THE CORONAVIRUS AND MARKET DECLINES

The world is watching with concern the spread of the new coronavirus. The uncertainty is being felt around the globe, and it is unsettling on a human level as well as from the perspective of how markets respond.

It is a fundamental principle of investing that markets are designed to handle uncertainty, processing information in real-time as it becomes available. We see this happening when markets decline sharply, as they have recently, as well as when they rise. Such declines can be distressing to any investor, but they are also a demonstration that the market is functioning as we would expect.

Market declines can occur when investors are forced to reassess expectations for the future. The expansion of the outbreak is causing worry among governments, companies, and individuals about the impact on the global economy.
The market is clearly responding to new information as it becomes known, but the market is pricing in unknowns, too. As risk increases during a time of heightened uncertainty, so do the returns investors demand for bearing that risk, which pushes prices lower. Our investing approach is based on the principle that prices are set to deliver positive future expected returns for holding risky assets.

We can't tell you when things will turn or by how much, but our expectation is that bearing today's risk will be compensated with positive expected returns. That's been a lesson of past health crises, such as the Ebola and swine-flu outbreaks earlier this century, and of market disruptions, such as the global financial crisis of 2008–2009. Additionally, history has shown no reliable way to identify a market peak or bottom. These beliefs argue against making market moves based on fear or speculation, even as difficult and traumatic events transpire.

Amid the anxiety that accompanies developments surrounding the coronavirus, decades of financial science and long-term investing principles remain a strong guide.

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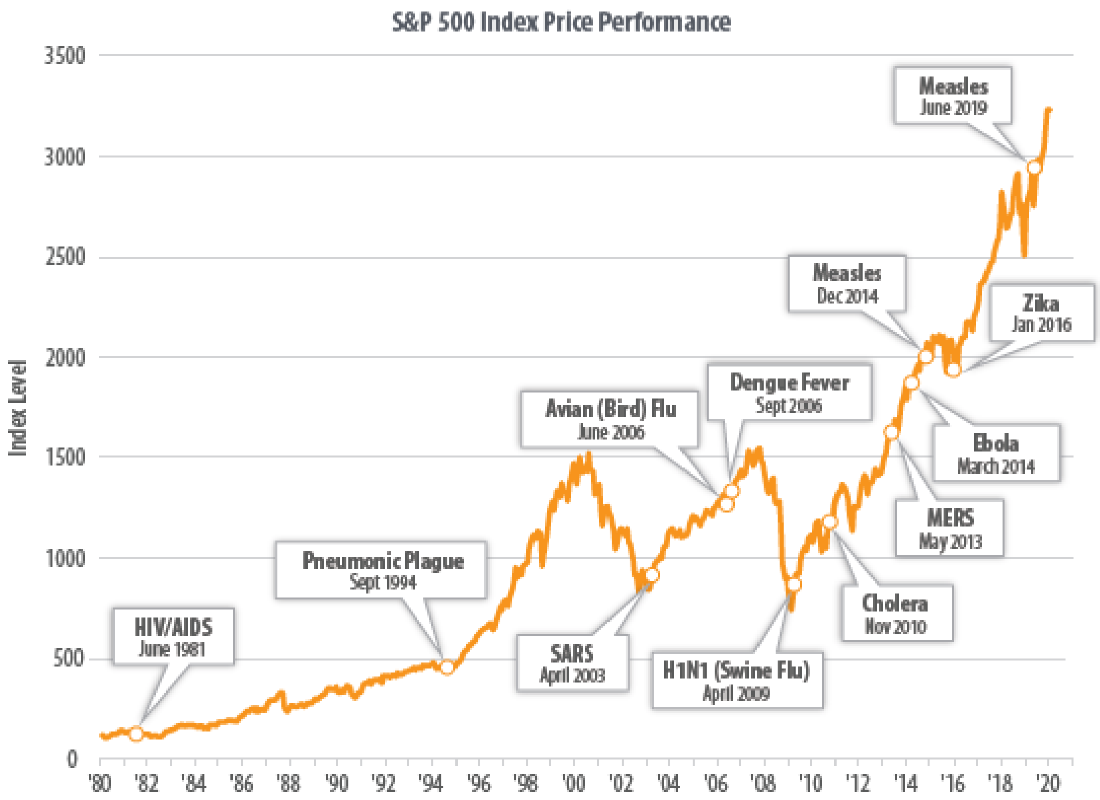
EPIDEMICS AND STOCK MARKET PERFORMANCE SINCE 1980

There are many factors that can impact stock market returns, but one concern of investors today is how the stock market will be impacted by a major epidemic or outbreak. Below we look at the historical performance of the S&P 500 Index during several epidemics over the past 40 years. We believe looking at the market's overall resiliency through several major epidemics can give us perspective on the benefits of investing for the long-term.



Epidemic	Date	S&P 500 6-Month % Change	S&P 500 12-Month % Change
HIV/AIDS	June 1981	-6.6%	-16.5%
Pneumonic Plague	Sept 1994	8.2%	26.3%
SARS	April 2003	14.6%	20.8%
Avian (Bird) Flu	June 2006	11.7%	18.4%
Dengue Fever	Sept 2006	6.4%	14.3%
H1N1 (Swine Flu)	April 2009	18.7%	36.0%
Cholera	Nov 2010	13.9%	5.6%
MERS	May 2013	10.7%	18.0%
Ebola	March 2014	5.3%	10.4%
Measles	Dec 2014	0.2%	-0.7%
Zika	Jan 2016	12.0%	17.5%
Measles	June 2019	9.8%	N/A*
Average Price Return		8.8%	13.6%

Observations

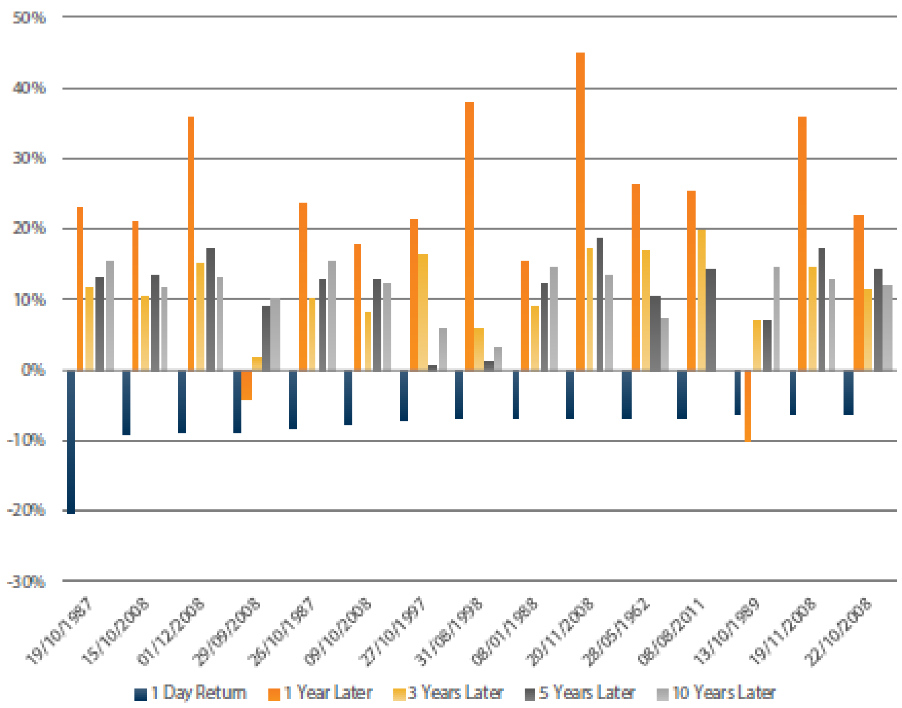
- 6-month change of the S&P 500 Index following the start of the epidemic was positive in 11 of the 12 cases, with an average price return of 8.8%.
- 12-month change of the S&P 500 Index following the start of the epidemic was positive in 9 of the 11 cases*, with an average price return of 13.6%.

*Source: Bloomberg, as of 24/02/20. Month end numbers were used for the 6- and 12-month % change. *12-month data is not available for the June 2019 measles. Past performance is no guarantee of future results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Nothing contained herein constitutes investment, legal, tax or other advice and it is not to be solely relied on in making an investment or other decision, nor does the document implicitly or explicitly recommend or suggest an investment strategy, reach conclusions in relation to an investment strategy for the reader.*

S&P 500 PERFORMANCE AFTER ITS WORST DAYS (Q4 2019)

The chart and table below list the 15 largest single day percentage losses in the S&P 500 Index since 1960 and the subsequent price performance of the index for the 1-, 3-, 5-, and 10-year periods that followed. Looking back, the S&P 500 Index produced positive price appreciation, on average, in each of the periods. While stocks have sometimes experienced extreme volatility over short periods of time, we believe investors who remain committed to their long-term investment plan will continue to be rewarded over longer periods. Of course, past performance is no guarantee of future results.

S&P 500 INDEX PERFORMANCE DURING AND AFTER EXTREME DOWN DAYS



Date	1 Day Return	1 Year Later	3 Years Later	5 Years Later	10 Years Later
19/10/1987	-20.47%	+23.19%	+11.60%	+13.04%	+15.43%
15/10/2008	-9.03%	+20.79%	+10.49%	+13.34%	+11.72%
01/12/2008	-8.93%	+35.85%	+15.10%	+17.21%	+12.96%
29/09/2008	-8.79%	-4.14%	+1.60%	+8.86%	+10.17%
26/10/1987	-8.28%	+23.59%	+10.20%	+12.93%	+15.25%
09/10/2008	-7.62%	+17.76%	+8.29%	+12.73%	+12.21%
27/10/1997	-6.87%	+21.48%	+16.30%	+0.47%	+5.76%
31/08/1998	-6.80%	+37.93%	+5.80%	+1.04%	+2.97%
08/01/1988	-6.77%	+15.31%	+8.96%	+12.01%	+14.66%
20/11/2008	-6.71%	+45.05%	+17.34%	+18.81%	+13.38%
28/05/1962	-6.68%	+26.14%	+16.79%	+10.39%	+7.14%
08/08/2011	-6.66%	+25.26%	+19.94%	+14.27%	N/A
13/10/1989	-6.13%	-10.07%	+7.05%	+6.99%	+14.44%
19/11/2008	-6.12%	+35.75%	+14.65%	+17.26%	+12.80%
22/10/2008	-6.10%	+21.87%	+11.35%	+14.37%	+11.88%
Average	-8.13%	+22.38%	+11.70%	+11.58%	+10.72%

Source: Bloomberg. Performance is price return only (no dividends). The charts are for illustrative purposes only and not indicative of any actual investment. Returns are average annualized returns, except those for periods of less than one year, which are cumulative. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than the other asset classes. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Nothing contained herein constitutes investment, legal, tax or other advice and it is not to be solely relied on in making an investment or other decision, nor does the document implicitly or explicitly recommend or suggest an investment strategy, reach conclusions in relation to an investment strategy for the reader.

STAYING THE COURSE - S&P 500

(Q4 2019)

EFFICIENT FINANCIAL

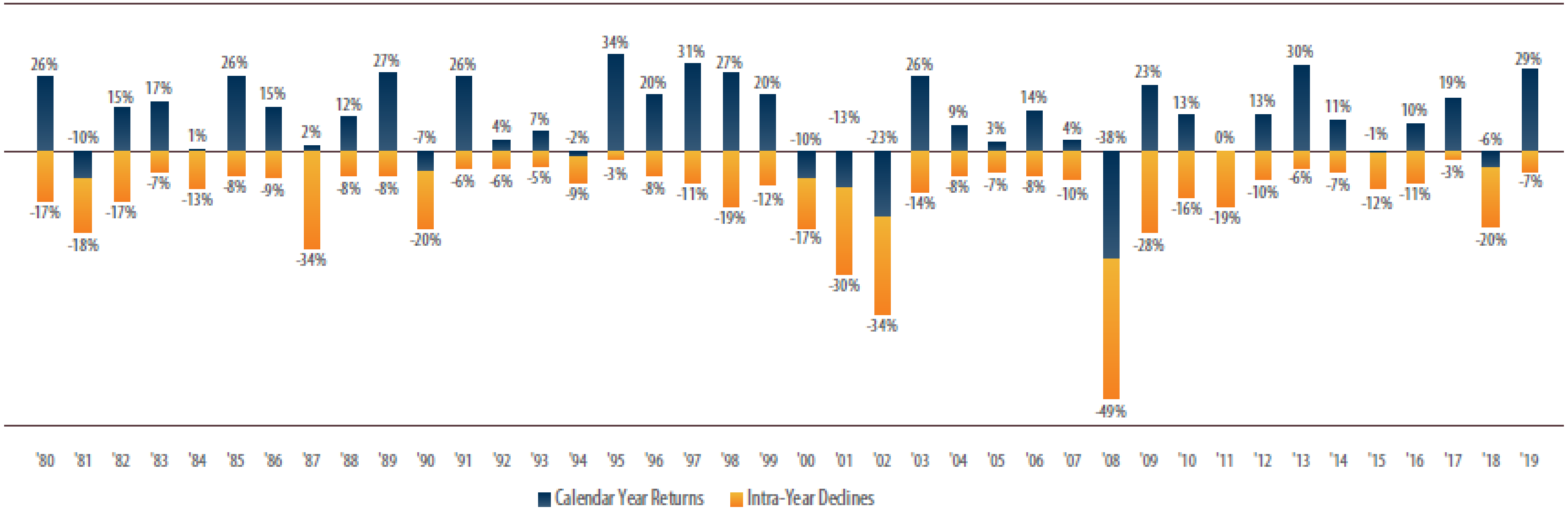
Investors tend to see short-term volatility as the enemy. Volatility may lead many investors to move money out of the market and “sit on the side-lines” until things “calm down.” Although this approach may appear to solve one problem, it creates several others:

1. When do you get back in? You must make two correct decisions back-to-back; when to get out and when to get back in.
2. By going to the side-lines you may be missing a potential rebound. This is not historically unprecedented; see chart below.
3. By going to the side-lines you could be not only missing a potential rebound, but all the potential growth on that money going forward.

We believe the wiser course of action is to review your plan with your advisor and from there, decide if any action is indeed necessary. This placates the natural desire to “do something”, but helps keep emotions in check.

INTRA-YEAR DECLINES VS. CALENDAR YEAR RETURNS

Volatility is not a recent phenomenon. Each year, one can expect the market to experience a significant correction, which for the S&P 500 has averaged approximately 14% since 1980. Although past performance is no guarantee of future results, history has shown that those who chose to stay the course were rewarded for their patience more often than not.



Source: First Trust Advisors L.P., Bloomberg, as of 31/12/19. The benchmark used for the above chart is the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results. Nothing contained herein constitutes investment, legal, tax or other advice and it is not to be solely relied on in making an investment or other decision, nor does the document implicitly or explicitly recommend or suggest an investment strategy, reach conclusions in relation to an investment strategy for the reader.

CRISIS & EVENTS FTSE 100

1 January 2008 – 31 December 2019

This chart shows the growth of £10,000 based on FTSE 100 Index performance since 2008. Although past performance is no guarantee of future results, we believe looking at the market's overall resiliency through several major crisis and events helps to gain a fresh perspective on the benefits of investing for the long-term.

THE AVERAGE ANNUAL TOTAL RETURN OF THE FTSE 100 INDEX FOR THE PERIOD SHOWN BELOW WAS 5.31%.

Source: First Trust and Bloomberg. This chart is for illustrative purposes only and not indicative of any actual investment. The FTSE 100 Index is a market-capitalisation weighted index representing the performance of the 100 largest UK listed blue chip companies. Investors cannot invest directly in an index. As such, indices do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Stocks are not guaranteed and have been more volatile than the other asset classes. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results. Nothing contained herein constitutes investment, legal, tax or other advice and it is not to be solely relied on in making an investment or other decision, nor does the document implicitly or explicitly recommend or suggest an investment strategy, reach conclusions in relation to an investment strategy for the reader.

STAYING THE COURSE - FTSE 100

(Q4 2019)

EFFICIENT FINANCIAL

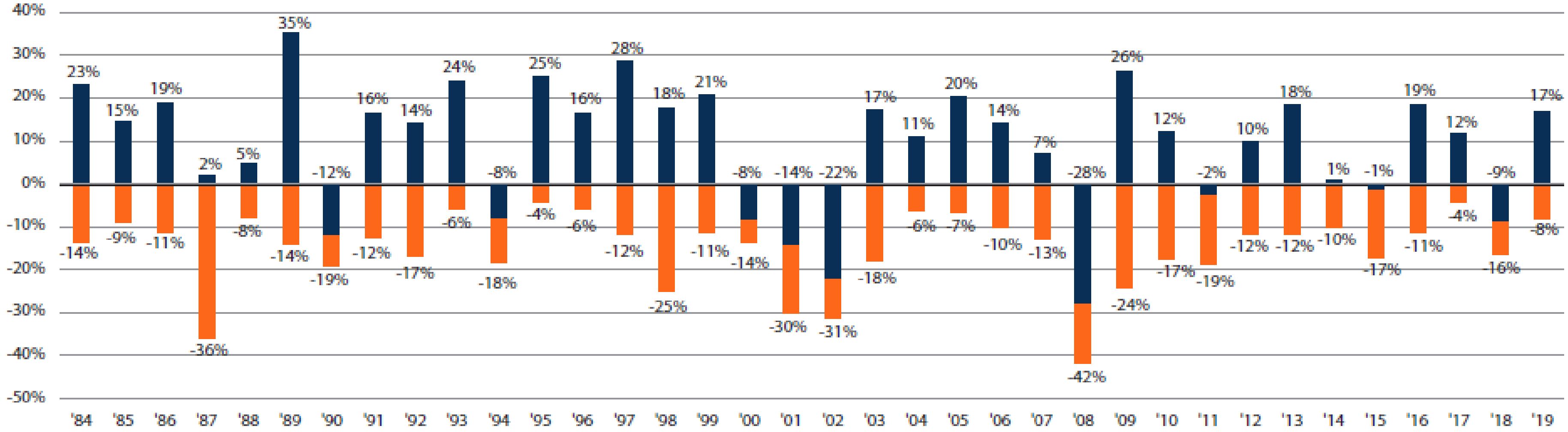
Investors tend to see short-term volatility as the enemy. Volatility may lead many investors to move money out of the market and "sit on the side-lines" until things "calm down." Although this approach may appear to solve one problem, it creates several others:

1) When do you get back in? You must make two correct decisions back-to-back; when to get out and when to get back in.
2) By going to the side-lines you may be missing a potential rebound. This is not historically unprecedented; see chart below.
3) By going to the side-lines you could be not only missing a potential rebound, but all the potential growth on that money going forward.

We believe the wiser course of action is to review your investment plan and decide if any action is indeed necessary. This placates the natural desire to "do something", but helps keep emotions in check.

Intra-Year Declines vs. Calendar Year Returns

Volatility is not a recent phenomenon. Each year, one can expect the market to experience significant correction, which for the FTSE 100 has averaged an intra-year decline of approximately 14% since 1984. Although past performance is no guarantee of future results, the chart below shows that those who chose to stay in the market were rewarded for their patience with a positive calendar year return more often than not.



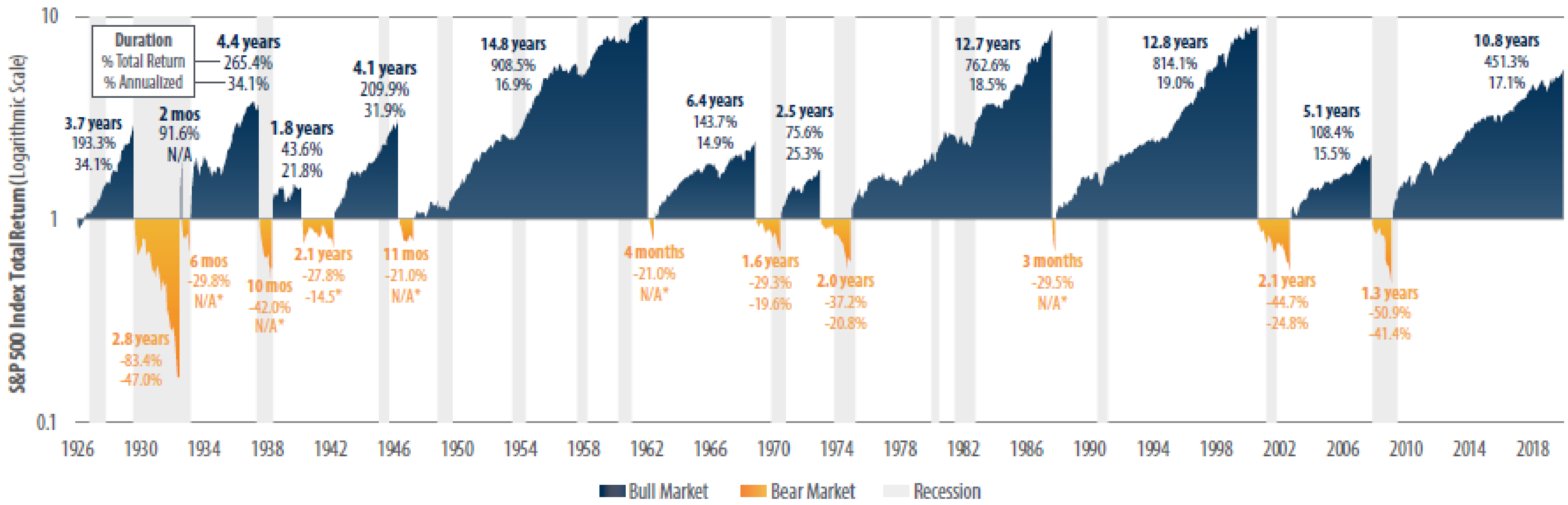
Source: First Trust Advisors L.P., Bloomberg as at 31 December 2019. The benchmark used for the above chart is the FTSE 100 Index. The FTSE 100 Index launched 3 January 1984 and is composed of the 100 largest companies listed on the London Stock Exchange (LSE). Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is not a reliable indicator of future results. Nothing contained herein constitutes investment, legal, tax or other advice and it is not to be solely relied on in making an investment or other decision, nor does the document implicitly or explicitly recommend or suggest an investment strategy, reach conclusions in relation to an investment strategy for the reader.

HISTORY OF U.S. BEAR & BULL MARKETS SINCE 1926 (Q4 2019)

EFFICIENT FINANCIAL

This chart shows historical performance of the S&P 500 Index throughout the U.S. Bull and Bear Markets from 1926 through September 2019. Although past performance is no guarantee of future results, we believe looking at the history of the market's expansions and recessions helps to gain a fresh perspective on the benefits of investing for the long-term.

- The average **Bull Market** period lasted 6.6 years with an average cumulative total return of 339%.
- The average **Bear Market** period lasted 1.3 years with an average cumulative loss of -38%.



*Source: First Trust Advisors L.P., Bloomberg. Returns from 1926 - 31/12/19. *Not applicable since duration is less than one year. These results are based on monthly returns–returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results. Nothing contained herein constitutes investment, legal, tax or other advice and it is not to be solely relied on in making an investment or other decision, nor does the document implicitly or explicitly recommend or suggest an investment strategy, reach conclusions in relation to an investment strategy for the reader.*