March 12, 2020

To Our Valued Clients,

It is a difficult time for investors to remain committed to thinking strategically as market volatility, headlines, and the growing concern about COVID-19 dominate our daily lives. However, we would suggest that now is precisely the time for investors to focus on their long-term, strategic objectives as these events are unfolding.

The purpose for this message is not to discount the challenges unfolding before us—they are very real. Nor is our intent to suggest that we are near an end in the equity market decline, the spread of COVID-19, or the repercussions for the global economy.

Rather, our intention is to suggest in the strongest and simplest terms that one of the most productive actions that we believe investors can now take is to maintain focus on their strategic objectives. Long-term investors should focus on a time horizon well beyond the news cycle, which concentrates on the daily changes in life due to COVID-19, volatile price movements in equity and bond markets, as well as regular updates from political and other community leaders.

Every institutional investor should regularly review their investment strategy to confirm it remains relevant and appropriate to meet the current and anticipated needs of the fund. Periods of heightened market volatility serve as reminders of the importance of confirming the suitability of the investment structure for both the appropriate investment horizon as well as in light of the prevailing market environment. In some cases, a different approach may be warranted going forward, in others "staying the course" is the most appropriate. The following questions might be useful to the boards and investment committees of institutional investors as part of the aforementioned strategic thought process and review:

- Do we need to refresh our understanding of the purpose and time horizon of our fund or plan?
- Are there factors in the market caused by COVID-19 (e.g. impact on workplace, logistical supply lines, manufacturing, service output, etc.) that will impact near- and long-term performance and should any steps be taken to address these risks in the portfolio?
- Do we have any sound reasons based on our fund or plan's ongoing purpose and its circumstances over the coming years to fundamentally change our approach on a permanent basis?
- What do we know historically about not only the depth of equity market declines but as importantly their duration? And what do we know about the subsequent recoveries? (Figure 1)

Figure 1

Bear Markets & Time to Recovery
S&P 500 Index (SPX) (Gross Dividends)
Daily Returns: January 1929 - March 2020

Average Duration
Bear Market: 449 Days
Time to Recovery: 1,048 Days

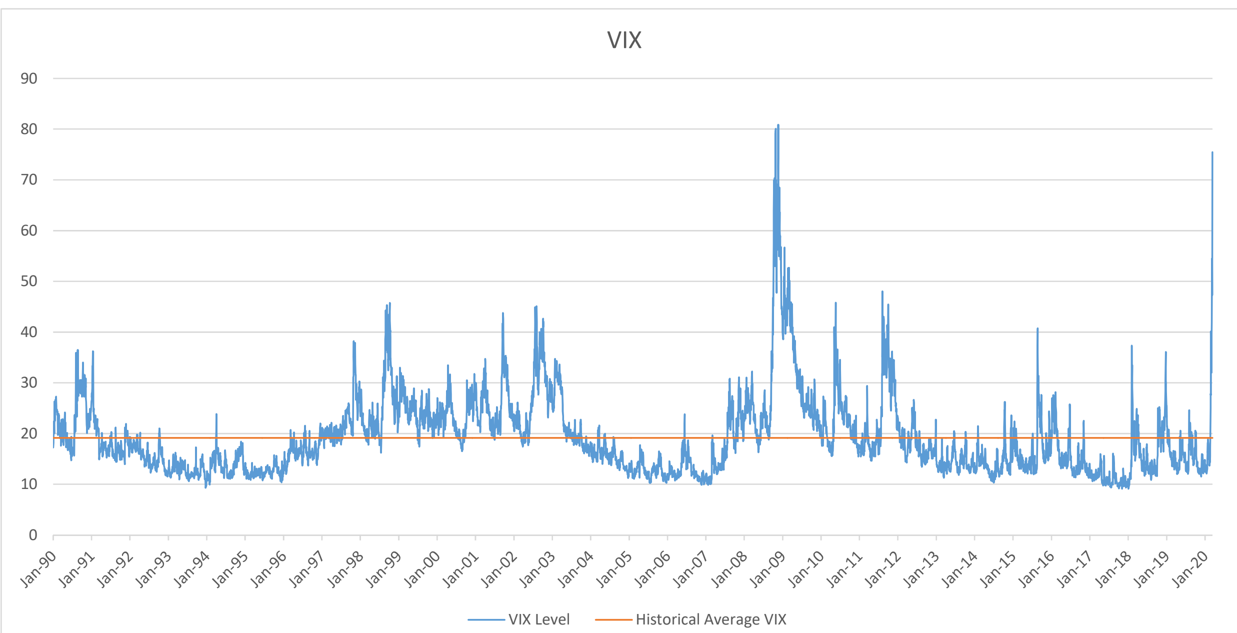
Average Return
Bear Market: -38%
% Gain (Trough to Recovery): 215%

Bear Markets (1929-2020)	% Decline (Peak to Trough)	Peak Date	Peak Level	Trough Date	Trough Level	Duration of Decline (Days)	Recovery Date	Recovery Level	Duration of Recovery (Days)	% Gain (Trough to Recovery)
1	-86%	09/16/1929	31.86	06/01/1932	4.40	989	01/28/1946	32.15	4,989	731%
2	-25%	05/29/1946	33.42	05/19/1947	24.99	355	09/30/1949	33.69	865	135%
3	-27%	12/12/1961	285.35	06/26/1962	208.66	196	04/15/1963	285.54	293	137%
4	-20%	02/09/1966	423.29	10/07/1966	337.73	240	03/23/1967	423.70	167	125%
5	-33%	11/29/1968	532.96	05/26/1970	359.30	543	03/15/1971	538.48	293	150%
6	-45%	01/11/1973	679.03	10/03/1974	374.79	630	07/09/1976	680.67	645	182%
7	-20%	11/28/1980	1,140.35	08/12/1982	910.45	622	10/07/1982	1,156.04	56	127%
8	-33%	08/25/1987	3,681.91	10/19/1987	2,469.43	55	05/15/1989	3,684.26	574	149%
9	-47%	09/01/2000	23,304.43	10/09/2002	12,254.85	768	10/23/2006	23,352.70	1,475	191%
10	-55%	10/09/2007	27,030.44	03/09/2009	12,105.04	517	04/02/2012	27,065.28	1,120	224%
11	-27%	02/19/2020	76,107.23	03/12/2020	55,832.89	22	TBD	TBD	TBD	TBD
Average	-38%					449			1,048	215%

Data Source: Bloomberg

- Has the relationship between asset classes—namely equity and fixed income—changed enough to warrant a closer examination of portfolio and plan exposures?
- Can we expect equity volatility to remain elevated? (Figure 2)

Figure 2



You should know that our firm and each RVK consulting team is spending time thinking strategically on these topics. Not long ago we issued our 2020 capital market assumptions (CMAs), which featured notable reductions in expected long-term returns for many asset classes, including core exposures such as equity and fixed income. As these are strategic, long-term assumptions, we have always been and continue to be reluctant to shift our CMAs with every near-term ebb and flow in the capital markets. That said, we have been surprised at how fast—in the space of just two weeks—our expectations for lower equity returns have materialized and how far yields have fallen. Absent the external trigger provided by COVID-19, lower returns might have taken longer to emerge as valuations and yields regressed closer to historical norms. So we are deliberately and strategically repeating the detailed analyses that was the foundation for the reduced long-term expected returns that we published following the 30% rise in US equity and sustained decline in yields during 2019 (see major index performance and Treasury yields in Figures 3.1 and 3.2). If as a result of our additional analysis any change to our long-term, forward-looking CMAs is warranted, we will make them and address with our clients as soon as possible.

Figure 3.1

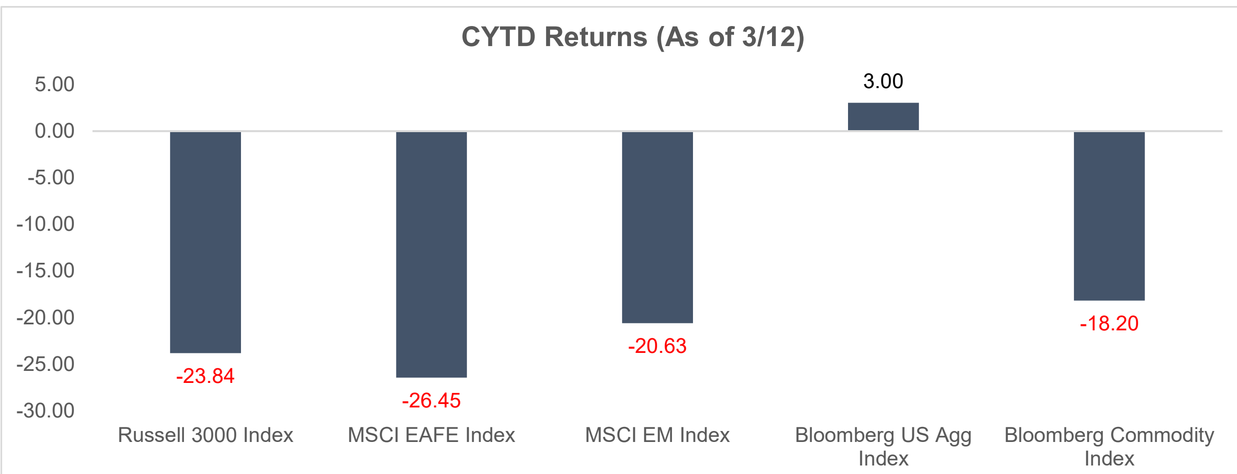
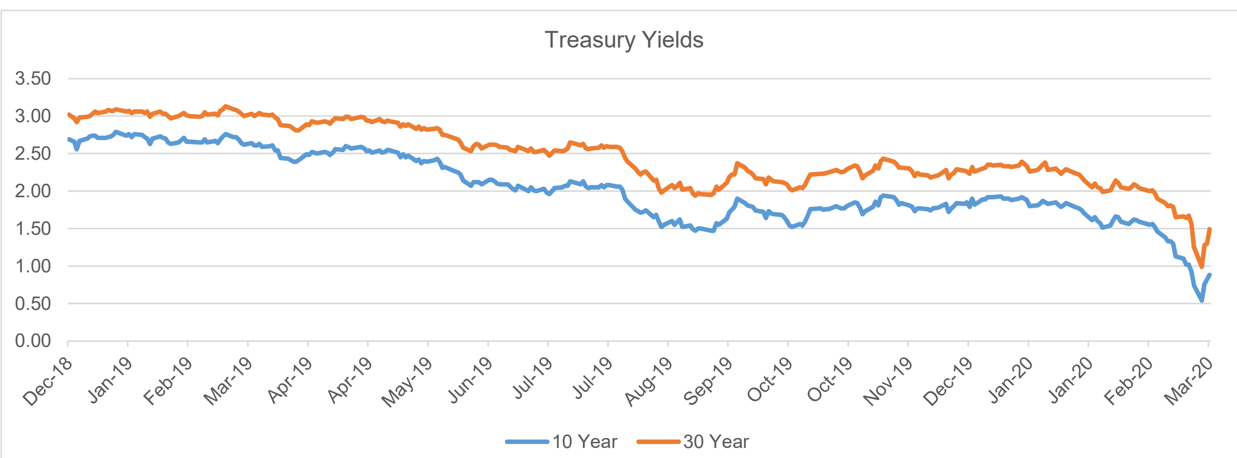


Figure 3.2



As is always the case, major market events will provide lessons to us all about the art and science of successful long-term investing going forward.

- We expect diversified portfolios to provide some level of protection in turbulent equity markets, without sacrificing potential growth in the long-term.
- Thoughtful rebalancing has historically benefitted investors over the long-term.
- We believe that the sharp decline in equity and credit markets may create new investment opportunities.
- Funds (and portfolio managers) which have carefully analyzed and managed liquidity prior to the decline will likely be better prepared to meet their near-term obligations and more likely able to capitalize on opportunities resulting from these market dislocations.

Your RVK team and our entire firm stand ready to serve you as we all consider the above topics, market events, and the way forward.

With gratitude,

Becky Gratsinger and Your RVK Team