Outlook and Opportunities

The Investment Puzzle: Putting the Pieces Together

Outlooks & Opportunities

The Investment Puzzle: Putting the Pieces Together

Seminar Overview

01 Will there be a recession this year?
02 Will interest rates go lower or even negative?
03 How long will the market slump last?
04 Will global markets keep underperforming?
05 What impact will politics have on the markets?
06 What are the risks to our outlook?
07 What common mistakes can I avoid?
08 How can I put all the pieces together?
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Will there be a recession this year?

COVID-19 Impact - Key Components of GDP Likely to Weaken in 2020

Source: FactSet
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Unemployment Rate to Rise Sharply from Historic Lows

Inflation Is Near the Fed Target

Source: FRED, 1/31/2020
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![Business Investment Lagged Last Year](chart)

Source: FactSet

![Recent Housing Market Improvement Can Help with Recovery](chart)

Source: FactSet
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Will interest rates go lower or even negative?

Source: Board of Governors of the Federal Reserve System (US), Effective Federal Funds Rate (FEDFUNDS), retrieved from FRED, Federal Reserve Bank of St. Louis; January 6, 2020.

The Effect of Interest Rate Cuts

Source: Board of Governors of the Federal Reserve System (US), Effective Federal Funds Rate (FEDFUNDS), retrieved from FRED, Federal Reserve Bank of St. Louis; January 6, 2020.
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10-year Treasury Yields vs. Foreign Debt Holding

Source: St. Louis Federal Reserve Economic Data
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How long will the market slump last?

Source: S&P Indices
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How Do Stocks Fare After a Strong Year?

Source: FactSet
Past performance is not a guarantee of future results. The S&P500 is an unmanaged index and not available for direct investment.

Will global markets keep underperforming?
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A Rising Dollar Impacts Returns to U.S. Investors

Morningstar, 12/31/19; MSCI EAFE total returns. The MSCI index is unmanaged and cannot be invested indirectly. Past performance does not guarantee future results.

China’s Bigger Role

“Percentage of the Worlds GDP”
Source: World Bank
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A Look at the Global Manufacturing PMI

Overseas Market Valuations

Source: FactSet
Series: MSCI EAFE, MSCI EM

Bloomberg, 02/28/20
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What impact will politics have on the markets?

Source: Michigan University Consumer Confidence Survey, Rolling 6-Month Average
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Source: Morningstar (1936-2019), Edward Jones Calculations, the S&P 500 is an unmanaged index and cannot be invested in directly. Past performance is not a guarantee of what will happen in the future.
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Source: Morningstar (1936-2019), Edward Jones calculations. The S&P 500 is an unmanaged index and cannot be invested in directly. Past performance is not a guarantee of what will happen in the future.

What are the risks to our outlook?
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Corporate Debt Levels

Source: FRED

U.S. Budget Deficits Expected to Grow

Source: Congressional Budget Office
Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment. Performance does not include payment of any expenses, fees or sales charges, which would lower the performance results. Returns include dividend reinvestment.

The prices of small-cap stocks are generally more volatile than those of large-company stocks. There are special risks inherent in international and emerging market investing, including currency fluctuations and political, social and economic risks. Investments in stocks involves risk. The value of your shares will fluctuate and you may lose principal. Bonds, if held to maturity provide a fixed rate of return and fixed principal value.

Source: MorningStar direct, 12/31/2019. Int’l high yield bonds represented by the Barclay’s global high yield index.
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Returns by Sector

Industry sector performances are based on the returns of the S&P 500 Sector Indices, which are weighted by market capitalization and are subsets of the S&P 500. For example, the return of the Health Care industry sector is based on the return of the S&P 500 Health Care Index. The renamed sector includes previously classified Telecom companies like AT&T (T) and Verizon (VZ), media companies from the Consumer Discretionary sector, like Disney (DIS) and Omnicom (OMC), and Technology companies like Facebook (FB) and Alphabet (GOOGL).

An index is unmanaged and is not available for direct investment. Past performance does not guarantee future results. Performance does not include payment of any expenses, fees or sales charges, which would lower the performance results.

This information is approved for use with the public. It is intended for informational purposes only. It is believed to be reliable, but its accuracy and completeness are not guaranteed.

Returns include dividend reinvestment. Dividends may be increased, decreased or eliminated at any point without notice.

Source: Morningstar Direct
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Don't Chase Performance

$10,000 Invested in the S&P 500 Since 1985

- Buy and Hold: 120,679
- Missed 10 Best Days: 50,094
- Missed 20 Best Days: 6,391
- Missed 50 Best Days: 23,225
- Missed 40 Best Days: 16,479
- Missed 50 Best Days: 10,659

Source: FactSet, Edward Jones Calculations, 3/15/2020
Past performance is not a guarantee of future results. The S&P 500 is an unmanaged index and not available for direct investment.

Understanding Volatility

- Dip: 3.3x/year, -5%
- Correction: 1.1x/year, -10%
- Bear: About 1 every 3 years, -20%

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How can I put all the pieces together?

Portfolio Construction

START HERE

Investment Category

Equity Investments

Aggressive Growth

Growth & Income

Fixed-income Investments

Investments

Asset Class

Commodities & Emerging Markets

U.S. Small- and Mid-cap Stocks, International Small- and Mid-cap Stocks

U.S. Large-cap Stocks, International Large-cap Stocks & Real Estate


Cash & Money Market

Sector

Investment Selection

Maturity/Sector
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Stock and Bonds Often Move in Opposite Directions

Annual Returns (Years of Declining Stock Prices)

Source: Morningstar, total return. Stocks represented by the S&P 500 total return index. Bonds represented by the Barclays U.S. Aggregate Bond Index. Investment indices are unmanaged and cannot be invested in directly.

Staying Invested in a Balanced Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Bear Market</th>
<th>Bull Market</th>
<th>Bear Market</th>
<th>Bull Market</th>
<th>Entire Period Return</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tech Crash</td>
<td>Housing Boom</td>
<td>Financial Crisis</td>
<td>Current Expansion</td>
<td>00-19</td>
</tr>
<tr>
<td>Stock Market</td>
<td>-16%</td>
<td>18%</td>
<td>-50%</td>
<td>49%</td>
<td>217%</td>
</tr>
<tr>
<td>Balanced Portfolio</td>
<td>-20%</td>
<td>84%</td>
<td>-3%</td>
<td>168%</td>
<td>217%</td>
</tr>
</tbody>
</table>

Past performance is not a guarantee of future results. The indexes represented are unmanaged and not available for direct investment. The hypothetical portfolios are for illustrative purposes only. Results will vary for a portfolio with similar holdings.
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Summary

Risk of a recession has risen a lot in 2020, fueled by the unknown effects of a global viral pandemic.

Despite significant short-term headwinds associated with the virus, we think investing in the U.S. market continues to be attractive because of:

- Positive conditions before the pandemic, including solid household balance sheets
- Low interest rates
- Modest inflation
- Highly accommodative monetary policy

Remember that pullbacks can create opportunities to add quality investments at lower prices.

As volatile times come and go, focus on the bigger picture of your long-term goals.

Seek opportunities for a complete investment mosaic this year and throughout your investment horizon.

Source: FactSet

Series: MSCI EAFE, MSCI EM
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Questions & Answers

Thank You