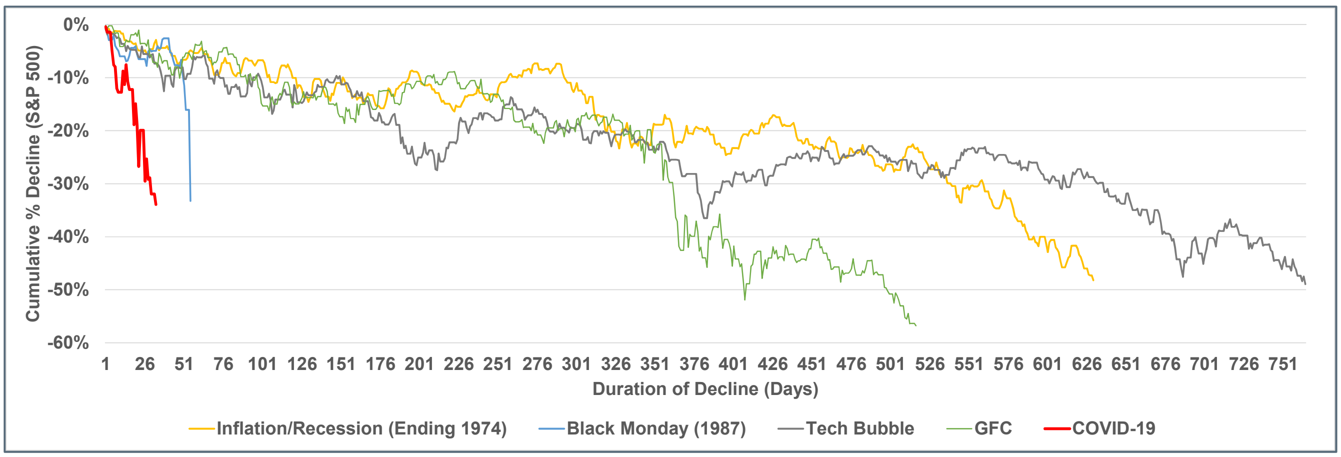
March 26, 2020

To Our Valued Clients,

We realize that recent weeks have provided you with COVID-19 related commentary of all sorts, and of varying relevance. As committed co-fiduciaries, our goal is to partner with you to help your investment strategies align with your purpose, goals, and objectives. We hope you find this message focused, thoughtful, and relevant in providing perspective and insight during these uncertain times.

From an investment point of view, the sheer speed of this decline has been astonishing, even relative to other equity market drawdowns in the last 40 years.

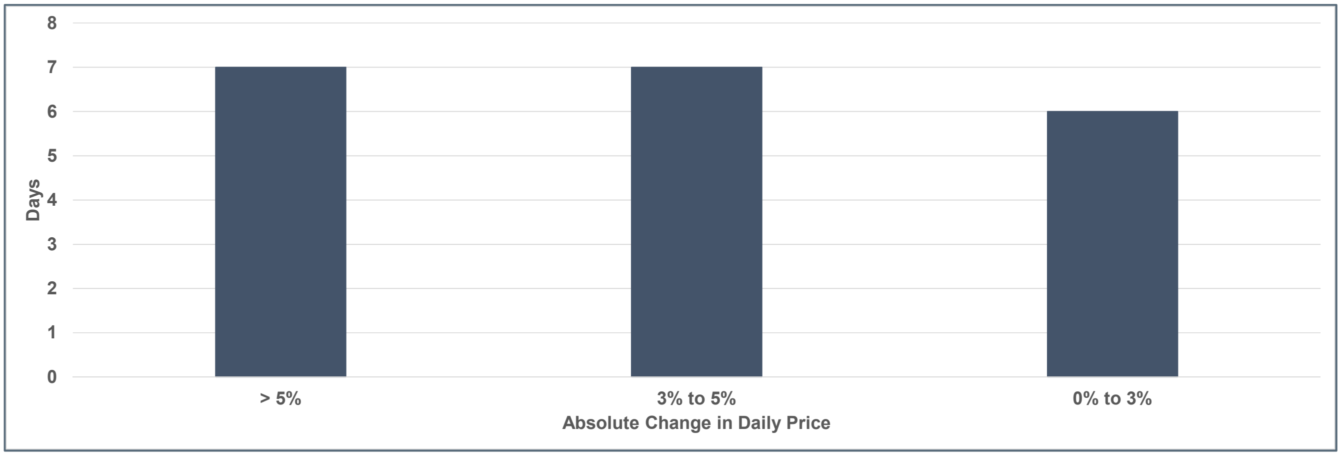


All data presented is as of March 25, 2020, market close.

- Our first observation is that portfolios containing appropriate diversification will likely fare better in down markets, such as we are experiencing in this correction. While it was challenging at times to maintain allocations to assets that provide risk-mitigating diversification during the long and sustained US equity bull market, these past few weeks are reminders of their importance in portfolio outcomes.

- A second important observation is that diversification needs to be already in place when markets fall, as it is typically impossible to add diversifying/capital preservation assets to a portfolio in the middle of a sharp and sudden equity market decline. Nothing illustrates this more than the recent massive daily swings in the equity market, with movements so large and frequent that short-term trading strategies likely carry more risk than reward.

The last 20 trading days for the S&P 500 are shown below:



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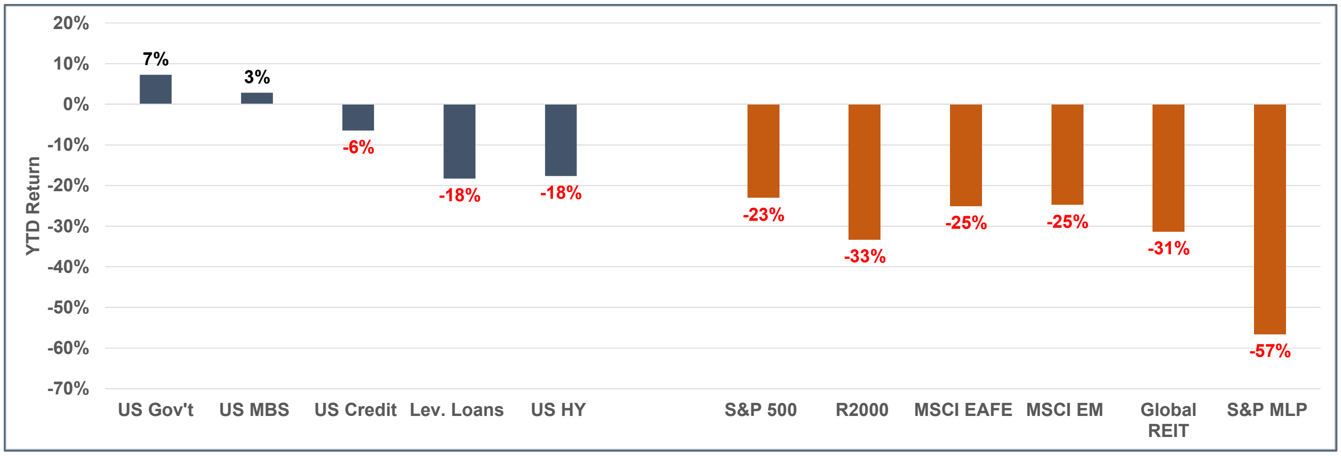
Given these observations, is there anything that an institutional investor or plan fiduciary can or should do at present? We believe there are constructive actions to consider, but we caution that none will erase the financial challenges this decline has created. Investors face a new set of circumstances in their pursuit of the ultimate purpose served by the assets, whether it be paying pension benefits, individuals building sufficient retirement savings, foundations supporting grant programs, endowments backing institutions, or insurers paying claims.

Below are three suggestions for constructive, ***defensive*** action amidst market turbulence:

1. **Liquidity**. Be mindful of cash/liquidity requirements to satisfy the ongoing needs of the investment portfolio and operations of the organization. As you examine asset allocation with current asset prices, even though there may be opportunities to take advantage of market dislocations, be mindful to maintain sufficient liquidity (as possible), limiting the need to sell risk assets (e.g., equities) at depressed prices. RVK has been assisting clients with liquidity analyses for many years and stands ready to help you closely monitor this critical aspect of portfolio management. An inability to maintain appropriate liquidity can prove costly to total returns and operations.

2. **Keep your asset allocation structure intact**. As you execute incremental fund rebalancing as detailed in your Investment Policy (e.g., reducing overweight fixed income to finance underweight equity), take care to dig a bit deeper into the specific sources and destinations of these asset movements. At present, price changes and trading liquidity vary tremendously within fixed income categories, such as high yield, long duration bonds, and intermediate Treasuries. Across equity markets, declines thus far have been similar in direction, but differ in magnitude. Consider the 23% decline in the S&P 500 versus that experienced for other risk assets, including those fixed income sectors with equity sensitivity. When constructing even an incremental rebalancing move, “sweating these details” (i.e. being thoughtful about what precisely is sold and bought) will impact the resulting composition of the fund’s fixed income and equity exposure going forward as well as transaction costs.



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3. **Be aware of credit exposure within fixed income investments.** If there is exposure to high yield, BBB-dominated corporate bonds, leveraged loans, etc., scrutiny of these portfolios and the managers you have chosen is prudent. There almost surely will be downgrades, defaults, and even bankruptcies if the crisis persists. In the years prior to the current correction cycle, default rates have been low, possibly causing investors to be less mindful of these risks. RVK stands ready to assist in reviewing your fixed income investments and help further your understanding of risks that may be present in the current environment.

Thinking ***offensively*** can be more challenging amidst market and economic turmoil. Investor tendency can be to "draw inward" and either do nothing or think primarily defensively. Market dislocations have historically been accompanied by investment opportunities to play offense. Our Investment Manager Research and Capital Markets Research departments are already working on these topics, and your RVK team will be in touch with any relevant possible actions to consider as these ideas develop. Further, we believe the topic of our last paper, "Thinking Strategically in Volatile Times," is relevant for developing the best offense. In order to build a plan for action, whether maintaining your asset allocation, considering changes, or reviewing new managers or strategies, being knowledgeable of your fund or plan's purpose, time horizon, and associated liquidity needs and risk tolerances, among other considerations, create the playing conditions in which to build your offense.

As we move through this economic and market environment to the "other side" and recovery, keep in mind that the single most important determinant of long term return and risk remains ***asset allocation***. This is true when times are good, but also when the investment markets are in disarray and investors are thinking about an eventual return to normalcy.

Know that we are thinking of you often, and please let us know if there is anything we can do to support you.

Best from all of us at RVK,

Becky Gratsinger