WINTHROP
WEALTH

Q1 2020 MARKET REVIEW & OUTLOOK

Andrew Murphy, CFA
Director of Portfolio Management

info@winthropwealth.com

109 State Street, 2nd Floor
Boston, MA 02109

www.winthropwealth.com

617.530.1010

Securities offered through LPL Financial. Member FINRA/SIPC. Investment advice offered through Winthrop Wealth, a registered investment advisor and separate entity from LPL Financial.

OVERVIEW - FIRST QUARTER 2020

The first quarter of 2020 will forever be synonymous with the coronavirus crisis. Over the past several weeks, the virus has not only impacted financial markets, but it has turned our daily lives upside down. These are truly unprecedented times. Most importantly, we hope that you and your families are all staying safe and healthy.

At Winthrop Wealth, we are all working remotely, and our technology has allowed us to do so seamlessly. We have had the chance to speak with many of you recently, but please don't hesitate to reach out to us if you need anything. We are here for you, and we will help you get through this difficult period.

Our goal with this piece is to provide a recap and analysis of the major financial events that occurred in the first quarter, and to offer context for our market outlook.

- **Market Returns:** Most major asset classes except government securities posted negative returns.

- **US Equity Markets:** The S&P 500 returned -19.6% in the first quarter - the worst quarterly return since Q4 2008 (-21.9%). The decline pushed the market back to its January 2019 level. The S&P 500 entered its first bear market since 2009 (a bear market is typically defined as a peak-to-trough decline of more than -20%).

- **US Fixed Income Markets:** The Barclays US Aggregate Bond index (Agg), which acts as a proxy for the investment-grade bond market, increased by +3.1% in the quarter as the decrease in interest rates was positive for returns (bond prices move inversely to interest rates).

- **Bond Market Dislocations:** Due to the market volatility there were several dislocations in the bond market, especially noticeable in the corporate and municipal markets. Our view is that the bond market does not have any structural problems and that defaults will remain low for high quality issuers.

- **Interest Rates:** Interest rates declined throughout the quarter. Shorter maturities fell after the Fed lowered the federal funds rate while longer maturities decreased as investors bought Treasury notes and bonds due to their perceived safety in a volatile environment. The 10-Year Treasury yield ended the year at 0.67%.

- **The Fed:** The Federal Reserve announced an extraordinary amount of monetary stimulus to support the economy and the financial markets. The Fed has acted in three ways: lowering interest rates, restarting their quantitative easing program, and creating seven lending facilities. Going forward, we expect that the Fed will do whatever is necessary to ensure the current slowdown is short-lived and the economy recovers strongly.

- **Fiscal Stimulus:** Congress also unveiled an unprecedented amount of fiscal stimulus. The centerpiece of the fiscal stimulus program is the $2 trillion Coronavirus Aid, Relief, and Economic Security Act, known as the CARES act, which will provide relief to individuals, small businesses, state and local governments, corporations, and public health organizations.

- **US Economy:** The United States likely fell into a recession in late February or early March as social distancing measures caused many businesses to temporarily shut down or decrease activity. How long the recession will last will be determined by the spread and magnitude of the coronavirus and how quickly the economy normalizes as people go back to work and businesses reopen.

- **US Equity Market Outlook:** As we move forward, we are balancing the short-term risks associated with investing during the coronavirus pandemic and the long-term opportunities. While we believe it is impossible to predict what the market will do over the next several weeks or months, our long-term viewpoint is more optimistic. Companies around this world are racing to develop treatments and vaccines, testing will expand, social distancing and stay at home policies should help flatten the curve of outbreaks, and officials are unleashing a tidal wave of fiscal and monetary stimulus. We know that the United States is resilient; our people and companies will adjust and overcome. We will conquer the virus and get through this. We suspect that we will remember this period as extraordinarily difficult, but from an investment perspective that individuals who stayed invested were rewarded.

View Our Q1'2020 Market Review and Outlook Video

US Equity

Index	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
S&P 500	-19.60%	31.48%	-4.39%	21.82%	11.95%	1.37%	5.09%	6.80%	10.43%	4.78%
Russell 3000	-20.90%	31.01%	-5.25%	21.12%	12.72%	0.47%	3.99%	5.83%	10.06%	4.91%
Dow Jones Industrial Average	-22.73%	25.34%	-3.48%	28.11%	16.43%	0.21%	4.42%	6.94%	9.92%	6.06%
Nasdaq	-13.91%	36.74%	-2.81%	29.73%	8.97%	7.11%	10.46%	10.86%	13.74%	3.68%
S&P 400	-29.70%	26.17%	-11.10%	16.23%	20.73%	-2.18%	-4.11%	0.62%	7.75%	6.92%
Russell 2000	-30.62%	25.49%	-11.03%	14.63%	21.28%	-4.41%	-4.66%	-0.25%	6.81%	5.26%
Russell 1000 Growth	-14.10%	36.39%	-1.51%	30.21%	7.07%	5.67%	11.32%	10.44%	12.90%	4.02%
Russell 1000 Value	-26.73%	26.52%	-8.28%	13.64%	17.33%	-3.84%	-2.19%	1.96%	7.55%	5.36%

International Equity

MSCI Index	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
EAFE	-22.83%	22.01%	-13.79%	25.03%	1.00%	-0.81%	-1.82%	-0.65%	2.59%	1.99%
Europe	-26.77%	23.20%	-16.90%	28.07%	1.34%	-1.42%	-4.02%	-1.97%	1.14%	1.10%
Japan	-16.79%	19.61%	-12.88%	23.99%	2.38%	9.57%	0.95%	1.96%	3.81%	0.36%
China	-10.22%	23.46%	-18.88%	54.07%	0.90%	-7.82%	7.05%	3.29%	4.18%	8.07%
Emerging Markets	-23.60%	18.42%	-14.57%	37.28%	11.19%	-14.92%	-1.62%	-0.54%	0.51%	5.13%
ACWI ex US	-23.36%	21.51%	-14.20%	27.19%	4.50%	-5.66%	-1.96%	-0.71%	1.92%	2.42%

US Fixed Income

Bloomberg Barclays Index	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
Aggregate	3.15%	8.72%	0.01%	3.54%	2.65%	0.55%	4.82%	3.29%	3.90%	5.07%
Treasury Bills	0.46%	2.21%	1.83%	0.81%	0.26%	0.03%	1.74%	1.12%	0.59%	1.64%
Corporates	-3.63%	14.54%	-2.51%	6.42%	6.11%	-0.68%	4.20%	3.26%	4.92%	5.78%
Securitized	2.65%	6.44%	0.99%	2.51%	1.77%	1.47%	4.02%	2.89%	3.39%	4.86%
High Yield	-12.68%	14.32%	-2.08%	7.50%	17.13%	-4.47%	0.77%	2.77%	5.63%	6.54%
Munis	-0.63%	7.54%	1.28%	5.45%	0.25%	3.30%	3.96%	3.17%	4.14%	4.86%

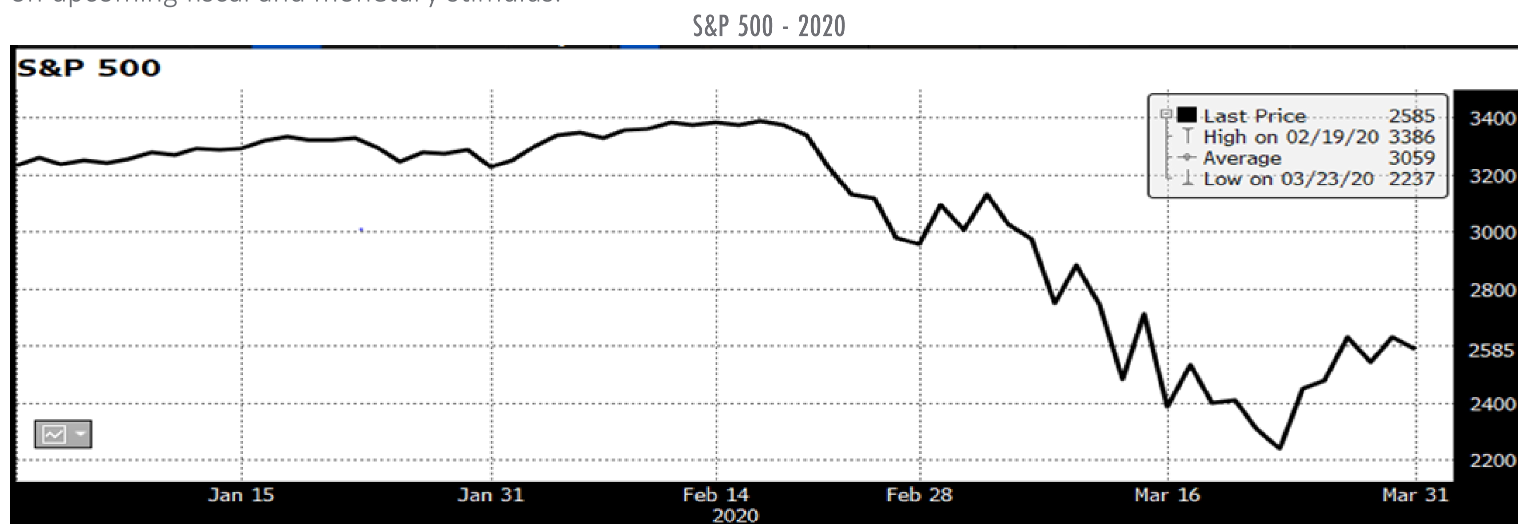
US Equity Sectors

Index	YTD 2020	2019	2018	2017	2016	2015	3-Year	5-Year	10-Year	20-Year
Technology	-11.93%	50.29%	-0.29%	38.83%	13.85%	5.92%	17.63%	17.14%	15.77%	3.22%
Real Estate	-19.21%	29.00%	-2.23%	10.85%	1.12%	1.24%	2.94%	2.37%	7.68%	
Industrials	-27.05%	29.32%	-13.32%	21.01%	18.85%	-2.56%	-1.82%	3.11%	8.49%	5.30%
Energy	-50.45%	11.81%	-18.10%	-1.01%	27.36%	-21.12%	-21.63%	-14.24%	-3.91%	2.59%
Consumer Discretionary	-19.29%	27.94%	0.82%	22.98%	6.03%	10.11%	5.69%	7.45%	13.47%	6.63%
Communication Services	-16.95%	32.69%	-12.53%	-1.25%	23.48%	3.40%	-0.29%	3.49%	8.00%	0.24%
Consumer Staples	-12.74%	27.61%	-8.39%	13.49%	5.38%	6.60%	2.87%	5.17%	9.92%	8.89%
Utilities	-13.50%	26.35%	4.11%	12.10%	16.29%	-4.84%	6.23%	8.25%	10.44%	7.12%
Materials	-26.13%	24.58%	-14.70%	23.84%	16.69%	-8.38%	-2.80%	0.55%	5.38%	5.93%
Financials	-31.95%	32.09%	-13.04%	22.14%	22.75%	-1.56%	-2.35%	3.35%	6.75%	2.43%
Health Care	-12.67%	20.82%	6.47%	22.08%	-2.69%	6.89%	8.16%	6.27%	12.76%	7.79%
	Calendar Year Returns						Annualized Returns			

US EQUITY MARKETS

The S&P 500 returned -19.6% in the first quarter - the worst quarterly return since Q4 2008 (-21.9%). The decline pushed the market back to its January 2019 level. The S&P 500 also entered its first bear market since 2009 (a bear market is typically defined as a peak-to-trough decline of more than -20%). The market bottomed for the quarter on March 23rd at 2,191 before increasing by over +15% in the last six days of the month as investors received more details on upcoming fiscal and monetary stimulus.

S&P 500 - 2020



(Source: Bloomberg)

Across market caps, Large (S&P 500: -19.6%) outperformed Mid (S&P 400: -29.7%) and Small (Russell 2000: -30.6%). Across styles, Growth (Russell 1000 Growth: -14.1%) outperformed Value (Russell 1000 Value: -26.7%). All eleven sectors were negative for the quarter with Technology (-11.9%) and Health Care (-12.7%) as the top performers, and Financials (-31.9%) and Energy (-50.5%) as the laggards.

US markets did not react much as the coronavirus spread throughout China and Asia in January. However, once outbreaks grew worse in Europe and quickly spread to the US west coast, nearly every asset class except short-term Treasuries declined significantly. The spread of the virus and the subsequent economic shutdown have gripped markets over the last several weeks. For now, tracking the number of new virus cases and estimating the peak in infections has replaced economic and fundamental analysis. How long the economy will be shut down for and what corporate earnings will be over the next 12-months will depend on the spread of the virus. To their credit, both the Fed and Congress have acted quickly and unleashed a tidal wave of stimulus to combat the economic effects of the virus (stimulus measures did help calm markets over the last several days). See below for our thoughts on fiscal and monetary stimulus, and our market outlook.

VOLATILITY

This market has not been for the faint of heart as volatility increased to unprecedented levels during the month of March. The following chart displays daily returns for the S&P 500 over the last 50 years – larger daily swings (moves of greater than +/- 1%) are associated with an increase in volatility. By these metrics, March 2020 was the most volatile month in the last 50 years, with larger daily moves than even November 2008 (the heart of the Global Financial Crisis). A major reason for the increase in volatility is that investors do not have a clear picture into what near-term economic or earnings growth will be.

S&P 500 Daily Returns					
	March 2020	2020	2019	50 Year Annual Average	November 2008
+/- 1%	21	30	37	60	16
+/- 3%	16	19	1	4	11
+/- 5%	8	8	0	1	8

(Source: Bloomberg)

This period is another example of why we do not believe in market timing (our thoughts on market timing can be found **here**) and we believe that making sudden large adjustments to client portfolios is value destructive over time. The daily swings are so violent that they can make a market timer look like a hero one day and a goat the next. No one knows what the market will do on a daily basis, and anyone that already sold will now have to make the extraordinarily difficult decision of when to buy back in.

US FIXED INCOME MARKETS

The Barclays US Aggregate Bond index (Agg), which acts as a proxy for the investment-grade bond market, increased by +3.1% in the quarter as the decrease in interest rates was positive for returns (bond prices move inversely to interest rates). However, different bond types produced very different results. Treasuries were the outperformers while anything with credit risk, including Corporates (-3.6%), High Yield (-12.7%), and Munis (-0.6%) generated negative returns.

	Returns					Fundamental Estimates		
Bloomberg Barclays Index	Q1 2020	2019	2018	2017		Yield to Worst	Option Adjusted Spread (bps)	Duration
Aggregate	3.15%	8.72%	0.01%	3.54%		1.6%	95	5.7
Treasury Bills	0.46%	2.21%	1.83%	0.81%		0.1%		0.2
Corporates	-3.63%	14.54%	-2.51%	6.42%		3.4%	272	8.0
High Yield	-12.68%	14.32%	-2.08%	7.50%		9.4%	880	4.1
Munis	-0.63%	7.54%	1.28%	5.45%		2.0%		5.4

MARKET DISLOCATIONS

Due to the market volatility there were several dislocations in the bond market, which were especially noticeable in the corporate and municipal markets. This occurred for a few main reasons:

1. Investors were rushing to raise cash and selling their most liquid positions, including bonds and gold. The rush into short-term Treasuries caused the yield on 3-month T-bills to decline to negative territory as it reached -0.25% on March 27th.

2. Levered investors were forced to sell positions at any price.

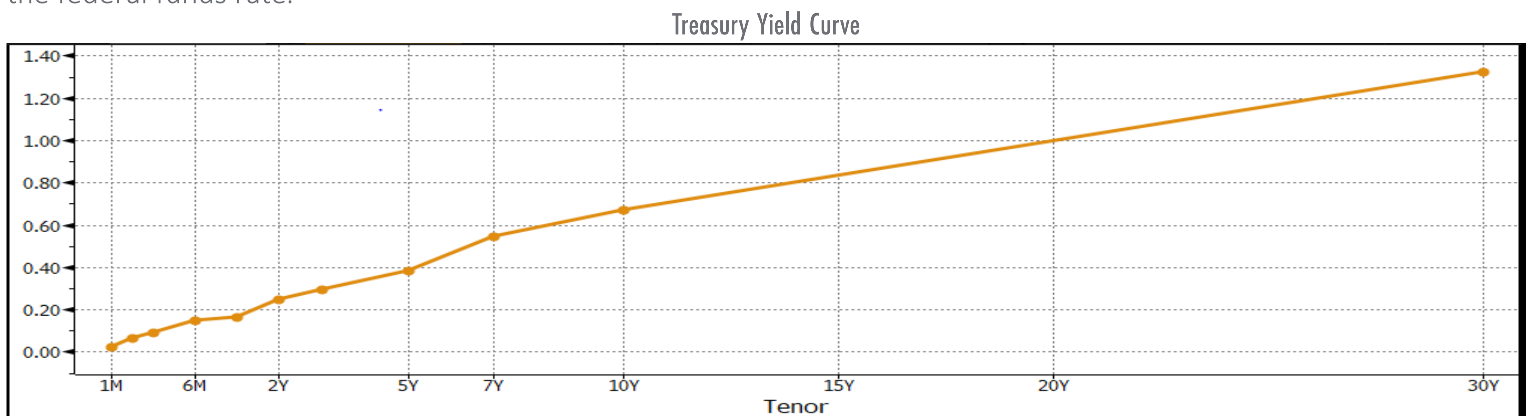
We've seen dislocations occur in the bond market before during times of stress (especially during 2008-2009). Our view is that the bond market does not have any structural problems and that defaults will remain low for high quality issuers. After the Fed announced additional monetary stimulus and Congressed passed the CARES Act, the bond market calmed down, spreads declined, and the dislocations began to clear. We expect more monetary and fiscal stimulus if these issues begin to appear again.

INTEREST RATES

Interest rates declined throughout the quarter as the 2-Year Treasury yield decreased from 1.57% to 0.25% while the 10-Year Treasury fell from 1.92% to 0.67%. Shorter maturities declined after the Fed lowered the federal funds rate to 0 to 0.25% while longer maturities decreased as investors bought Treasury notes and bonds due to their perceived safety in a volatile environment.

The yield curve is a graph of a Treasury bond's maturity and its rate of return for various time periods. The typical maturities referenced generally range from 3-Months to 30-Years. Long term yields are at historically low levels, but the curve returned to a positive slope (long-term maturities with higher yields than short-term) after the Fed lowered the federal funds rate.

Treasury Yield Curve



(Source: Bloomberg)

THE FED - MONETARY STIMULUS

In response to the Covid-19 outbreak, the Federal Reserve announced an extraordinary amount of monetary stimulus to support the economy and the financial markets. While the Fed's actions can't stop the virus or the corresponding recession, they can dampen the economic impact and promote a quick recovery. During the Financial Crisis the Fed was criticized for not moving fast enough to stimulate the economy. The current Fed regime, led by Chairman Jerome Powell, is pulling out all the stops during this difficult period. Even President Trump, a vocal Fed critic, is happy with their response so far. The Fed announced that, "aggressive efforts must be taken to limit the losses to jobs and incomes and to promote a swift recovery once the disruptions abate." The Fed has acted in three ways: lowering interest rates, restarting their quantitative easing program, and creating seven lending facilities.

Interest Rates		Balance Sheet		Commentary
Federal Funds Rate	Federal Funds Rate 2020 Change	Fed Balance Sheet	Fed Balance Sheet 2020 Change	March FOMC Statement
0 - 0.25%	-1.50% (Rate cuts on March 3rd and March 15h)	$5.3 Trillion	+ $1.1 Trillion	The Committee will continue to monitor the implications of incoming information for the economic outlook, including information related to public health, as well as global developments, and will use its tools and act as appropriate to support the economy.

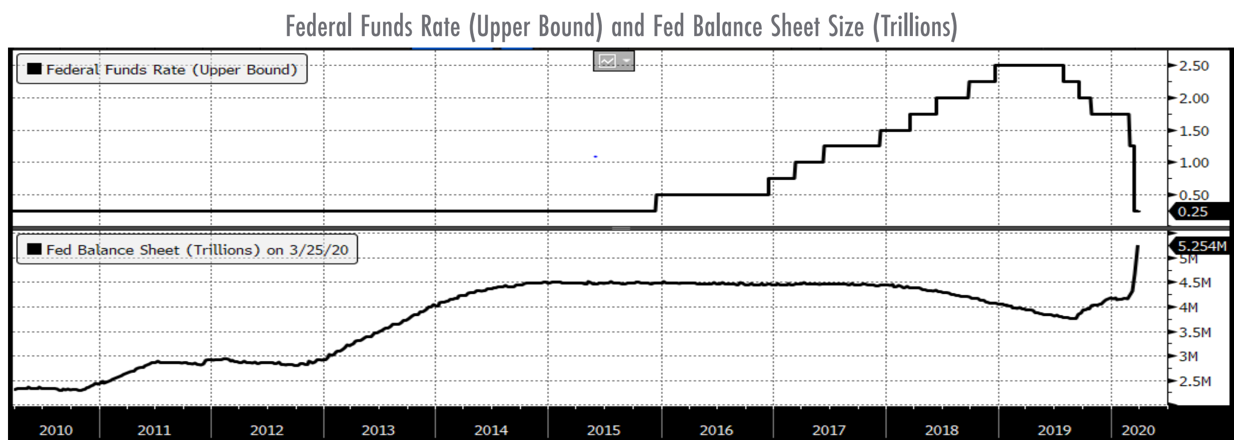
Interest Rate Cuts: The Federal Open Market Committee (FOMC) lowered the federal funds rate by-1.50% total, bringing current rate to a range of 0% to 0.25%. The Fed announced rate cuts twice in March, both times at unscheduled meetings. The current federal funds rate matches the level last seen during the financial crisis. This will help stimulate the economy by lowering the interest rate on most loans.

Quantitative Easing Program: The Fed will resume purchasing Treasuries and Mortgage Backed Securities "in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions and the economy." Besides expanding the size of their balance sheet, the Fed's purchases should help keep long-term interest rates low and ensure that fixed income markets function smoothly.

Lending Facilities: The Fed also announced seven new lending facilities that are designed to support the flow of credit to American families and businesses. The Fed's new facilities are capitalized by close to $500 billion from the US Treasury's Exchange Stabilization Fund (ESF) and can be levered to create over $4 trillion in lending capacity (most of the capital was provided in the CARES act).

Going forward, we expect that the Fed will do whatever is necessary to ensure the current slowdown is short-lived and the economy recovers strongly. The Fed will likely keep interest rates at their present low level until the economy shows obvious signs of recovery and stability. The committee will also increase the size of existing programs or develop new ones as necessary. When this period is over, the size of the Fed's balance sheet could possibly reach $10 trillion. In a recent interview, Chairman Powell suggested the Fed will do more if needed, "we're not going to run out of ammunition, that doesn't happen." Financial markets have calmed a bit in recent days as investors remember the adage, "don't fight the Fed."

Federal Funds Rate (Upper Bound) and Fed Balance Sheet Size (Trillions)



(Source: Bloomberg)

FISCAL STIMULUS

Congress also unveiled an unprecedented amount of fiscal stimulus. The centerpiece of the fiscal stimulus program is the $2 trillion Coronavirus Aid, Relief, and Economic Security Act, known as the CARES act. The CARES act is the largest stimulus bill in United States history and dwarfs the $800 billion package that was passed during the financial crisis. Treasury Secretary Steven Mnuchin estimates that the stimulus package can support the economy for about 3 months (we believe this estimate is a bit optimistic). Similar to our view on the Fed, we expect that Congress will provide additional stimulus if necessary.

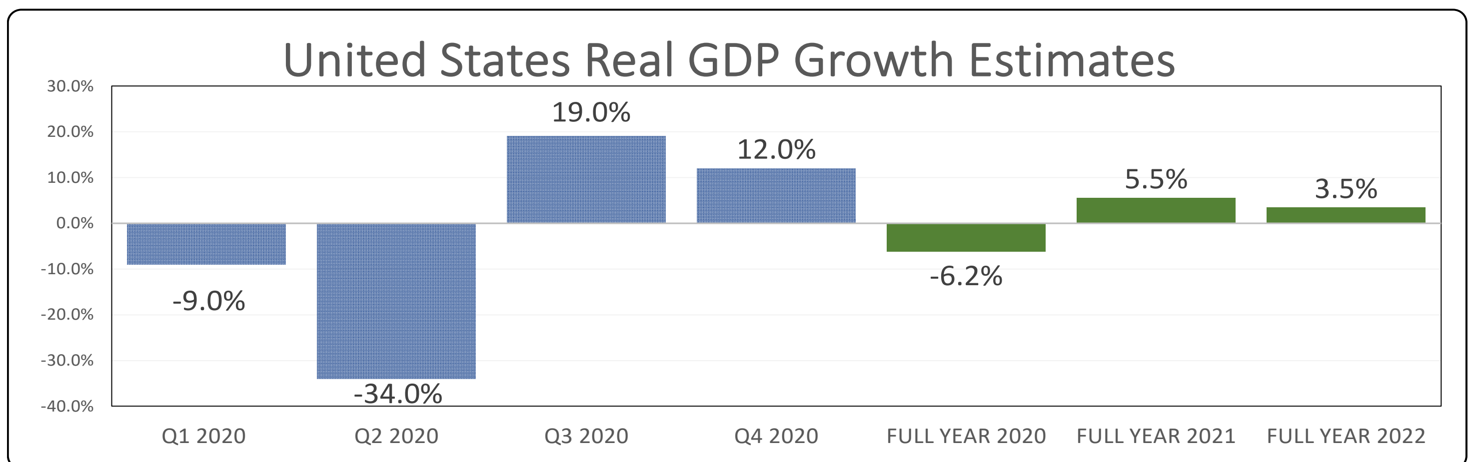
The CARES act is a broad stimulus bill compared to the financial crisis package that was criticized for not providing too much assistance to corporations and not enough to individuals. The CARES act will provide relief to individuals, corporations, small businesses, state and local governments, and public health organizations (see below for details).

Category	Coronavirus Aid, Relief, and Economic Security Act (CARES)
Individuals	Eligible individuals will recieve up to $1,200, married couples will get up to $2,400, and $500 will be added for every child. The cutoff for individuals is income above $99,000 and couples with income above $198,000. The government expects rebates will be available within three weeks. The bill also includes a federal program offering 39 weeks of unemployment insurance (rather than the standard 26 weeks) and an increased benefit amount.
Corporations	The Treasury Department will be charged with administering about $500 billion in loans and assistance. $454 billion will be added to the Treasury's Exchange Stabilization Fund (ESF) that will be used to backstop the Fed's credit facilities and $46 billion will go toward relief for airlines, air cago, and national security industries. Any company receiving a government loan will need to: halt stock buybacks through the term of the loan plus one additional year, limit executive bonuses, and increase worker protection.
Small Business	The Small Business Administration is allocated $350 billion to provide loans of up to $10 million per business. A portion of the loan could be forgiven if the company mantains payroll. Small businesses are defined as companies with 500 or fewer employees.
State and Local Governments	The legislation designates $150 billion in direct aid to state and local governments to improve their fiscal positions.
Public Health	US hospitals and other health-care organizations will be provided $150 billion for equipment and supplies. The bill would also provide $16 billion to replenish the nation's stockpile of medical supplies and $3.5 billion to expand production and development of coronavirus-related vaccines and tests.

US ECONOMY

Based on current economic data and projections, the United States likely fell into a recession in late February or early March as social distancing measures caused many businesses to temporarily shut down or decrease activity. The National Bureau of Economic Research (NBER) defines a recession as a significant decline in economic activity. How long the recession will last will be determined by the spread and magnitude of the coronavirus and how quickly the economy normalizes as people go back to work and businesses reopen.

Fed Chair Powell stated that, "the forecast for the US economy is uncertain and highly dependent on the course of the virus, which is unknowable." However, we do know that the US economy entered the current period in a position of strength. Unemployment was close to an all-time low and the Atlanta Fed estimated that the economy was growing at over +3% though February. The previous state of the economy combined with the unprecedented fiscal and monetary stimulus should help to create a solid recovery once the virus begins to subside.



(Source: Goldman Sachs)

In the 20th century, the United States endured two world wars, the Depression, a dozen or so recessions and financial panics, a flu epidemic, and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497. - Warren Buffet

As we move forward, we are balancing the short-term risks associated with investing during the coronavirus pandemic and the long-term opportunities that occur after market crashes. To use an example, we know that the Global Financial Crisis (GFC) was traumatic for many investors as the S&P 500 declined by about -55% from October 2007 through March 2009, but it also created one of the best buying opportunities in the last century as the market produced a total annualized return of 17.5% in the ten years following the crash. In our most recent **Client Question of the Month** piece, we showed data on how the market has historically rebounded sharply after event driven bear markets.

Short-Term: We believe it is impossible to predict what the market will do over the next several weeks or months. We know the United States is currently in a bear market (peak-to-trough decline of more than -20%) and has experienced nearly unprecedented levels of volatility over the last several weeks. In the short-term, financial markets will likely be driven by the number of new virus cases in the United States and globally as everyone is watching and waiting for the peak. We also know that Congress and the Fed have unveiled an incredible amount of stimulus, but we have limited visibility into economic growth or earnings during this period.

We have used this environment to our advantage by tax loss harvesting (you have probably seen this activity in your taxable accounts and our full note on the subject can be found here) and reallocating to more attractive securities. We've also looked for ways to opportunistically bring account allocations back toward neutral levels. However, we are aware that it is too difficult to make a short-term market forecast and at this point nothing would surprise us.

Long-Term: Our long-term viewpoint is more optimistic. Exactly how long the current bear market and recession will last will be determined by the spread and magnitude of the coronavirus and how quickly the economy normalizes as people go back to work and businesses reopen. However, companies around the world are racing to develop treatments and vaccines, testing will expand, social distancing and stay at home policies should help flatten the curve of outbreaks, and officials are unleashing a tidal wave of fiscal and monetary stimulus. After the virus clears the world will enter a new normal. We suspect it will be a long time before people feel completely comfortable riding the subway, attending a sporting event, eating at crowded restaurant, or during most daily activities that we seemingly took for granted. We know that the United States is resilient; our people and companies will adjust and overcome. We will conquer the virus and get through this. We suspect that we will remember this period as extraordinarily difficult, but from an investment perspective that individuals who stayed invested were rewarded.

In our recent video, **Navigating Volatile Markets**, we outlined that our advice during challenging markets is to put the environment in perspective, avoid making emotional decisions, and to rely on the combination of comprehensive financial planning and investment management to help reach your long-term goals. We have continued to utilize our process. We help our clients during these periods by ensuring their short-term cash flow needs are met while managing the rest of their investments in a globally diversified portfolio. We understand that market drawdowns are stressful. However, the right mindset paired with a comprehensive financial plan and a thorough investment process can provide a sense of comfort and confidence in meeting your long-term financial goals, especially during times of heightened market volatility.

At Winthrop Wealth, we apply a total net worth approach to both comprehensive financial planning and investment management. Financial planning drives the investment strategy and provides a to each client's unique goals and objectives. The comprehensive financial plan defines cash flow needs, is stress tested for various market environments, optimizes account structures, considers tax minimization strategies, and continuously evaluates financial risks as circumstances and/or goals change. The investment management process is designed to provide well-diversified portfolios constructed with a methodology based on prudent risk management, asset allocation, and security selection.

As always, please contact us if you have any questions or updates to your personal or financial circumstances.

DISCLOSURES

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 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 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 Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.