C&N VANTAGE POINT

QUARTERLY MARKET RECAP & OUTLOOK | FIRST QUARTER, 2020

MEET A TEAM MEMBER

LYNNE SMITH

Trust Officer

Lynne joined the C&N Wealth Management team in October 2013 as a Tax Officer and Assistant Vice President, bringing a combined 25 years' experience in the areas of tax planning and compliance, estate planning and investment syndication. She is a 1999 graduate of Elmira College with a Bachelor of Science in Accounting, and is a Certified Public Accountant (CPA), licensed in the state of Pennsylvania.

She began her career in 1986 in Boston working for a company that syndicated investment limited partnerships and trusts. 1986 is also the year of the last major overhaul of the tax code until the 2018 tax reform. In the past ten years, though, Lynne has seen the changes in the tax law come fast and furiously, requiring accountants to work vigorously to stay on top of these changes to meet their clients' needs.

"I am so thankful to be a part of the C&N Wealth Management team. We provide a holistic approach to financial planning. One size does not fit all. With two CPAs on staff, we have the unique opportunity to consider the tax planning needs of our clients as we work with them to develop their financial plan. I am constantly reminded of the depth of knowledge of this team, and I truly believe that C&N is the only bank our clients need."

Lynne serves as Treasurer for the Wellsboro Swim Team and provides accounting assistance to the Wellsboro Montessori Children's Center. She lives in Wellsboro, PA with her husband Douglas and their two sons.

Key Equity Indexes	%YTD Return*	NTM P/E*	P/B*	Dividend Yield*
S&P 500	-22.56	15.21	3.10	2.32
Russell 2000	-36.69	18.62	1.70	2.12
Russell 1000 Growth	-17.61	19.56	7.41	1.34
Russell 1000 Value	-29.63	12.06	1.77	3.48
MSCI EAFE	-26.31	12.52	1.41	4.11
MSCI EM	-25.06	11.11	1.48	3.20

Sources: JP Morgan Weekly Market Recap & Northern Trust. Past performance does not guarantee future results, which may vary.
*As of 04/03/2020

Key Interest Rates	2020			
	6/28/19	9/27/19	12/27/19	3/31/20
2-yr Treasury Note	1.75	1.63	1.59	0.23
10-yr Treasury Note	2	1.69	1.88	0.7
30-yr Treasury Note	2.52	2.13	2.32	1.35
30-yr Fixed Mortgage	4.06	4.02	3.99	3.47
Corp. Bond Index	3.17	2.94	2.85	3.49
High-Yield Bond Index	6.33	6.27	5.97	9.99

Sources: JP Morgan Weekly Market Recap & Oppenheimer Markets Review At-a-Glance
Past performance does not guarantee future results, which may vary.

2020 YTD STYLE PERFORMANCES**

	US Equity Style			MSCI World Style			US Fixed Income Maturity			
Equity Size	Value	Core	Growth	Value	Core	Growth	Short	In-termed.	Long	Quality
Large	-29.63%	-23.44%	-17.61%	-28.50%	-23.03%	-17.37%	3.86%	5.42%	24.43%	Government
Medium	-36.20%	-31.45%	-24.24%	-37.69%	-30.49%	-24.75%	-2.28%	-3.36%	-4.88%	Corporate
Small	-41.77%	-36.69%	-31.81%	-39.74%	-34.95%	-30.23%	-14.49%	-14.49%	-14.02%	High Yield

Source: Goldman Sachs Asset Management Market Monitor & Oppenheimer Markets Review At-a-Glance US Equity Style Returns - Russell Indices
Past performance does not guarantee future results, which may vary. **As of 04/03/2020

THE CORONA CATALYST

The coronavirus (Covid-19) has unleashed devastating health consequences and global economic suffering. As of this writing, there have been over one million documented cases and over 50 thousand deaths. To combat the virus spread, entire countries are on lockdown, leading to expectations that economic activity could fall by as much as 10% in the second quarter. Given falling demand and elevated supplies, oil prices have also fallen by 60% on the year to around $20 per barrel. This has put additional strain on the economy and financial markets given the role the oil industry plays in investment and job creation — as well as an increased likelihood of oil industry bankruptcies.

Broader equity markets fell by over 20% in the first quarter, quickly moving into bear market territory after being at all-time highs just weeks ago. In the bond market, credit spreads increased substantially — partly for fundamental reasons (concern over default) but also because of liquidity issues (poorly functioning markets). Even Treasury markets — normally the most liquid market in the world — had stresses, prompting the Federal Reserve (alongside central banks around the world) to apply easier monetary policy and a host of liquidity facilities. Global fiscal stimulus has also ramped up.

Beyond the near-term impacts on economic health and financial market functioning, the coronavirus will likely serve as a catalyst for economic changes in the years ahead. Here, we list a few.

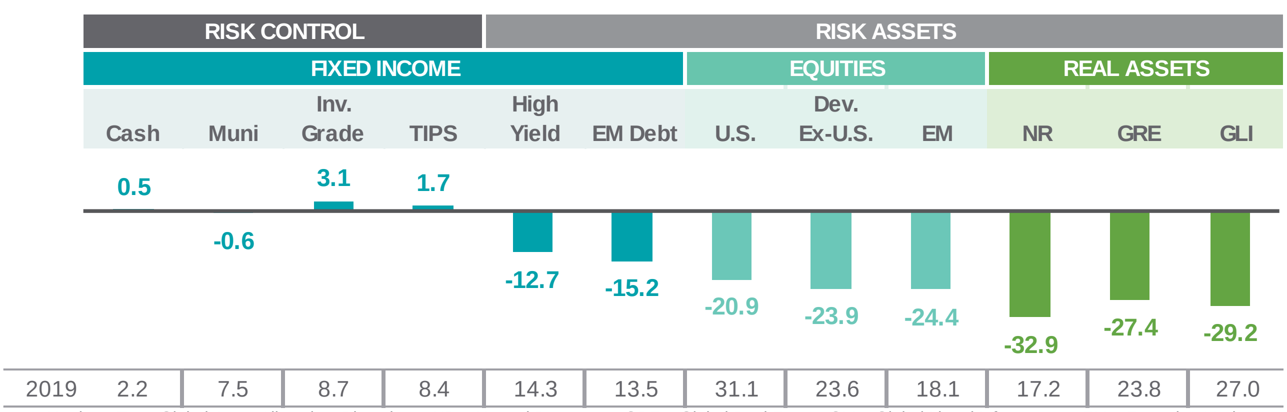
Monetary-Fiscal Policy Coordination. Modern-Monetary Theory (MMT) suggests government spending can be funded by the central bank through money printing, as opposed to the more traditional tax (or borrow) and spend approach so long as it doesn't lead to unacceptable levels of inflation. Given the need to combat the loss of demand from the coronavirus — combined with currently high debt levels and muted inflation ——an MMT approach may be tempting. The recent ramp up in Fed bond purchases and coincident $2 trillion stimulus package suggest de facto MMT may already be underway — and may stick.

Technological Shifts. Technology has been steadily creeping into everyday economic functioning, but may get a boost from the coronavirus crisis. As stay-at-home orders forced companies into work-from-home policies, online meetings have become a facet of everyday life. Available for years, but never fully embraced, a new comfort with online meetings may escalate their use. Ultimately, this may save money on travel as more client (as well as internal) meetings are conducted virtually.

Deglobalization. Already started as a result of the populist movement, the move away from globalization may pick up steam in the post-coronavirus world. Global supply chains — combined with "just in time" inventory practices — left companies exposed. Going forward, the focus may shift to resiliency over efficiency, possibly a lesson for corporate balance sheets as well.

FIRST QUARTER 2020 TOTAL RETURNS (%)

Covid-19 took its toll on financial markets in the first quarter of 2020.



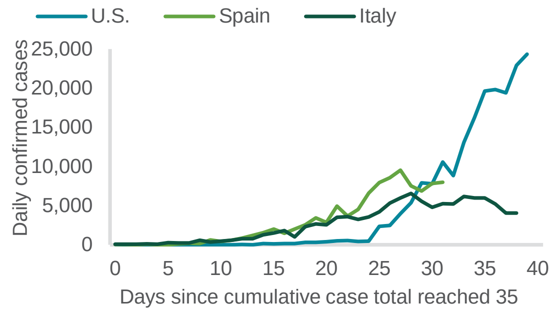
Source: Northern Trust Global Asset Allocation, Bloomberg. NR = Natural Resources; GRE = Global Real Estate; GLI = Global Listed Infrastructure EM = Emerging Markets TIPS = Treasury Inflation Protected Securities. Indexes are gross of fees and disclosed on last page.

KEY DEVELOPMENTS

Coronavirus Contagion

What started as an epidemic largely centered in China slowly, and then very quickly, became a global pandemic. South Korea was the first hotspot outside of China, but was able to deal with the spread relatively efficiently through robust testing procedures. Italy, Spain and the U.S. are now focal points. Italy and Spain have started to show a peak in new cases, serving as potential templates for the course of the virus in the U.S. The sooner U.S. cases peak, the sooner investors can envision a return to normalcy.

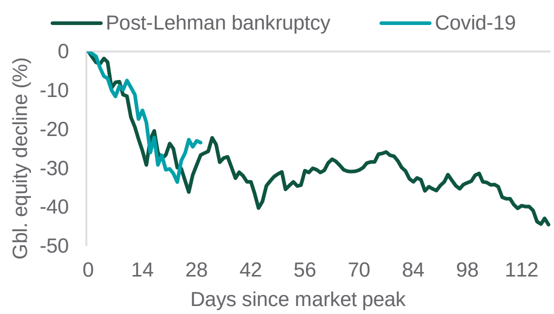
CORONAVIRUS SPREAD ACROSS KEY COUNTRIES



The Financial Market Damage

Investors were slow to appreciate the potential global economic impacts, believing the virus to be mostly contained to China. But once it became clear that the shift from epidemic to pandemic would transform a concentrated supply shock into a global demand shock, equity markets turned negative in a hurry — going from record highs to bear market territory (defined as a 20% fall) at a record pace. The market fall bears similar resemblance to the global financial crisis thus far, suggesting more market volatility may be ahead.

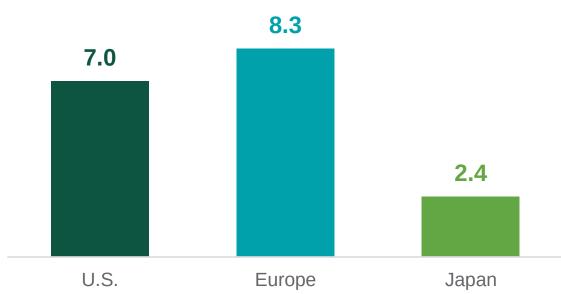
GLOBAL EQUITY DRAWDOWNS



The Monetary Solution

Central bankers were the first out of the gates to attack the financial fallout from Covid-19. Their arsenal includes policy rate cuts, new quantitative easing (QE) programs and liquidity facilities aimed at specific areas within the financial markets that were not functioning properly. The chart shows estimates for first quarter liquidity injections across the major economic regions — but these numbers could grow substantially depending on how long the QE programs last and to what degree the various liquidity facilities are tapped.

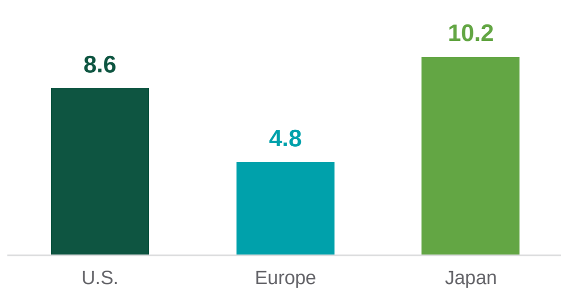
FIRST QUARTER MONETARY INJECTIONS - % OF GDP



The Fiscal Solution

Fiscal stimulus has been deployed to help offset lost economic output. The U.S. set the tone with a $2+ trillion package to provide worker income replacement and stressed industry assistance. This is a much larger and more quickly deployed package than that crafted during the financial crisis. Europe's stimulus is smaller thanks to already in place "automatic stabilizers" (e.g., a better social safety net) while Japan is relying more heavily on the fiscal lever. As with monetary policy, these numbers are likely to grow.

FISCAL STIMULUS - % OF GDP



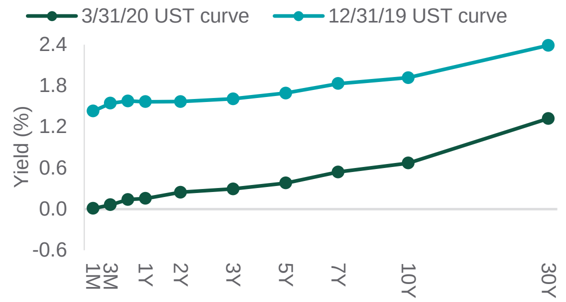
Source: Northern Trust Asset Management Bloomberg, Cornerstone Macro, BCA, IMF. Lehman start date: 9/19/2008. Fiscal totals exclude loan guarantees and automatic stabilizers. Totals calculated in USD using spot exchange rates on 3/19/2020.

MARKET REVIEW

Interest Rates

The U.S. yield curve shifted to historic lows as the Fed introduced an unprecedented level of policy support in response to the Covid-19 economic fallout. The central bank cut rates 150 basis points (bps) to zero, announced unlimited quantitative easing and created a barrage of other liquidity programs. Lower expectations for global growth and a flight to safety also put downward pressure on the curve. Though yields sit at the low end of historical ranges, virus-driven uncertainty will weigh on the curve as long as the virus persists.

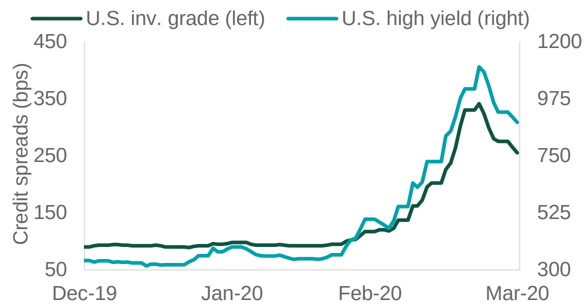
TREASURY YIELD CURVE



Credit Markets

Credit markets deteriorated throughout the quarter as spreads widened to levels not seen since the financial crisis. Spread widening partially reflected concern on the growth outlook, but it largely derived from challenged liquidity. We estimate fundamental concerns drove 30% of the spike in spreads, with the majority of the selloff being liquidity-driven (70%). After the Fed's significant efforts to restore proper functioning in credit markets, spreads should narrow some as liquidity improves and fundamentals become the primary driver.

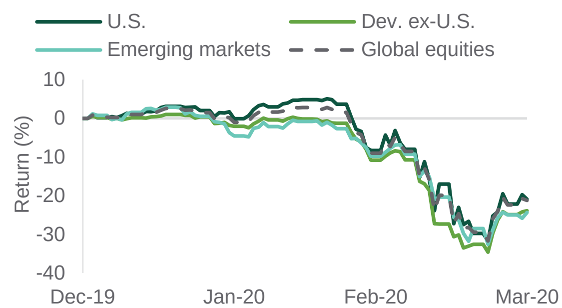
CREDIT SPREADS



Equities

Global equities fell 21.3%, the largest quarterly decline since the financial crisis, as investors struggled with the virus's unpredictable course. While all regions were vulnerable to the pandemic's global nature, U.S. equities declined the least (-20.9%) as a stable economy leading into the virus and greater room for policy action provided support. Non-U.S. equities trailed U.S. equities early on in the quarter, but performed better in the initial stages of the drawdown before losing ground again as markets stabilized in late March.

REGIONAL EQUITY INDICES



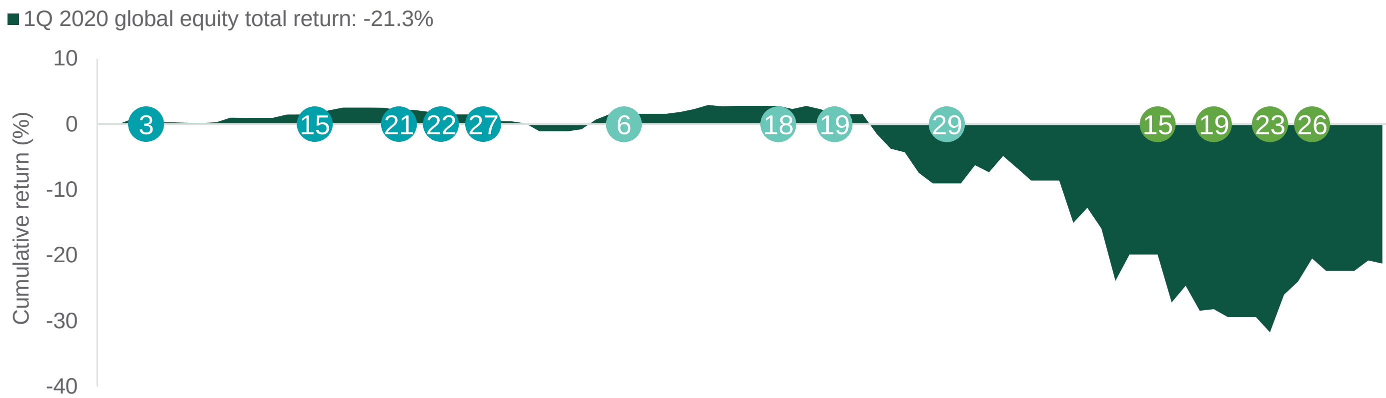
Real Assets

Natural resources plummeted as a Saudi-Russo oil price war compounded weakened demand from Covid-19 and oil prices collapsed. Global real estate and global listed infrastructure initially held up well in the face of the virus, but notably dropped as the virus intensified — credit concerns drove losses as investors questioned the ability of tenants to satisfy mortgage and lease payments. Throughout the quarter, all three of the aforementioned asset classes notably underperformed global equities despite tailwinds from low interest rates.

REAL ASSET INDICES

Source: Northern Trust Asset Management, Bloomberg. UST = U.S. Treasury. Indexes are gross of fees.

MARKET EVENTS



JANUARY	FEBRUARY	MARCH
3 President Donald Trump orders a drone strike that kills Iranian Major General Qassem Soleimani.	**6** China halves the tariff rate on $75 billion worth of imports.	**15** In the second off-schedule move of the month, the Federal Reserve cuts rates by 100 basis points placing the main policy rate in the 0%-0.25% range.
15 The U.S. and China sign phase one of their trade deal focusing on technology trade secrets, trade imbalance and currency manipulation.	**18** Global yield curves flatten as investors seek refuge in bonds after Apple announces the negative impact on its supply chain from Covid-19.	**19** Following up on an inadequate amount of bond purchases in the week prior, the ECB announces €750 billion quantitative easing expansion.
21 Covid-19 begins to make headlines as cases start to spread in China.	**19** Equity markets begin sharp decline into bear market; marking the end of the post-global financial crisis bull market.	**23** To act as lender of last resort and inject liquidity into the markets, the Federal Reserve announces an “alphabet soup” of lending facilities.
22 Tech stocks rally after France agrees to delay a tax on digital companies.	**29** Joe Biden wins South Carolina Democratic primary; mainstream Democratic candidates start to drop out to consolidate votes for Biden.	**26** The Senate passes a $2.2 trillion fiscal stimulus package to support individuals and companies impacted by Covid-19.
27 U.S. equity benchmarks fall more than 1% for the first time this year due to concerns over Covid-19.	**29** China's non-manufacturing PMI falls deep into contractionary territory at 29.6; previously 54.1.	**26** The U.S. initial jobless claims figure surges to historic high of 3.3 million due to Covid-19 related business closings.

Indexes used: Bloomberg Barclays (BBC) 1-3 Month UST (Cash); BBC Municipal (Muni); BBC Aggregate (Inv. Grade); BBC TIPS (TIPS); BBC High Yield 2% Capped (High Yield); JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income); MSCI U.S. Equities IMI (U.S. Equities); MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities); MSCI Emerging Market Equities (Em. Markets Equities); Morningstar Upstream Natural Resources (Natural Res.); FTSE EPRA/NAREIT Global (Global Real Estate); S&P Global Infrastructure (Global Listed Infra.)

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CORONAVIRUS CONCERNS

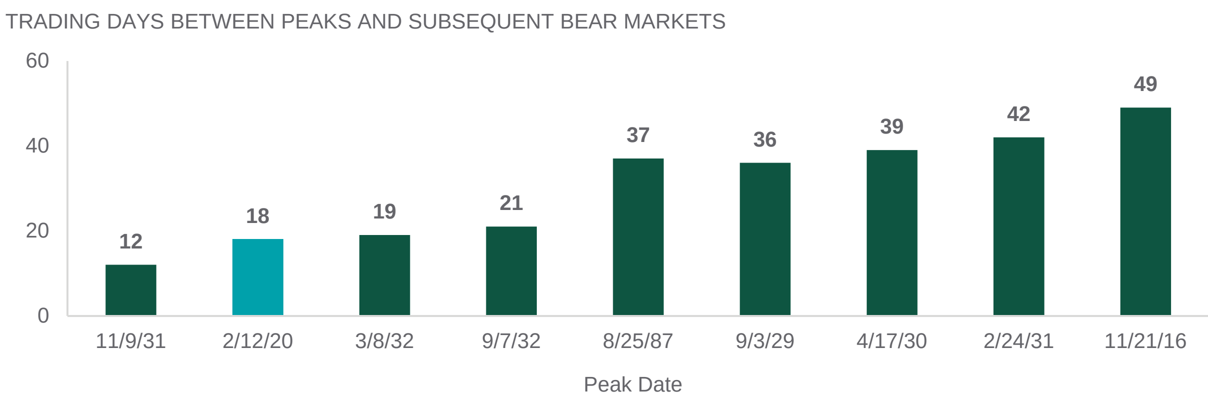
The rapidity of declines in both equity and credit markets over the last month has been of record pace, as investors have grappled with the uncertainty surrounding the economic impact of COVID-19 (coronavirus). In addition, the surprise oil price war between Saudi Arabia and Russia has pressured oil prices and the related energy company bonds and equities. Containment efforts look to be succeeding in the countries hit first (including China and South Korea), but Europe and the U.S. are now seeing an acceleration in cases and implementing containment efforts that will cause a sharp, but short-term, hit to economic growth. The health risk of the coronavirus appears much worse than the seasonal flu, but also much less fatal than the prior coronavirus episodes of SARS and MERS. Our current expectation is to see an acceleration of cases across Europe and the U.S. for the next couple of months, with the potential for a plateauing by July or August.

We are focused on the upcoming policy responses from monetary, fiscal and health authorities. Monetary policy has been first out of the gate, with interest rate cuts and liquidity programs from the U.S. Federal Reserve and aggressive action from the Bank of England. The European Central Bank has been more measured in its actions so far, but monetary policy by itself won't resolve this situation. Fiscal action to "bridge the gap" is necessary, and initial signs are forming of a response in the U.S. where neither party can afford to be obstructionist. Additionally, the European Commission is readying to suspend budget rules that would allow fiscal stimulus.

This leaves us with health policy as the final input, and developments will move quickly on this front. The U.S. has granted accelerated approval to new testing capabilities and it appears a potential vaccine may be going into testing in several weeks. Improved testing can help manage the current case load, while an effective vaccine will reduce the risk of a return next year. The next several months will deliver a lot of new information pertaining to the outlook, making significant portfolio moves at the present risky. In our global policy model, we modestly reduced exposure this month to developed ex-U.S. and emerging market equities, reallocating toward high yield and investment grade bonds. For our Goals Driven Wealth Management clients, we have activated portfolio reserves to fund current spending needs out of risk control assets. In the months ahead, we will pay special attention to policy actions (fiscal, health) and market action (credit spreads, asset price reaction to bad news) as we assess the outlook for risk-taking over our tactical horizon.

ONE OF THE QUICKEST BEAR MARKETS IN HISTORY

Most prior similar episodes happened during the Great Depression – but things aren't going to be that bad.



Source: Northern Trust Global Asset Allocation, Bloomberg. Shortest peak-to-bear market periods shown. Data shown for Dow Jones Industrial Average beginning 1/1/1900. Blue bar denotes recent peak-to-bear market event. Bear market defined as 20% decline from recent peak using end of day prices.

C&N PORTFOLIO POSITIONING: MODEST OVERWEIGHT TO RISK

C&N Vantage Point
April 2020

Market Views:
Equities Show Long Term Appeal. Fixed Income Remains Challenged. Favor Quality In Equities. Diversification Remains Paramount. Active Rebalancing Decisions Are Important. Market Returns Will Be More Subdued Over The Coming Years.

Market Risks:
Economic Uncertainty From Coronavirus. Volatility Remains Extreme. Short Recession Becomes A Long Recession. Government Stimulus Does Not Have An Impact.

Risk Type	Asset Class	Sector Category	Under Weight	Neutral	Over Weight	Viewpoints
	Cash/Cash Alternatives	**Ultrashort Bonds**			●	We maintain a slight overweight to Ultrashort. This is a source of funds for a targeted trade should equities decline sharply from current levels. It's also a source of funds for further rebalancing.
Risk Control	Alternatives (Fixed Based)	**Absolute Return**		●		We reduced our allocation last year. We believe equities represent better value looking out 3 to 5 years. This has been a source of funds during recent rebalancings. We remain neutral.
Risk Control	Alternatives (Fixed Based)	**Inflation-Linked Bonds**		● –		Inflation expectations fell given decline in oil prices and rising U.S. dollar. We lowered our allocations in late February and used recent TIPS strength to rebalance to other asset classes.
Risk Control	Fixed Income	**US Investment Grade Bonds**	●			We reduced IG Corps to neutral given virus economic challenges and remain underweight to U.S. Govt bonds. We look to maintain a neutral duration target.
Risk Control	Fixed Income	**International Bonds**	●			European risks (political and economic) abound. International macroeconomic environment is more bleak than U.S. and negative yields are abundant. We continue our underweight position.
Risk Control	Fixed Income	**Emerging Markets Bonds**		●		Fed rate cut to zero should help cap US dollar strength in the future, which should help EM bonds. Sharp declines in commodity prices offsets this positive. We maintain our neutral allocation.
Risk Assets	Fixed Income	**High Yield Bonds**		●		Coupons remain attractive relative to other fixed income. Spreads have widened with the virus-related and oil price war issues. HY held up better than expected. We maintain our neutral allocation.
Risk Assets	Equities	**US Large Cap**			●	Large Caps are appealing given recent declines. We believe growth grinds higher late in 2020 and into 2021. We move Growth to overweight and maintain Value at overweight given their valuations.
Risk Assets	Equities	**Developed Ex-US**		●		Valuations are reasonable compared to the U.S. and the economic environment was becoming more stable. Virus-related impact delays this. We continue to favor domestic, but add during rebalancing.
Risk Assets	Equities	**US Mid & Small Cap**			●	Like Large Caps, these categories are more appealing given recent declines. We believe the economy rebounds late in 2020 and into 2021. We look to add to these positions, if needed, when rebalancing.
Risk Assets	Equities	**Emerging Markets**			●	With the Fed rate cut to zero and China showing signs of virus bottoming, EM valuations remain attractive. We maintain our slight overweight.
Risk Assets	Alternatives (Equity Based) & Real Assets	**Real Estate**		●		A rate cut to zero is a positive for the long term. But severe virus economic impact is a negative for the short term. We maintain a neutral stance given the uncertainty of government stimulus effectiveness.
Risk Assets	Alternatives (Equity Based) & Real Assets	**Commodities/Natural Resources**		●		Oil price war on top of virus economic impact has led to a precipitous fall in commodities, except gold. We maintain a neutral position believing an economic rebound may start later this year.

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Quarterly Market Recap & Outlook First Quarter, 2020

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