As of 3/31/2020

Q2 2020
Spectrum Investor® Quarterly Newsletter

SPECTRUM INVESTMENT ADVISORS

Jonathan Marshall — Chief Investment Officer
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We wish everyone good health as COVID-19 has dramatically changed the year 2020 and perhaps beyond. In about 90 days the world went from 0 to 750,000 cases of the coronavirus. The virus has moved extremely fast but the world is moving fast against it. Thank you to all the essential workers on the frontlines and everyone staying home to stop the spread. To help us through our fight against the virus, the Federal Reserve and U.S. Government have both provided massive support packages. There are early signs of light at the end of the tunnel, but we could be in battle mode for months to come. Through 3/31/20 the S&P 500 was down 19.6%.

Tracking COVID-19: Our return to normal depends greatly on our success against the virus. The Johns Hopkins University COVID-19 website has been a great resource for us: **coronavirus.jhu.edu**. For local information visit your state health department website.

What we've learned: This is the seventh coronavirus to infect people. Four reoccur annually with minimal impact, similar to the flu. Two others, SARS and MERS, were more lethal, but did not transmit easily. They were contained and essentially eliminated. COVID-19 seems to be somewhere in between: more mild than SARS and MERS, but with the kind of spreading that will make it hard to eliminate.

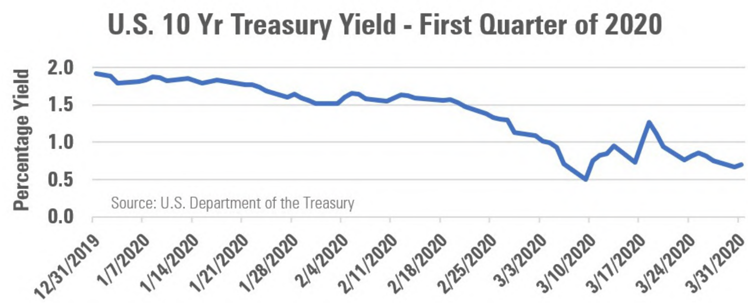
Market reaction: The decline for the broad stock market generally came in three waves. 1) The correction from above average valuations as investors were expecting a strong 2020. 2) The realization COVID-19 was spreading worldwide. An oil price war between Saudi Arabia and Russia also added to selling through this process. 3) Finally, the liquidity crunch where sellers far exceeded buyers. Not only were investors selling in response to conditions, but many needed cash on hand to prepare for social distancing impacts. This was the quarter that finally ended the longest bull market in U.S. history, reaching a low of -30% on March 23. We had just passed the 11 year anniversary of the start of the bull market on March 9, 2009. Below is a snapshot of how it happened, tracking the S&P 500 in the first quarter with select milestones along the way.

Newsletter Summary:

Over 1 million COVID-19 cases expected in the U.S.
For the latest COVID-19 data visit: coronavirus.jhu.edu
CARES Act provides historic support
For information on relief checks visit: IRS.gov/coronavirus
"Reopening" may occur in phases (est. May/June)
"Back to normal" expected in 2021 with vaccine delivery
Consider rebalancing your portfolio/revisit your risk tolerance
Page 6: Personal emergency fund, RMD rules update
*Visit our website at **www.spectruminvestor.com***

See important disclosures on Page 6

Our ADV Part 2A-2B & privacy notice can be found on our website.



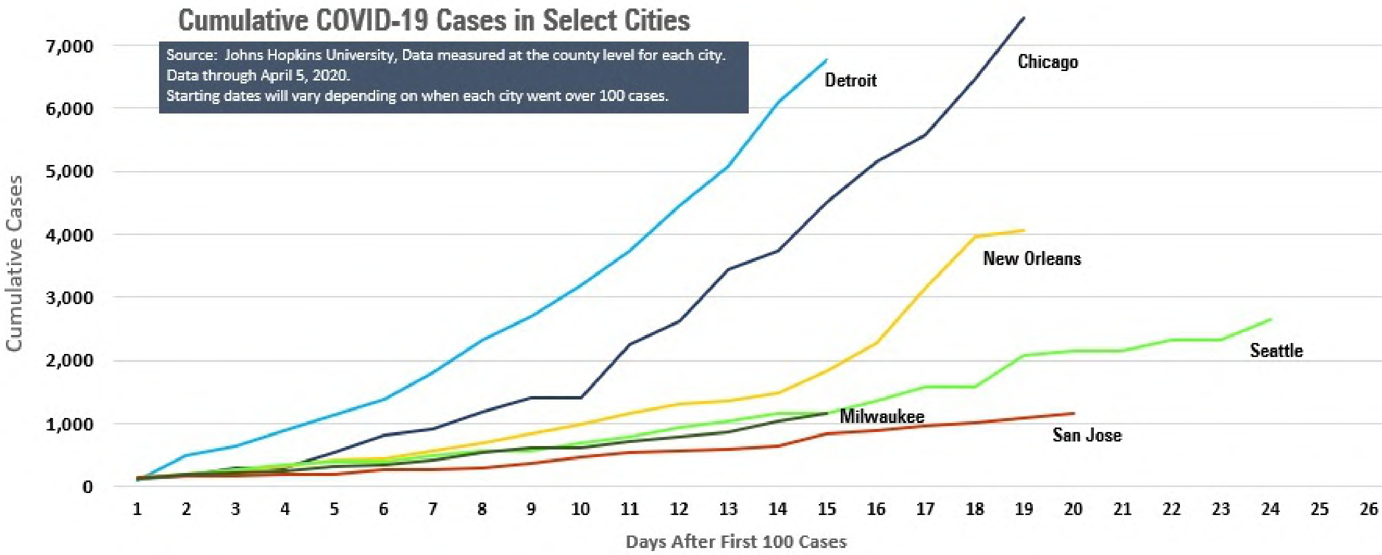
Federal Reserve provides liquidity: United States Treasuries tend to be a safe haven during times of volatility. Pictured above is the yield of the 10 Year Treasury. When its price goes up, yields fall, and vice versa. As expected, yields had a sharp move lower from late February until mid-March. At that point, liquidity needs were even impacting the Treasury markets. On March 12 the Federal Reserve expanded short-term liquidity by $1.5 trillion. On March 15, in addition to cutting interest rates to zero, the Fed announced a $700 billion quantitative easing program that was revised to unlimited support just eight days later on March 23. These measures have provided more normal behaviors in treasury markets, which is something that many say needed to happen before the stock market could settle. In an interview with NBC on March 24, Fed Chair Jerome Powell stated "the Fed will not run out of ammunition."

S&P 500 Quarterly Summary:
Year to date through 3/31/20:
-19.6%
Year to date low:
March 23: -30.4%
Year to date peak:
February 19: +5.1%

COVID-19 Summary 3/31/20:
Globally:
750,890 confirmed cases
36,405 deaths
United States:
140,640 confirmed cases
2,398 deaths
China:
82,545 confirmed cases
3,314 deaths

Sources: Bloomberg, World Health Organization, Morningstar

Quarterly Economic Update Continued



Slowing the Spread of COVID-19: The pace of the spread is the big issue that has an astonishing 80% of the United States on some form of lock-down. The U.S. went from 1,000 cases on March 11, 2020 to over 400,000 in early April, doubling every three to five days in March. Even with slowing, cases will exceed one million. States are reporting that 10-30% of confirmed cases have been admitted to a hospital. Capacity is a concern and there is already a global supply shortage of critical care items. Slowing the spread gives supply a chance to catch up to demand and ultimately saves lives.

The chart above shows cities are having different experiences. Clearly areas with higher population density have greater challenges. Manhattan (not shown in graph) has over 80,000 cases alone, by far the most. Other factors are less clear and will be analyzed for years: initial detection, testing capabilities, and the timing/compliance of stay at home measures. Seattle was the first U.S. city to have over 100 cases and they have had relative success fighting the spread.

Road Map to Reopening: This is an extremely complex situation and reopening may take time. Former FDA Commissioner and the American Enterprise Institute suggest three phases in "A Road Map to Reopening" giving us a preview of how reopening may work.

Phase 1: Slowing the spread. This is where we are today. Exiting this phase will occur on a state-by-state basis when the following conditions have been met: **14 days of sustained reduction in cases, and local hospitals having safe capacity levels to treat all patients.** The hope is for states to exit this phase in May and June.

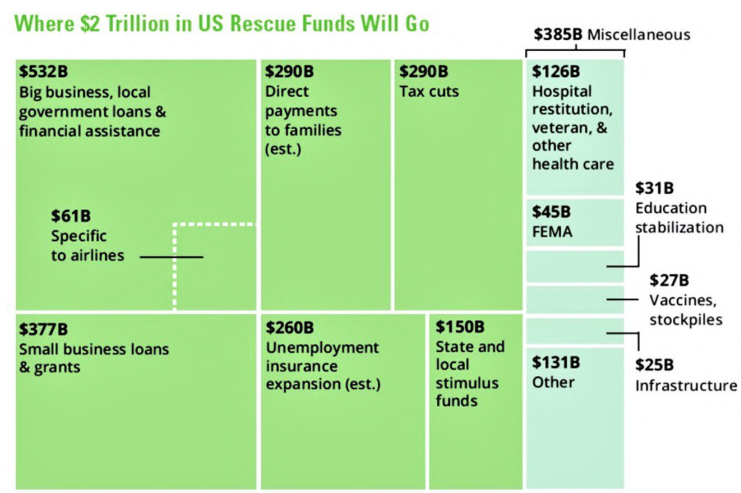
Phase 2: Reopening. The report suggests it will be more of a soft opening than a grand opening. Warmer/humid air and stay at home efforts will slow the spread, but not eliminate the virus. Schools and businesses may reopen, but the virus will still be present and certain precautions may remain (limitations on travel and large gatherings). Phase 2 also requires rapid and readily available testing. On April 2, Detroit began administering new tests that produce results in as little as 15 minutes. Prior tests have taken days or even weeks for results.

Phase 3: Immune protection. This will be our grand opening when all distancing measures may be lifted. A "return to normal" is likely when a vaccination is available.

When will we have a vaccine? Widespread availability is expected to arrive in 12-18 months. Incredibly, live tests have already begun with volunteers in the Seattle area. At least three other candidates plan to begin testing this year as well.

Government Support: To help provide a bridge to reopening, the United States Government approved the $2.3 trillion CARES Act (Coronavirus Aid Relief and Economic Security Act), passed on March 27. The relief package includes $290 billion in direct payments and $260 billion in temporary expansion of unemployment benefits. According to Vice President Mike Pence, the average family of four will receive $3,400. Income limits do apply. Checks will be deposited starting late April 2020. **For more information on direct payments visit IRS.gov/coronavirus.**

The Act set $377 billion aside for small businesses, $350 billion of which is the Paycheck Protection Program. These loans feature payments that are deferred for six months and the loans may be forgiven if proceeds are used to maintain employees and wages. **The CARES Act amounts to 10.7% of 2019 U.S. GDP. It is the largest relief package in U.S. history.**



Sources: Bloomberg, US Senate, and Committee for a Responsible Federal Budget
The Hartford Funds Management Group

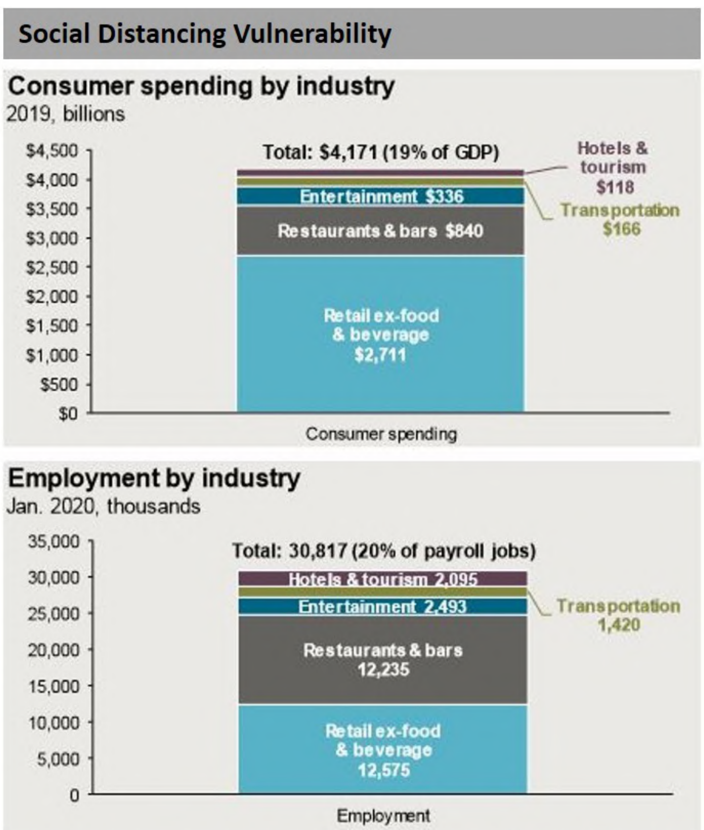
Economy: According to Dr. David Kelly, Chief Market Strategist at JPMorgan, the economy is set for a fall, a stall, and then a surge. (This idea pairs well with the three phases of the Road Map to Reopening.) We are in the fall phase. April and May are going to be tough months. In the first two weeks of the shut-down more than nine million Americans filed for unemployment. Those are record smashing numbers, more than the last four months of 2008 combined. The official unemployment rate for March (released on April 3) was 4.4%, but the real time number is likely much higher.

Quarterly Economic Update Continued

In a CNBC interview on April 6, former **Fed Chair Janet Yellen** said the real time number could already be as high as 13%. She also estimated at least a 30% decline in second quarter GDP. It is important to note that the number is annualized. The duration and depths of the "fall and stall" will be a huge factor in the type of recovery we have in the second half.

More debt, potentially fewer businesses, and savings restoration are a few examples of how demand may be weakened. As an example, Dallas Fed President sees unemployment making a sharp recovery during the reopening phase from the mid-teens, but remaining close to 8% through 2020, before another move lower in 2021. The CARES Act is intended to keep as many businesses and individuals solvent as possible, to promote as strong a recovery as possible. Additional packages are already being discussed, including expansion of the small business program.

Whether we are talking about jobs, earnings, or GDP, a big portion of the pain is likely to come from industries most impacted by social distancing. The charts below show these sectors make up 19% of GDP and 20% of the labor force going in to the shutdown.



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Factset, S&P 500, J.P. Morgan Asset Management. Consumer spending (2019 annual): membership clubs, sports, amusement parks, campgrounds, movies, theaters, museums, libraries, casino gambling, purchased meals and beverages, packaged tours, air and water transportation, hotels and motels, and select retail goods and services. Employment (January 2020): air and water transportation, transit and ground passenger transportation, support activities for air and water transportation, arts, entertainment, recreation, accommodation, food services and drinking places, and retail ex-food and beverage stores. Guide to the Markets – U.S. Data as of 3/31/20.

Sector performance: The table to the right shows large cap stocks outperformed small caps as they generally have stronger balance sheets. Growth (red) outperformed value (purple), in part due to higher exposure to technology and health care stocks. Natural resources were especially hard hit, particularly oil. On top of sharp demand reduction, Saudi Arabia increased production after Russia refused production cuts. Oil prices dropped to a low of $20 per barrel from over $50 per barrel in February, putting a squeeze on U.S. oil producers, which generally need higher prices to be profitable. President Trump gave oil markets some relief, reaching out to both countries to begin negotiations.

Where do we go from here? Warren Buffett's partner Charlie Munger recently shared the quote "a man never steps in the same river twice; the man is changed and so is the river." While markets and recessions have similarities, the kind of sudden stop we are experiencing is something very different. That makes forecasting even harder than it already is. There is optimism in early April, but we have yet to see corporate earnings from the first quarter and the second quarter will be even worse. Remember to think long-term through the volatility.

Rebalance: Late April and early May have historically been a good time to rebalance. Before doing so, it may be wise to revisit your risk tolerance and objectives to ensure you are in the right portfolio. **Refinance**: If you have a 30-year mortgage over 3.5% you may want to refinance as rates have come down. It could also provide an opportunity to access cash depending on the value of your residence. **Roth:** With markets being below peak levels, it may be a good time to consider Roth contributions or conversions. For more resources visit our website: **www.spectruminvestor.com**. You can find **"Financial Tips for Navigating COVID-19"** under the Newsletters tab, "Special Newsletters and Updates" section. We also have links to weekly market updates under the "Resources and Links" tab.

This pandemic is happening on the 75th anniversary of the Battle of Iwo Jima during World War II, when 7,000 Marines gave their lives for our freedom. Today we are simply being asked to sit on the couch. Stay positive, stay connected to friends, and say thank you to our first responders. For a review or your portfolio, call 1-800-242-4735.

Spectrum Investor® Update

Morningstar Category Averages	1st Qtr	1 Year	3 Year
Intermediate-Core Bond	**1.57%**	**6.78%**	3.90%
Allocation 50%-70% Equity	-14.74%	-7.01%	1.48%
Large Cap Value	-26.77%	-17.73%	-2.11%
Large Cap Blend	-20.92%	-9.97%	2.80%
Large Cap Growth	-15.48%	-3.72%	**8.65%**
Mid Cap Value	-32.53%	-25.38%	-6.89%
Mid Cap Blend	-28.28%	-20.69%	-3.71%
Mid Cap Growth	-20.64%	-11.17%	4.66%
Small Cap Value	**-36.89%**	**-31.64%**	**-11.15%**
Small Cap Blend	-32.37%	-26.41%	-6.82%
Small Cap Growth	-24.59%	-17.66%	1.69%
Foreign Large Cap Blend	-23.39%	-15.67%	-2.74%
Real Estate	-26.35%	-19.21%	-2.77%
Natural Resources	-33.28%	-30.96%	-10.93%

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in **Blue** = Best, Returns in **Red** = Worst. Please see Benchmark Disclosures on page 6.

DOW: 21,917 | **10 Yr T-Note: 0.70%**
NASDAQ: 7,700 | **Inflation Rate: 2.3%**
S&P 500: 2,584 | **Unemployment Rate: 4.4%**

Data as of 3/31/20 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

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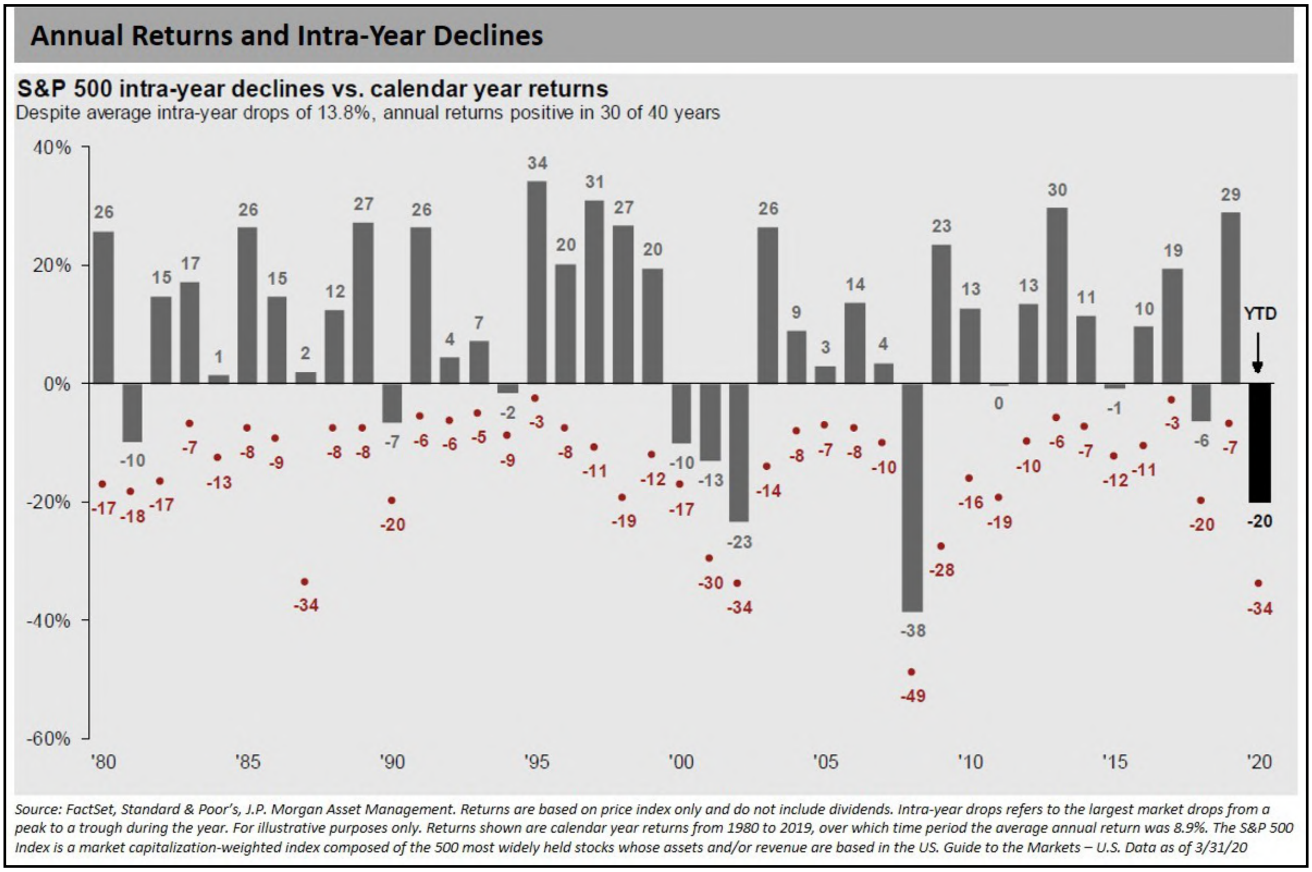
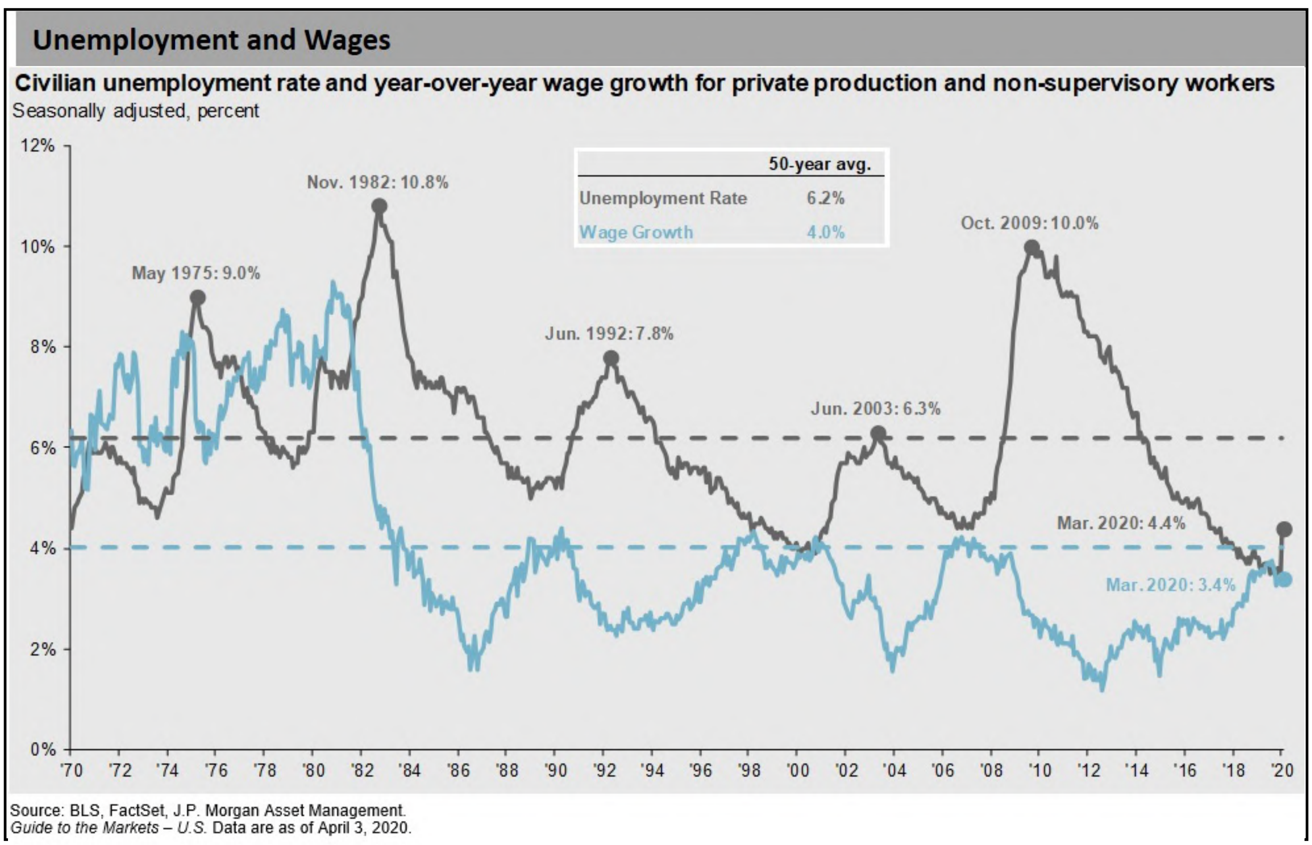
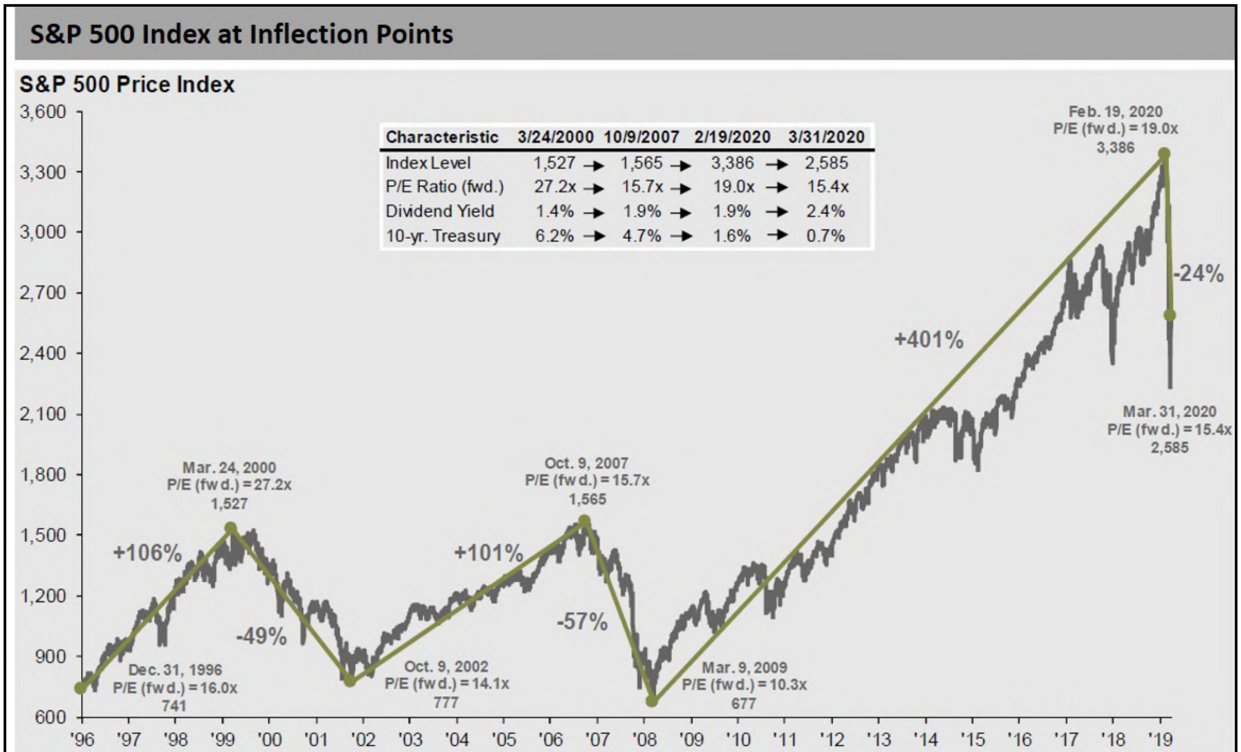
Annual Returns and Intra-Year Declines: The chart below illustrates the year-end return of the S&P 500 Index vs. the intra-year declines for the past 40 years. As of March 31, 2020, the S&P was down 20%, due to the COVID-19 epidemic. According to JPMorgan, the stock market historically finished up during 76% of calendar years. This chart can help a long-term investor understand the volatility of the market, and why, in most cases, the best thing to do is stay the course.



Unemployment and Wages: US unemployment jumped to 4.4% in March 2020, and will certainly go higher in the next few months due to COVID-19. The chart below provides a look at previous high unemployment numbers. According to JPMorgan, economic data like unemployment, historically lags the stock market performance by an average of four and a half months.

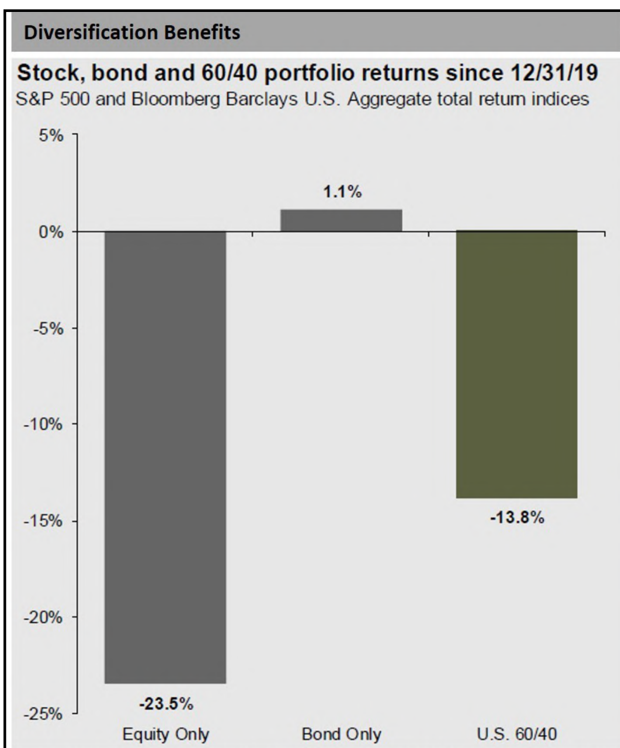


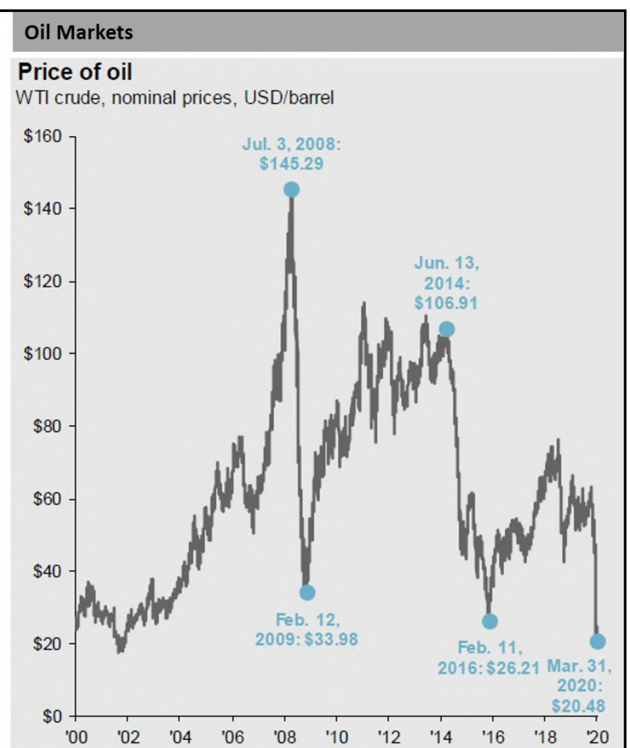
S&P 500 Index at Inflection Points: The chart below illustrates the performance history of the S&P 500 from 1996 to March 31, 2020. As you can see, the S&P 500 dropped in the first quarter of 2020 by 24%. It has since rebounded due to stimulus news and the possible peak of COVID-19 in New York. As of April 8, 2020, the S&P 500 is down -14.88% (*Marketwatch*).



Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.The S&P 500 Index is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Guide to the Markets – U.S. Data are as of March 31, 2020.

Diversification Benefits: At Spectrum we suggest balanced portfolios for the majority of our clients, for example 60% stocks and 40% bonds. We also suggest annual rebalancing in late April and early May to reallocate back to your target. As the chart on the left illustrates, bonds in a portfolio buffer the losses of stocks during market corrections. **Oil Markets:** Russia and Saudi Arabia entered an oil price war during the first quarter to drive down the price of oil from close to $50 a barrel to $20. The price of oil also fell due to lack of demand from the COVID-19 epidemic. President Trump has been negotiating with Russia and Saudi Arabia to cut production, which has increased the price of oil to close to $26 per barrel, helping the markets.





Source: J.P. Morgan Asset Management, FactSet (Left) Bloomberg, Barclay's, Standard & Poor's. The S&P 500 Index is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Guide to the Markets – U.S. Data are as of March 31, 2020.

Spectrum Wealth Management

Emergency Fund

Brian White, CFP® | Wealth Manager

Fictional character Ron Burgundy (played by Will Ferrell) summed it up best: "Boy, that escalated quickly." The year 2020 was chugging along nicely and was quickly blindsided by COVID-19. Nobody thought we would be in this position so quickly, but here we are. From a financial planning perspective, we always try to prepare our clients for a situation like this – a 'worst case' scenario. We prefer to see our clients in a position that allows them to meet their goals regardless of the market movements. This can look very different for everyone, but we're going to discuss the most basic step that everyone can take to protect themselves going forward. We're also going to talk about a big change to IRA accounts that went into effect with the CARES Act.

Emergency Fund. Everyone needs an emergency fund. An emergency fund is an account or accounts in liquid instruments (savings/money market) that can be accessed immediately after some sort of financial emergency. Financial emergencies don't discriminate and can happen to anyone. Bankrate's 2018 Financial Security Index survey said that only 39% of people had enough in savings to cover a $1,000 emergency. That's a huge number of people who don't have any sort of emergency fund.

Many people will rely on credit cards for those financial emergencies. However, credit cards come with very high interest rates. When monthly balances aren't paid off, you end up paying more for the emergency, which will ultimately affect your credit score. An emergency fund is a much more appropriate solution.

A big question often asked is "How much should I have in this emergency fund?" Everyone is different and so is the amount. Industry experts like Clark Howard and Dave Ramsey suggest an amount equal to 3-6 months of daily living expenses. Suze Orman suggests up to 8 months. With the Great Recession of 2008-2009, many were arguing that the amount should be 9-12 months! The current economic environment could certainly cause experts to evaluate that number.

That's a big range for many people, but you can easily narrow that down by your comfort level. Perhaps you're in a situation where your income is based only on commissions paid a few times per year. You may want to have closer to 12 months of your living expenses on hand. If you're retired and your income is based on social security and pension payments, that number may be closer to 3 months. We have many clients with a certain number in mind. They don't sleep at night until they have $XX,000 in their savings account.

Whatever your emergency fund amount is, be sure to keep it in a bank savings account or money market. It needs to be liquid and somewhere that can be accessed when it is needed. Be careful that it's not TOO easily accessible and is a temptation to use. A big pile of cash in your sock drawer is too easy to raid, especially when those Girl Scouts are knocking at your door and are towing a wagon full of cookies. FDIC Insured savings accounts are best. You won't earn much interest at this point, but don't be tempted to invest the funds in something riskier.

Most emergency funds aren't created immediately, but are formed over time. If you don't have an emergency fund currently, you can start by funding it through monthly or bi-monthly transfers into a savings account. Just a little at a time can add up until you reach your emergency fund goal!

CARES Act. Let's shift gears and talk about the recent legislation that was signed into law referred to as the CARES Act. Part of the CARES Act deals with retirement accounts and the suspension of Required Minimum Distributions (RMD). Within the 880 pages of legislation, the "R" is being removed from RMD for 2020.

How does this work? When you reach age 72, you're required to take out a minimum distribution from your IRA or retirement plan account. This requirement was suspended for 2020. This is a big benefit to individuals who do not NEED to live on the funds from their RMD. Unfortunately, this does not apply to distributions taken prior to the CARES Act going into law. Distributions taken in 2020 cannot be rolled over to an IRA unless it falls within the 60-day rollover limitation.

If you haven't already taken your 2020 RMD and you don't need the money as part of your living expenses, you may want to consider holding off on your distribution. Since distributions from retirement accounts are taxed at ordinary income rates, this could be a big savings for individuals. As always, we suggest that you speak with your tax advisor about these changes in order to determine if they can be to your benefit.

IRS Indexed Limits for 2020:
401(k), 403(b), 457 Plan Deferral Limit is $19,500.
Catch-up Contribution limit is $6,500. Source: www.irs.gov