Dear Valued Client:

Writing this update almost a month into a mandated quarantine was certainly not something we could have envisioned at the start of the year. While many of us were aware of the coronavirus in China, we could never have imagined the impact it would have on our lives. So first let us say that we hope that this letter finds you safe and well.

Our hearts go out to the those who have already been impacted by this pandemic as well as to those on the front lines of this battle. We truly appreciate the hospital workers, medical care providers, farmers, grocers, military personnel, and all the others that are rising up to meet the challenges of these times. While it has certainly been a game of catch-up, the efforts of so many in different industries around the world to improvise and use good old-fashioned ingenuity to attack this problem has been impressive and inspiring. We are clearly all in this together.

First Quarter Market Review

We began the year with optimism borne out of a solid economy, new trade deals, accommodative monetary policy, and low unemployment. Coming off of a strong 2019, stocks looked poised to continue their strong run as earnings were expected to pick up and consumers were in a spending mood. Historically, presidential election years have been good to the markets.

Fast forward to late February and March and the twin shocks of Covid-19 and an ill-timed oil price war sent markets tumbling. Indiscriminate selling ensued from this Black Swan event. Fear and uncertainty regarding the virus's human and economic toll resulted in record levels of volatility and markets falling into bear market territory. Below we recap some of the market moves.

- Equity markets took their fastest tumble in history from a record high. In 18 trading days, the US equity markets fell more than 30%. For the full quarter, US equity markets returned -19.6% marking its worst start to the year in history.
- Surprisingly, it wasn't a defensive sector that held up best in the downturn. Technology was the best performing sector, returning -11.9% helped by Microsoft that saw a positive 1 basis point return for the quarter. Consumer staples and utilities, the bond proxy sectors, outperformed the broad market while energy saw the weakest returns at -50.5%, hurting from the over 50% drop in oil prices for the quarter.

1 Pine Hill Drive #502, Quincy, MA 02169 ♦ 617-745-0900 (ph) / 617-745-0910 (fx) ♦ prwwealthmanagement.com

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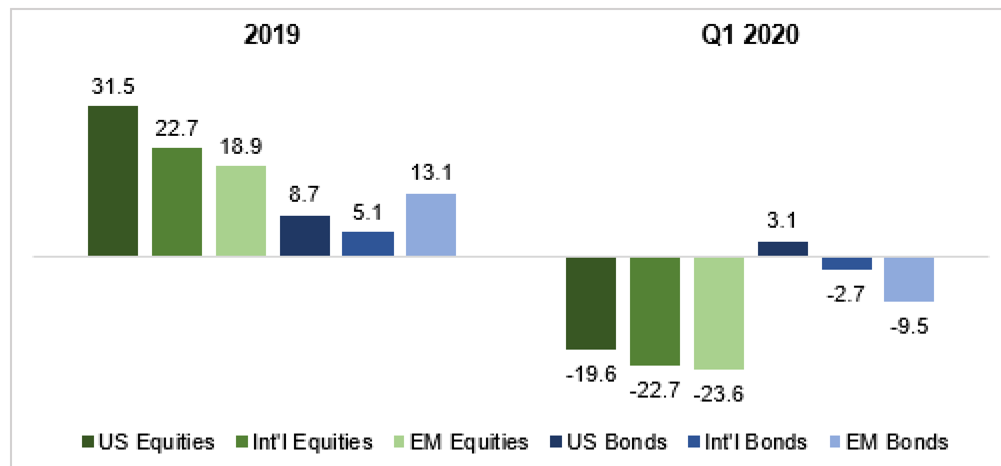

Source: AssetMark, Morningstar

- International markets fell along with the US markets with the developed markets returning -22.7%and the emerging markets returning -23.6%. Only two countries, New Zealand and Denmark, fell by less than 10% over the quarter and China only fell by 10.2%, which was the main reason emerging markets outperformed developed markets in local-currency terms. Once again, the strengthening dollar weakened returns for US investors.
- The tumultuous fall in the equity markets created carnage in the bond market. As liquidity dried up in the bond markets, with investors selling anything they could, the Federal Reserve stepped in to help limit any further damage. Lowering rates and offering almost unlimited quantitative easing programs, bond sectors gaining support from the Federal Reserve started to recover and regain ground.
- The US bond market ended the quarter up 3.1% aided by the strength of Treasuries. The flight to safety saw Treasuries rally, with the longer duration Treasuries seeing a return of 20.9% for the quarter.
- The sensitivity of high-yield bonds to the equity markets saw them register double-digit losses at -12.7%. Bank loans also saw losses at -12.0% as the Fed lowered interest rates to 0%.

REITs (real estate investment trusts) and commodities were among the weakest asset classes, falling 23.4% for US REITs, 29.9% for global REITs and 23.3% for commodities. Social distancing impacted REITs with the biggest pain felt in malls, retail and hotels, while commodities were significantly hurt by energy, with only gold providing a positive return for the quarter reflecting the flight to safety.

In response to the crisis, lawmakers stepped up in a big way. The passage of the "Coronavirus Aid, Relief, and Economic Security Act" (CARES Act) , at $2 trillion, represents the largest fiscal stimulus bill in U.S. history. The bill is intended to help individuals and businesses to bridge the gap between contraction and recovery. Despite the enormity of the bill, a fourth round of stimulus is being considered given the unfolding magnitude of the situation. Combined with the Federal Reserve's efforts, these two measures did help to assuage investor concerns and the markets did mount a rally to close the quarter.

Outlook

Uncertainty has been palpable as we navigate through this storm. The impact, treatment, and action plan to deal with Covid-19 has sparked a wide range of opinions within the scientific community that speak to the high level of ambiguity that the virus has created. The recent data out of China as well as several other countries suggests that there is a potential end game and that is encouraging. However, it is still far too early to tell how the reopening of the economy will happen and what life will look like once we return to some semblance of normalcy. For now, the exit could look like a transition from mass lockdown, to aggressive testing, contact tracing, and localized bouts of enforced isolation and workplace shutdowns. All new territory.

As noted above, financial markets acted swiftly to the downside as a barrage of negative news filtered through the media. It took an enormous effort from the Federal government and Global monetary policy makers around the world to bring calm to the markets and allow for a very strong recovery over the last few weeks. It is quite likely that additional stimulus will be needed and equally probable that lawmakers are committed to this measure as the way to support the economy. The longer-term impact of this deficit creation is a topic for another time, but we expect low rates will be with us for a while.

Given the record number of Americans who have lost their jobs, and the corresponding pull back in consumer spending, we are likely to see waning momentum in the current stimulus driven recovery rally. We expect markets to be choppy in the near future as the countries of our world slowly reopen their economies and our collective "new normal" comes into clearer focus.

In the very short-term, and on an optimistic note, last week has brought some positive signs and reasons to be cheerful. Denmark is reopening daycare centers and primary schools tomorrow. Volkswagen, Renault and Hyundai are reopening factories in several European countries. In the U.S., plans are being formulated to begin a staged reopening of the economy. In recent days, we have also seen a leveling off of the virus curve not only in Italy and Spain but also closer to home in New York and New Jersey… but we know we are not out of the woods. A look at the spikes in other parts of the country are a reminder that we have a long way to go.

A vaccine is still at least a year away by most estimates. We recently spoke with the healthcare team at Fidelity who noted that they are looking for antivirals as a critical instrument in the fight. If successful, the antivirals could be administered to intervene at the critical point in the virus attack, reducing or eliminating its ability to reproduce viral proteins. Unfortunately, these all require more testing and approval such that wide implementation is many months away.

As for those sometimes fickle capital markets, they care most about corporate earnings, and perhaps the best word to describe expected earnings might be "opaque." The phrase "clear as mud" also comes to mind. The clarity we (and the markets) crave will take time. So far, bank earnings have been dismal and economic readings on retail and manufacturing have been equally bad. Markets have looked past the numbers as much of the news was anticipated.

PRW Portfolios reflect our longer-dated optimism and our nearer-term caution. Within portfolios, we have increased our exposure to higher quality fixed income as well as some shorter-duration fixed income. We continue to tilt portfolios to growth stocks, the area of the market that has been strongest the last few years and one that includes a number of high-quality technology firms that are playing an important role in keeping the world connected as well as select health care firms that seem poised to do well in this environment. We are less sanguine about the banking sector given the headwinds of a low interest rate environment and have eliminated our position in public real estate for the

near term. Global managers are working out well as they are providing access to solid companies overseas that provide nice diversification to our U.S. centric portfolios. The volatility is creating opportunities for many of our active managers.

We understand that there is not only a huge economic impact at play but also a psychological one. The cost of social distancing and the future of our physical re-engagement over the remainder of the year is creating enormous stress. We hope that you are finding ways to keep your mind and bodies healthy and look forward to the nicer weather to help in that effort.

As noted in our correspondence over the last few weeks, the team at PRW has been working together remotely from our homes with daily check-ins and a concerted effort to keep it business as usual. We have also initiated ZOOM calls for and with clients. We have also sought to help out a number of organizations in need (for example the Old Colony YMCA, and the Greater Boston Food Bank) through cash donations that we hope will give these and other non-profits additional funds to fulfill their critical missions. We have seen a rise in the level of donations that many of you are making from your Charitable Gift Funds and that expression of help and concern is incredibly valuable and appreciated by so many at this time.

We have spoken to many of you over the last few weeks and hope to catch up with everyone in the coming ones. Our wish is that you stay safe and mentally and physically well. Please reach out to us at any time. Thank you

Sincerely,

William A. Payne Richard A. Renwick Elliot B. Herman

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Index Definitions

Bloomberg Commodity – measures the price of physical commodities futures contracts traded on US exchanges, except aluminum, zinc and nickel, which trade on the London Metal Exchange. Weightings are determined by rules designed to insure diversified commodity exposure.

Bloomberg Barclays Emerging Markets USD Aggregate - The index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.

Bloomberg Barclays Global Aggregate - An index of global investment grade debt from twenty-four local currency markets including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The index also includes Eurodollar, Euro-Yen, and 144A index-eligible securities, and debt from five local currency markets.

Bloomberg Barclays Global Aggregate ex USD - The index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Country

eligibility and classification as Emerging Markets is rules-based and reviewed annually using World Bank income group and International Monetary Fund (IMF) country classification.

Bloomberg Sub Gold- measures the price of gold futures contracts, reflecting the return of underlying commodity futures contract price movements quoted in USD.

Bloomberg Barclays US Aggregate- measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors.

Bloomberg Barclays US Corporate High Yield - The index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

Bloomberg Barclays US Treasury Long - The index measures the performance of long-term government bonds issued by the US Treasury. It includes all publicly issued, US Treasury securities that have a remaining maturity of 10 or more years, are non-convertible, are denominated in US dollars, are rated investment grade, are fixed rate, and have $250 million or more of outstanding face value.

FTSE US NARIET all Equity REITs – measures the performance of publicly traded US real estate securities, such as real estate investment trusts (REITS) and real estate operating companies.

MSCI ACWI - A free float-adjusted capitalization weighted index that is designed to measure the equity performance of countries considered to represent both developed and emerging markets.

MSCI EAFE - A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of countries considered to represent developed markets, excluding the U.S. and Canada.

MSCI Emerging Markets - A free float-adjusted, market capitalization index that is designed to measure the equity market performance of countries considered to represent emerging markets.

S&P 500 - An unmanaged index that is generally considered representative of the US equity market, consisting of 500 leading companies in leading industries of the US economy (typically large-cap companies) representing approximately 75% of the investable US equity market.