TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

July 2020

Quarterly Insights

EXECUTIVE SUMMARY

The Stock Market Had A V-Shape Recovery

The US and global economies began to re-open in the latter half of Q2. After a horrible Q1, we decided to stay the course in an unprecedented situation. It was fortunate that we did - markets bounced back hard. The S&P 500 Index, down 19.60% in Q1, rose 20.54% in Q2 (the best quarter since 1998). Global regions fared similarly well. The Bloomberg Barclay's Aggregate Bond Index was up 2.90%.

The Economy Did Not Have A V-Shape Recovery

US and global economies were hit significantly as evidenced by poor GDP data.

Portfolio Strategy Adjustments

We are cautious and see specific investment opportunities within the broad market:

1. Hold the strongest companies
2. Greater emphasis on dividend-paying stocks
3. More foreign exposure

During extremely challenging times, remember that you are invested for the long-term. Discipline and patience will prove to be a virtue. It always has.

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Second Quarter 2020

In This Issue

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The Stock Market Had A V-Shape Recovery

The US and global economies began to re-open in the latter half of Q2. After a horrible Q1 (most of the decline in March), we detailed in our Quarterly Insights April 2020 report why we would be "staying the course in an unprecedented situation". It was fortunate that we did. Markets bounced back hard.

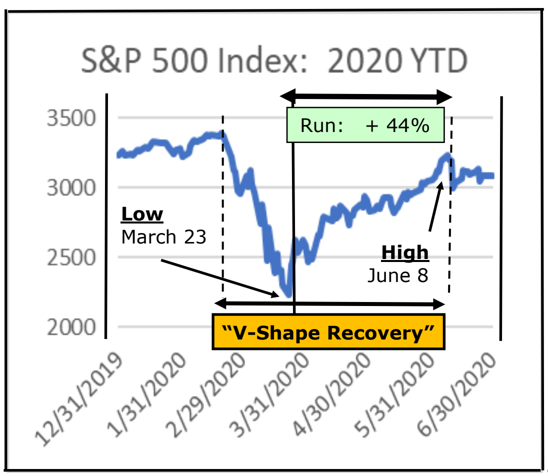
Equity Index Performance

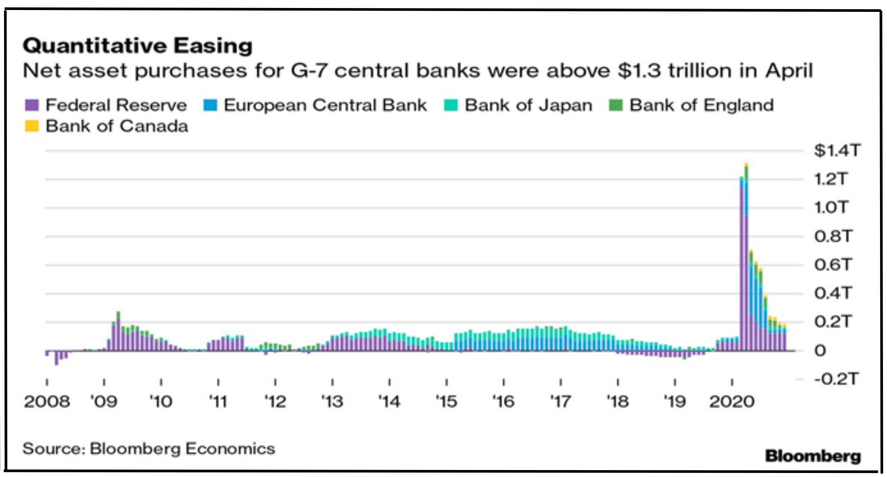
Index	Q2 2020	2020 YTD
S&P 500 (Domestic)	**20.54%**	**(3.08%)**
MSCI EAFE (Foreign) *	**14.88%**	**(11.34%)**
MSCI Emerging Markets	**18.08%**	**(9.78%)**
MSCI EMU (European Monetary Union)	**19.74%**	**(12.32%)**
MSCI Japan	**11.61%**	**(7.12%)**

* Europe, Australia and the Far East

The Bloomberg Barclay's Aggregate Bond Index remained steady, up 2.90% in Q2 (up 6.13% year-to-date).

To mitigate the pandemic economic impact, drastic government actions were taken. Congress enacted the $2 trillion CARES Act (Coronavirus Relief Bill) - $500 billion went to large corporations. In addition to lowering its target rate to 0%, the Fed increased the money supply ("quantitative easing") by purchasing $3 trillion of government securities/corporate bonds and facilitating emergency lending to banks. There is no end in sight for Fed help. Other developed countries took similar actions to rescue their economies. Unprecedented stimulus catapulted the stock market and supported the bond market. Q2 was a "market on steroids".



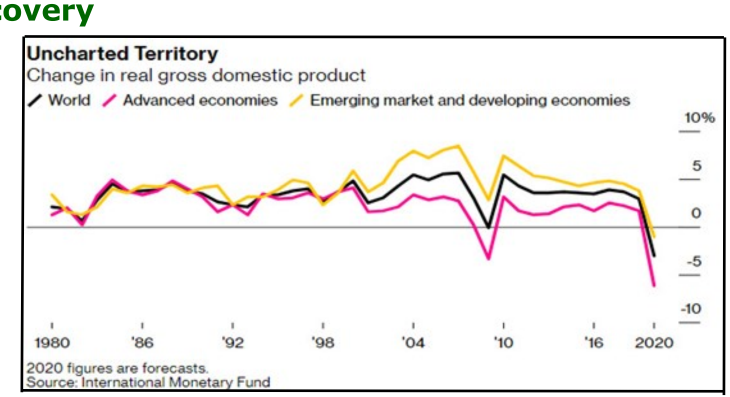


The Economy Did Not Have A V-Shape Recovery

The economy is weak. The International Monetary Fund (IMF) recently slashed its 2020 GDP forecasts:

World:	- 4.9%
United States:	- 8.0%
Euro Zone:	- 10.2%
Emerging Markets:	- 1.5%

The IMF 2021 World GDP forecast is + 5.4%.

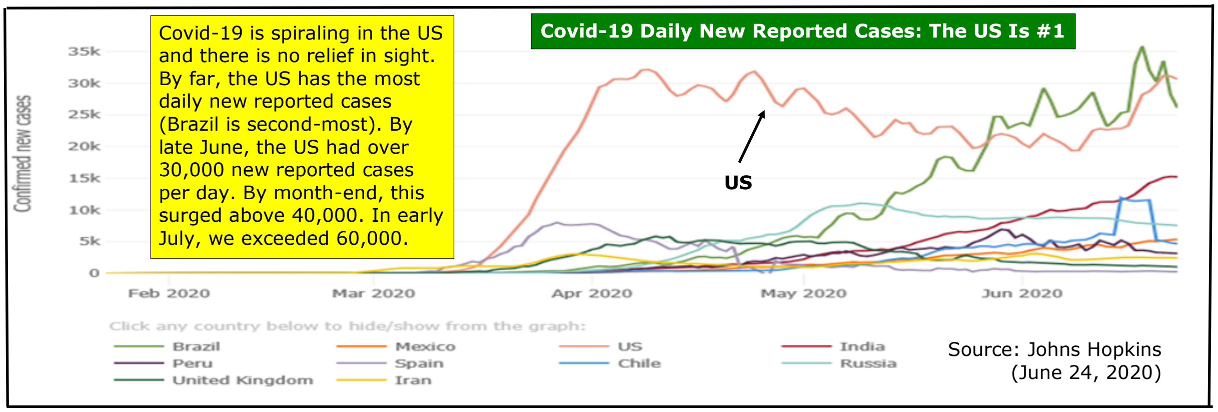


Here are three reasons to be cautious:

1. The US Has An Increasing Incidence Of Reported Coronavirus Cases
2. Stock Valuations Are Very High
3. We Are Low On Ammunition

The US Has An Increasing Incidence Of Reported Coronavirus Cases

On March 31, a published report from the University of Washington's Institute of Health Metrics and Evaluation (IHME) predicted the coronavirus crisis would subside by July 4. This report was wrong.



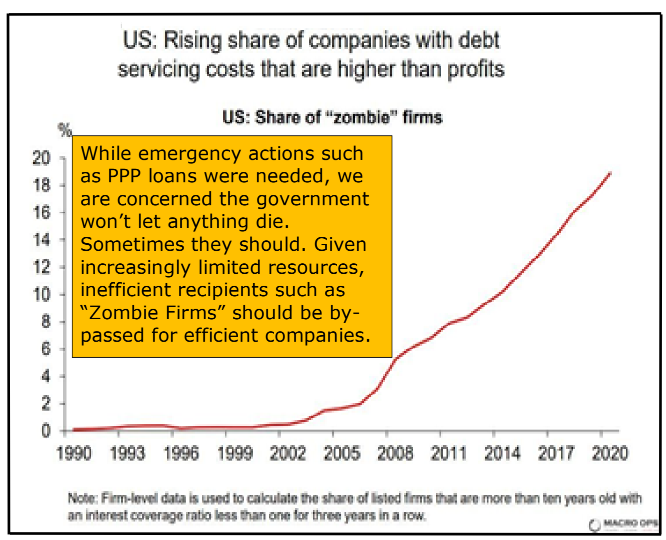
Stock Valuations Are Very High

The 44% market surge (March 23 to June 8) pushed stock valuations to new heights.

The Shiller Price/Earnings (PE) Ratio

We Are Low On Ammunition

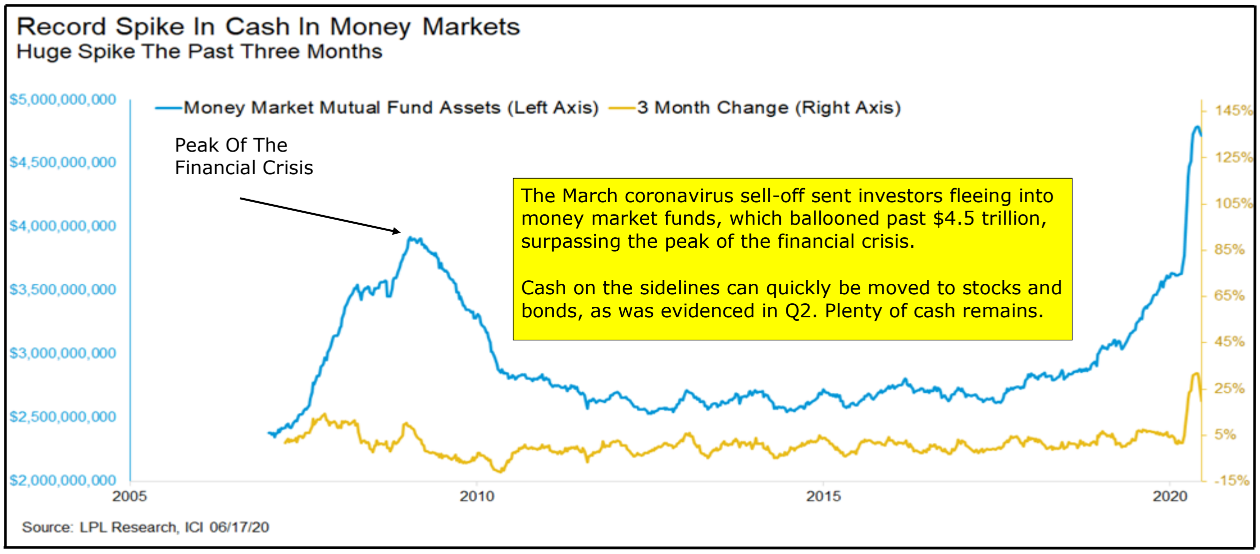
The Fed will not lower rates below its 0% target rate. Over $3 trillion of quantitative easing in Q2 pushed the Fed balance sheet from $4 trillion to $7 trillion. US debt has surged from $13 trillion (May 2015) to $20 trillion (May 2020). Corporate and personal tax rates have already been cut. Per new rules regarding government emergency assistance to companies, stock buybacks and dividend payments are limited or forbidden. The PPP (forgivable) loans, part of the CARES Act, effectively end in June and at this time there are no plans for another round of PPP.



Here are three reasons to be calm:

1. Massive Cash On The Sidelines
2. The Fed Is Fighting Hard To Stabilize Markets
3. Strong & Innovative Companies Will Thrive

Massive Cash On The Sidelines



The Fed Is Fighting Hard To Stabilize Markets

So far, the Fed has pumped in over $3 trillion to stabilize the stock and bond markets - with tangible results - and Chairman Jerome Powell has pledged to continue to do whatever it takes to restore the Fed mandates of maximum employment and price stability. Remember an important tenet of investing - Don't Fight The Fed!

Strong & Innovative Companies Will Thrive

We expect strong and innovative companies will thrive during times of economic uncertainty. There are many "blue chips" with:

1. Strong Balance Sheets
2. Great Ability To Adapt
3. Consistent Demand For Products/Services

These larger-cap S&P 500 companies have been around a long time and have competitive advantage in their respective industries. They have led so far in 2020. We anticipate continued dominance.

SIZE MATTERS
S&P 500 Index Performance Attribution By Company Market Cap (Year-To-Date)

S&P 500 Index YTD:	- 3%
Top 10:	+ 10%
Top 50:	+ 2%
201-250:	- 9%
Bottom 50:	- 39%

Source: CNBC

"When You Come To A Fork In The Road, Take It."

Yogi Berra

Right now our nation faces unprecedented challenges:

- Health crisis that is getting worse
- Weak economy
- Historically high unemployment
- Political and social unrest
- Rising deficit and budget shortfalls (federal, state, local)

We are not looking at the world with rose-colored glasses. While we are thrilled the market "climbed the wall of worry" (Q2 was the best quarter since 1998), we believe the market got ahead of itself and are cautious. Does this mean we advocate pulling out of the market? Absolutely not. We are staying the course because

1. The market has historically performed well over the long-term (the "baseline" is an annual return of 10%)
2. The market tends to out-perform in expansive monetary conditions
3. It is impossible to time the market: you have to be in it to win it

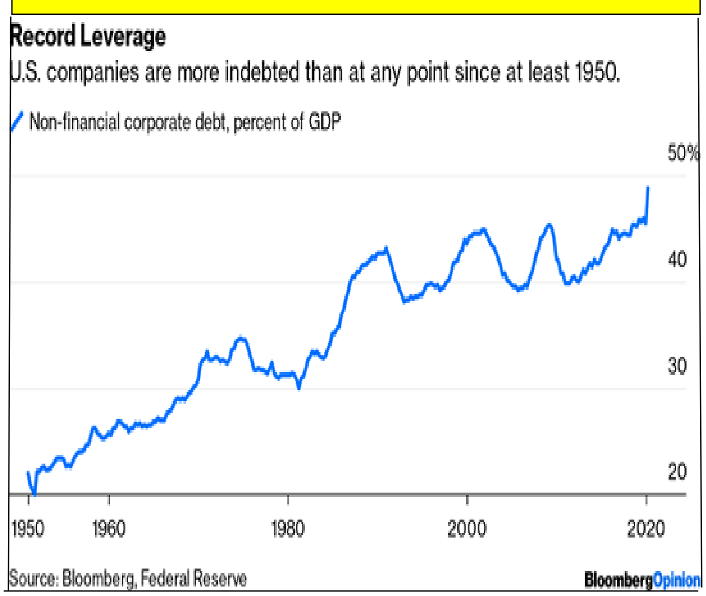
We see specific investment opportunities within the broad market and will adjust the portfolio accordingly:

1. Hold the strongest companies
2. Greater emphasis on dividend-paying stocks
3. More foreign exposure

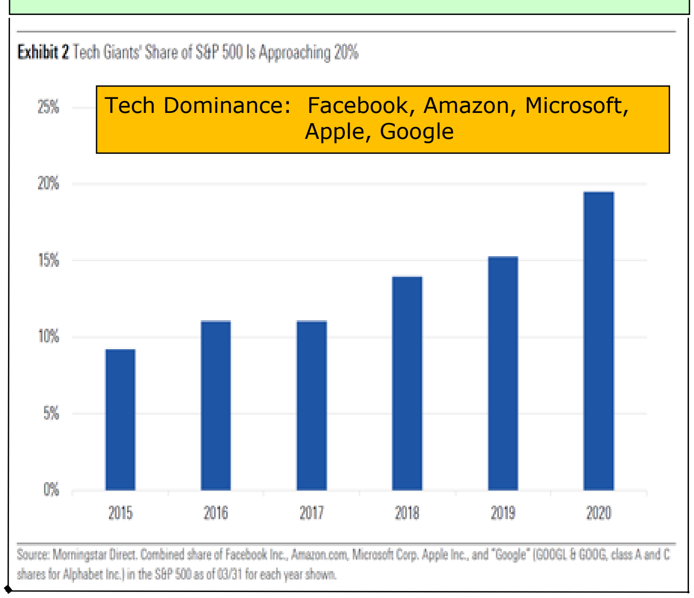
Strong Companies

Covid-19 has claimed a lot of business casualties. A rising number of companies are either closing or down-sizing due to the shutdown and/or excessive debt. As small companies subside or get swallowed up by cash-rich titans, the strong will get stronger. The dominant companies will grab ever-increasing market share as the economy gradually reopens. In adverse market conditions, bigger is better. We will position towards the industry leaders who boast strong balance sheets, strong management, and high product/service demand.

Many companies are in over their heads with debt. They may not survive unless they are bailed out by the government or rescued by the Fed. We don't want to take that chance.



Nowhere is it more evident that "the strong will get stronger" than the Tech sector. Five companies (4 of which we hold) now comprise an almost 20% share of the S&P 500 Index!



Dividend Stocks

With a Fed target rate of 0%, we are in a very low interest rate environment. Given the current economic challenges, we expect interest rates to remain low for a while. This presents a portfolio challenge: where do we find safe yield? Treasurys (the safest bonds) are not yielding much. Reasonably-safe corporate bonds ("A" rating) are yielding slightly more, but the risk/return tradeoff is not that great. We want to avoid lower-rated corporate bonds (such as "BBB") because of the default risk related to high leverage.

Annual % Yield (as of June 30, 2020) - Where's The Beef?			
Maturity	**Government Treasurys**	**Corporate Bonds (Rating: A)**	**Corporate Bonds (Rating: BBB)**
1 - year	0.17	0.47	0.87
2 - year	0.16	0.53	0.97
5 - year	0.30	0.98	1.50
10 - year	0.65	1.81	2.39

The Math

"Dividend Yield" indicates how much a company pays out in dividends each year relative to its share price.

Dividend Yield = Dividends Per Share For The Previous 12 Months / Current Price Per Share

When a stock's price falls, its dividend yield (assuming a constant dividend) increases, and vice-versa.

The "Dividend Growth Rate" is the annualized percentage increase in company dividends. To maintain an investor's purchasing power, it is important to know whether the growth rate is keeping up with inflation. Don't be fooled by high yield: dividends can be cut in adverse market conditions. Dividend yield considers the past year of dividend data - it is not forward-looking. The dividend growth rate provides more answers as to where the stock is heading. Reliability is more important than a high yield.

The dividend yield for the S&P 500 Index is 1.78% (June 30), which exceeds a 10-year Treasury and equals "A"-rated 10-year Corporates. Not all S&P 500 companies pay dividends—many of those that do have a yield above 1.78%. Bonds have limited upside and considerable downside with low interest rates. We seek higher yields and a better risk/return tradeoff (as compared to bonds) via dividend-paying companies we deem safe.

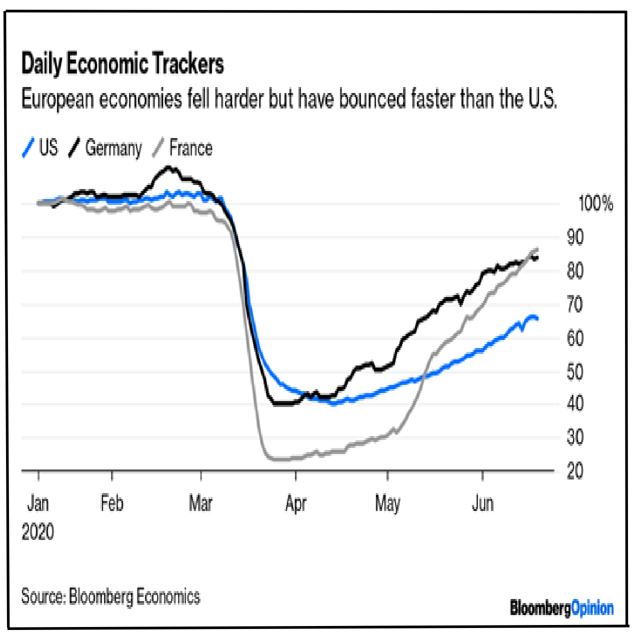
More Foreign Exposure

Pandemic control and economic health are related. The US has an increasing incidence of reported coronavirus cases. According to the IMF, 2020 US GDP will fall 8.0%.

Chinese coronavirus incidence is declining and the IMF projects China's 2020 GDP will rise 1.0%.

European coronavirus incidence is also declining. The region is opening up more quickly than the US (and banning US visitors from witnessing its resurgence).

At this time, we believe many foreign economies are poised to fare relatively better than the US economy due to their lower coronavirus incidence. We will raise Asian and European portfolio exposure.



We made several portfolio adjustments in Q2 to respond to changing market conditions and plan to do the same going forward. As your portfolio manager, we are not dealing with market certainty and we are always ready to adjust on the fly. In looking ahead, we are cautious in the short-term but remain confident in the long-term regarding the market and its underlying fundamentals.

We bought Diageo PLC ADR (symbol: DEO; $85 billion market cap), the world's leading producer of branded premium spirits. Headquartered in London, DEO has a 27% global volume market share of its industry. Brands include Guinness (beer), Johnnie Walker (scotch), Smirnoff (vodka), Crown Royal (Canadian Whiskey), Captain Morgan (rum), Tanqueray (gin), Bailey's Irish Cream, and a 34% stake in Moet Hennessy (cognac). DEO's business is predictable, a trait we want right now. We also added to our position in Southern Co (symbol: SO; $59 billion market cap). SO is one of the largest US utility companies, distributing electricity and natural gas to approximately 9 million customers in 9 states. Its current dividend yield is close to 5%.

We sold Berkshire Hathaway (symbol: BRK.B; $479 billion market cap) and California-based medical device maker Masimo Corp (symbol: MASI: $12 billion market cap) to take profits.

We are doing our best to remain healthy, and we know you are doing the same. This is an exceptionally difficult time to be an investor. Thank you for the confidence and trust you have placed with us.

We will continue to closely monitor the market and adjust your portfolio as needed. Please feel free to contact us anytime to discuss questions or comments you may have. We will keep you informed of portfolio progress.

Respectfully submitted,

TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

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Disclaimer

The information presented herein is intended for informational purposes only. All views are subject to change based on updated indicators. The recommendations made in this publication are made without regard to individual suitability. Investors should consider their own needs and objectives before making any investment decision.

Commentary in this review reflects our portfolio strategy. Many of our clients have different objectives and circumstances which are reflected in unique portfolio considerations. Please note that accounts may not contain all elements of the strategy discussed here. Additionally, individual client customizations and start dates may preclude certain elements of this strategy from being implemented.

Past performance is no guarantee of future results. A risk of loss is involved with investments in stock markets.