MB FOUNDATION
INVESTMENT SUMMARY
06/30/2020

Index Name	QTD Return	YTD Return
Dow Jones Industrial Average	18.51%	-8.43%
Barclays U.S. Aggregate Bond	2.90%	6.14%
S&P 500 (Large Co. index)	20.54%	-3.08%
MSCI EAFE (Int'l Equity index)	14.88%	-11.34%
Russell 2000 (Small Co. index)	25.41%	-12.93%

Market Commentary

The second quarter of 2020 started off with a bang and just kept going. Following the strong engagement by the Fed and the government's fiscal stimulus, markets began to rally at the end of the first quarter and never looked back. A crest in the first wave of COVID-19 infections and subsequent flattening of the curve took markets skyrocketing back toward the February highs. The market largely shrugged off economic concerns along with the disparity between Wall Street and Main Street. Despite record unemployment numbers and a significant fall off in virtually every economic variable, stocks continued their advance. The major indices posted their best quarterly gains since 1987.

Large cap growth stocks continued to be the favorites for the year, but rallies in other areas of the market proved stronger in the second quarter and allowed more diversified portfolios to gain ground. While growth strategies continued to dominate, value-oriented securities rallied as well. The dollar weakened slightly during the quarter, which added to the gains experienced by international and emerging markets.

The Fed's intervention in credit markets provided liquidity and resulted in broad-based gains in bonds. High-yield bonds rallied as fears regarding a widespread rash of bankruptcies lessened. However, it is likely that bankruptcies will rise later in the year.

Traditional measures of value are less helpful in this environment due to extremely low interest rates and a possible quick resurgence in demand. Recent economic data has been mixed but is often more positive than expected. While the surge in COVID-19 cases is problematic, recent data from the CDC suggests that the infection fatality rate remains quite low. One can paint a more bullish or bearish picture relatively easily.

Going forward, uncertainty remains high. The presidential election, a resurgence in COVID-19 cases, and continued economic uncertainties are enough to give the most stalwart investor heartburn. A full economic reckoning is still to come as fiscal stimulus wanes and more Americans find they may not have a job to return to. We lean toward a more middle-of-the-road outcome. We believe that a true "V" shaped recovery is unlikely, but a truly negative depression-like scenario remains unlikely in our view as well.

Market Highlights

- For YTD 2020, fixed income outperformed most major asset classes.
- In Q2 2020, U.S. small capitalization stocks were the leading sub-asset class, with the Russell 2000 up 25.4%.
- A diversified investment strategy has helped to manage portfolio volatility.

Market commentary provided in partnership with Cornerstone Management, Inc.

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