



2020 Midyear Market Outlook

The Road to Recovery

Q2 2020 may have marked the bottom of the cycle

We are in the early stages of recovery

Yet, There are still Concerns

Pain has been felt widely at the local level



Private

Small Businesses
Gig Economy
Contract Workers
Doctors & Dentists



Public

State & Local
Municipalities



Education

Colleges
Universities



Entertainment

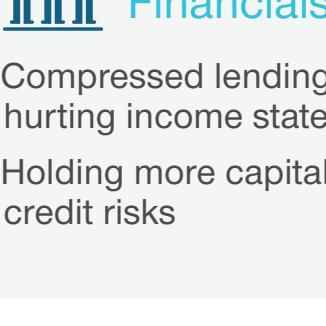
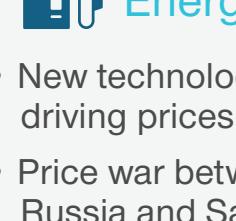
Sports
Concerts
Cultural Institutions

Stimulus can do only so much

The Fed has provided the **largest stimulus ever** in relation to U.S. GDP

But personal financial stimulus checks may be **going into savings accounts** while we count on consumer spending for 70% of the US GDP

A path forward



Investors need to watch for signs of green shoots and recovery at the local level

Disruption Accelerated

Compressed Trends

10-year trends in **mobility**, **e-commerce** and **cloud computing** have accelerated during the pandemic



Winners & Losers

Companies positioned well for digitization have rebounded quickly

WINNERS

Amazon

Google

Apple

Facebook

Microsoft

Big 5 Dominate

5 largest tech companies make up over 20% of S&P 500 index cap*

*As of 6/10/20

S&P 500 Market Cap

20%

Cash Flow is King

The big 5 have more than \$500B in cash and are buying or consolidating faster than any time since 2015



\$500B

Some sectors are being disrupted

Energy

- New technologies driving prices down
- Price war between Russia and Saudi Arabia

Financials

- Compressed lending margins hurting income statements
- Holding more capital to offset credit risks

Fixed Income Silver Linings

Over 50% of the market is rated BB, the highest in history

Low interest rates make credit markets attractive

High-quality industry leaders, downgraded to fallen angels, are changing the high yield sector

Treasury yields are at extreme lows; investors should carefully consider this risk

A falling dollar is good news for developing countries

Beneficiaries of Change

Media

QSR

Supermarkets

Health Care

Auto

Home Builders

Able to Raise New Capital

Cruise Lines

Airlines

Energy

Facing Existential Risks

The search for yield in a declining interest rate environment

Fixed Income Silver Linings

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As of 6/10/20

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