally, the recent resurgence of infection may pause some of the progress many states have made with respect to reopening and returning to normal. We do not believe markets have priced in additional rounds of shut-downs, and it is yet to be seen what threshold states will require to issue closures again.

Despite the high level of uncertainty that surrounds the second half of 2020, we are focused on resilience and opportunity for portfolios. Within stocks, we have increased holdings within the technology sector and maintain our overweight to healthcare, both sectors which have fared well. Within fixed income, we continue to hold our high-quality positions, and we have also added an opportunistic fixed income strategy that should benefit from the Federal Reserve's ongoing support of credit markets. As we look forward, we recognize that traditional fixed income returns will be much lower than historically normal. However, for most clients we must maintain a "defensive" portion of portfolios to buffer against the higher risk of stocks. To that end, we are exploring liquid alternatives that may provide slightly higher returns than traditional fixed income in the current environment while maintaining the "protective" quality bonds have provided relative to stocks in periods of drawdown.

GSAM Update

We are pleased to share with you that we added a new member to the GSAM team in June. Scott Dolson is a financial advisor and the newest member of our Investment Committee. Scott started his career as an advisor at Morgan Stanley and transitioned to BNY Mellon Investment Management where he spent ten years across a number of divisions working directly with private wealth clients, foundations and endowments and trustees and trust beneficiaries. His role prior to joining GSAM was as an investment relationship manager and primary contact for a suite of strategies held in private and institutional portfolios. Scott is a Chartered Alternative Investment Analyst and has earned the CAIA designation. He resides in Cranberry Township with his wife, two children and two dogs. We welcome him and are excited about the contributions he is already making.