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| Erin Hogan | Welcome to a special Market Talk presentation by our Investment Advisory Group.<br><br>The views expressed are those of the presenters as of April 8th, 2020 and are subject to change without notice. This program is presented for informational purposes only and should not be seen or construed as a recommendation of any service, security, or sector, please see the end of this presentation for important disclosures.<br><br>In light of the current environment, we want to provide you with our research team's latest views on the pandemic's impact on the economy and the capital markets.<br><br>Representing the Investment Advisory Group today are:<br><br>Michael Skordeles, US Macro Strategist<br>Keith Lerner – Chief Market Strategist<br>Andy Richman – Managing Director of Fixed Income<br><br>Before our speakers go into detail, we thought it would be helpful for you to see our House View upfront, which provides a high level overview of the tactical opportunities and risk we see in the capital markets.<br><br>We have an equity bias relative to fixed income and a less favorable view of commodities<br>Within equities, we see the greatest opportunity in the US, and have a large cap bias.<br>Within fixed income markets, we are still primarily focused on high quality bonds but following the recent selloff, we see a better opportunity in segments of the credit market, such as investment grade corporates.<br><br>So with that setting the stage, we will begin the presentation that will provide more context behind our outlook with a brief overview of economic developments, and for that I'll turn it over to Michael Skordeles. |
| Michael Skordeles | **Obviously, the coronavirus outbreak is going to reduce global economic growth**, which has already started a recession in the US that began in March with closures and stay-at-home orders.<br>The depth of the US recession will be influenced by the virus containment efforts, while we think that the duration will be shaped by monetary and fiscal stimulus.<br>[Slide: Possible US Economic Scenarios]<br>We are concentrating on the probable scenarios – of course, these are not the ONLY scenarios, but the three MOST probable scenarios in our view. We give different letter-shapes: V-shaped, U-shaped, and perhaps L or W-Shaped, which I will stress is for the shape of the US economic recovery – NOT markets. Nonetheless, it does appear that we are heading toward more of a U-shaped economic recovery – that is the gray area on the slide. |

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| | That translates into a contraction that lasts for two or three quarters – which likely started in the just-finished first quarter and into the second quarter of 2020, and perhaps part of third quarter.<br>Also, we have already gotten two big pieces of the puzzle clicked into place – for monetary and fiscal policy actions – this is the middle horizontal section on the chart – the one with the big GREEN check mark.<br>Our base case calls for a US recession, which started in March and includes a painfully deep decline in the second quarter of 2020, with the trough likely occurring in July or August.<br>I would note that given the lack of real-time data and the tremendous amount of uncertainty on many fronts, THIS is the reason why there is such a wide range of possible economic results from every corner – including academics.<br>We show the current median projections for gross domestic product or G-D-P, which calls for a sharp slowdown, concentrated in the second quarter of 2020, with improvement in the third and fourth quarters.<br>Additionally, it is important to point out that the CARES act was passed by the Senate on March 25, and by the House on March 27. But many of the dire economic predictions – the ones calling for 30 percent unemployment and the like – were from before March 25, when we didn't even know everything that was in the bill.<br>The CARES Act truly is unprecedented on a number of levels. First, it is more than double the big fiscal plan enacted during the Great Financial Crisis on a dollar basis. Put another way: it is more than nine point two percent of total size of the US economy.<br>More importantly, this time around, the stimulus is being rolled out almost concurrent with the onset of the recession. That is much fast than during the Great Financial Crisis when Congress waited almost a full year to pass the big fiscal stimulus plan.<br>Temporary income replacement is the principle intent for the unemployment insurance, which is a joint state-federal program that provides cash benefits to eligible workers. And smaller blue bars show what unemployment insurance typically covers or replaces as a percentage of the industries cash wages for the major job categories.<br>Under the CARES Act, unemployment insurance benefits were greatly expanded and bolstered. This is the teal colored bars.<br>I would note, however, that while at first blush it appears that workers in some industries—particularly leisure & hospitality and retailers—might receive unemployment insurance benefits above their average weekly earnings, this is for CASH WAGES ONLY. Specifically, many of restaurant workers do not receive the federal minimum wage of $7.25 per hour. Moreover, minimum wage laws differ greatly by state, and some minimum wage provisions do not apply to tipped employees in many states. So, temporarily adding an additional six hundred dollars per week for 13 weeks, makes it look like these folks are making more money than normal, but I can assure you that is NOT the case since those average weekly earnings exclude their tips.<br>Lastly, there has been a HUGE amount of GLOBAL Fiscal and Monetary Stimulus. Ultimately, we believe that the unprecedented amount of monetary policy accommodation by global central banks, coupled with bold fiscal stimulus by key |

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| | countries such as the US and Germany, should work to blunt the downside and hasten the recovery.<br>OK, so that's it for me: over to Keith for perspective on the markets… |
| Keith Lerner | Thank you, Mike.<br>So the coronavirus shock has created much volatility in the equity market and caught investors off-guard. And about a month's time, we saw stocks move from a record high in in the stock market to a bear market in the fastest pace in history.<br>Investors sold first, ask questions later mentality, which was followed by forced selling, such as margin calls, and the move down was computer trading and trending systems that quickly exacerbated the decline.<br>However, off the lows, we also saw markets rebound more than 20%. So what changed. Markets were extremely stretched to the downside and the aggressive fiscal and monetary policy response Mike just spoke about provided the catalyst<br>Also with a decline of 34% at the recent low, stocks were already pricing in a recession. While we could see more downside, stocks have bottomed five months prior to the end of the recession, on average, and the subsequent rebounds tend to be powerful and difficult to time.<br>Another important factor is investors are already braced for bad news. With uncertainty and fear high, equities saw the greatest fund outflows since December 2018 and we saw newsletter writers very negative. This is consistent with depressed investor expectations. When expectations are depressed, a little good news can go a long way as the hurdle rate for positive surprises is low.<br>So let's now talk about the path forward, after Shock Periods, Volatility Tends to Stay High. Many investors were caught off guard by the move down and there tends to be a battle between fear and greed that takes hold over several months.<br>Have we seen the bottom?<br>It is impossible to say with certainty but for markets to make a new low from here, the data will likely need to come in worse relative to already depressed expectations. The odds are high that we have seen the peak in the intensity of the selling and the indiscriminate selling, which is the first step in a bottoming process as Investors start to separate the wheat from the chaff.<br>The more question is will longer-term investors be rewarded at current levels? We believe the probabilities suggest the answer is yes, the risk/reward has improved but investors also have to be able to stomach volatility.<br><br>And this next chart provides perspective on bull vs bear markets. And what you find is bull markets tend to be much stronger and longer relative to bear markets – though bear markets tend to be sharp and painful.<br><br>If you have cash on the sidelines and underweight equities, we would discuss and average in approach with your advisor and potentially becoming more aggressive with adding on pullbacks. That said, for investors who contemplated selling at the recent low, now that the market has seen a rebound, this is a good time to revisit current asset allocations to ensure consistency with long-term goals and risk |

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| | tolerance. Often after a shock period in the market, one's view of risk becomes crystallized.<br><br>I'll spend a quick few minutes on positioning:<br><br>First, we do have maintain an overall equity bias relative to fixed income.<br><br>And within we maintain a US Equity Bias Relative to International<br><br>While all regions within the global equity markets face challenges due to the coronavirus, our view is that the US is in a better position to outperform in this environment given higher quality companies, favorable sector exposure, relative earnings strength and the stronger relative economic outlook.<br><br>Within the US we hold a large cap bias relative to small caps. Small caps are very cheap and discounting a lot of bad news, so it makes sense to maintain an allocation. However, large cap companies should be better able to navigate the environment given stronger balance sheets and profitability trends.<br>We also have a favorable bias towards the growth style, where technology is the largest sector. Although we could see a sharp cyclical snapback in value, growth is likely to show more sustained leadership given technology's more conservative and cash-rich balance sheets, the increasing need of technology to conduct business, and the likelihood that investors will continue to pay a premium for earnings growth in a subdued global economic growth environment.<br>So just to summarize:<br>For longer-term investors, we see the risk/reward as much improved.<br>Short-term be prepared that this heightened volatility is likely to stay high; for excess cash consider an average in approach.<br>Maintaining a US, large cap and growth bias.<br>I'll now turn the call to Andy Richman. |
| Andy Richman | Thanks, Keith. As we look to fixed income markets and their reaction during the first quarter, we saw tremendous volatility there and many dislocations occurred. The one space that was a beneficiary of these dislocations was US government bonds. The Fed brought rates down to zero on the short end and that in turn set rates lower across the curve with the 10-year Treasury Note and the 30-year US Government Bonds both hitting all-time lows. Since that time period, the Fed has enacted many actions to help stabilize the market. And rates have risen from here while we think rates are going to stay low for a longer period, now we expect short term rates to stay close to zero for at least the next 12 months. We also think the curve could move a little higher from here. If we look to past history in '08 and '09, we can see that the curve actually shifted higher once the Fed enacted monetary policy that was unprecedented back then. Now they have even done more -- making what was done in '08 and '09 during The Great Recession look very small when compared to the recent actions taken already and we expect more actions. This in turn leads us to believe the curve will actually get a little bit steeper, and while rates will stay low, we do think when the recovery happens that rates can rise from these low levels. |

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| | Questions that have come up from a lot of clients is 'When do I want to hold bonds?' and 'What do bonds do to me in volatility?'. And while bonds have not held up as completely as well as they have in past periods, if you go back and look at the last 26 times that equities had a down year, 24 of those times, bonds had a positive. So bonds tend to do their job if you're a little bit longer term. Obviously we saw many dislocations in the short term especially in the second half of March in both the investment grade credit space and the muni space. Speaking of investment grade credit, those dislocations caused the spread, or the extra yield the investor is going to get over Treasury Bonds, to spike over the highs we saw in '08 and '09. We think this is an opportunity, especially with the actions the Fed is taking. Including buying investment grade bonds out to 5 years. This in turn leads us to believe that for the longer term investor willing to take on a little more risk, investment grade credit is nice place to be in the short run.<br>Let's turn to muni bonds. We certainly saw wild swings in the muni bond market. The muni bond market is primarily driven by retail investors, not many institutional buyers, unlike the corporate and government bond market. When the markets start to sell off, especially the equity market, we saw a lot of investors looking for liquidity, and they saw it in the muni market. So that caused a record number of bonds to but out for bid. We also saw record outflows after seeing over 60 straight weeks of inflows into muni bond funds. This caused the difference between muni and treasuries to spike up to ratios we haven't seen before. Those ratios have since come down, and muni bonds have rallied, but we do think for those investors in high taxes brackets who are willing to take on some risk, and give up liquidity, muni bonds look like a solid place for those investors, again knowing what you're getting into. We favor right now revenue bonds and strong GO bonds in that sector. Overall, we expect fixed income markets to have more volatility than they have in the past, so expect that to continue. However, we're seeing opportunities, and those opportunities include muni bonds, investment grade credit and we think rates stay low for longer, but we do think as we go forward this year and into 2021, it will move slightly higher. With that, I'll turn in over to Erin. |
| Erin Hogan | Thank you team - We acknowledge that much uncertainty remains. However, it rarely pays to invest on the worst case scenario, though it does make sense to have a diversified portfolio to help cope with uncertain outcomes. Our advisors are here to provide their best counsel, but they can only do so if they have the full picture of your finances, your goals and your concerns. With a holistic view and thoughtful approach, we can make informed decisions for today, and tomorrow.<br><br>Thank you for the trust you have placed in our team. We're committed to keeping you informed through this rapidly changing situation. If you have questions, do not hesitate to contact your advisor and visit Truist.com for the latest information. |