

# What are the Investment & Actuarial Realities Due to Covid-19

AndCo Consulting

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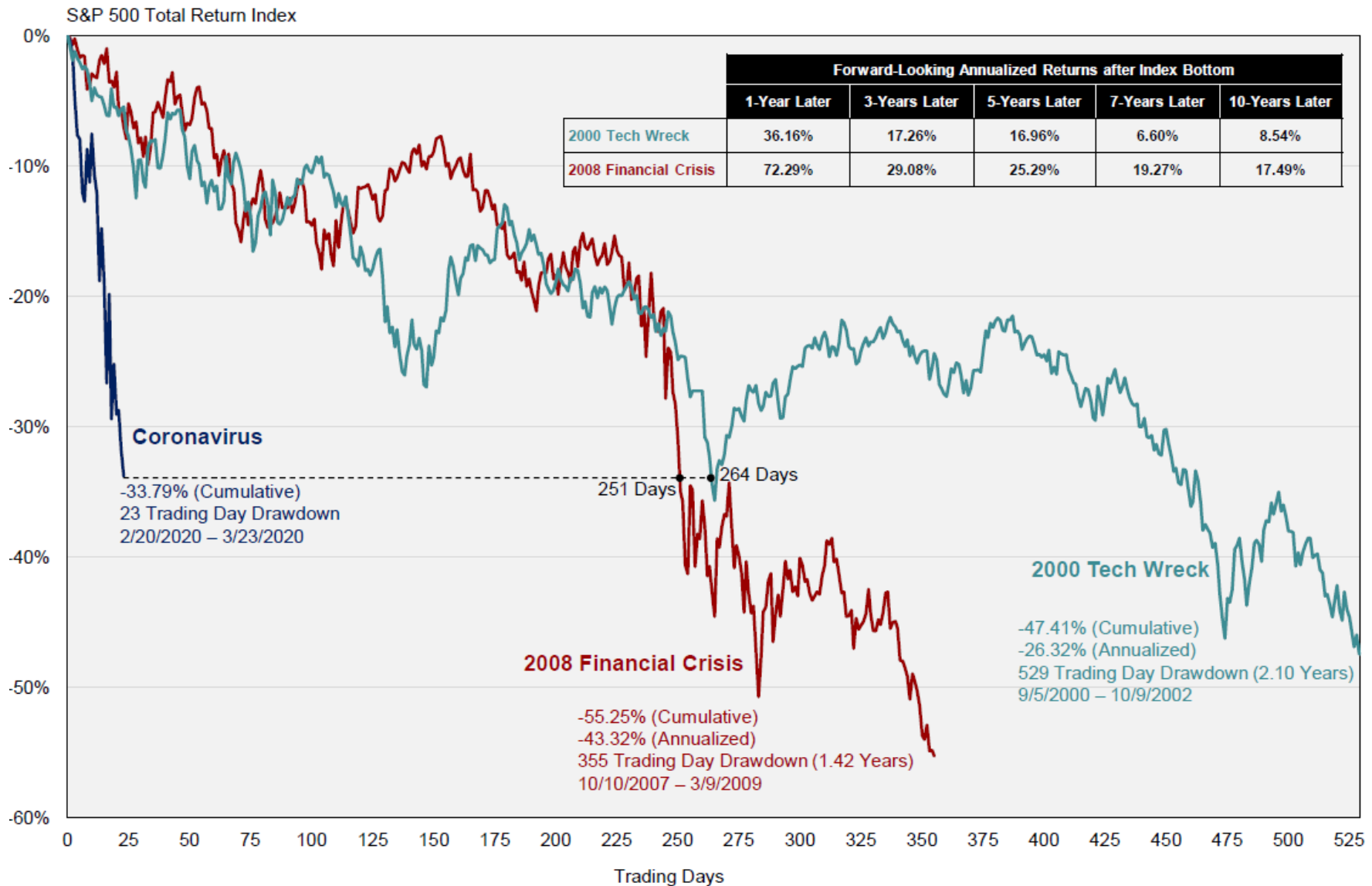
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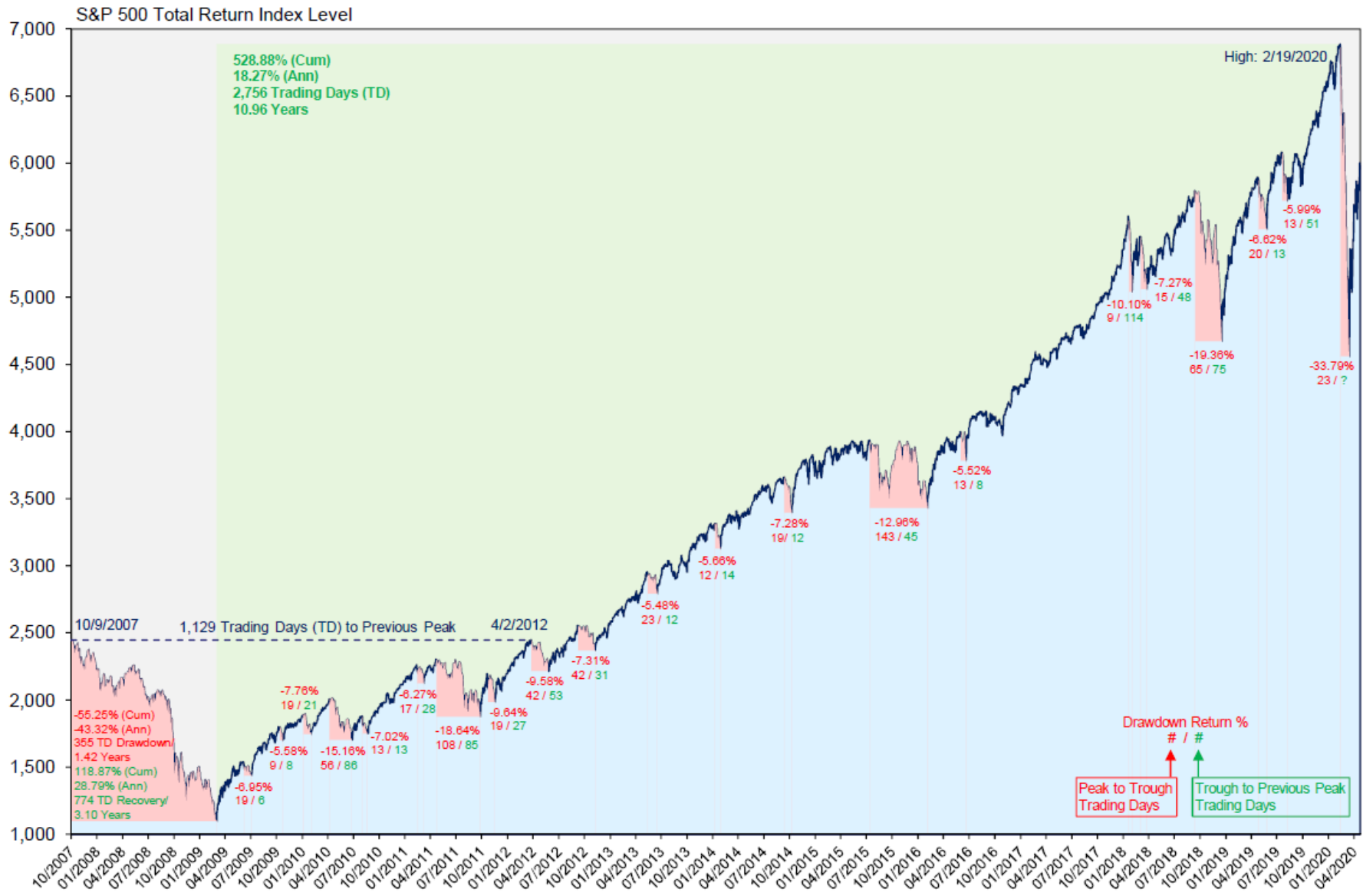


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# Bear Markets Since 2000 (Comparing Crises)



# S&P 500 Total Return Index History (10/9/2007- 4/30/2020)



Source: AndCo Consulting, using data and information derived from Bloomberg.



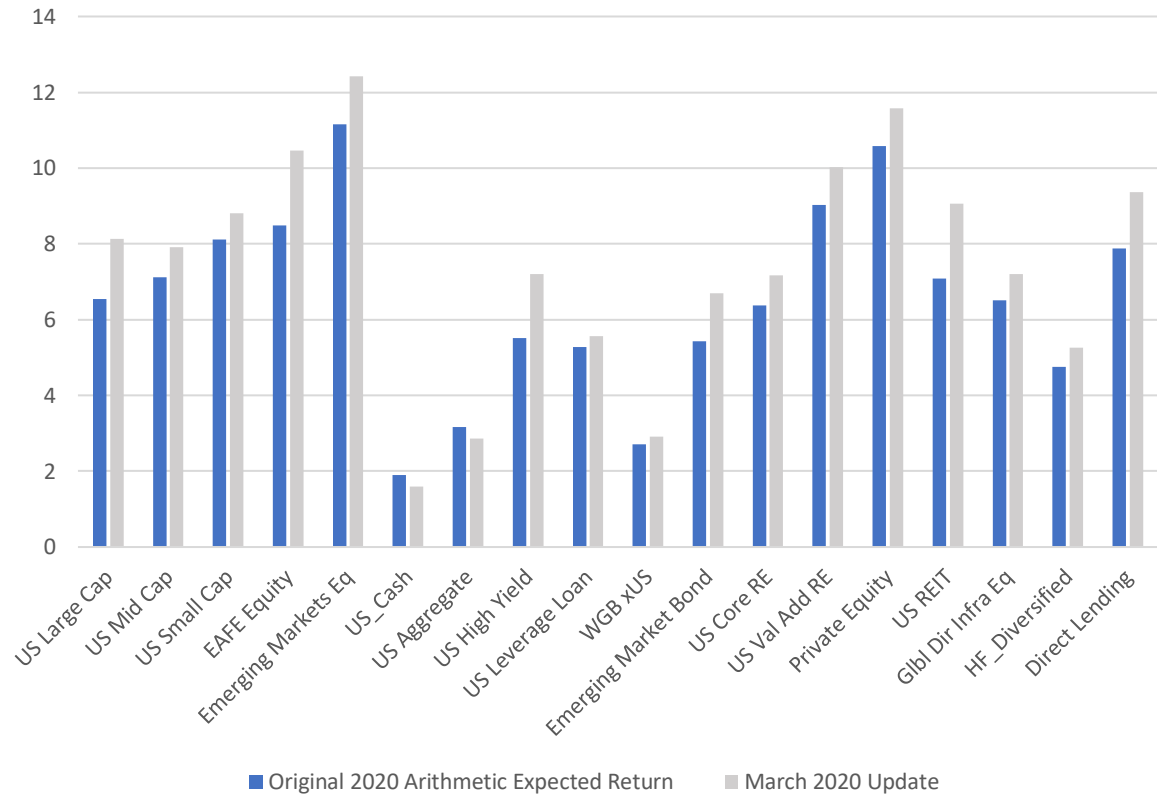
These are timeless tools for Trustees to review for long-term success:

- **Reaffirm long-term objectives**
- **Reaffirm liquidity needs**
- **Conduct rebalancing when necessary**
- **Analyze the portfolio's investment management structure**
- **Assess the viability of new market opportunities**

# Arithmetic Mean Expected Returns 2020 Mid Year Update

Asset Class	Original 2020 Arithmetic Expected Return	March 2020 Update	Difference
US Large Cap	6.55	8.14	1.59
US Mid Cap	7.12	7.91	0.79
US Small Cap	8.12	8.81	0.69
EAFE Equity	8.48	10.46	1.98
Emerging Markets Eq	11.15	12.43	1.28
US_Cash	1.9	1.6	-0.3
US Aggregate	3.16	2.86	-0.3
US High Yield	5.52	7.21	1.69
US Leverage Loan	5.27	5.57	0.3
WGB xUS	2.71	2.91	0.2
Emerging Market Bond	5.43	6.69	1.26
US Core RE	6.37	7.17	0.8
US Val Add RE	9.03	10.02	0.99
Private Equity	10.59	11.58	0.99
US REIT	7.09	9.07	1.98
Glbl Dir Infra Eq	6.51	7.21	0.7
HF_Diversified	4.76	5.26	0.5
Direct Lending	7.88	9.37	1.49

JP Morgan Capital Market Assumptions (Mid Year Update)



Source: AndCo Consulting, using data derived from year-over JP Morgan Long-Term Capital Market Assumptions from 1998 – 2020.

This contains forward-looking statements, estimates and projections which are inherently speculative and subject to various uncertainties whereby the actual outcomes or results could differ materially from those indicated.



# The Case for Rebalancing (S&P 500 1926-2019)

Bear Market Period (Loss of >20%)	Drawdown Duration	Drawdown Loss	Duration to Recovery / No Rebalancing	Duration to Recovery / 50% Loss Rebalance*	S&P 500 Annualized Return (From Trough)		
					1-Year	3-Year	5-Year
September 1929 - June 1932	35	-83.41%	151	12	162.89%	39.34%	34.78%
October 1939 - April 1942	31	-30.28%	9	9	61.23%	31.74%	19.63%
June 1946 - November 1946	6	-21.76%	35	19	8.01%	9.73%	16.77%
January 1962 - June 1962	6	-22.28%	10	10	31.16%	19.16%	14.26%
June 1969 - June 1970	13	-27.12%	9	7	41.83%	16.31%	9.33%
January 1973 - September 1974	21	-42.64%	21	9	38.14%	20.02%	16.86%
September 1987 - November 1987	3	-29.58%	18	14	23.33%	15.92%	17.30%
September 2000 - September 2002	25	-44.73%	49	34	24.40%	16.72%	15.45%
November 2007 - February 2009	16	-50.95%	37	22	53.62%	25.56%	23.00%
	Peak to Trough in Months	Loss if Liquidated at Trough	Trough to Recovery in Months	Trough to Recovery in Months	*Rebalancing assumes a reallocation to the S&P 500 at the trough of 50% of the drawdown loss.		

While the table's timing is hypothetical, it does illustrate the discipline to consider rebalancing into a depressed asset has the potential to significantly truncate the duration required to recover from the drawdown.

Source: AndCo Consulting, using data and information derived from Morningstar (January 1926 Through December 2019).

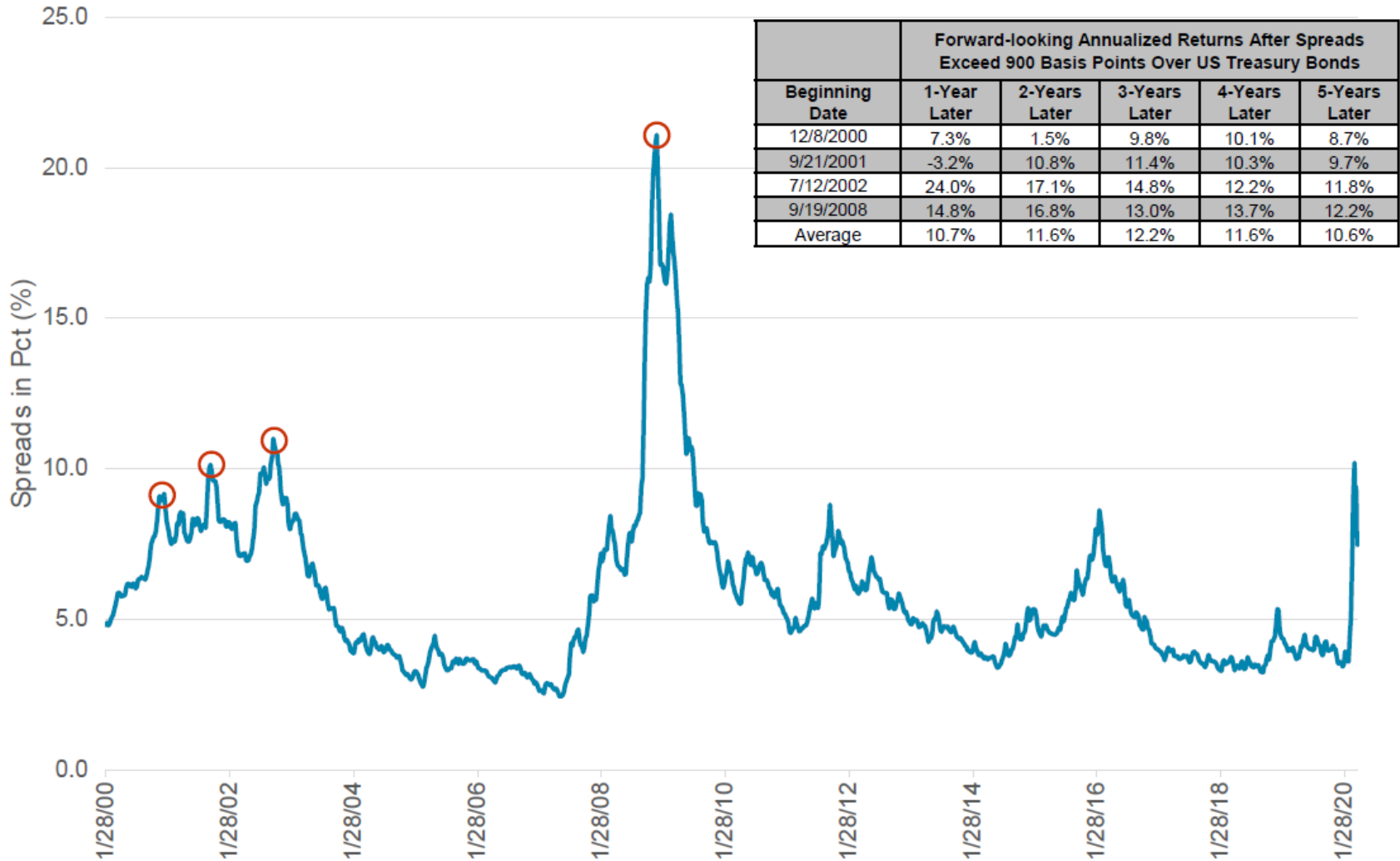
For illustrative purposes only and should not be construed as a recommendation regarding any course of action as each client's circumstances are unique and should be considered on a case by case basis.





# High Yield Bond Spreads (1/28/2000 – 4/15/2020)

## High Yield Bond Spreads



Source: AndCo Consulting, using data and information derived from the Federal Reserve Bank of St. Louis and Morningstar (January 28<sup>th</sup>, 2000 Through April 15<sup>th</sup>, 2020).

For illustrative purposes only and should not be construed as a recommendation regarding any course of action as each client's circumstances are unique and should be considered on a case by case basis.



Thank you!

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