1911 TRUST

First Quarter Market Watch

Global equity markets finished the first quarter of 2020 as the worst since the 2008 great financial crisis, as efforts to halt the coronavirus pandemic shut down large parts of the economy. The S&P 500 lost 19.6% in the first quarter, and declined almost 35% since its recent peak on February 19th. Also during the quarter, the Dow Jones Industrial Average declined 22.7%, the MSCI EAFE, the benchmark for developed international equities, lost 22.7%, and the emerging market index declined 23.6%. Notably, Britain's stock market, the FTSE 100, suffered its biggest quarter slump since 1987, losing 28.7% as Coronavirus loomed.

As of April 1st, cases of coronavirus infection surpassed 951,000 globally. There were more than 216,000 Americans infected with the virus, nearly twice that of the next-highest country, Italy. In the US, nearly half of states now are reporting more than 1,000 confirmed cases. In New York, where of the virus outbreak is the worst in the country, with over 66,000 confirmed cases. Globally, the disease reached far corners of the world including the US territory of Guam. Italy's death toll climbed at the end of March to 11,591, the highest of any country. Spain, with 7,340 deaths, is the second hardest-hit country. Both, like the US, have surpassed China in total confirmed cases. Wimbledon has been cancelled in April for the first time since World War II. The Tokyo 2020 Olympics were postponed until 2021.

As the data capturing the new crisis dribbles in, regional Federal Reserve Banks have tallied up the economic picture. The New York Fed recently launched a weekly economic index and released its first results that showed the lowest weekly level since 2008. A separate report from the San Francisco Fed warned that uncertainty generated by the crisis may lead to a persistent increase in the unemployment rate. Another source, IHS Markit estimates a first quarter GDP decline of 2.1% decline.

Most private sector forecasters see a massive hit to growth. Manufacturing activity contracts as factories across the US, Asia and Europe cut output at the fastest pace since the global financial crisis, a sign the global economy has entered a deep freeze due to the lockdowns. In the US, the Institute for Supply Management said its manufacturing index fell to 49.1 in March from 50.1 in February, a swing in readings from expansion to contraction. The Federal Reserve has no official forecasts and bypassed creating one at its most recent FOMC meeting citing uncertainty and rapidly moving events. The St. Louis Fed leader has suggested that half of production might need to be shelved during the second quarter. Shares of US airline carriers including United Airlines, Delta and American have suffered from steep sell-offs due to sharp decline in passenger traffic. Each is cutting schedules and looking for ways to pare costs.

The March employment report was grim. The Labor Department reported that the economy shed 701,000 jobs in March, far more than the modest loss of 10,000 expected. The unemployment rate jumped to 4.4% from February's 3.5%, making its largest percentage-point increase since 1975.

Once social distancing slows the pandemic, tough questions follow over how the nation will get back to work: reopening a $22 trillion US economy that has been shut down like never before. Meanwhile, President Trump said he hopes to have the country reopened in the next two weeks, a timeline that is dramatically

	Date	1 Quarter Ago		1 Year Ago	
	3/31/2020	12/31/2019	% chg	3/31/2019	% chg
DJIA	21,917.16	28,538.44	-22.7%	25,928.68	-13.4%
S&P 500	2,584.59	3,230.78	-19.6%	2,834.40	-7.0%
NASDAQ Composite	7,700.10	8,972.61	-14.0%	7,729.32	0.7%
Russell 2000	2,865.75	4,146.56	-30.6%	3,826.64	-24.0%

	Date	1 Quarter Ago		1 Year Ago	
	3/31/2020	12/31/2019	% chg	3/31/2019	% chg
Japan Nikkei 225	18,917.01	23,656.62	-19.3%	21,205.81	-8.5%
MSCI EM (Emerging Markets)	848.58	1,114.66	-23.6%	58,487.72	-17.4%
MSCI EAFE	1,559.59	2,036.94	-22.7%	1,875.43	-13.9%
MSCI AC World	442.35	565.24	-21.3%	508.55	-10.8%
FTSE 100	5,316.82	6,980.94	-28.7%	6,515.26	-22.3%
SSE Composite Index	2,750.30	3,050.12	-11.4%	3,090.76	-15.7%

US Equity Style

	Q1	1-yr ret.
Consumer Discretionary	-19.3%	-10.8%
Consumer Staples	-12.7%	-0.6%
Energy	-50.5%	-52.4%
Financials	-31.9%	-17.1%
Health Care	-12.7%	-1.0%
Industrials	-27.0%	-19.5%
Information Tech	-11.9%	10.4%
Materials	-26.1%	-16.6%
Communication Services	-17.0%	-3.3%
Utilities	-13.5%	-1.4%

US Equity Style

	Q1	1-yr ret.
RUSSELL 1000 VALUE	-17.2%	-26.7%
RUSSELL 1000 GROWTH	0.9%	-14.1%
RUSSELL 2000 VALUE	-29.6%	-35.7%
RUSSELL 2000 GROWTH	-18.6%	-25.8%

Commodity Prices

	Mar 2020	1 Qtr Ago	1 Yr. Ago
Gold	1,596.6	1,523.1	1,298.50
Crude Oil	20.5	61.1	60.14
UD Dollar Index	99.1	96.1	96.85
Commodity Index	61.9	80.9	81.09

1911 TRUST

sooner than what many public-health experts have recommended to help contain the pandemic.

The energy crisis has also intensified, sending the US crude oil futures index to an 18-year low. The final trading days in March sent oil on pace for its biggest percentage drops on record. The latest declines came after President Trump announced an extension of social distancing guidelines to fight the coronavirus through the end of April, resulting in a sharp decline in oil consumption forecasts. The pandemic has halted economic activity and global travel, thus curtailing oil demand. Historically when gasoline prices plummet, consumers have typically driven more. That is no longer the case due to the restrictions on travel and mobility, leaving a massive surplus of oil. Furthermore, a price war between Saudi Arabia and Russia has made the rout even more painful. Though Saudi, Russia, and the US have subsequently reached an agreement to cut production, the deal did little to assuage concerns about the oil market due to the still elevated global oil inventories.

Crude oil prices, along with other commodities, are likely to remain highly volatile in the short- and medium terms. Our investment professionals at the 1911 Trust have significantly reduced your portfolio's concentration in the energy sector, as well as gradually reduced the exposures to the adjacent industrial companies. Furthermore, we have taken the necessary steps to diversify your portfolios, refining position limits, as well as enforcing higher quality disciplines. We believe that the companies with still healthy balance sheets, resulting financial flexibility, the ability to generate cash flows, as well economies of scale, are more resilient and able to endure the economic downturn. We believe that these steps we have taken over the past few years have now proven prudent, especially in these now uncertain times.

In spite of the dismal quarter among the world's equity markets, major indices staged a sharp recovery during the since the final weeks of March and into early April. The S&P 500 index climbed 12% during the week of April 10th, its best weekly gain since 1974, and the index has rallied 25% from its March 23rd low.

This sharp rally came after lawmakers and the White House reached an agreement on a $2.2 trillion stimulus package. The economic relief bill aims at mitigating stresses in the economy by extending benefits to 13 weeks, "helicoptering" $1,200 per individual, $2,400 per couple, and $500 per child to families earning less than $99,000 per year, establishing direct aid to hospitals and municipalities interest-free and forgiveness loans to small businesses, and lending $500B to those hurt by the disruption. The total fiscal and monetary

Bond Yields

	Mar '20	Dec '19	1 Yr. Ago
Treasury Bill, 90 Day	0.10	1.55	2.39
Treasury Note, 2 Year	0.20	1.57	2.27
Treasury Note, 5 Year	0.37	1.69	2.24
Treasury Bond, 10 Year	0.68	1.92	2.42
Treasury Bond, 30 Year	1.32	2.39	2.82

Interest Rates

	Mar 2020	1 Qtr Ago	1 Yr. Ago
PRIME RATE	5.50	5.50	4.75
FEDERAL FUNDS RATE	2.41	2.41	1.68
US 2Y T-Note Yield	2.27	2.50	2.26
US 10Y T-Note Yield	2.42	2.68	2.74
30YR FIXED MORTGAGE	4.06	4.51	4.45

US Bond Sector Performance

	Q1	YTD	1-Year Return
BAR CAP Govt. Interm. TR	5.2%	5.2%	-0.3%

Economic Sentiment

	Mar 20	Dec 19
Unemployment Rate	4.40	3.50
Average Single Family Home	307,000	312,300

Stimulus relief packages have already doubled the amount provided during the 2008 financial crisis. Morgan Stanley's investment strategists believe that the economic shock is being matched in speed, size, and scope by unprecedented policy actions by the Federal Reserve, the US government, and other governments worldwide. They are beginning to deploy cash and profits from long duration bond sales into risk assets. These elements should provide a short-term financial and sentiment boost that is necessary.

Despite these measures, lingering investor nervousness persists. The stock market has swung wildly since late March, with major indexes soaring during the majority of a trading day, then shedding much of the gains in its final minutes. In another sign of investor caution, the yield on the 10-year US Treasury note, fell to 0.68% at the end of March from a high of 1.94% on January 20th, 2020.

Given the wild ride in the stock market recently, some clients have expressed legitimate concern whether more sell-offs are yet to come, while others are now wondering if the worst is behind us. We think the financial markets may need time to fully recover after significant declines. We believe markets may not have digested how slow the recovery will likely be. The lockdowns may persist indefinitely with a myriad of industries affected. Restarting supply chains will take time, which capital spending will likely remain constrained. Furthermore, equity markets may see a return to volatility when corporations start reporting Q1 earnings in this week.

At the 1911 Trust, our investment professionals have made the commitment to deliver value to our customers and family members. We understand that our constituents are feeling the uncertainty about their businesses, jobs, savings, retirement plans, and most importantly, the health of their families and loved ones. The Office always strives to provide solutions that comfort inevitable short-term fears while addressing more important long-term goals. Amidst the turmoil in global financial markets, we think the sharp swings in asset market values present an opportunity to rebalance your portfolios to target allocations. Our approach to rebalancing includes maintaining diversification in asset classes, and selectively purchasing high quality securities with solid financial conditions that should achieve superior risk-adjusted returns. We continue to maintain a thoughtful and disciplined approach to safeguard your assets.

Kevin Kavanaugh
Chief Investment Officer

Lei Qin, CFA, CFP®, FRM, CAIA
Director of Equity Research and Portfolio Management