

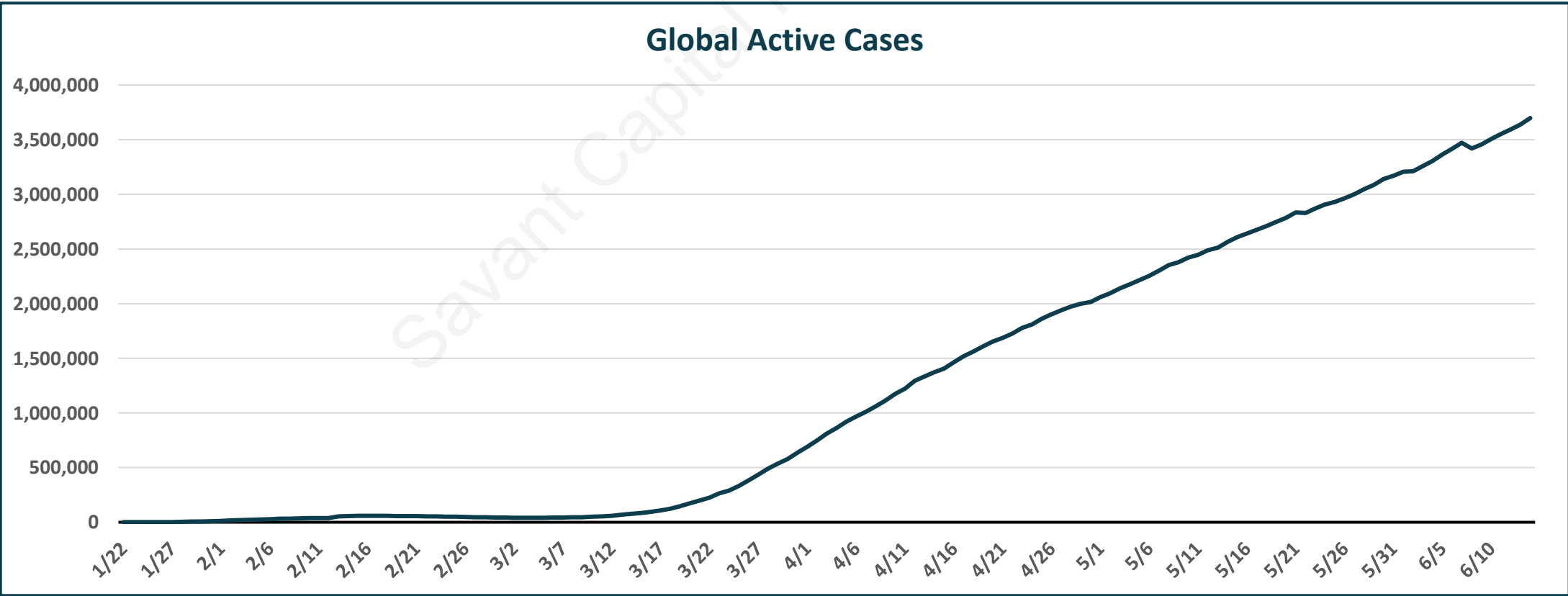
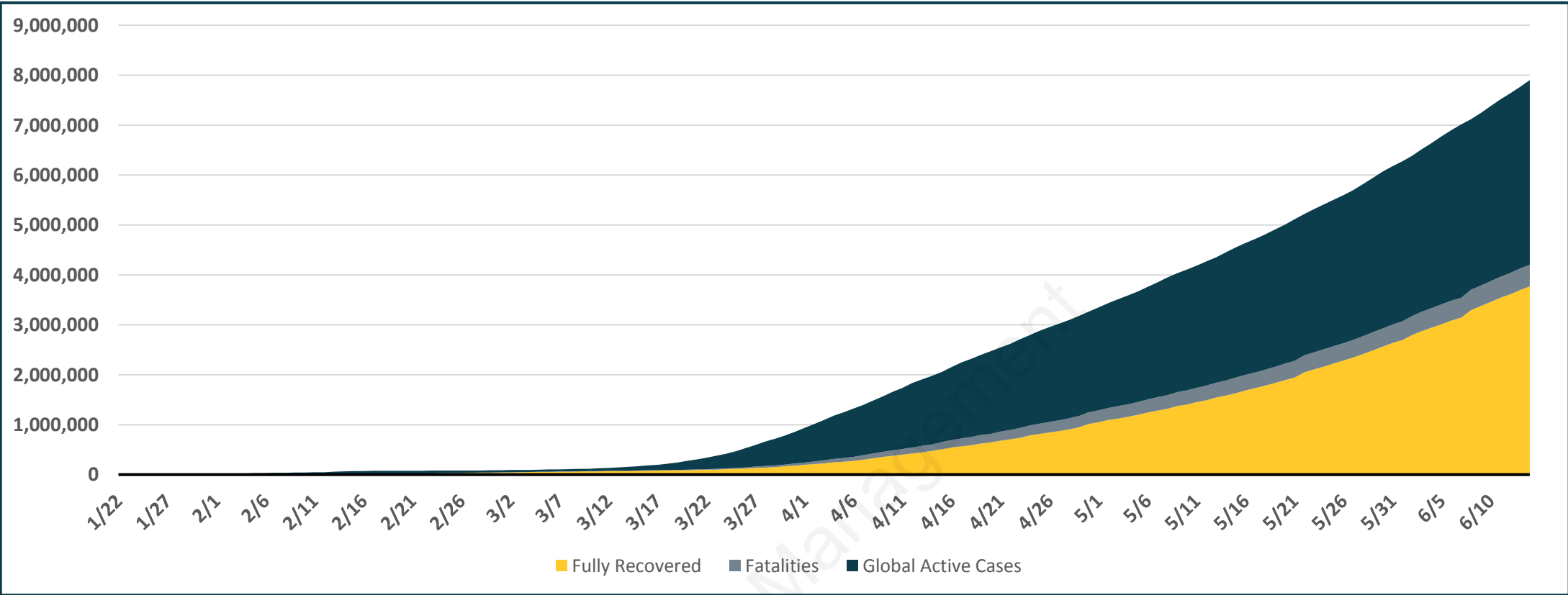
# Savant Capital Management's

Guide to the Coronavirus Crisis



# Coronavirus Cases: By the Numbers

Coronavirus

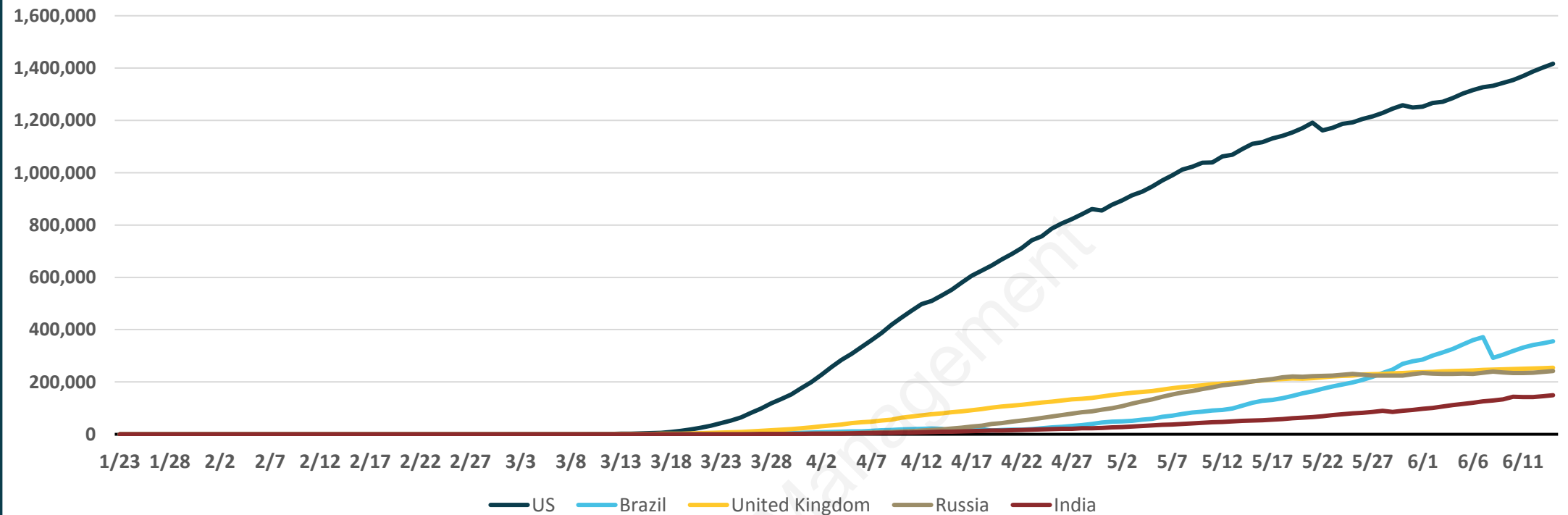


Data Source: Humanitarian Data Exchange. Data as of 06/14/2020.

# Active Coronavirus Cases in Focus: Highest Country Exposure

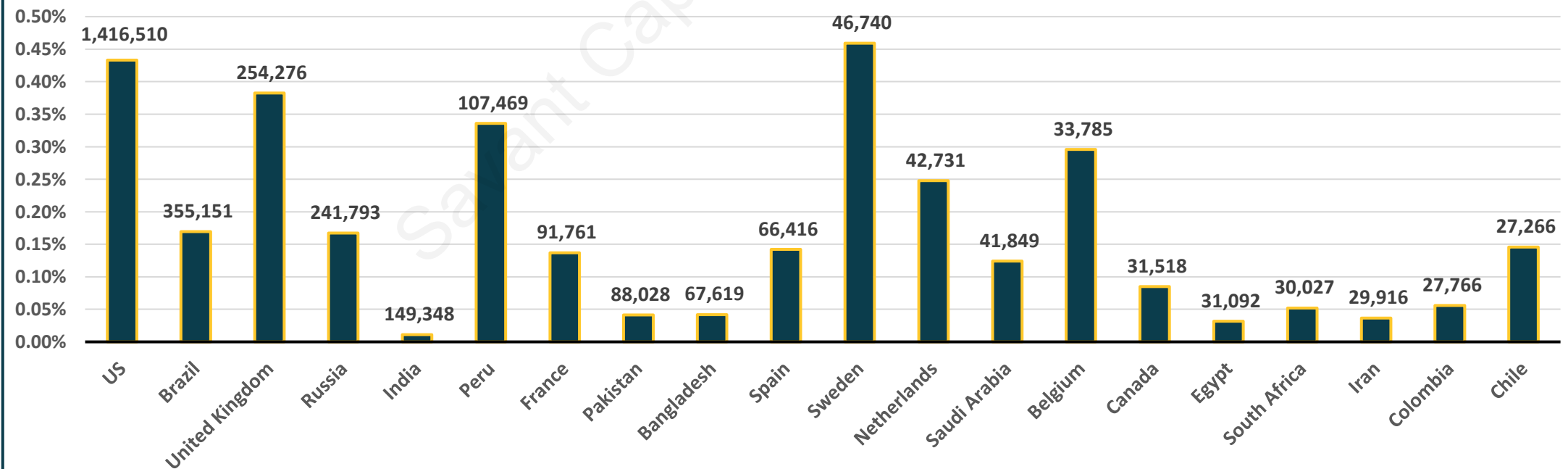
Coronavirus

## Top 5 Countries in Current Active Cases: Active Case Track



## Current Active Cases & Active Cases Per Capita

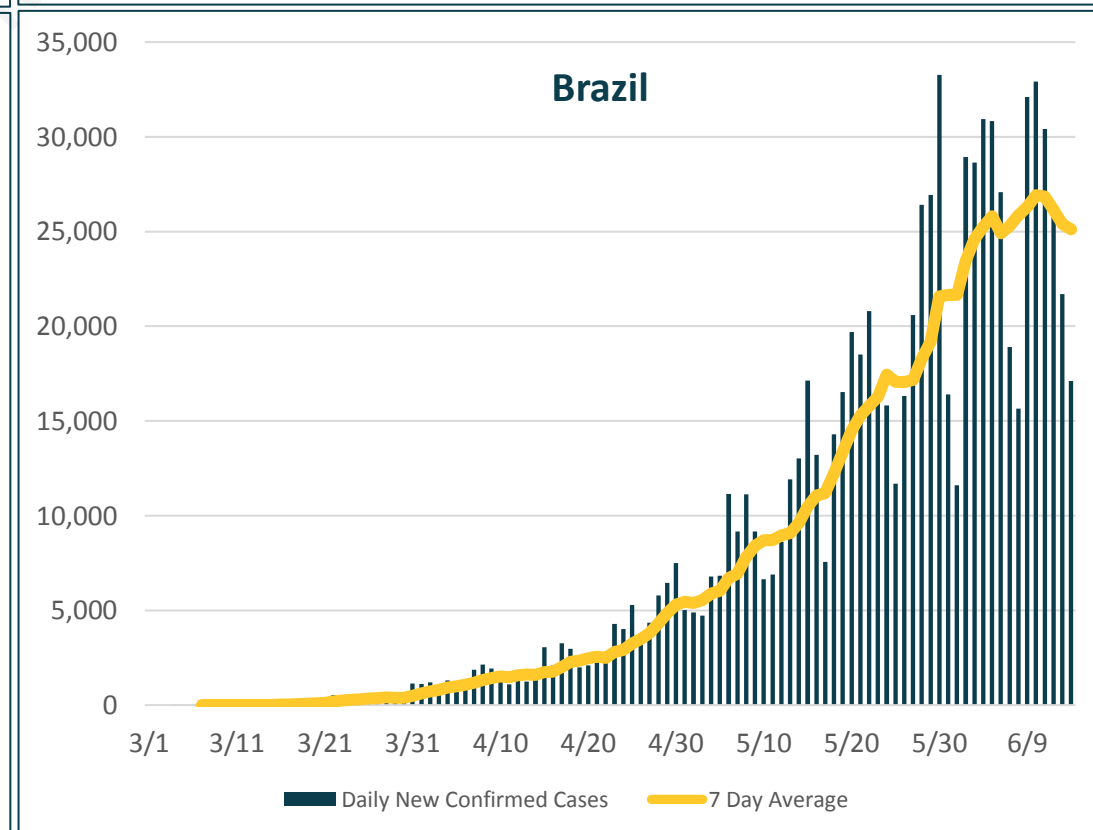
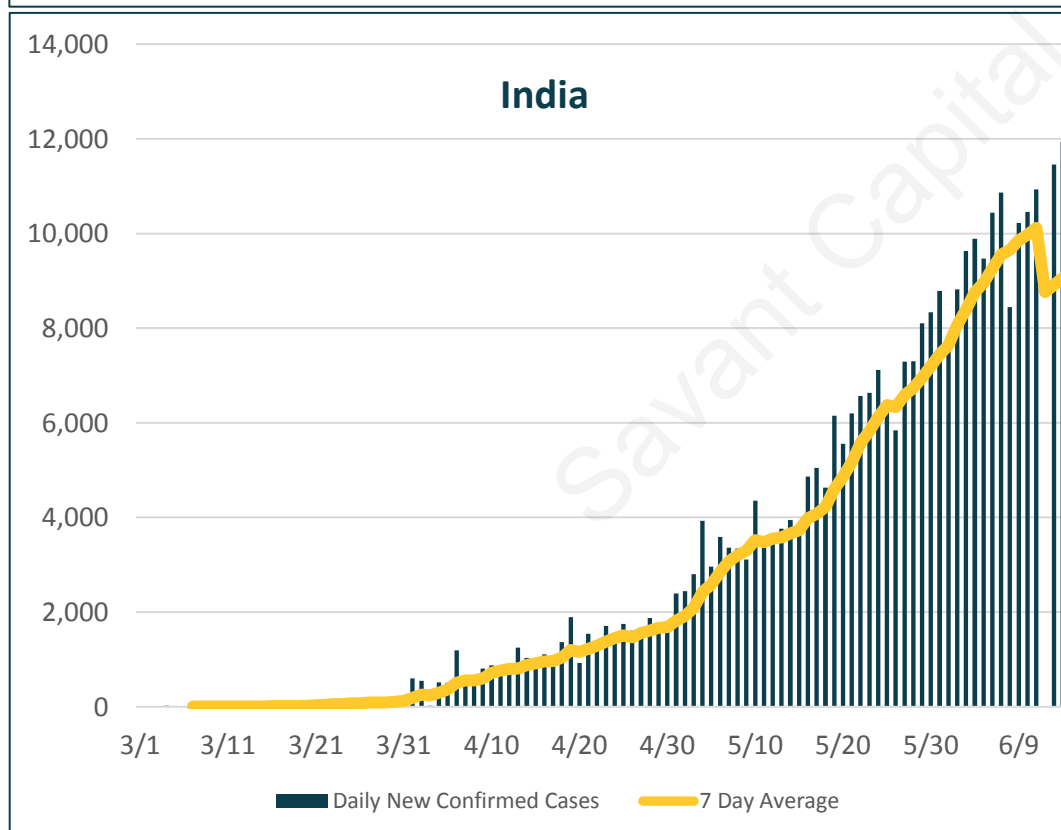
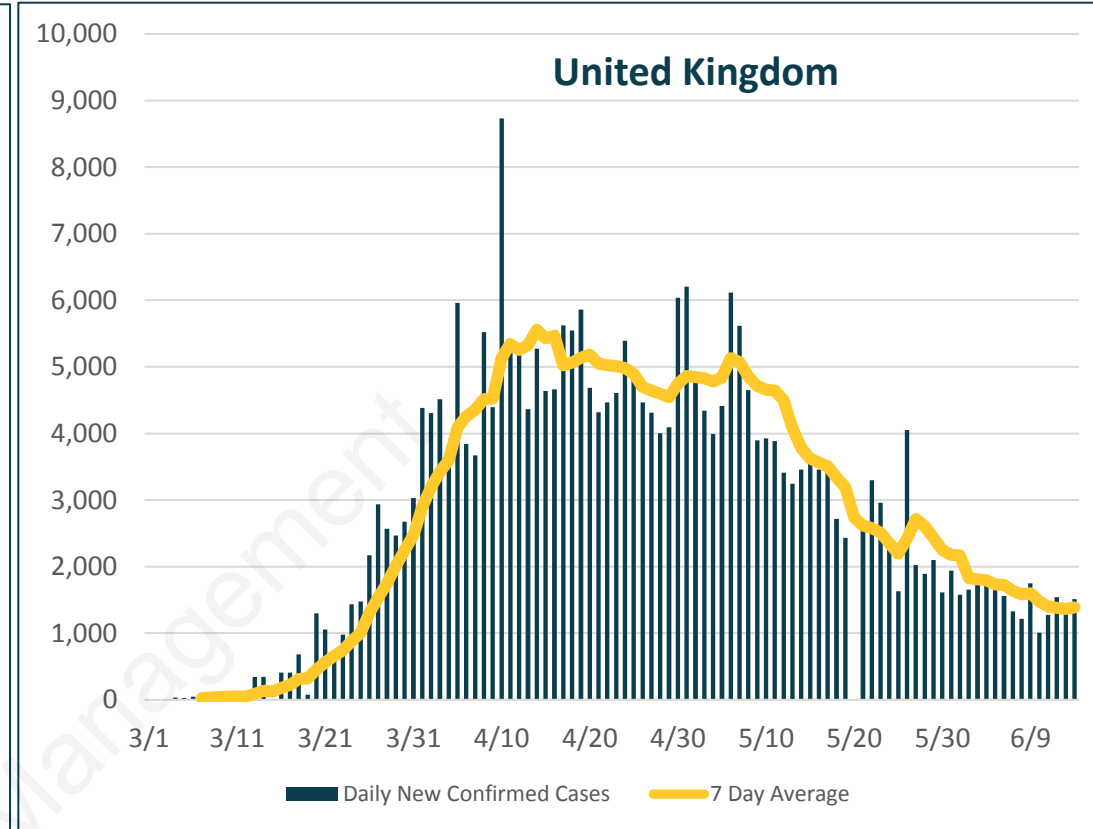
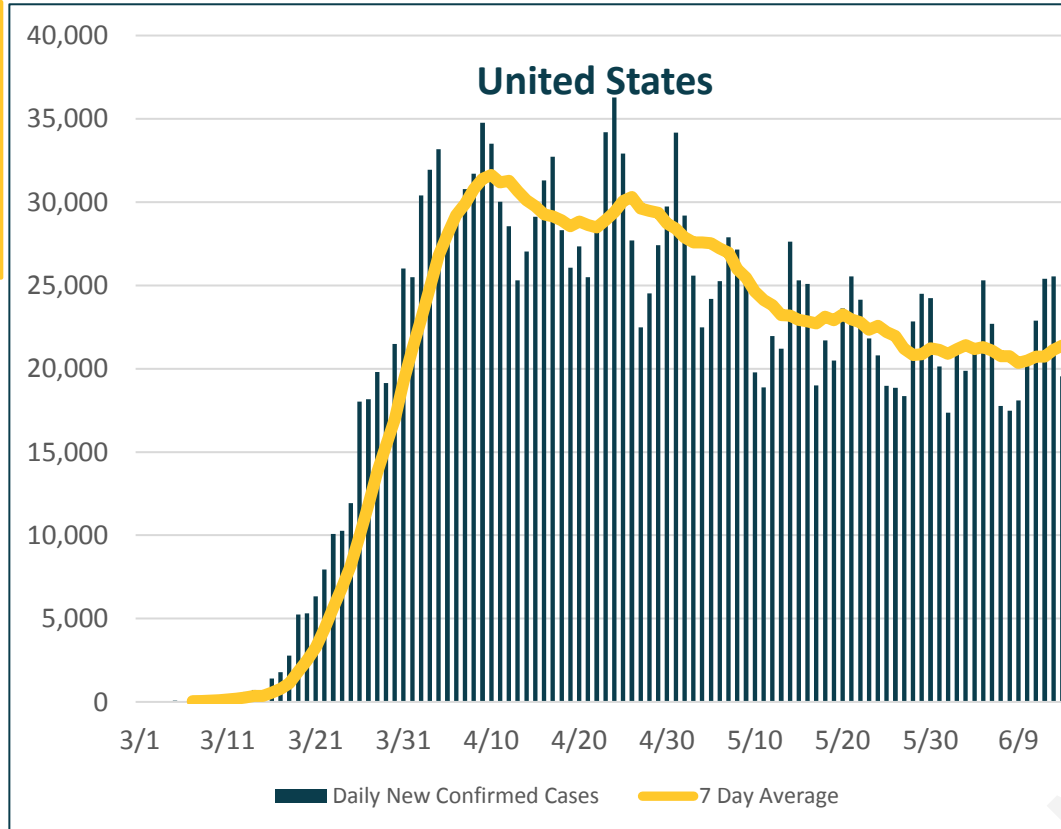
For 20 Countries with the Highest Total Active Cases



Data Sources: Humanitarian Data Exchange, World Development Indicators. Data as of 6/14/2020.

# New Coronavirus Cases May Be Peaking in Most (But Not All) Countries

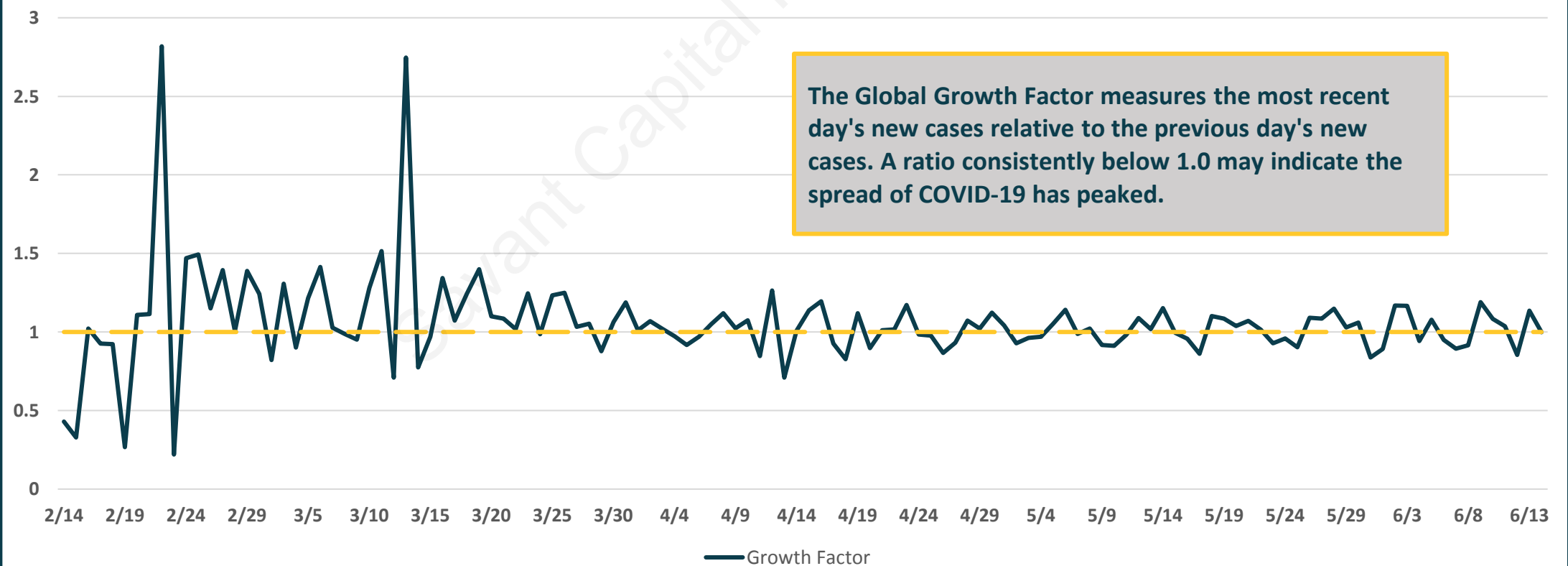
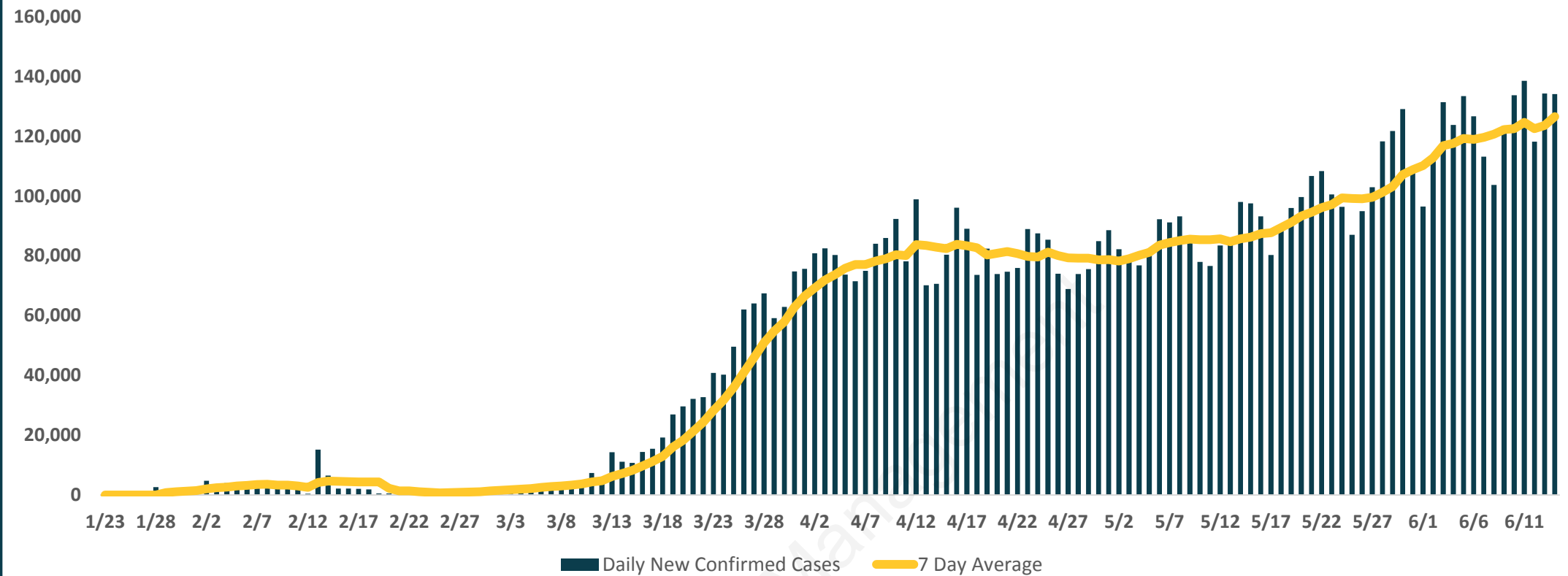
## Coronavirus



Data Sources: Humanitarian Data Exchange, World Development Indicators. Data as of 6/14/2020.

# Global Coronavirus Growth Rate

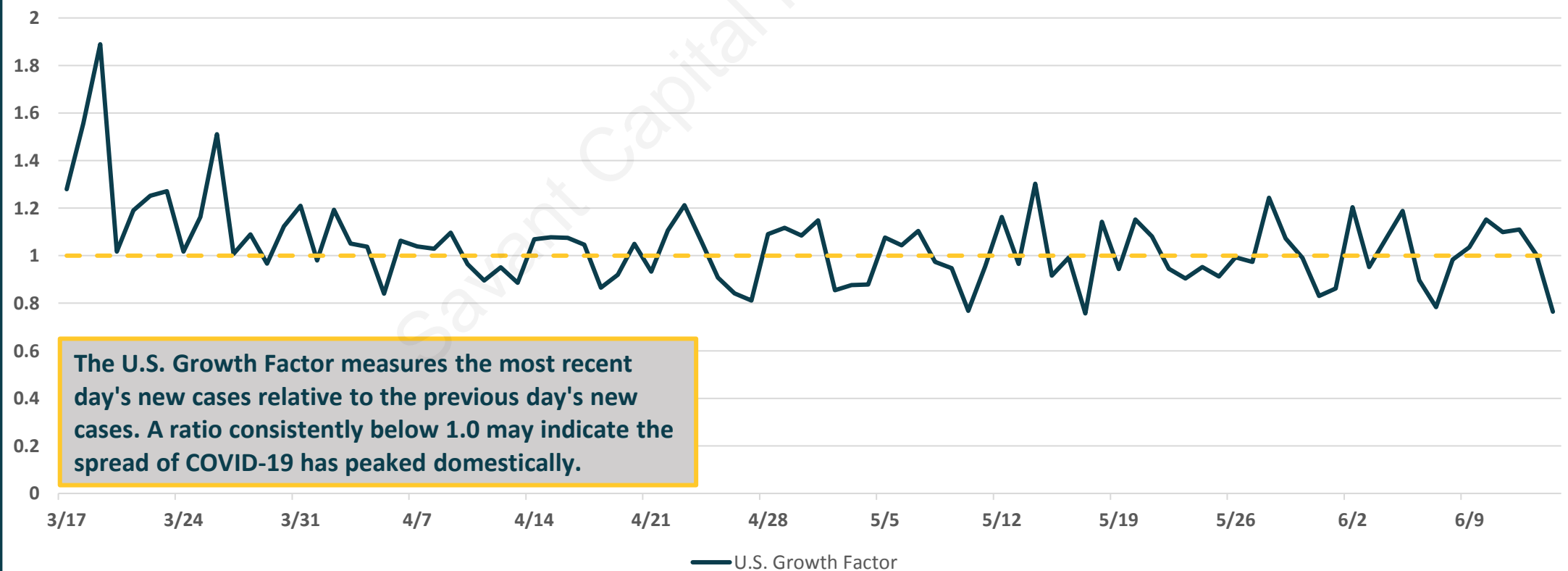
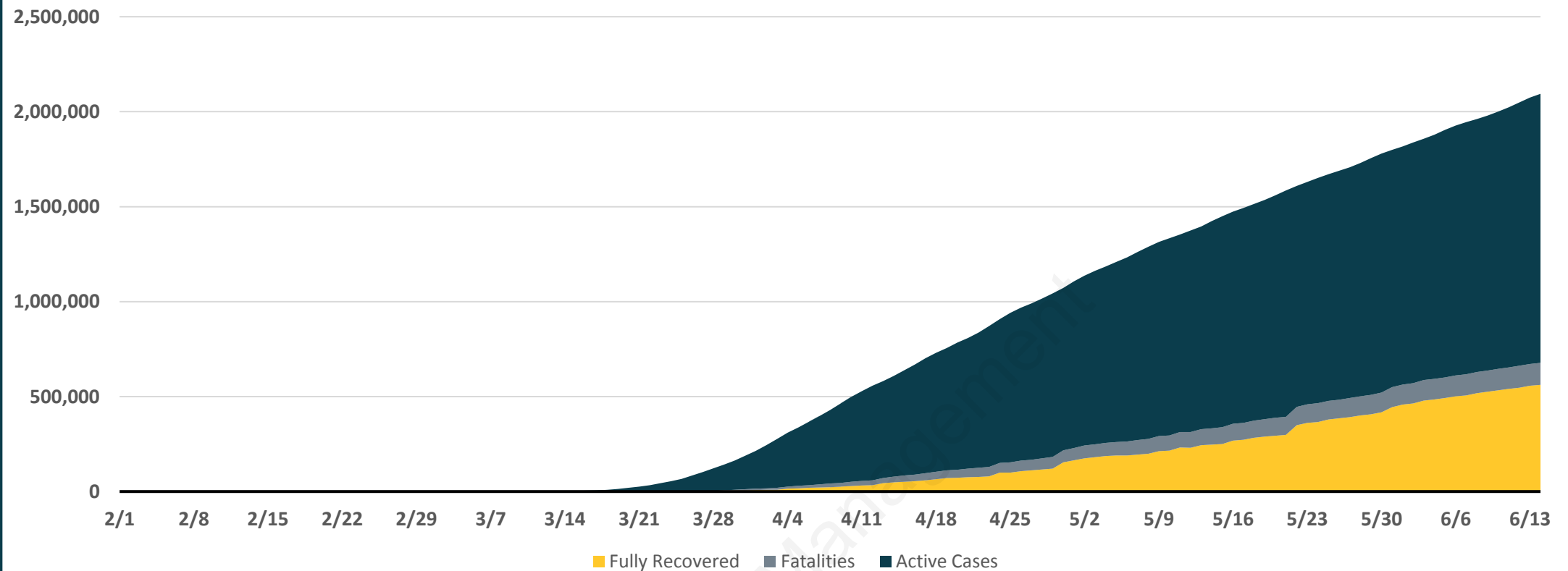
Coronavirus



Data Source: Humanitarian Data Exchange. Data as of 06/14/2020.

# United States Coronavirus Cases in Focus

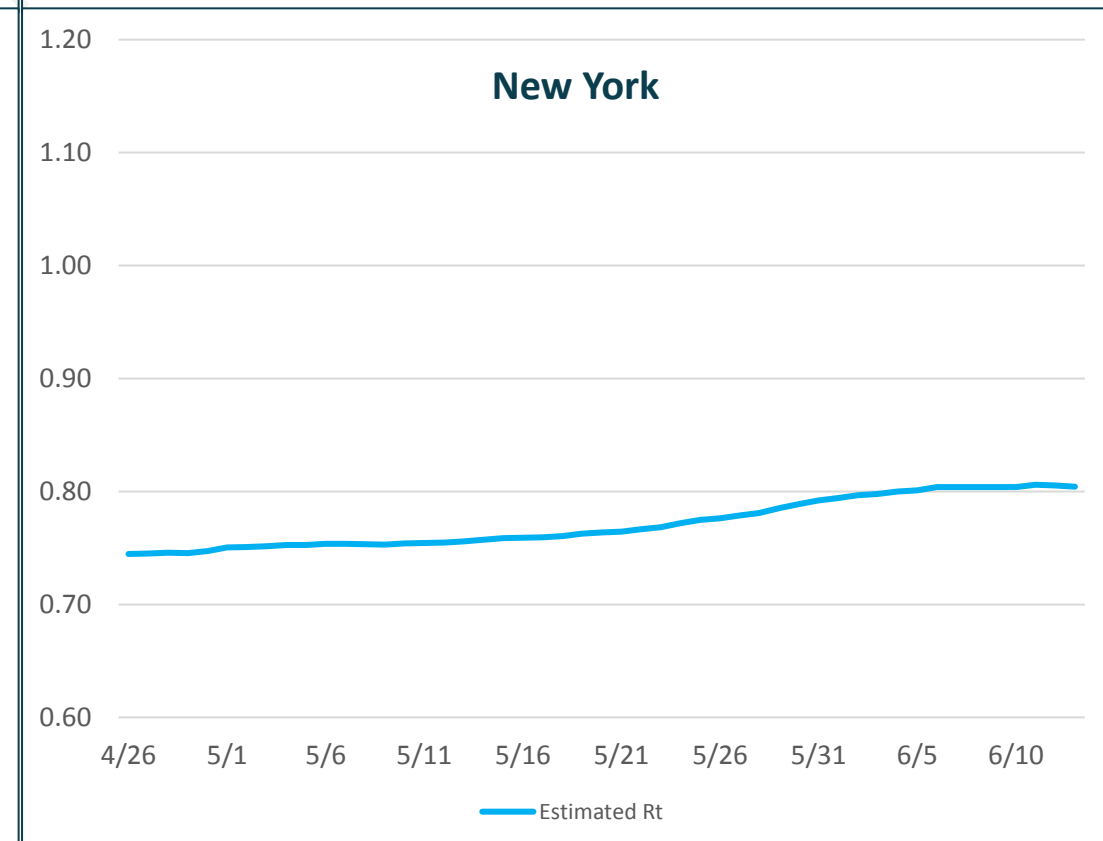
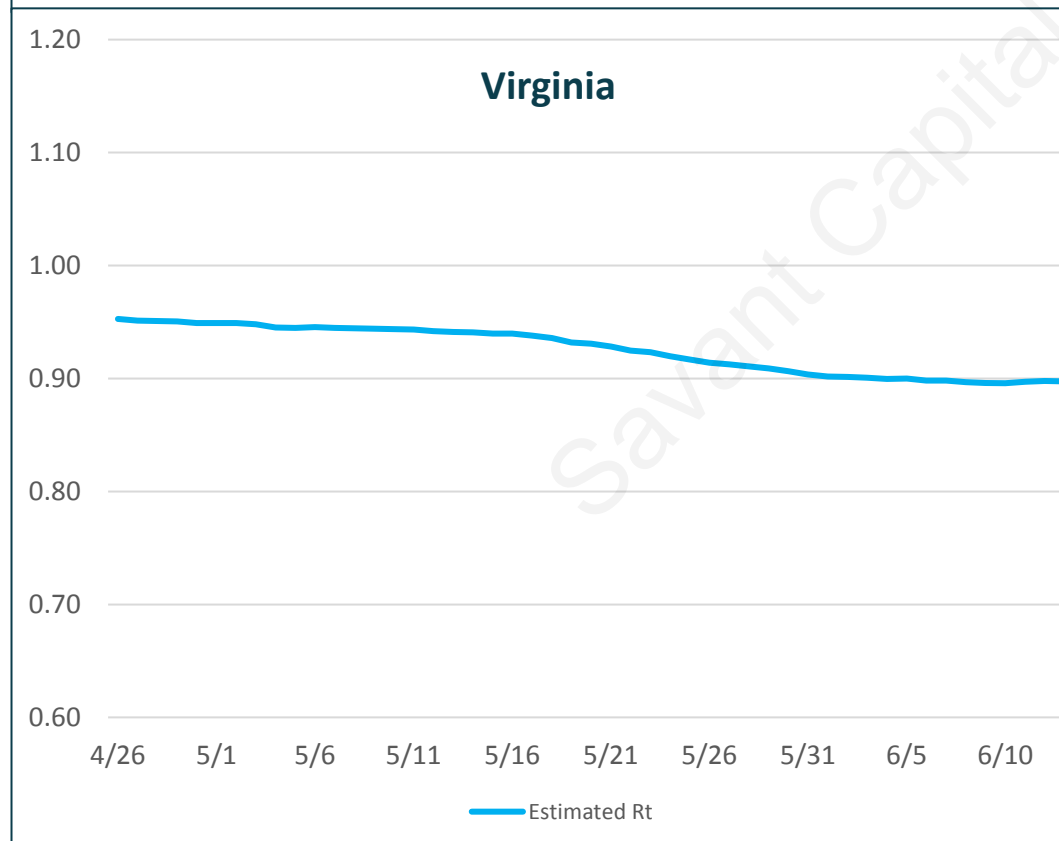
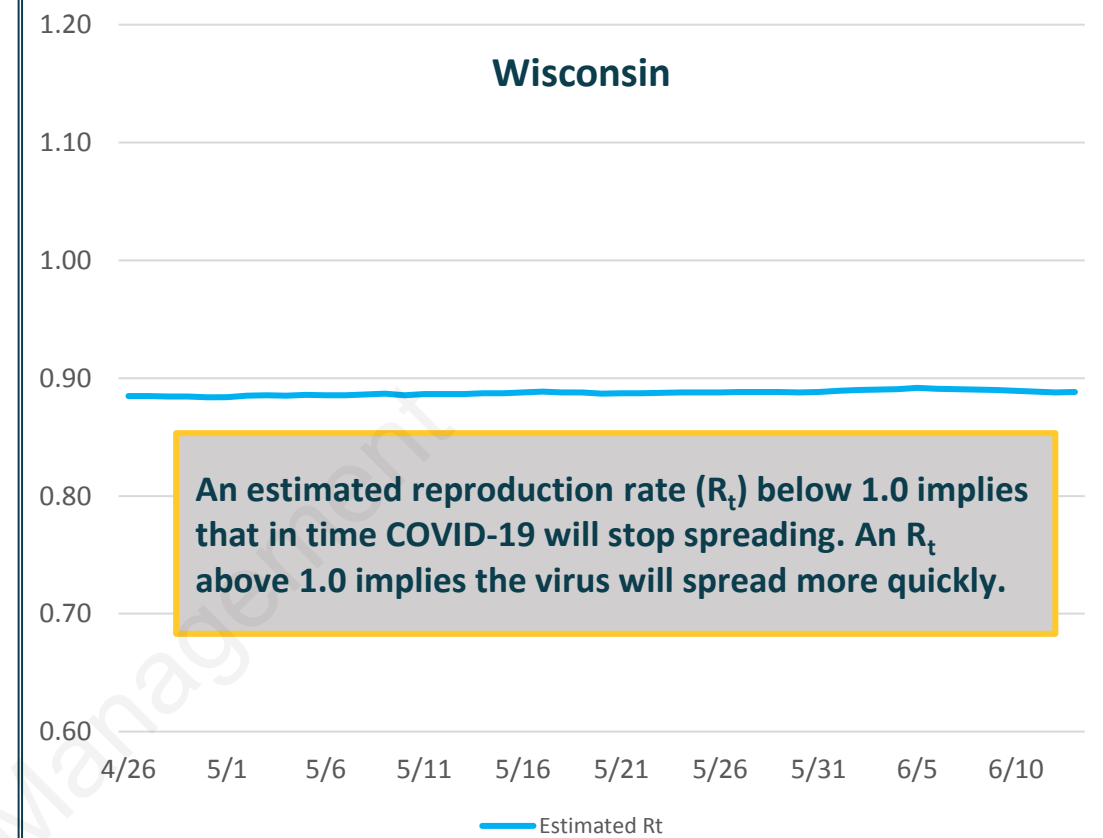
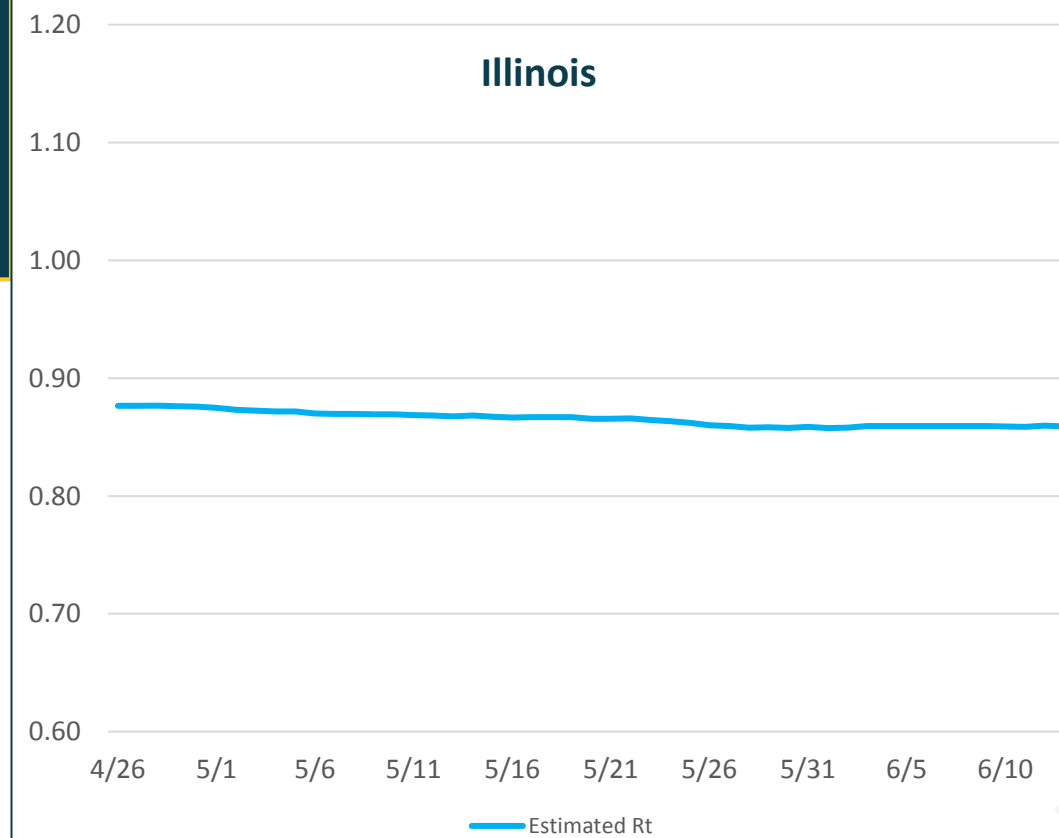
Coronavirus



Data Source: Humanitarian Data Exchange. Data as of 06/14/2020.

# U.S. Coronavirus Cases: State-Level Estimated Reproduction Rates ( $R_t$ )

## Coronavirus

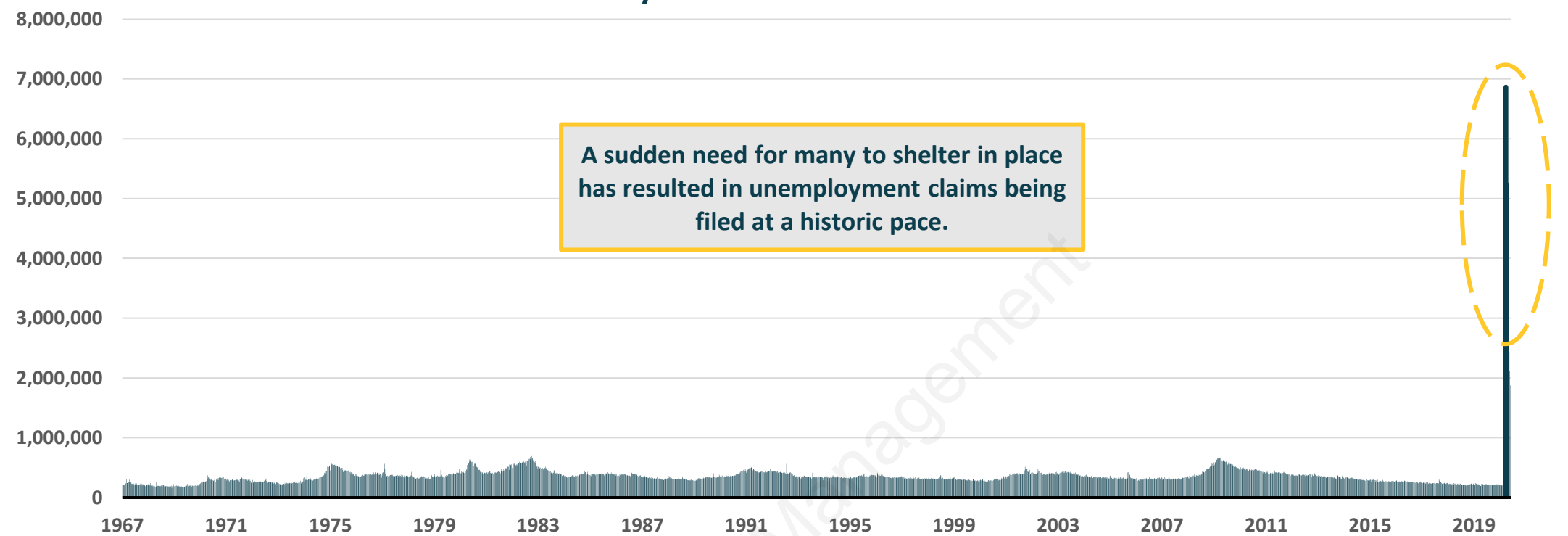


Data Source: *rt.live*. Data as of 6/13/2020.

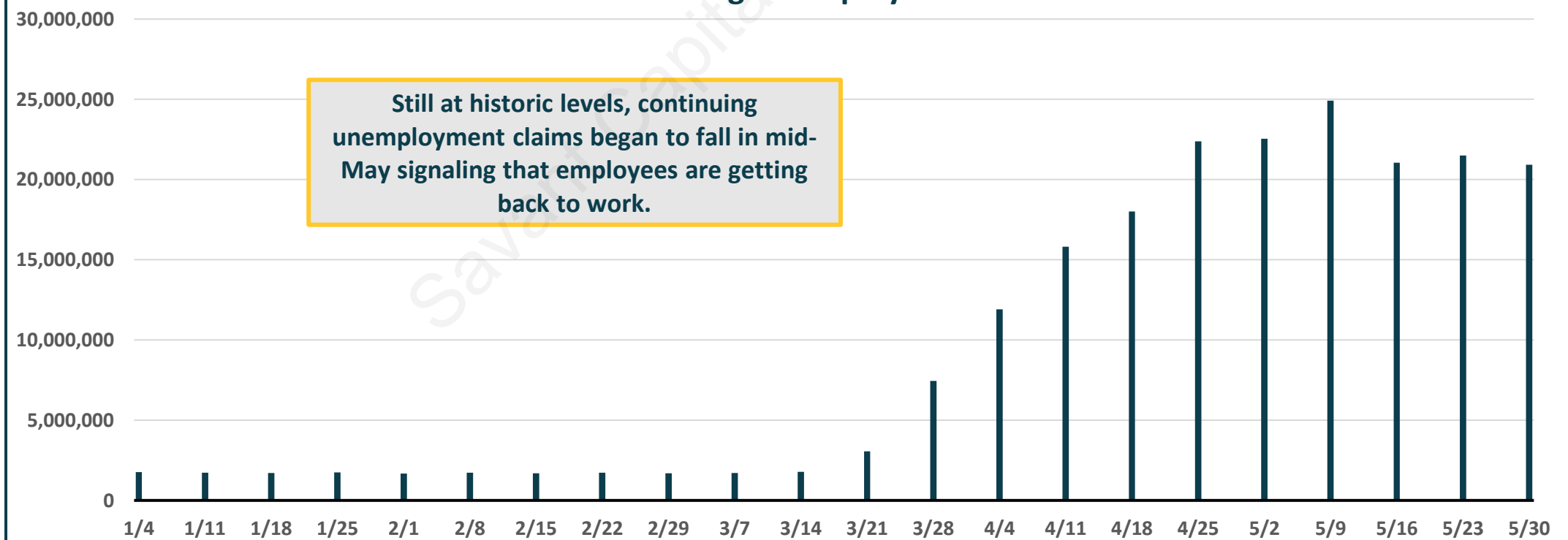
# Economic Data

## The Economy

### Weekly U.S. Initial Jobless Claims



### U.S. Continuing Unemployment Claims

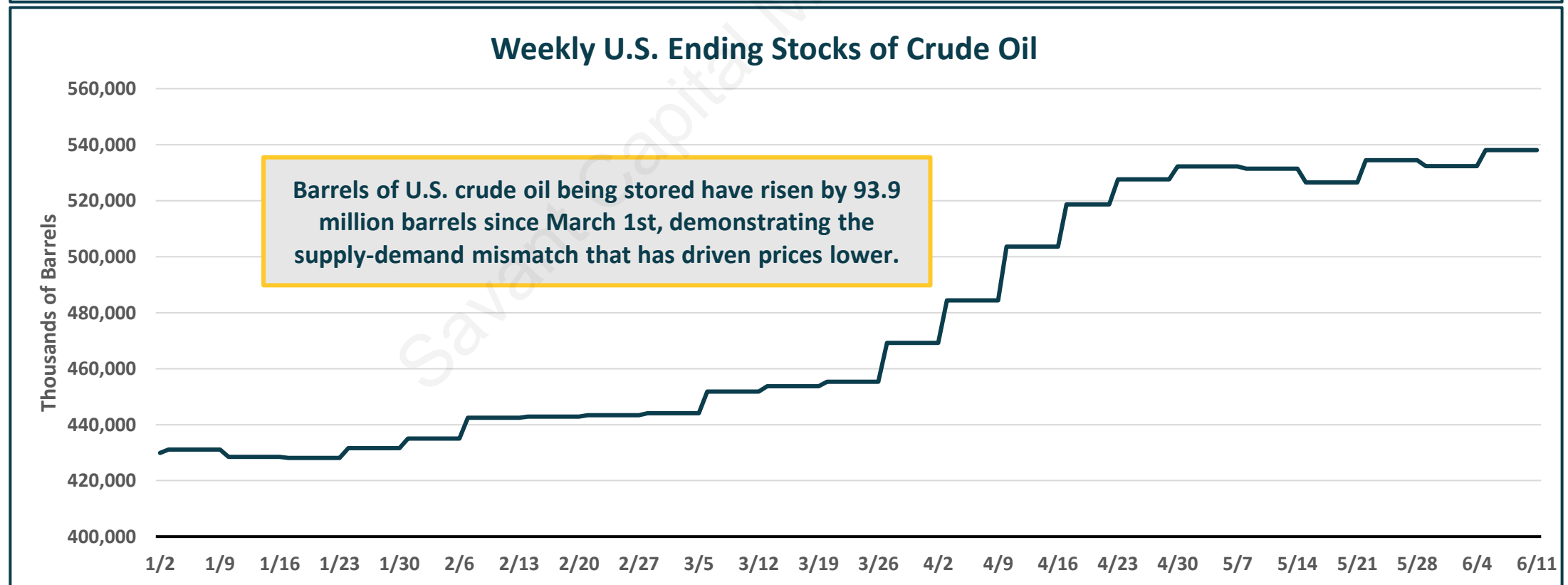
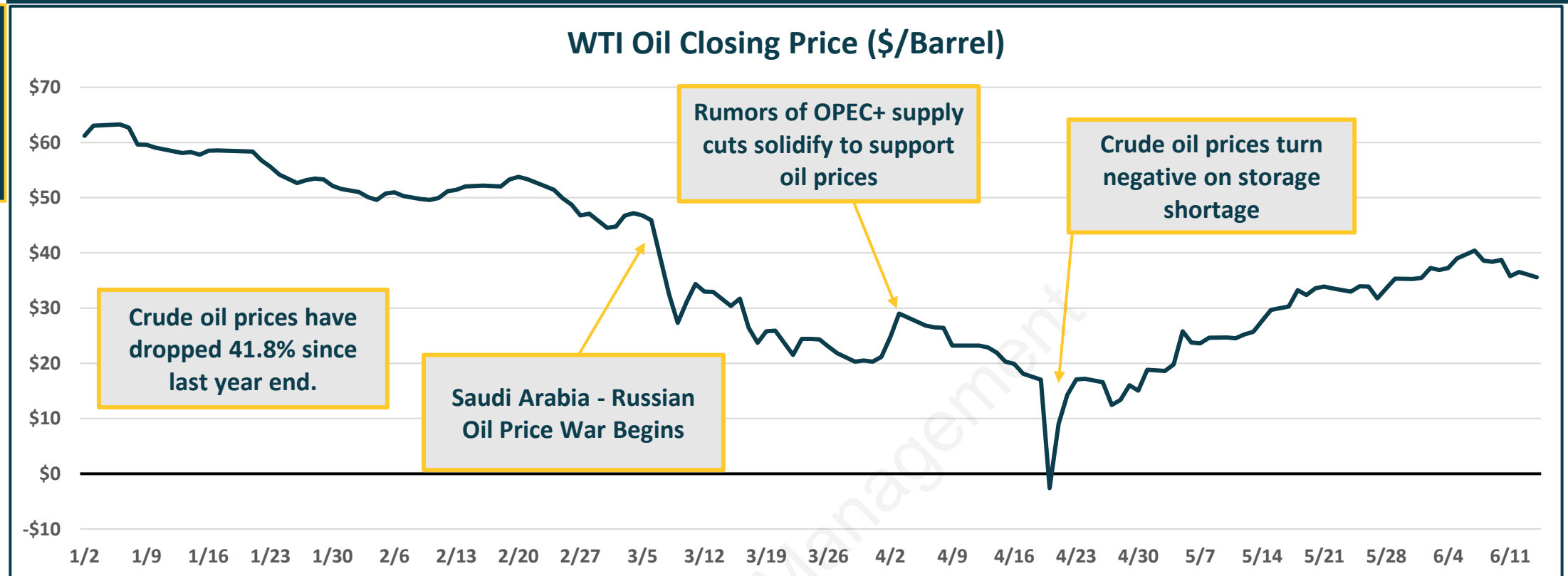


Data sources: Ycharts. Data as of 6/6/2020.



# The Oil Price War

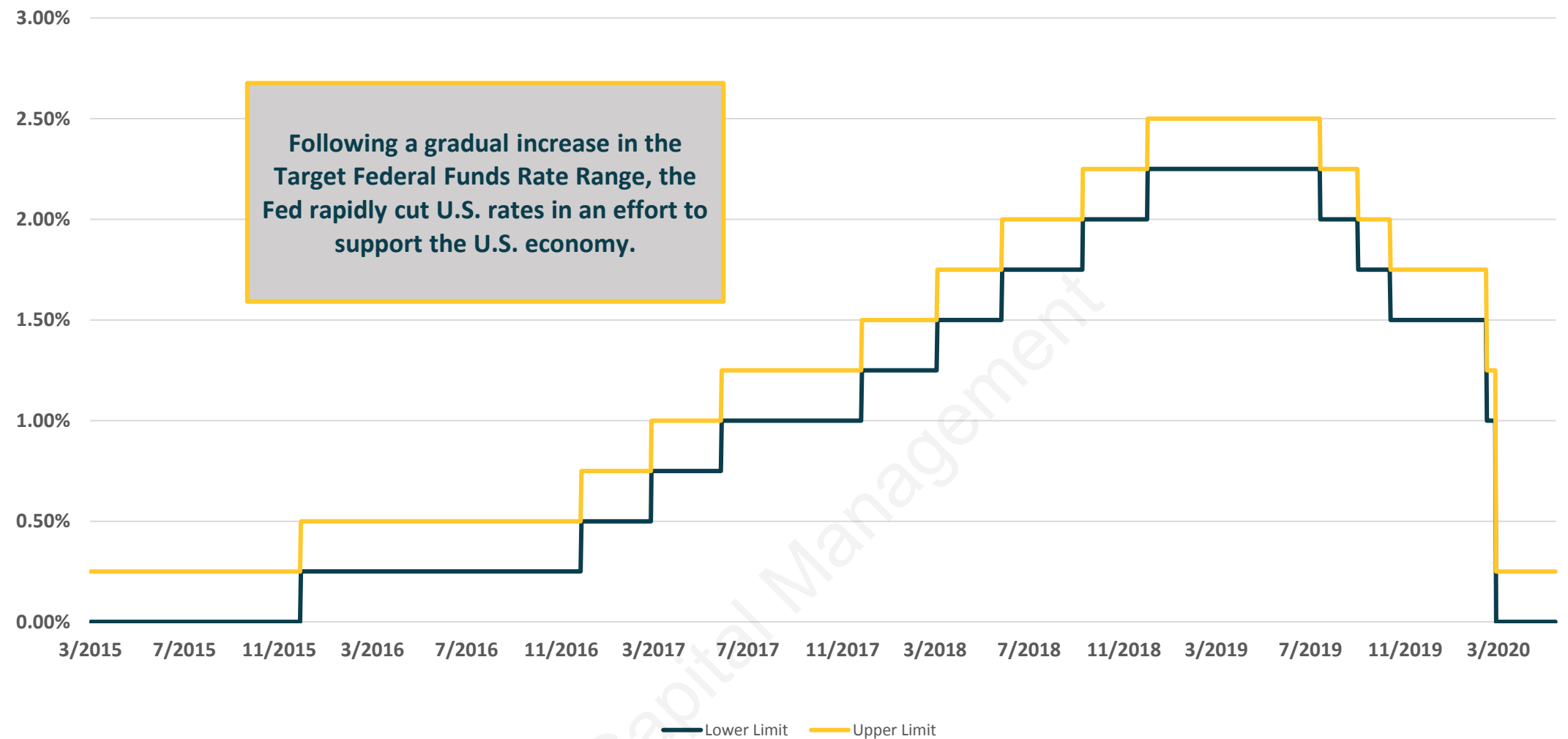
## Oil Price War



Data sources: Yahoo Finance, U.S. Energy Information Administration. Note: the Weekly U.S. Ending Stocks figure excludes the Strategic Petroleum Reserve. Data as of 6/14/2020.

# Monetary and Fiscal Policymakers Unload the Bazooka

The Economy

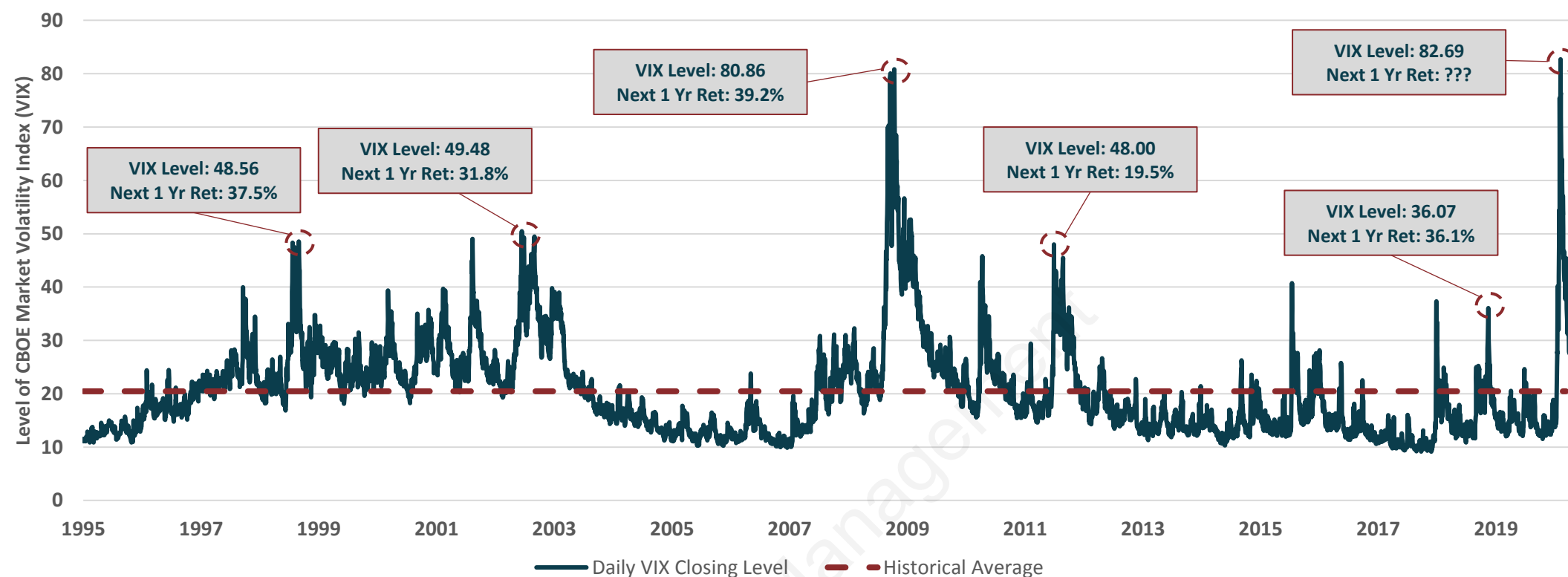


The Fed's efforts (rate cuts and liquidity support) have not gone unmatched by central banks from around the globe. The Bank of England has cut interest rates and restarted their quantitative easing program. The European Central Bank has added to their bond buying program to stimulate European economies. Australia and Japan's respective central banks have cut rates and jumpstarted their bond buying programs. Meanwhile Indonesia and South Africa's central banks have joined in with rate cuts. Furthermore, governments from around the globe are also joining the act with fiscal stimulus. In the U.S., \$2 Trillion worth of fiscal stimulus was recently approved with mention of more stimulus at a later date if deemed necessary.

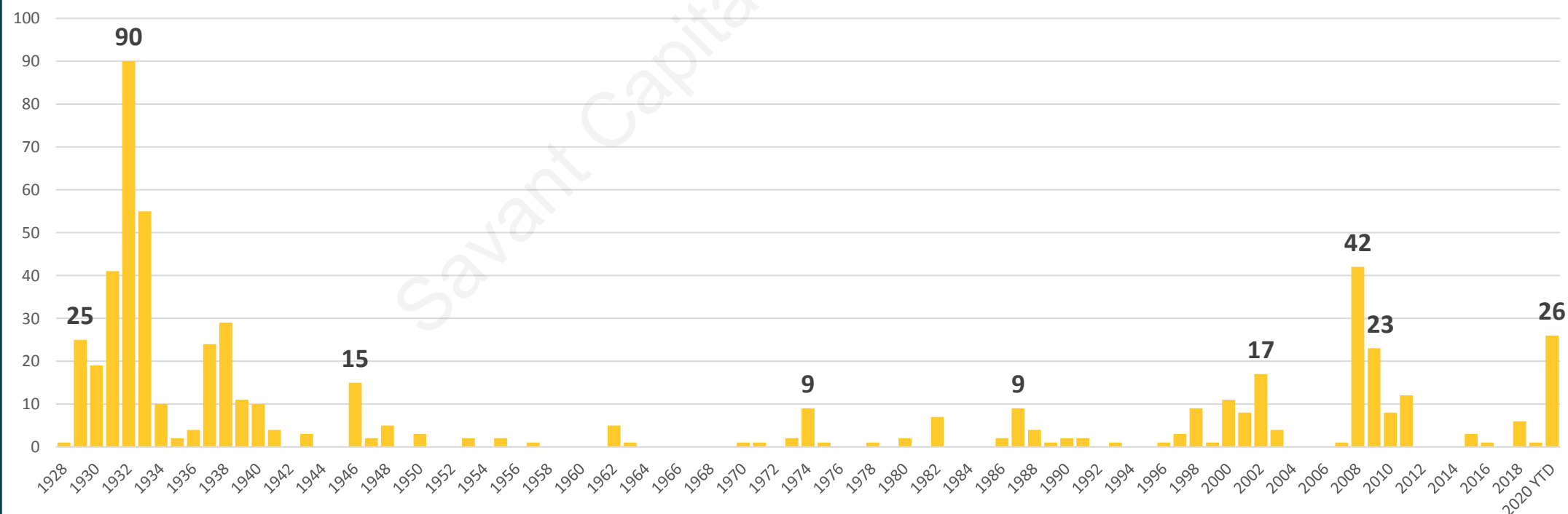
Data source: YCharts. Data as of 6/15/2020.

# Historic Levels of Volatility But Not Unprecedented

## Volatility



## Trading Days with S&P 500 Moves Greater than +/- 3%

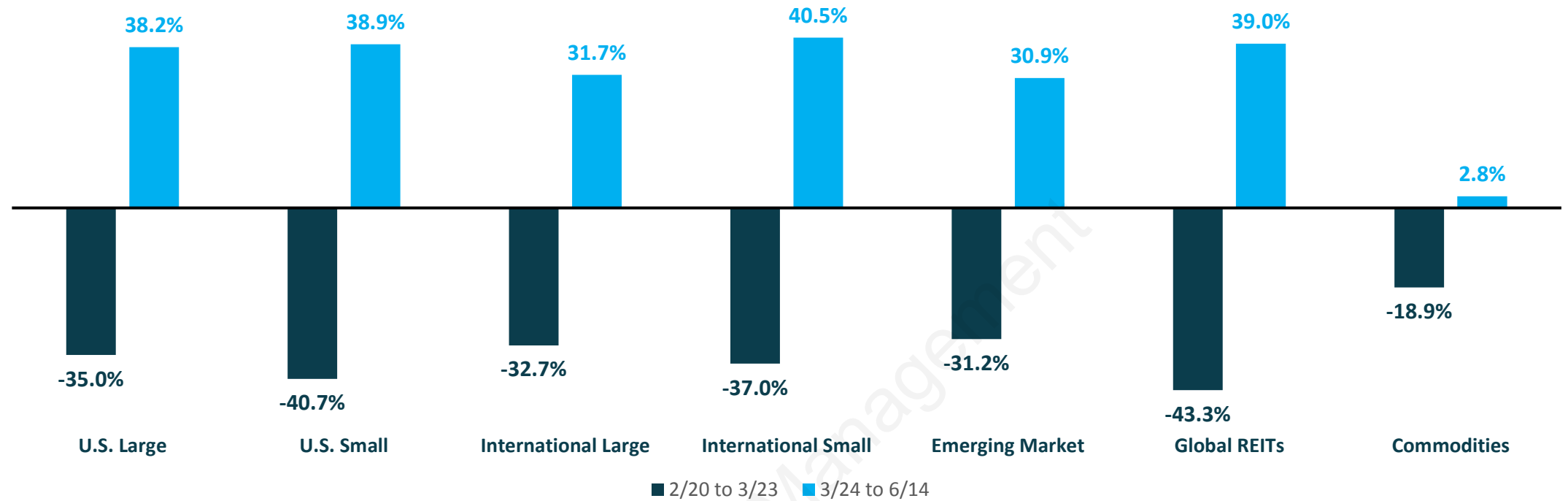


Data source: Morningstar Direct. Data as of 6/12/2020. The CBOE Volatility Index (VIX) is a market index that represents the market's expectation for 30-day forward looking volatility based on market pricing. Next 1 Year Return represents the next one year return for the S&P 500 TR USD Index.

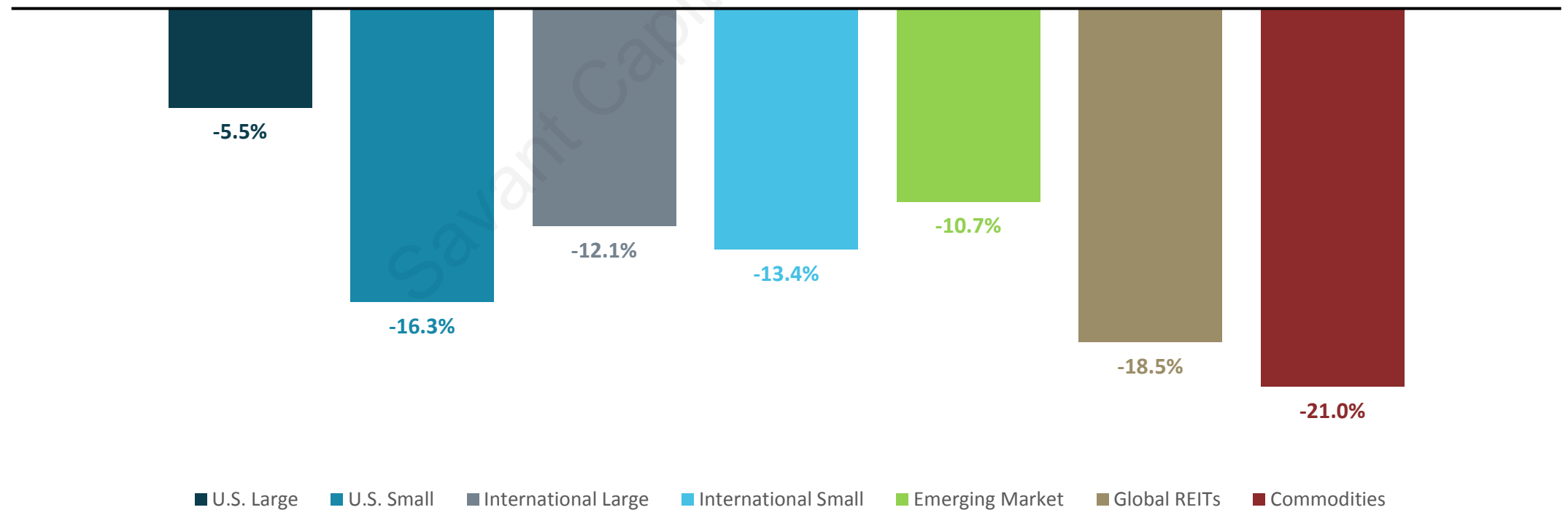
# Risk Assets Struggled Mightily, Then Bounced

## Equity & Risk Assets

### A Tale of Two Halves



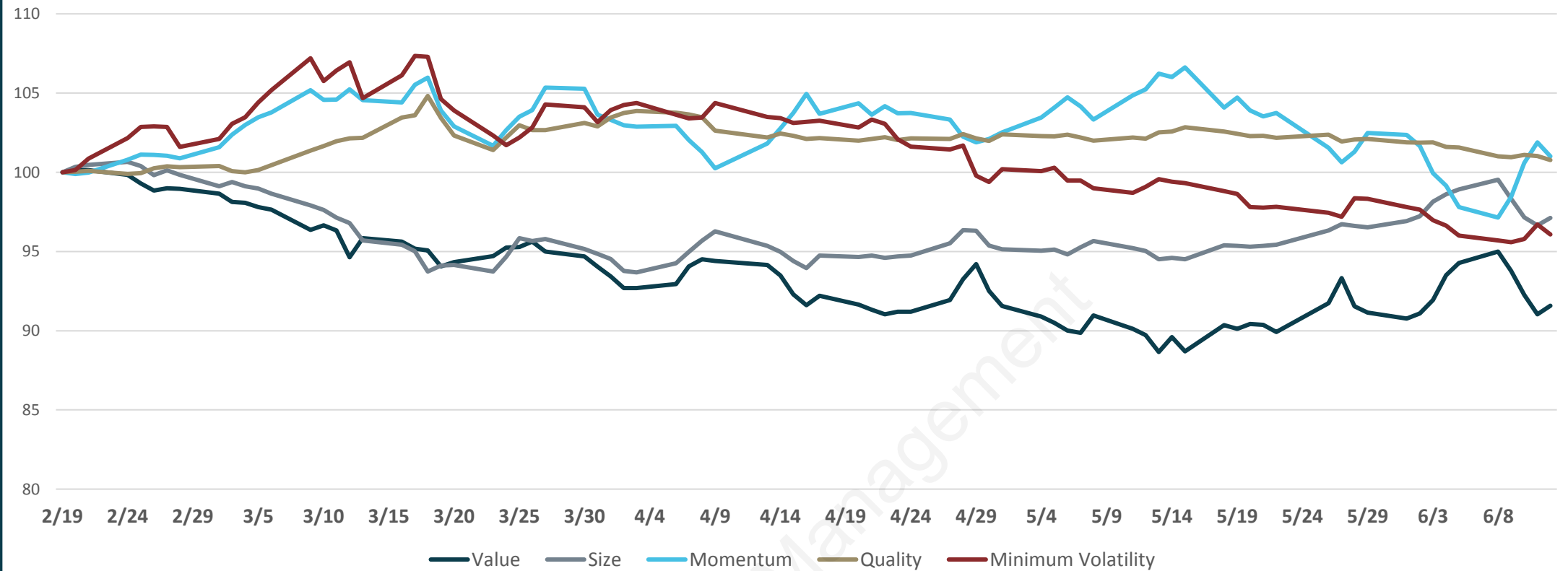
### Year to Date Return



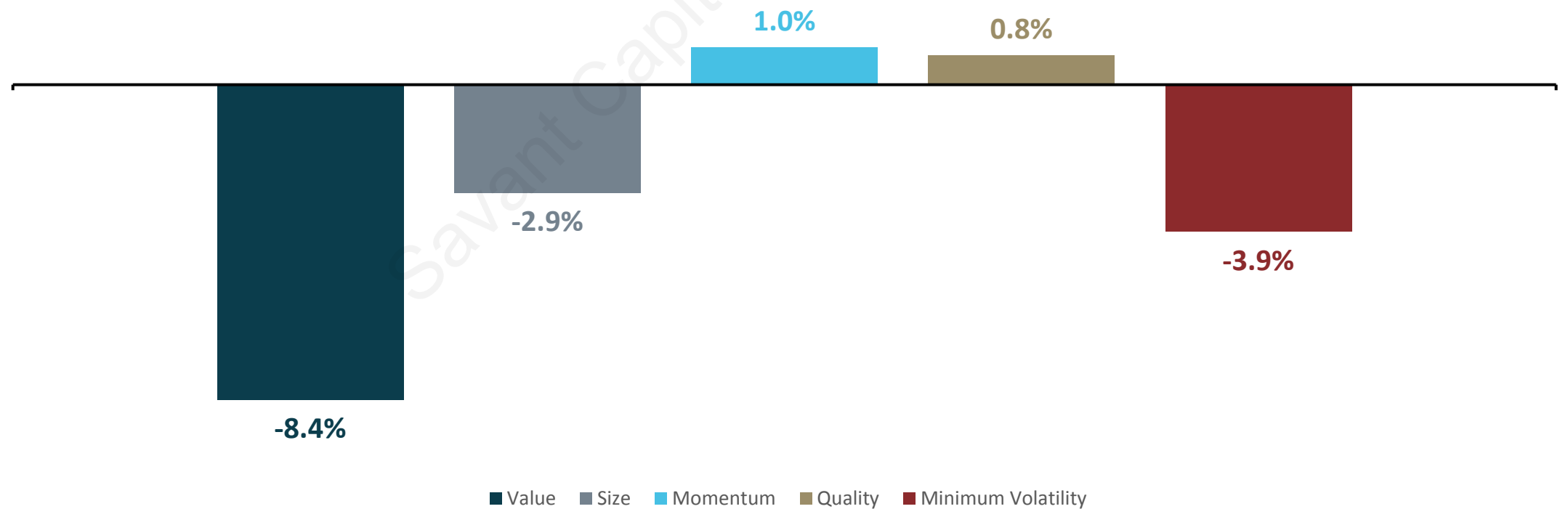
Data source: Morningstar Direct. Data as of 06/14/2020. See Endnote 1 further disclosures.

# U.S. Equity Factor Performance During Current Bear Market

Equity &  
Risk Assets



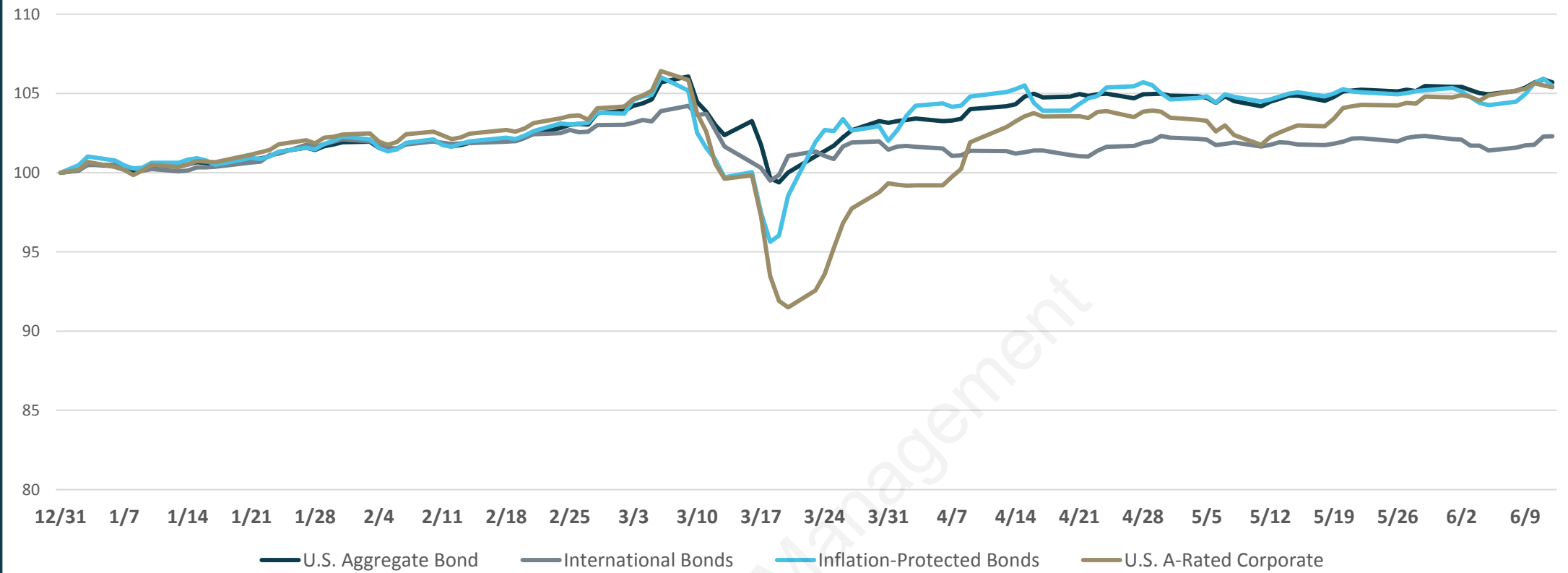
## Cumulative Factor Return Since 2/20/2020



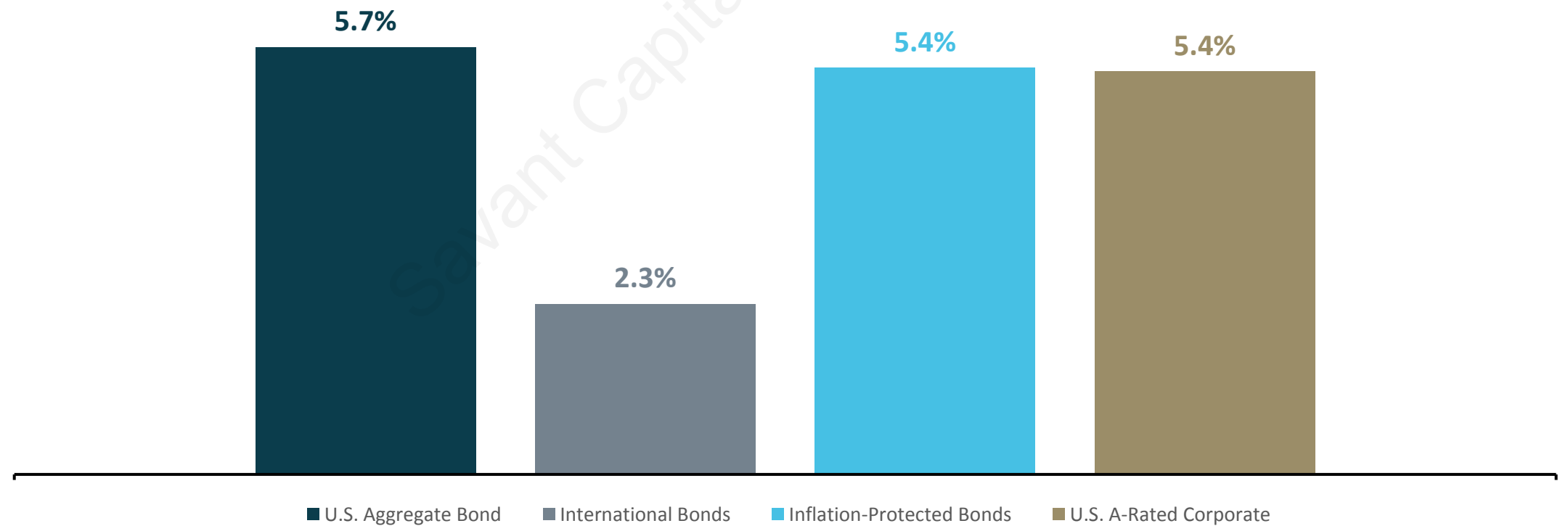
Data source: Morningstar Direct. Data as of 06/12/2020. See Endnote 2 for further disclosures.

# What About Bonds?

Fixed  
Income



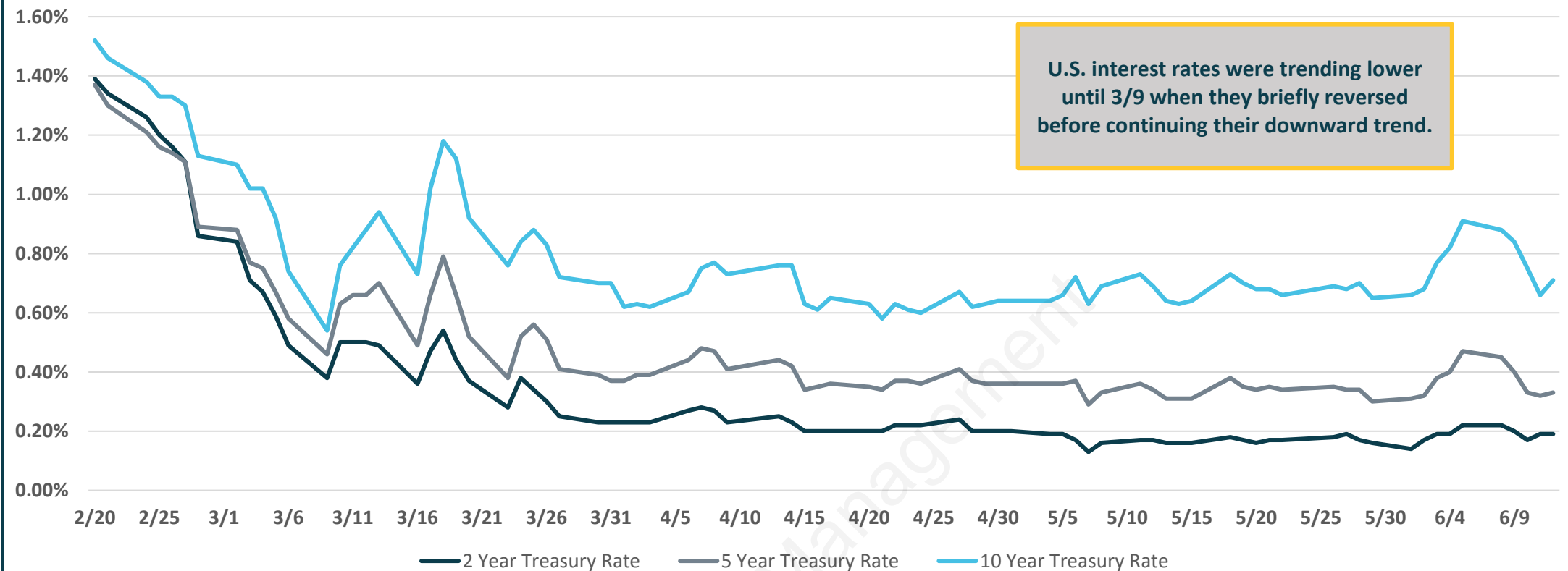
## Year to Date Return



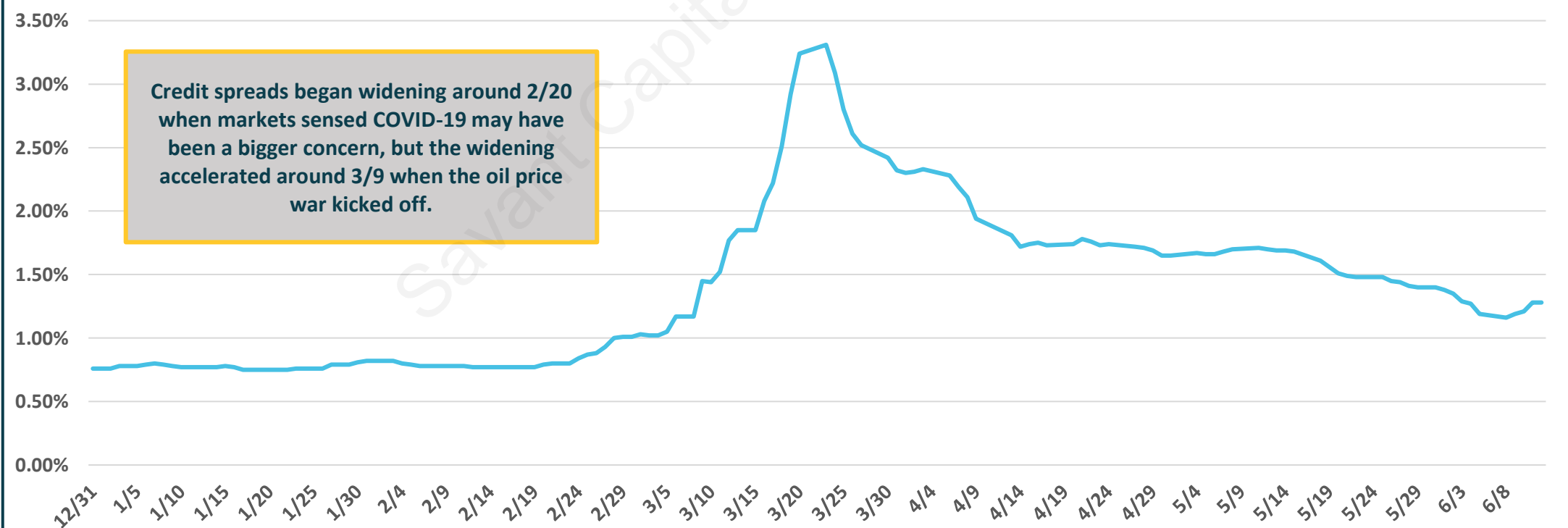
Data source: Morningstar Direct. Data as of 6/12/2020. See Endnote 3 for further disclosures.

# Bonds are Safe Havens: Why Did Some Hit a Snag in March?

Fixed  
Income



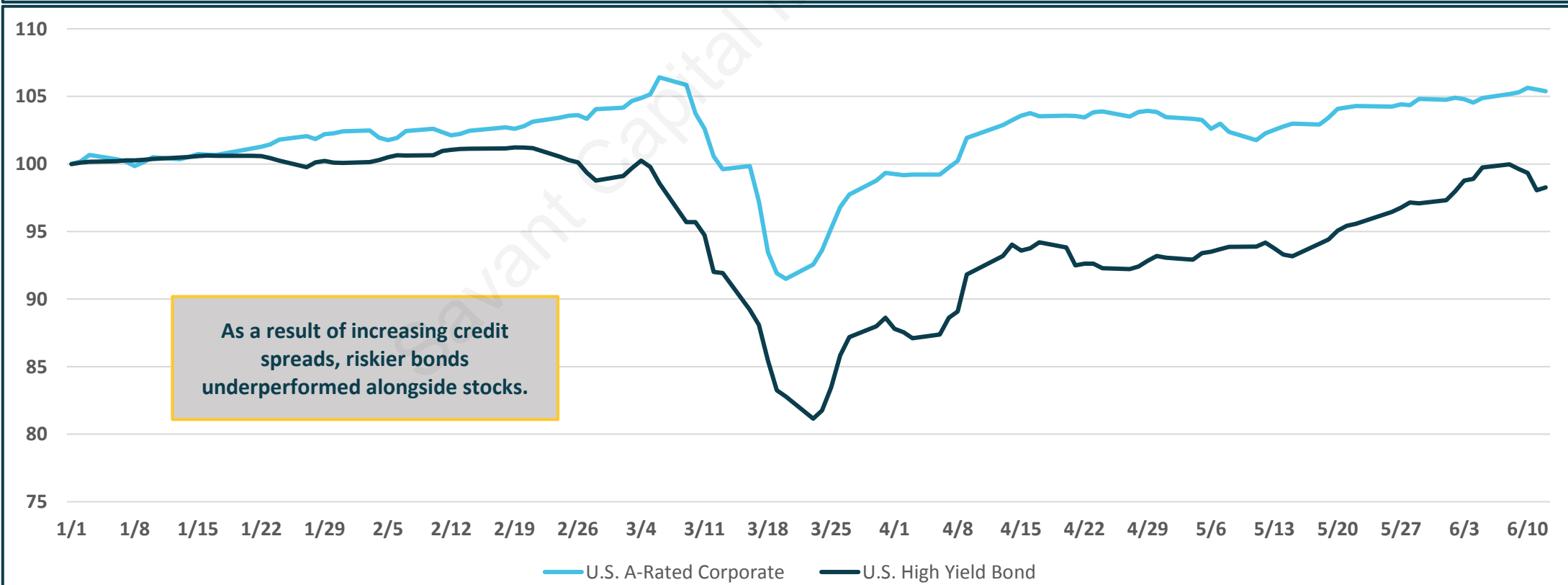
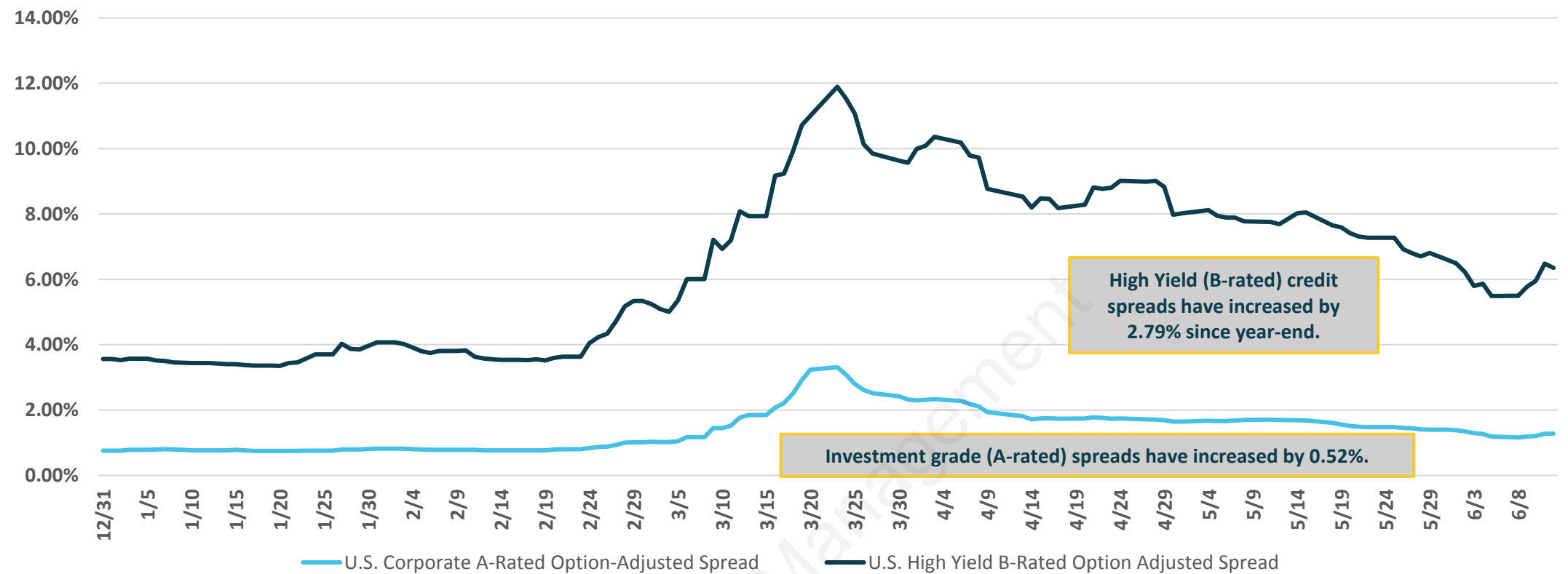
## U.S. Corporate A-Rated Option-Adjusted Spread



Data source: YCharts. Data as of 6/12/2020.

# High Yield Bonds Suffered Larger Losses During the Drawdown

Fixed  
Income

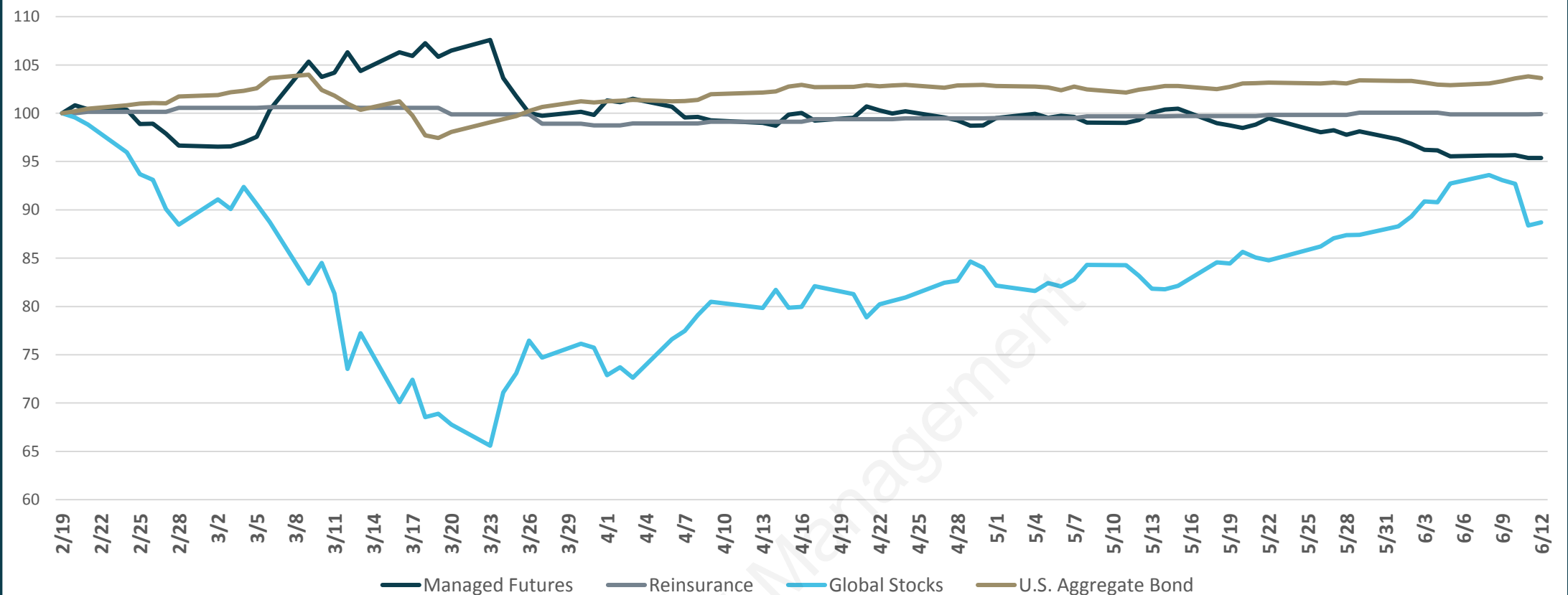


Data sources: Ycharts, Morningstar Direct. Data as of 06/12/2020. See Endnote 4 for further disclosures.

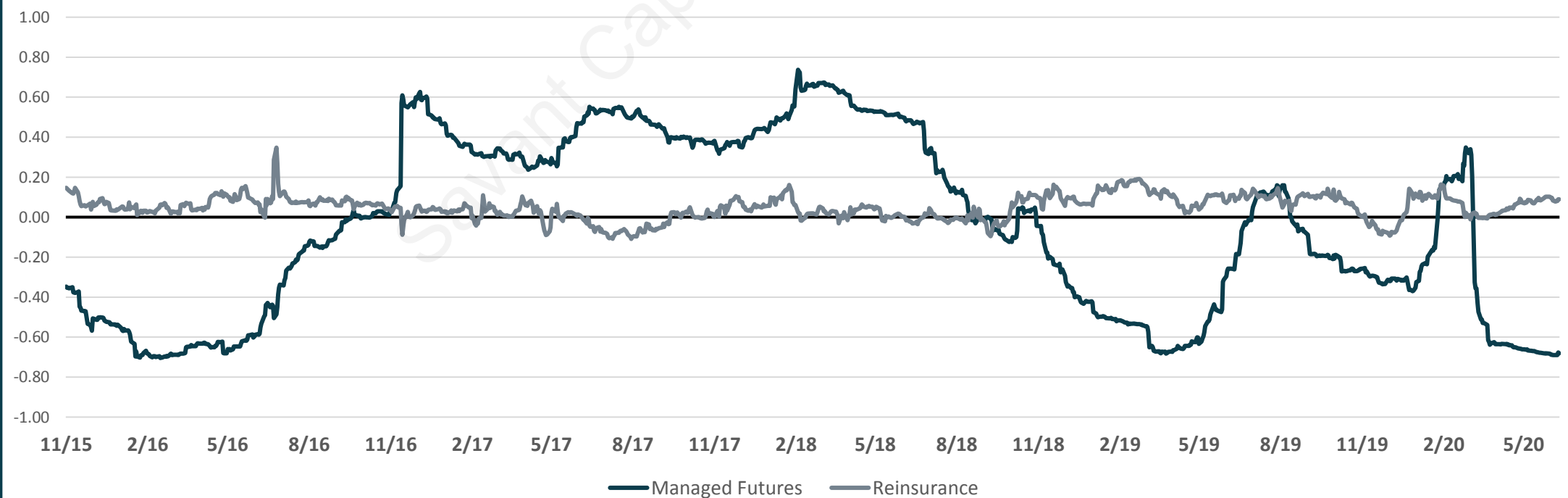


# A Few Alternatives Have Provided Diversification

Alternatives



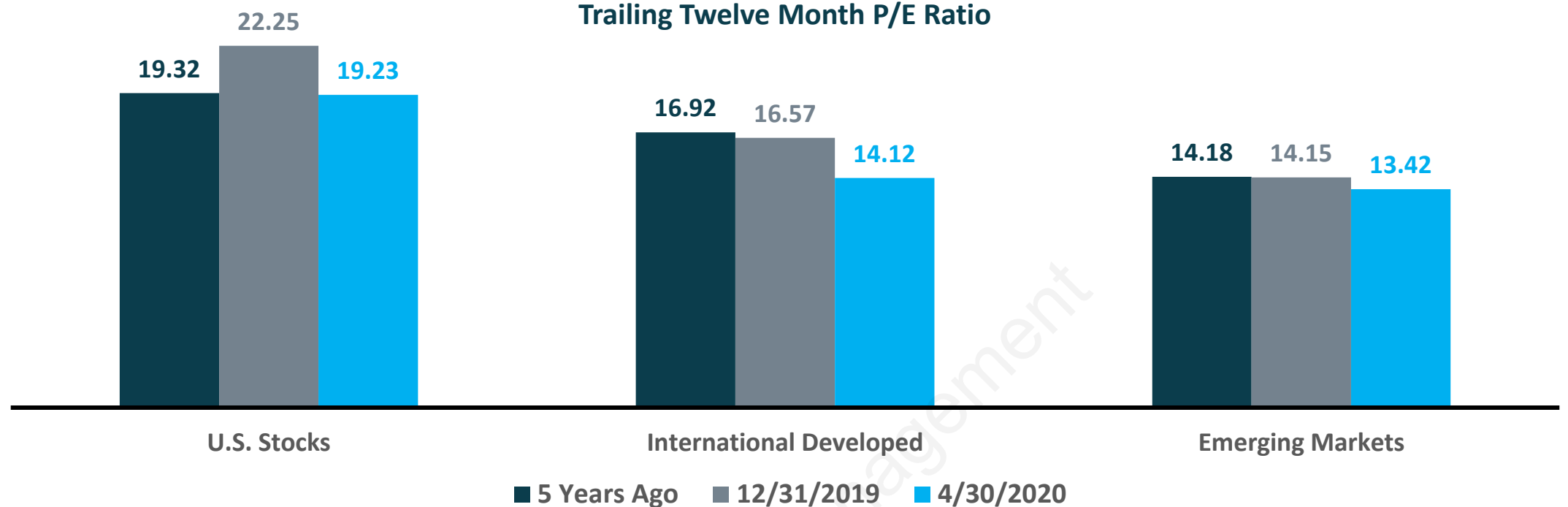
## True Diversifiers Remain Diversifying During Bad Times Rolling 100-Day Correlation to Global Stocks



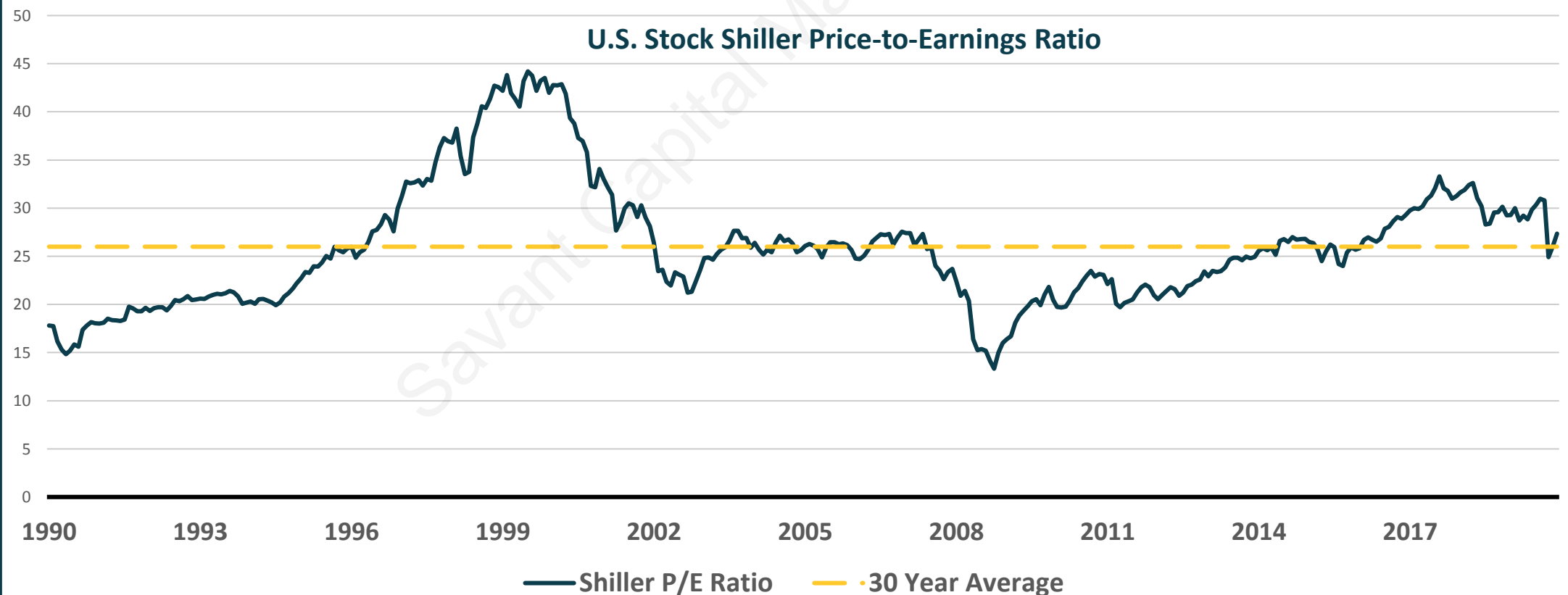
# Valuations Around the Globe

Valuations

Trailing Twelve Month P/E Ratio



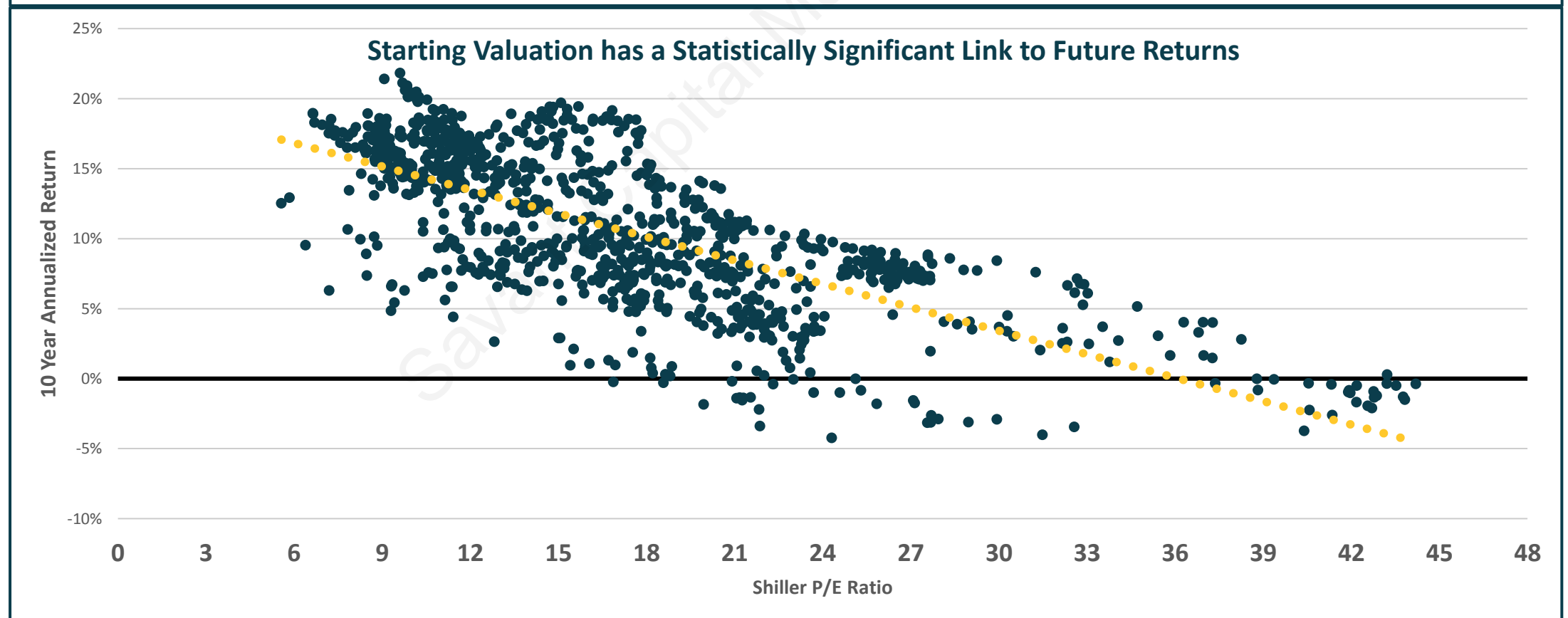
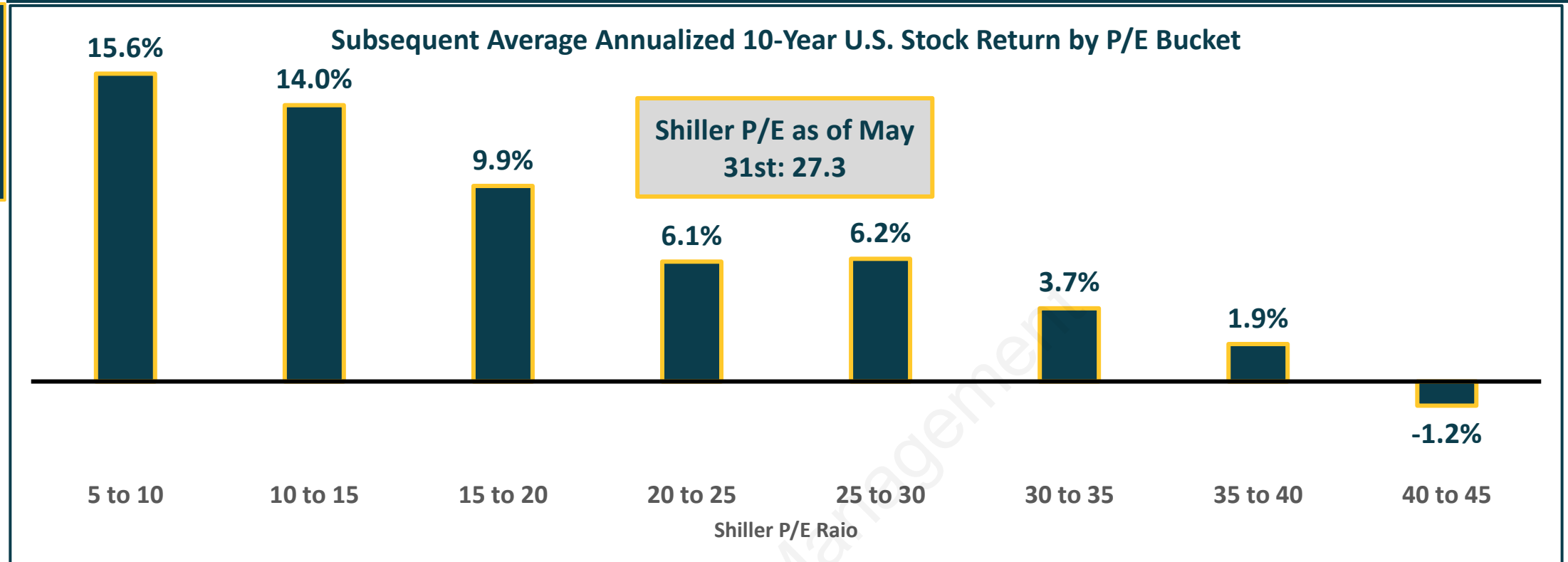
U.S. Stock Shiller Price-to-Earnings Ratio



TTM P/E ratios based on: U.S. Stocks: Vanguard Total Stock Market ETF, International Developed: Vanguard FTSE Developed Markets ETF, Emerging Markets: Vanguard FTSE Emerging Markets ETF. Shiller P/E Ratio from Online Shiller Data Library. Data as of 5/31/2020.

# Valuations Matter

Valuations

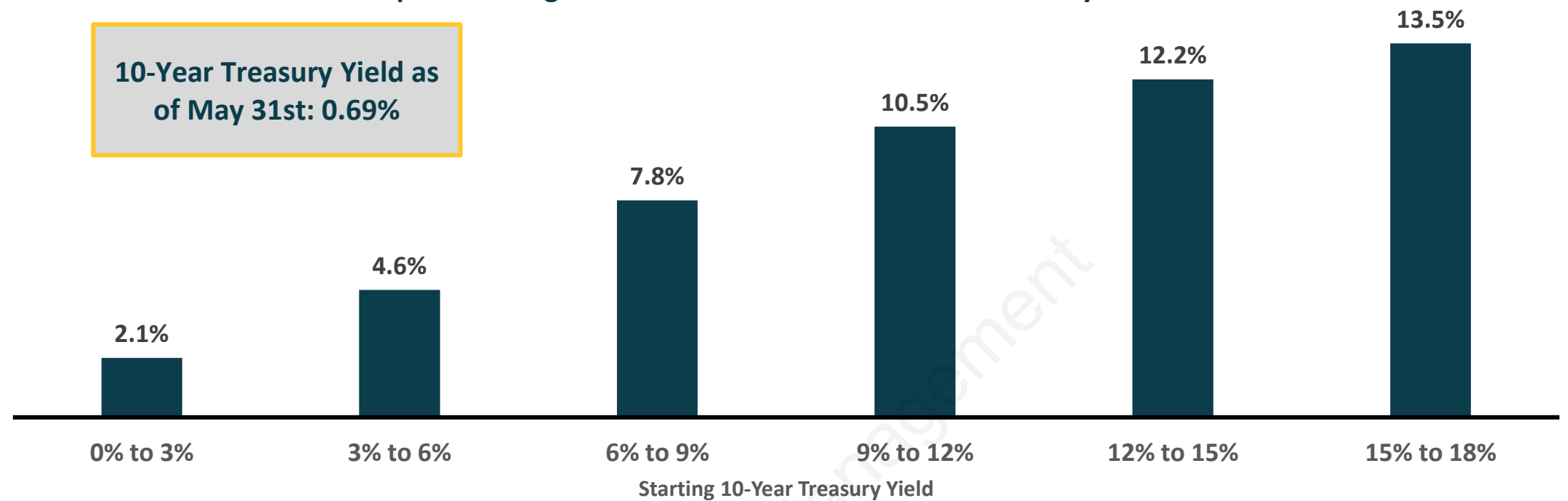


Data sources: Online Shiller Data Library and Morningstar Direct. U.S. Stock returns based on IA SBBI US Large Stock Index. Data from 1/1/1926 to 03/31/2020.

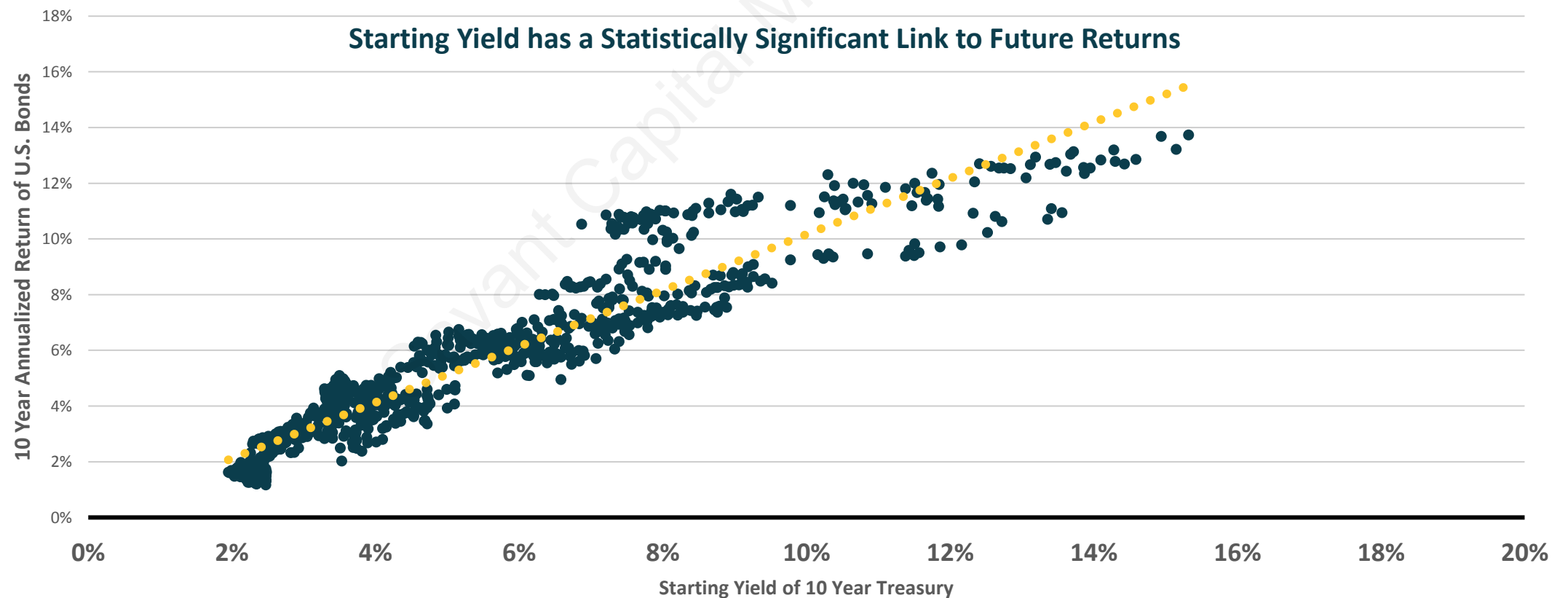
# Yields Matter

Valuations

Subsequent Average Annualized 10-Year U.S. Bond Return by Yield Bucket



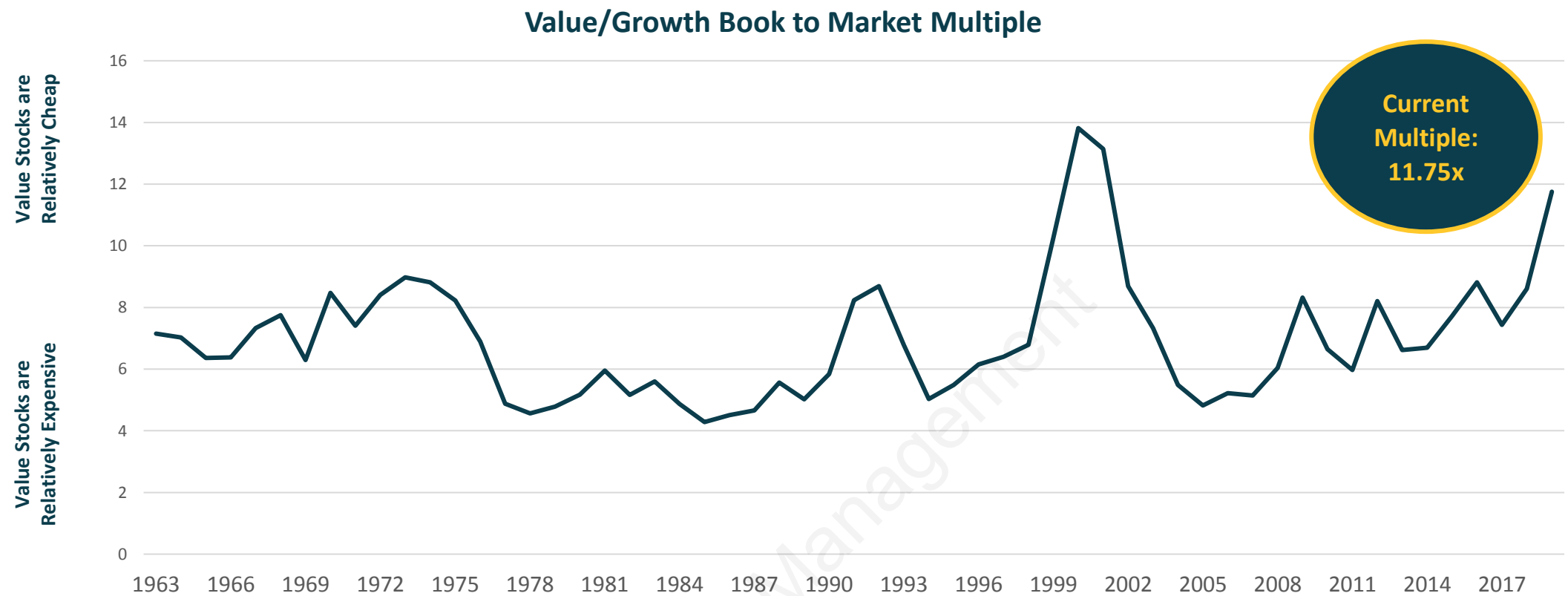
Starting Yield has a Statistically Significant Link to Future Returns



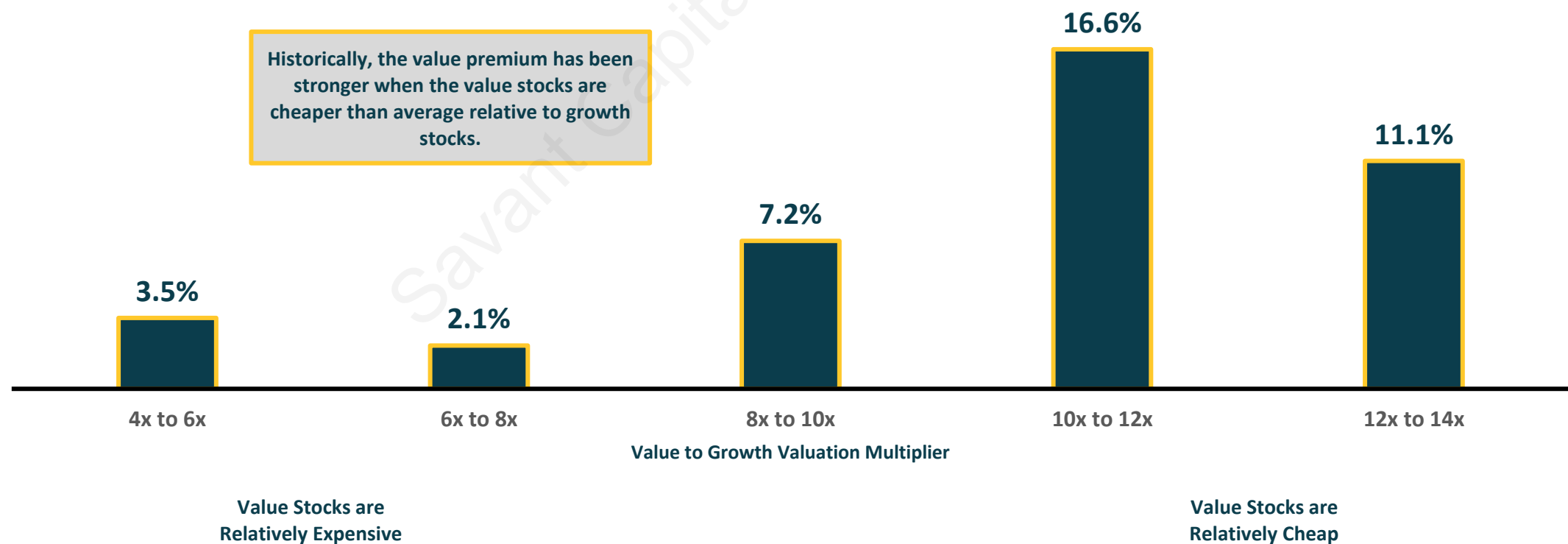
Data sources: Online Shiller Data Library and Morningstar Direct. U.S. Bond returns based on IA SBBI IT Govt TR USD. Data from 1/1/1926 to 05/31/2020.

# Relative Valuations Matter Too!

## Valuations



## 5 Year Subsequent Average Annualized Value Premium by Value/Growth Multiple Bucket

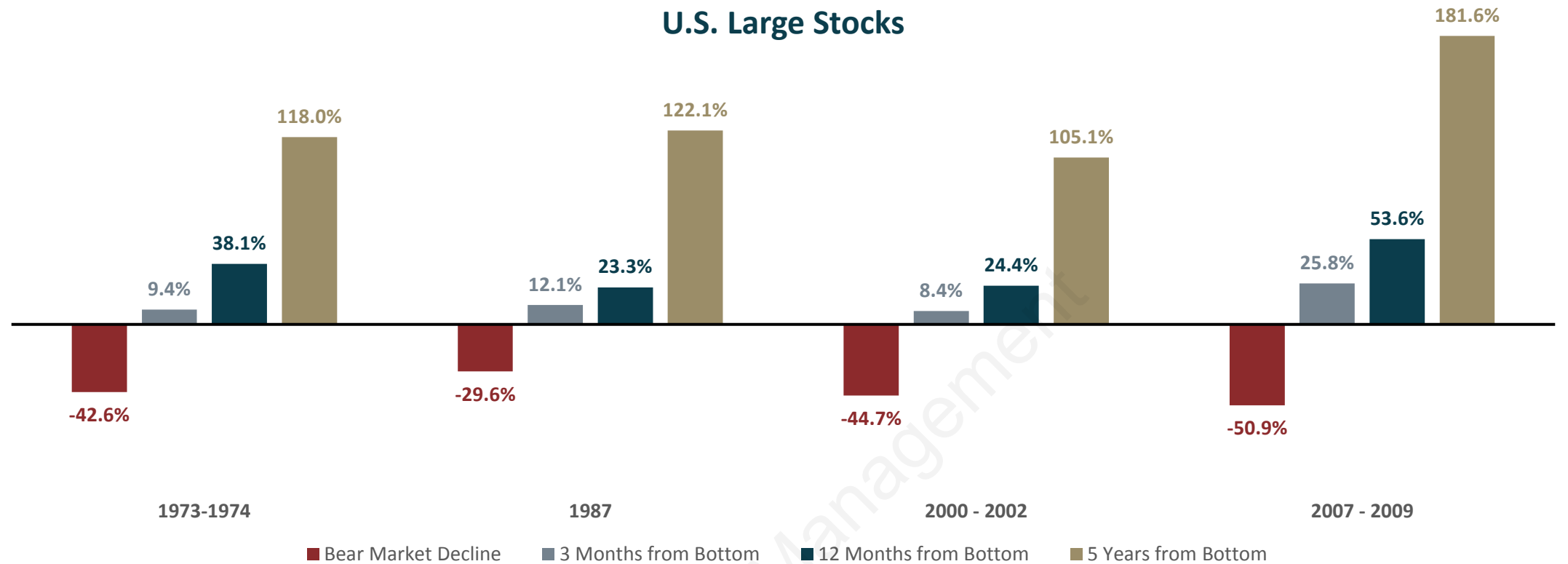


Data source: Kenneth R. French Data Library. Data as of 12/31/2019.

# Historical Perspective: Stocks Have Always Bounced Back

Historical  
Perspective

## U.S. Large Stocks



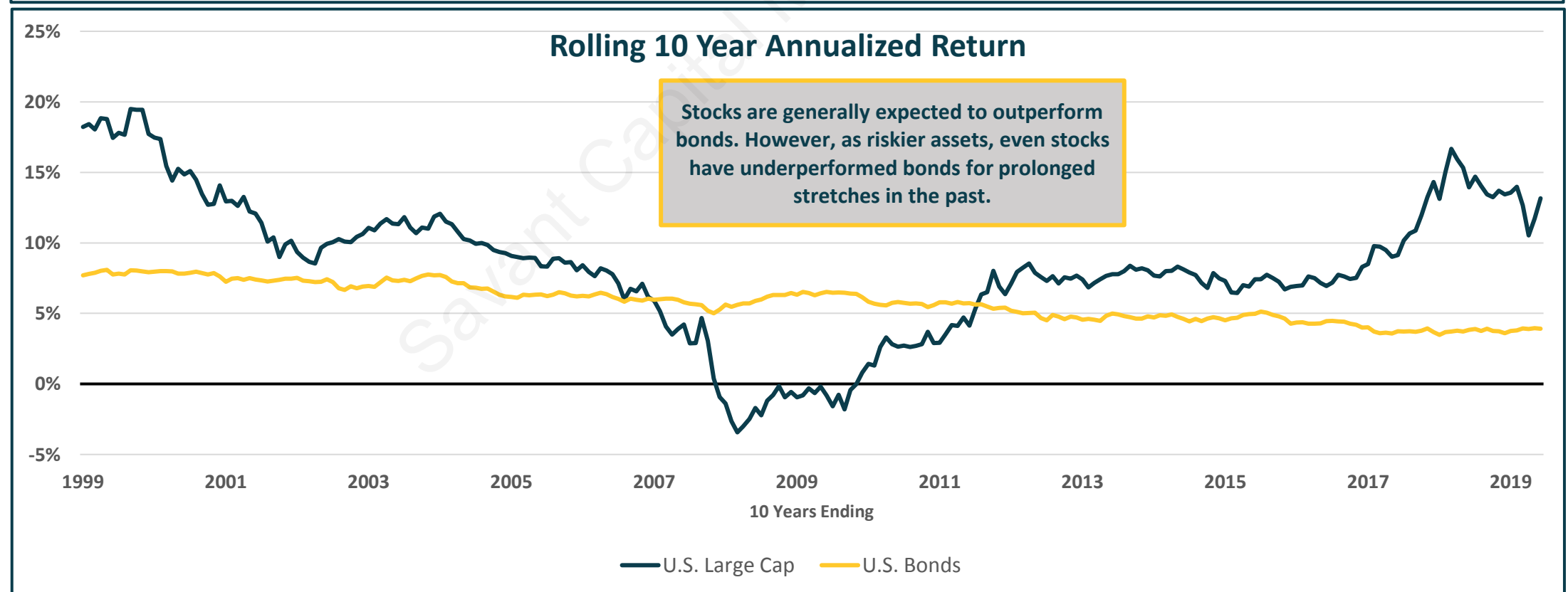
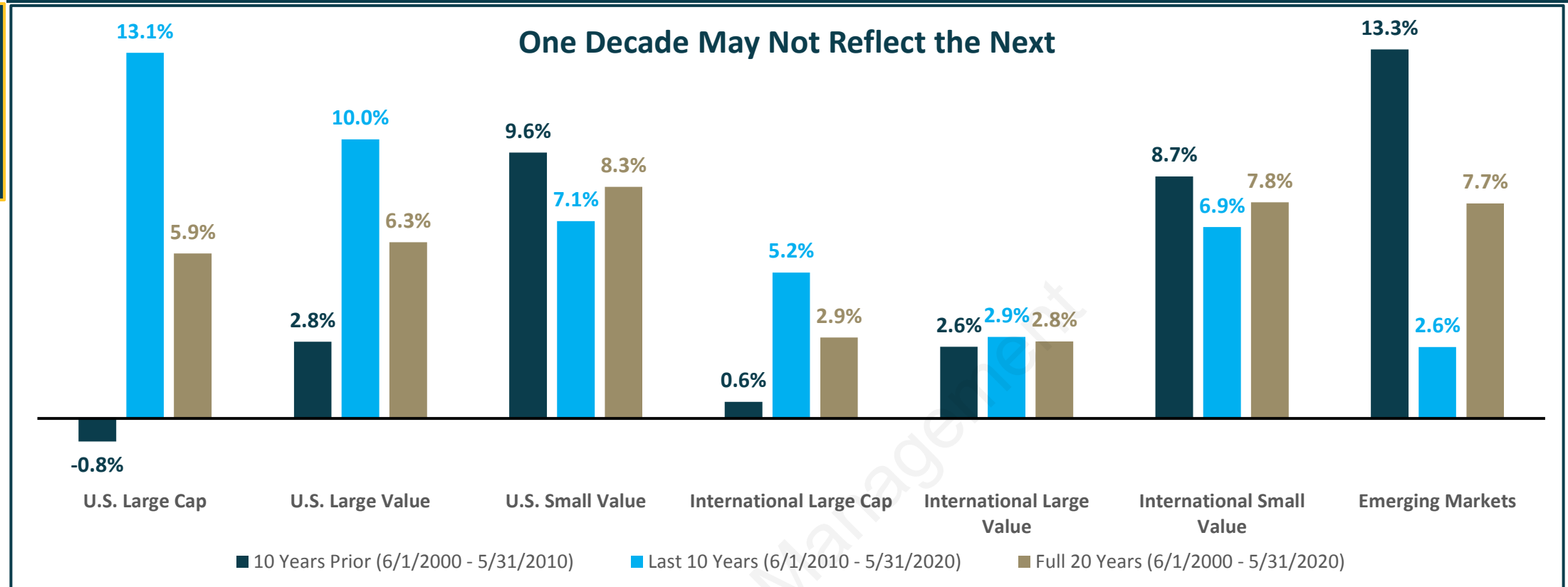
## International Large Stocks



Data source: Morningstar Direct. Data as of 6/15/2020. See Endnote 6 for further disclosures.

# Historical Perspective: Leadership is Cyclical

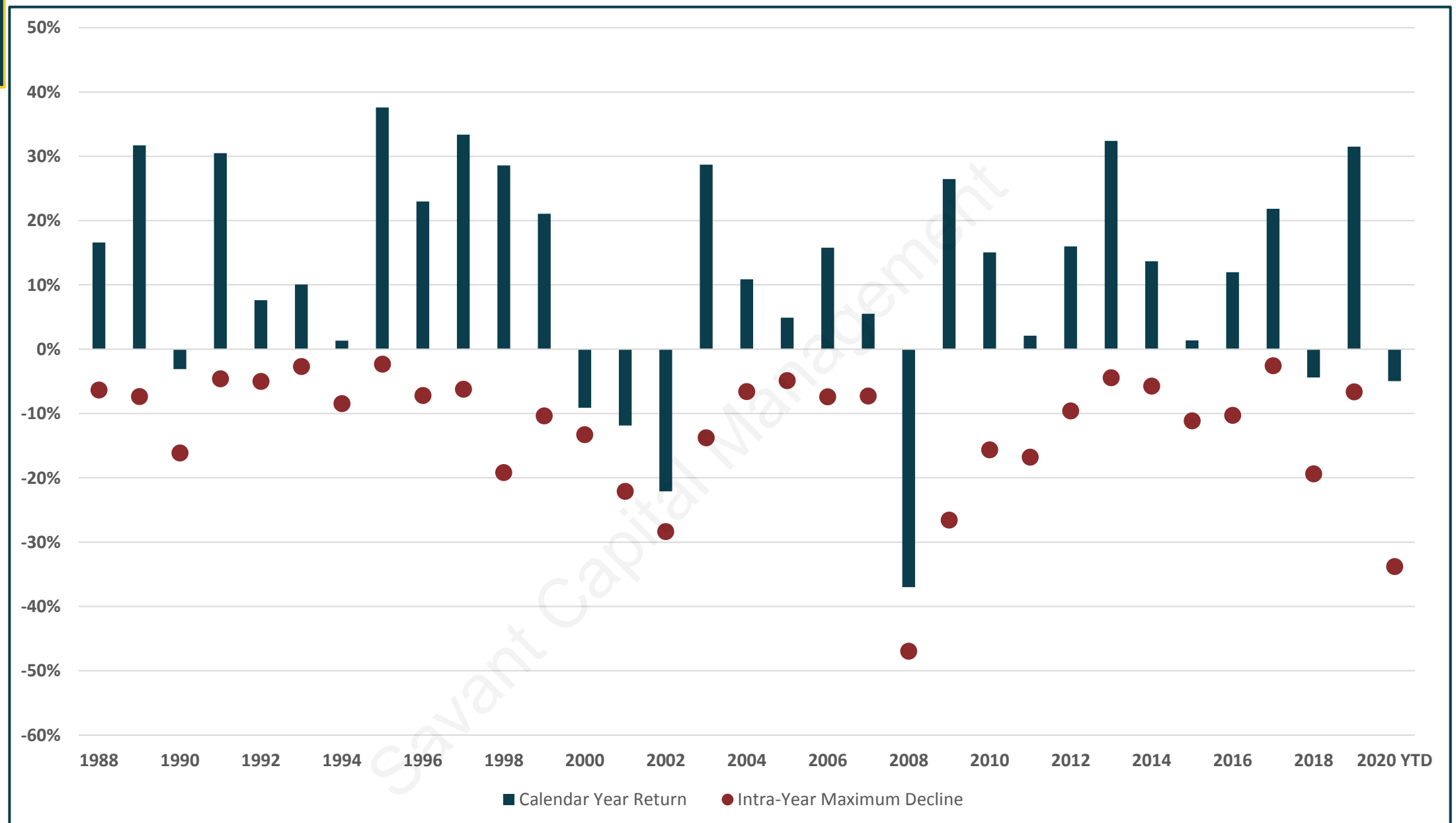
Historical  
Perspective



Data source: Morningstar Direct. Data as of 5/31/2020. See Endnote 9 for further disclosures.

# Historical Perspective: Intra-Year Declines vs. Calendar Year Returns

Historical  
Perspective



Data source: Morningstar Direct. Data as of 6/14/2020. This chart focuses on the calendar year returns and intra-year declines of the S&P 500 TR USD Index.



# Historically, Small Value Stocks Outperform Following Bear Markets

Historical  
Perspective

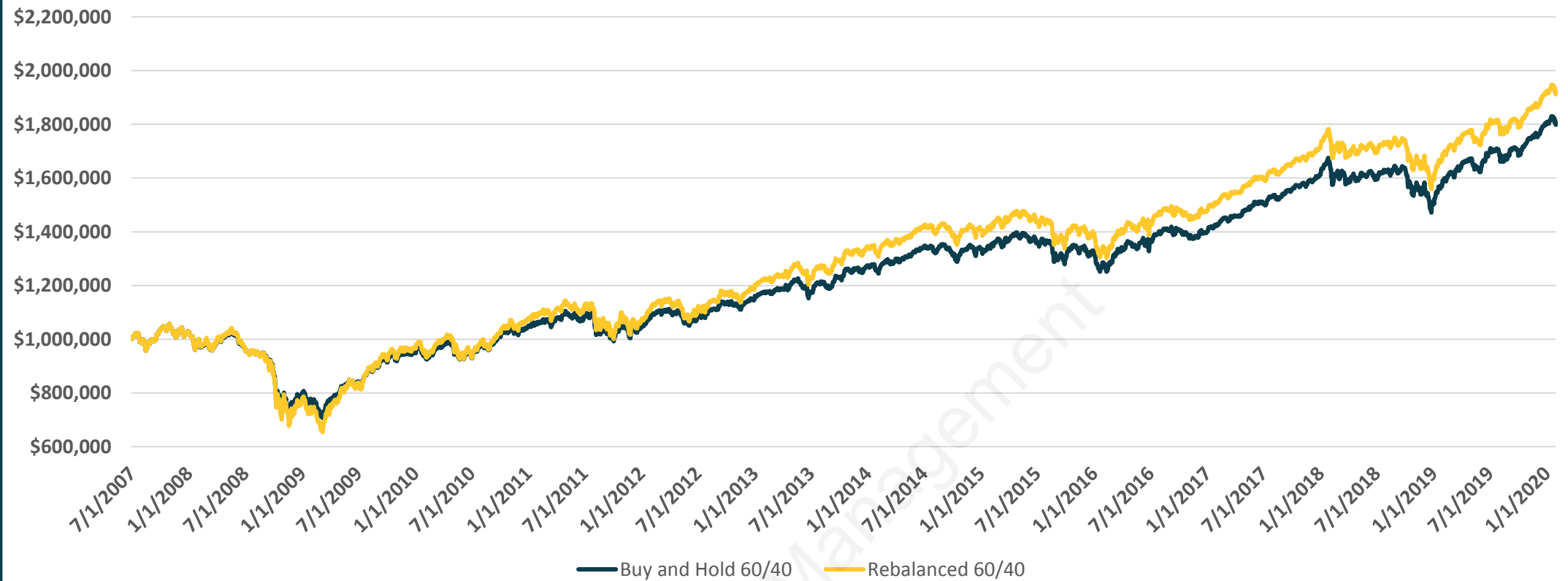
		Value				Growth					
Large	↑	12.1%	59.4%	38.8%	54.0%	61.3%	61.8%	53.5%	63.5%	38.4%	55.9%
		103.9%	81.4%	69.7%	85.6%	72.7%	78.7%	74.2%	73.0%	69.4%	60.5%
		73.8%	95.7%	87.6%	110.5%	62.5%	92.9%	83.6%	74.6%	71.5%	68.6%
		88.5%	96.5%	84.2%	92.2%	93.0%	81.7%	77.6%	79.8%	78.4%	86.0%
		79.3%	90.1%	87.7%	89.6%	67.0%	76.5%	91.1%	93.5%	73.9%	69.3%
Small	↓	97.6%	86.7%	90.7%	99.1%	86.0%	79.7%	96.6%	71.9%	82.2%	55.3%
		64.3%	94.3%	83.4%	75.6%	77.5%	81.3%	84.1%	86.5%	88.9%	79.8%
		90.4%	98.0%	77.8%	81.2%	86.9%	87.4%	88.1%	91.9%	107.1%	60.0%
		90.5%	104.2%	73.9%	88.2%	86.2%	85.5%	85.1%	89.5%	66.7%	65.2%
		116.9%	108.2%	93.2%	94.5%	79.7%	96.2%	92.6%	81.3%	78.8%	67.1%

On average, smaller, value-oriented stocks have exhibited the strongest cumulative returns for the three years following a bear market. This study reviews returns following the 1973 - 1974, 1987, 2000 - 2002, and 2007-2009 bear markets.

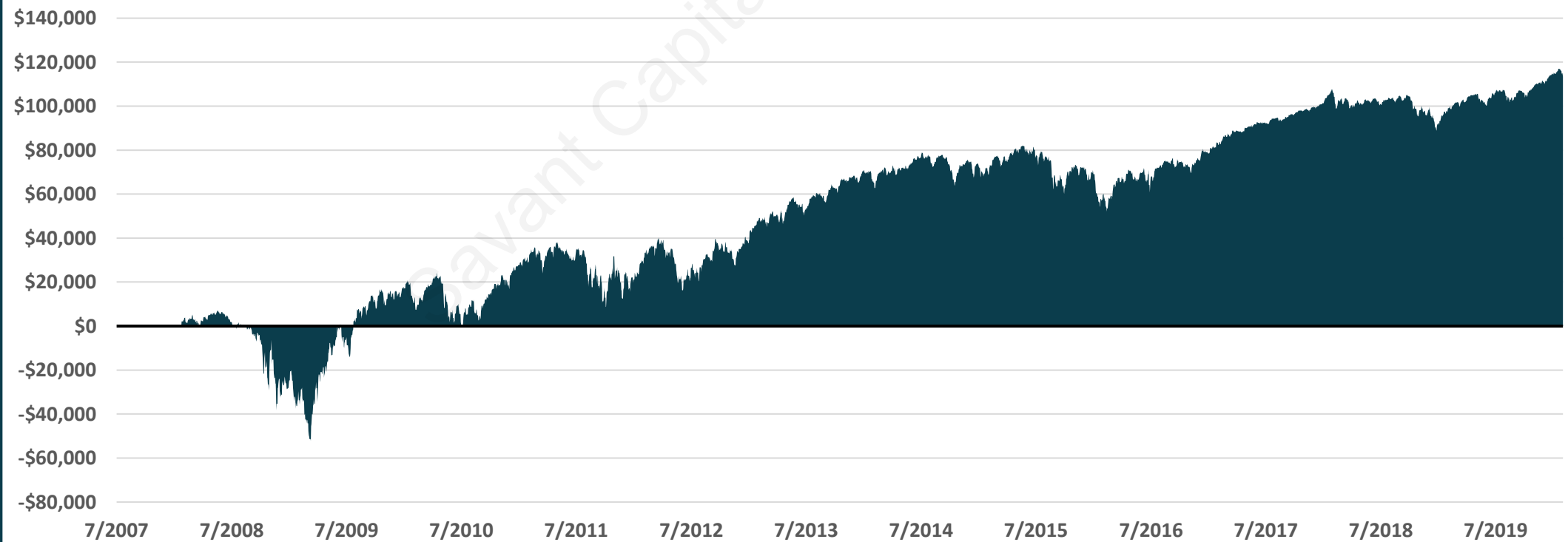
Data source: Kenneth R. French Data Library. Data as of 06/15/2020. See Endnote 7 for further disclosures.

# A Case Study in Rebalancing: The Great Financial Crisis and Beyond

Historical  
Perspective



## Cumulative Benefit of Rebalancing



Data source: Morningstar Direct. Data as of 06/15/2020. See Endnote 8 for further disclosures.

# Disclosures

**Endnote 1:** U.S. Large: CRSP US Total Market Index, U.S. Small: Russell 2000 TR USD, International Large: MSCI EAFE NR USD, International Small: S&P EPAC Small TR USD, Emerging Market Stocks: MSCI EM NR USD, Global REITs: S&P Global REIT TR USD, Commodities: Bloomberg Commodity TR USD.

**Endnote 2:** Factor returns were calculated by subtracting the broad market return from each factor index return. Broad market : MSCI USA All GR USD, Value : MSCI USA Enhanced Value Index, Size : MSCI USA Low Size Index, Momentum : MSCI USA Momentum Index, Quality : MSCI USA Sector Neutral Quality Index.

**Endnote 3:** U.S. Aggregate Bond: BBgBarc US Agg Bond TR USD, International Bonds: JPM GBI Global Ex US TR Hdg USD, Inflation-Protected Bonds: ICE BofA US Inflation-Linked Treasury, US A-Rated Corporate: BBgBarc US Corp A TR USD.

**Endnote 4:** U.S. High Yield: BBgBarc Ba to B U.S. High Yield TR USD, US A-Rated Corporate: BBgBarc US Corp A TR USD.

**Endnote 5:** Managed Futures: Credit Suisse Mgd Fut Liquid TR USD, Reinsurance: SwissRe Global Cat Bond TR USD, Global Stocks: MSCI ACWI IMI NR USD, U.S. Aggregate Bond: BBgBarc Agg Bond TR USD

**Endnote 6:** US Large Stocks : IA SBBi US Large Stock TR, International Stocks: MSCI EAFE NR USD.

**Endnote 7:** Where the Kenneth R. French Data Library did not have complete returns data, the decile in that time period was excluded from the study. For the 3 years following the 1973-1974 bear market, the following segments were excluded: ME10BM8, ME10BM9, ME10BM10. Return data was complete for the three years following the 1987 and 2000-2002 bear markets. For the 3 years following the 2007-2009 bear market, only the ME10BM10 segment was missing data and therefore excluded from the study. Of the 400 segments of the market reviewed, 396 had complete data.

**Endnote 8:** Stocks are represented by the MSCI ACWI IMI NR USD Index. Bonds are represented by the BBgBarc US Agg Bond TR USD Index. For the 'Buy and Hold 60/40', the investor is assumed to start with \$600,000 in stocks and \$400,000 in bonds. The investor simply holds the positions and accepts the changes to the portfolio allocation mandated by buy and hold returns. The 'Rebalanced 60/40' investor is assumed to start with the same \$600,000 in stocks and \$400,000 in bonds. However, when this investor's stock allocation drifts below 55% or above 65%, the portfolio is automatically rebalanced back to target. This exhibit does not take taxes strategies such as tax loss harvesting nor tax considerations such as capital gain taxes into account. This case study utilizes returns from 7/1/2007 through 1/31/2020.

**Endnote 9:** US Large Stocks: S&P 500, US Large Value: MSCI US Prime Market Value, US Small Value: MSCI US Small Cap Value, International Large Cap: MSCI EAFE, International Large Value: MSCI EAFE Value, International Small Value: S&P EPAC Small Value, Emerging Markets: MSCI EM, US Bond: BbgBarc US Agg Bond.

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