Second Quarter 2020
Bond Market Review
and Outlook

Cincinnati Asset Management, Inc.

Investment Grade & High Yield Bond Specialists

"Because this recession is unprecedented in so many ways, forecasting the recovery is difficult. The course of the pandemic itself is by far the most important factor" (source: Ben Bernanke & Janet Yellen Brookings Institute)

Annual Relative Total Return Ranking - USD Multi-Asset Class

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
S&P 500 33.3%	CCMP 40.2%	CCMP 86.1%	REITs 26.4%	REITs 13.9%	EM Sov 13.7%	EM Equity 55.8%	REITs 31.6%	EM Equity 34.3%	REITs 35.1%	EM Equity 39.7%	US Gov't 14.0%
Mid Cap 32.2%	S&P 500 28.6%	EM Equity 66.5%	Mid Cap 17.5%	High Grade 10.7%	US Gov't 11.6%	CCMP 50.8%	EM Equity 26.0%	Mid Cap 12.6%	EM Equity 32.5%	CCMP 10.7%	Mtges 8.3%
Russell 2000 22.4%	Mid Cap 19.1%	Conv 36.0%	Munis 17.1%	Prefs 9.8%	Munis 10.7%	Russell 2000 47.3%	Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.3%	US Gov't 9.1%	Cash 1.7%
CCMP 22.2%	Conv 12.2%	EM Sov 23.6%	Prefs 16.2%	Mtges 8.1%	High Grade 10.2%	REITs 37.1%	Mid Cap 16.5%	EM Sov 12.0%	S&P 500 15.8%	Mid Cap 8.0%	Munis -4.0%
REITs 20.3%	US Gov't 10.0%	Russell 2000 21.3%	EM Sov 14.7%	EM Corp 7.0%	EM Corp 9.4%	Mid Cap 35.6%	EM Sov 11.8%	EM Corp 5.7%	Conv 12.0%	Mtges 7.0%	High Grade -6.8%
Conv 15.5%	High Grade 8.7%	S&P 500 21.0%	US Gov't 13.4%	US Gov't 6.7%	Mtges 9.4%	S&P 500 28.7%	S&P 500 10.9%	Loans 5.3%	High Yield 11.8%	EM Sov 6.4%	EM Sov -10.2%
EM Sov 15.1%	Mtges 7.2%	Mid Cap 14.7%	Mtges 11.3%	EM Sov 4.8%	Prefs 7.7%	High Yield 28.1%	High Yield 10.9%	S&P 500 4.9%	CCMP 10.9%	S&P 500 5.6%	EM Corp -17.5%
High Yield 13.3%	Munis 7.1%	EM Corp 14.5%	EM Corp 9.8%	High Yield 4.5%	REITs 3.8%	EM Sov 27.6%	CCMP 10.3%	Russell 2000 4.5%	EM Sov 10.6%	Cash 4.8%	Prefs -25.2%
Munis 10.9%	Prefs 6.7%	Cash 4.7%	High Grade 9.1%	Munis 4.5%	Loans 2.6%	Conv 23.0%	EM Corp 8.9%	Munis 3.9%	Mid Cap 10.3%	High Grade 4.6%	High Yield -26.4%
High Grade 10.4%	Loans 5.6%	Loans 4.1%	Cash 6.0%	Cash 4.1%	Cash 1.7%	EM Corp 14.5%	Conv 8.3%	Cash 3.0%	Prefs 8.1%	EM Corp 4.4%	Loans -29.3%
Prefs 10.0%	Cash 5.1%	High Yield 2.5%	Loans 5.1%	Loans 3.3%	High Yield -1.9%	Loans 9.8%	Munis 5.5%	US Gov't 2.8%	Loans 6.9%	Conv 3.9%	Conv -29.4%
US Gov't 9.6%	High Yield 3.0%	Mtges 1.6%	Russell 2000 -3.1%	Russell 2000 2.5%	Conv -3.1%	Prefs 9.4%	High Grade 5.4%	High Yield 2.7%	EM Corp 6.6%	Munis 3.3%	Russell 2000 -33.8%
Mtges 9.3%	Russell 2000 -2.5%	High Grade -1.9%	High Yield -5.1%	Mid Cap -0.6%	EM Equity -5.9%	High Grade 8.3%	Loans 5.3%	Mtges 2.6%	Mtges 5.3%	High Yield 2.2%	Mid Cap -36.2%
Loans 7.5%	EM Sov -15.3%	US Gov't -2.4%	Conv -7.5%	EM Equity -2.4%	Mid Cap -14.5%	Munis 6.2%	Prefs 5.1%	CCMP 2.1%	Munis 5.0%	Loans 2.0%	S&P 500 -37.0%
Cash 5.3%	REITs -17.5%	Prefs -4.4%	S&P 500 -9.1%	Conv -2.9%	Russell 2000 -20.5%	Mtges 3.3%	Mtges 4.7%	High Grade 2.0%	Cash 4.8%	Russell 2000 -1.6%	REITs -37.7%
EM Equity -11.6%	EM Equity -26.0%	REITs -4.6%	EM Equity -30.7%	S&P 500 -11.9%	S&P 500 -22.1%	US Gov't 2.3%	US Gov't 3.5%	Prefs 1.0%	High Grade 4.4%	Prefs -11.3%	CCMP -40.0%
EM Corp na	EM Corp na	Munis -6.3%	CCMP -39.2%	CCMP -20.8%	CCMP -31.2%	Cash 1.1%	Cash 1.3%	Conv -0.2%	US Gov't 3.1%	REITs -15.7%	EM Equity -53.2%

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EM Equity 78.9%	REITs 27.9%	Munis 11.2%	REITs 19.7%	CCMP 40.2%	REITs 28.0%	Prefs 7.6%	Russell 2000 21.3%	EM Equity 37.8%	Cash 1.8%	CCMP 36.7%	CCMP 12.7%
High Yield 57.5%	Russell 2000 26.8%	US Gov't 9.8%	EM Equity 18.6%	Russell 2000 38.8%	Prefs 15.4%	CCMP 7.1%	Mid Cap 20.7%	CCMP 29.7%	Munis 1.0%	S&P 500 31.5%	Conv 11.2%
Loans 52.5%	Mid Cap 26.6%	REITs 8.3%	EM Sov 18.3%	Mid Cap 33.5%	CCMP 14.8%	Munis 3.6%	High Yield 17.5%	S&P 500 21.8%	Mtges 1.0%	REITs 28.7%	US Gov't 9.0%
Conv 45.6%	EM Equity 19.2%	EM Sov 8.2%	Mid Cap 17.8%	S&P 500 32.4%	S&P 500 13.7%	REITs 2.8%	S&P 500 12.0%	Mid Cap 16.2%	US Gov't 0.8%	Mid Cap 26.2%	High Grade 4.8%
CCMP 45.3%	CCMP 18.1%	High Grade 7.5%	CCMP 17.7%	Conv 26.6%	Conv 10.0%	Mtges 1.5%	Conv 11.9%	Conv 18.0%	Conv 0.7%	Russell 2000 25.5%	Mtges 3.6%
EM Corp 38.3%	Conv 15.7%	Mtges 6.1%	Russell 2000 16.4%	High Yield 7.4%	Munis 9.8%	S&P 500 1.4%	EM Equity 11.7%	Russell 2000 14.6%	Loans 0.6%	Conv 23.1%	Munis 2.0%
Mid Cap 37.3%	High Yield 15.2%	High Yield 4.4%	S&P 500 16.0%	Loans 5.4%	Mid Cap 9.7%	EM Corp 1.3%	Loans 10.4%	Prefs 10.6%	EM Corp -1.3%	EM Equity 18.8%	EM Corp 0.6%
REITs 28.0%	S&P 500 15.1%	EM Corp 4.2%	High Yield 15.6%	REITs 2.9%	High Grade 7.5%	US Gov't 0.8%	EM Corp 9.8%	EM Sov 10.0%	High Grade -2.2%	Prefs 17.7%	Cash 0.5%
EM Sov 27.2%	Prefs 13.7%	Prefs 4.1%	EM Corp 15.5%	Cash 0.0%	EM Sov 7.3%	EM Sov 0.6%	EM Sov 9.5%	REITs 8.7%	High Yield -2.3%	High Yield 14.4%	Prefs -2.5%
Russell 2000 27.1%	EM Corp 12.8%	S&P 500 2.1%	Conv 13.6%	EM Corp -1.3%	Mtges 6.1%	Loans 0.1%	CCMP 9.0%	High Yield 7.5%	CCMP -2.8%	EM Sov 14.3%	S&P 500 -3.1%
S&P 500 26.4%	EM Sov 12.5%	Loans 1.5%	Prefs 13.6%	Mtges -1.4%	US Gov't 6.0%	Cash 0.0%	REITs 8.6%	EM Corp 7.3%	REITs -4.0%	High Grade 14.2%	EM Sov -4.1%
Prefs 20.1%	Loans 10.4%	Cash 0.1%	High Grade 10.4%	High Grade -1.5%	Russell 2000 4.9%	High Grade -0.6%	High Grade 6.0%	High Grade 6.5%	Prefs -4.3%	EM Corp 13.0%	Loans -4.6%
High Grade 19.8%	High Grade 9.5%	CCMP -0.8%	Loans 9.8%	EM Equity -2.3%	EM Corp 3.7%	Conv -1.2%	Prefs 2.3%	Munis 5.4%	S&P 500 -4.4%	Loans 8.7%	High Yield -4.8%
Munis 14.5%	US Gov't 5.9%	Mid Cap -1.7%	Munis 7.3%	Munis -2.9%	High Yield 2.5%	Mid Cap -2.2%	Mtges 1.7%	Loans 4.3%	EM Sov -4.6%	Munis 7.7%	EM Equity -9.7%
Mtges 5.8%	Mtges 5.7%	Conv -3.8%	Mtges 2.6%	US Gov't -3.3%	Loans 1.8%	Russell 2000 -4.4%	US Gov't 1.1%	Mtges 2.4%	Russell 2000 -11.0%	US Gov't 7.0%	Mid Cap -12.8%
Cash 0.1%	Munis 2.3%	Russell 2000 -4.2%	US Gov't 2.2%	Prefs -3.7%	Cash 0.0%	High Yield -4.6%	Munis 0.4%	US Gov't 2.4%	Mid Cap -11.1%	Mtges 6.5%	Russell 2000 -13.0%
US Gov't -3.7%	Cash 0.1%	EM Equity -18.2%	Cash 0.1%	EM Sov -5.8%	EM Equity -2.0%	EM Equity -14.6%	Cash 0.2%	Cash 0.8%	EM Equity -14.3%	Cash 2.2%	REITs -13.3%

Source: CreditSights, ICE BofAML, S&P/LSTA, Bloomberg. EM Equity is USD MSCI Emerging Market Index, Mid Cap is S&P Mid Cap 400 Index, CCMP = NASDAQ
EM Sov is USD EM Sovereign <= BBB index, EM Corp is USD EM Corporate Plus Index, Cash = 0-3 US Treasury Bill Index, REITs = FTSE NAREIT equity REIT index
data as of Jun 30, 2020

It has been barely 4-months since the pandemic lead to the shut down of not only the US but most nations' economies. The human and economic damage and suffering will continue for some unknown time.

The six biggest U.S. banks have reserved $35 billion in the second quarter of 2020 for loan losses. This represents an increase of about 500% from first quarter loan loss reserves (source: *Bloomberg ESG Daily* 7/17/20). And it is just a guess! Underscoring the uncertainty Citigroup CEO, Michael Corbat told analysts, "we are in a completely unpredictable environment for which there are no models, no cycles to point to" (ibid). This is their troubling forecast of future economic activity, lacking further support from the government.

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Yields* on 06/30/2020	Yield*
CAM Broad Market (corporate core plus) Strategy (7.2 year maturity; 5.7 duration)	**3.17%**
CAM Investment Grade (100% corporate bonds) Strategy (7.3 year maturity; 6.2 duration)	**2.01%**
CAM High-Yield Strategy (only BA & B rated purchased) (6.5 year maturity; 4.6 duration)	**5.79%**
CAM Short Duration Strategy (3.4 year maturity; 2.9 duration; 50% IG & 50% HY)	**3.68%**
CAM Short Duration Investment Grade Strategy (3.3 year maturity; 3.0 duration)	**1.26%**
Tax Equivalent Muni GO Bond (7 year, 0.92%) Bloomberg Barclays Institutional Index (Yield to right is after 40% tax equivalency and 3-point retail price markup for small buys under $1 M)	**0.63%**
U.S. Treasury** (10 year maturity)	**0.66%**
U.S. Treasury** (5 year maturity)	**0.29%**
U.S. Treasury** (2 year maturity)	**0.15%**

* The lower of yield to maturity or yield to worst call date ** Source: Bloomberg Barclays

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CAM's Key Strategic Elements

- Bottom-up credit analysis determines value and risk.
- Primary objective is preservation of capital.
- Larger, more liquid issues preferred.
- Target is always intermediate maturity.
- No interest rate forecasting.
- All clients benefit from institutional trading platform and multi-firm competitive bids and offers.

CAM returns are after CAM's average management fee & all transaction costs but before any broker, custody or consulting fees. **The indices are unmanaged and do not take into account fees, expenses, and transaction costs.**	**Total Return (%)**	**Annualized Returns (%)**			
	2Q '20	1-YEAR	3-YEARS	5-YEARS	10-YEARS
CAM Broad Market Strategy—Net 1/3 high yield, 2/3 investment grade	8.46	6.38	5.04	4.23	4.93
CAM High Yield "Upper Tier" Strategy—Net only purchase BB and B; no purchases of CCC & lower	8.98	2.44	3.82	2.82	4.70
Bloomberg Barclays US Corporate High Yield Index	10.18	0.03	3.33	4.79	6.68
CAM Investment Grade Strategy—Net 100% corporate bonds	8.17	8.10	5.60	4.86	5.03
Bloomberg Barclays US Corporate Index	8.98	9.50	6.33	5.83	5.47
CAM Short Duration Strategy—Net 1/2 investment grade, 1/2 high yield	6.66	4.07	3.45	2.29	3.39
CAM Short Duration Investment Grade Strategy—Net 100% corporate bonds	5.69	5.32	3.59	3.02	3.58

Relative Performance Review 06/30/2020

CAM's **Investment Grade Strategy** ("**IG**") produced a gross total return of 8.23% in the quarter ended June 30, 2020, compared to 8.98% for the Bloomberg Barclays U.S. Corporate Index. CAM targets a 30% limitation on its exposure to BAA-rated credit while the Index averaged an exposure of 47.5% during the second quarter. BAA credit outperformed A-rated credit during the period, and CAM's positioning with the BAA space produced -20 basis points of contribution to excess return. The YTD return for the CAM IG strategy was 4.89% compared to the Index return of 5.02%. CAM's zero weighting in the Midstream Energy industry group and our positioning within Independent Energy Industry were the largest positive impact to performance, with 22 basis points and 40 basis points of contribution to excess return, respectively.

The **High Yield Strategy** ("**HY**") delivered a gross total return of 9.06% in Q2 while the Bloomberg Barclays High Yield Index returned 10.18%. The HY YTD return was -1.87% while the Bloomberg Barclays High Yield Index returned -3.80%. CAM's allocation and security selection within the Cable & Satellite industry group had the biggest positive impact on performance relative to the index with a 54 basis point contribution to excess return during the quarter. Weighting and security selection in the Consumer Cyclical Services industry group also had a 35 basis point contribution to excess return. For the YTD period, CAM's zero-weight in the Oil Field Services industry group was the biggest contributor to excess return relative to the index in the first half of 2020 coming in at 82 basis points. CAM's security selection within the Wireless industry group had a 40 basis point contribution to excess return during the same time period.

Our **Broad Market Strategy ("BM")** – a 67%-33% blend of IG-HY bonds – produced a gross total return of 8.53% for the quarter ended June 30, 2020 compared to 9.39% for the Bloomberg Barclays blended Index. It is important to note that our BM strategy achieves its Baa average credit quality via a barbell strategy of higher and lower rated securities. At the end of the second quarter 49.0% of the portfolio was positioned in A-rated or better credit subsectors, while the Index's exposure was 34.3%. The net effect of this structural allocation accounted for 49 basis points of underperformance versus the Index for the quarter. The YTD return for the CAM Broad Market strategy was 2.82% compared to blended Index return 2.04%. Our outperformance for the year is primarily attributable to our prudent security selection, primarily in the Banking and Cable Satellite industry groups, which contributed 33 and 27 basis points of excess return, respectively.

The CAM **Short Duration Strategy** ("**SD**") blends equal weights of IG and HY short duration bonds with a target duration of 3 years. The strategy's gross total return in the quarter ended June 30, 2020 was 6.73% while the Index, a similar blend of the intermediate components of Bloomberg Barclays IG and HY corporates, returned 7.48%. Of note, CAM's positioning within the Aerospace/Defense industry had the biggest positive impact on performance relative to the Index with a 24 basis point contribution to excess return. The YTD gross total return was 1.26% compared to the blended Index return of -0.54%. CAM's industry underweight as well as security selection within the Independent Energy industry group had the biggest positive impact on performance relative to the index with a 41 basis point contribution to excess return.

The **Short Duration Investment Grade Strategy ("SD-IG")** delivered a gross total return of 5.75% for Q2 while the Bloomberg Barclays U.S. Corporate 1-5 Index returned 5.59%. CAM's weighting and positioning within the Banking, Technology, and Wireless Telecom industries all produced positive contribution to performance, with 18, 14 and 19 basis point contributions to excess return during the quarter, respectively. Over the YTD period, SD-IG outperformed the Index, by delivering 3.50% gross total return versus an Index return of 3.28%. CAM's weighting and positioning within the Independent Energy industry was the largest single positive contribution to performance, generating 32 basis points of excess return.

Bloomberg Barclays Bond Indices Returns vs. CAM Gross (annualized %)

Periods ended 06/30/2020	**10-yrs**	**20-yrs**
U.S. Aggregate	**3.82**	**5.14**
U.S. Corporate	**5.47**	**6.18**
CAM Investment Grade Strategy	**5.30**	**6.14**

Better Asset Allocation Might Result from More Exacting Analysis

The chart to the right shows that BA rated bonds returned approximately 50% of S&P 500 stocks for the 5 and 10-year periods and exceeded the returns of the S&P 500 over the last 20-years. Lower rated CAA bonds have underperformed the S&P 500 for the 5-year and 10-year periods, while the lowest rated (CA & D) have produced negative returns. BA rated bonds have outperformed the Bloomberg Barclays US Aggregate Index for all periods shown.

The chart also indicates that CAA rated securities underperformed BA rated and B rated bonds for the longer 20-year period. Not shown in the table is the pronounced and extreme volatility that has characterized the CAA sector. For example, during 2008, when the High Yield Index was down 26%, CAA rated bonds were down 44%, and during 2009, the Index was up 58% while CAA bonds were up 91%. In each calendar year since 1997, CAA rated bonds ranked either best or worst in Credit Sights Annual Excess Return Rankings for US corporate credit tiers, a trend that was finally upset in 2019, although it ranked second worst.

Finally, not only have BA rated bonds outperformed the S&P 500 for the 20-year period, but they have done so with about half the volatility of that Index (Ibbotson), suggesting that better credit quality high yield bonds deserve consideration as a core holding in an investor's portfolio allocation.

Total Return of High-Yield Bonds by Credit Quality

(periods ended 06/30/2020) Source: Credit Suisse First Boston

(annualized %)

High-Yield Bond Sectors	**5-years**	**10-years**	**20-years**
BA-rated bonds	**5.25**	**6.72**	**7.72**
B-rated bonds	**3.48**	**6.20**	**6.47**
CAA-rated bonds	**4.74**	**6.71**	**6.54**
CA & D-rated bonds	**-10.05**	**-9.78**	**-5.66**

Performance of Other Asset Classes

(periods ended 06/30/2020) Source: Bloomberg Barclays & Lipper

S & P 500 Stocks	**10.73**	**13.93**	**5.90**
Bloomberg Barclays U.S. Aggregate	**4.30**	**3.82**	**5.14**

The June 30 spread levels (indicated at the right) enhance the value of corporate bonds versus U.S. Treasuries. The 10-year U.S. Treasury ended June 30, 2020 at 0.66% compared to recent year-ends: 1.88% (2019) and 2.72% (2018).

Absolute spreads for all credit subsectors widened substantially versus 12/31/2019 due to the COVID-19 pandemic. In March, IG spreads spiked to levels that had only been seen once since the 1988 inception of the Bloomberg Barclays US Corporate Index. What a difference a quarter makes. The investment grade credit market has experienced a reversal of fortune since the dark days of late March, with both spreads and returns rebounding smartly from the levels seen earlier this year.

Credit Rating	20-Year Average Spread	06/30/20	03/31/20	12/31/19	12/31/18	12/31/17	Tightest This Decade
A	1.28%	1.13%	2.11%	0.70%	1.18%	0.73%	0.69%
BAA	1.99%	1.94%	3.53%	1.20%	1.97%	1.24%	1.12%
BA	3.71%	4.56%	6.54%	1.82%	3.54%	2.11%	1.30%
B	5.30%	6.43%	8.56%	3.24%	5.31%	3.43%	2.28%
CAA	9.56%	13.08%	18.52%	9.20%	9.89%	6.15%	3.78%

Annual Excess Return Rankings - USD Corporate Credit Ratings Tiers

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
US CCC 13.6%	US AA -1.0%	US CCC 8.4%	US AAA -1.4%	US A 3.5%	US AA 0.5%	US CCC 58.5%	US CCC 13.2%	US B 1.7%	US CCC 15.2%	US AAA -2.3%	US AAA -9.3%
US B 6.3%	US A -1.4%	US B 6.7%	US AA -2.4%	US BBB 3.4%	US AAA 0.1%	High Yield 25.6%	High Yield 7.9%	US BB 0.8%	High Yield 8.3%	US AA -4.4%	US AA -14.0%
High Yield 5.8%	US AAA -1.5%	High Yield 6.1%	US A -4.2%	High Grade 3.4%	US A -0.1%	US B 23.5%	US B 7.5%	High Yield 0.6%	US B 7.8%	High Grade -5.0%	High Grade -21.3%
US BB 3.9%	High Grade -2.2%	US BB 4.4%	High Grade -4.7%	US BB 3.2%	High Grade -2.5%	US BB 16.9%	US BB 6.0%	US AA 0.1%	US BB 6.5%	US BBB -5.4%	US A -22.4%
US BBB 0.3%	US BB -3.1%	US BBB 2.7%	US BBB -6.7%	US AA 3.0%	US BBB -5.9%	US BBB 9.1%	US BBB 2.3%	US AAA 0.1%	US BBB 1.6%	US A -5.5%	US BBB -25.6%
US AA 0.0%	US BBB -4.2%	High Grade 1.4%	US BB -10.6%	US AAA 2.2%	US B -10.6%	High Grade 5.9%	High Grade 1.7%	US A -0.2%	High Grade 1.3%	US B -6.4%	US BB -31.5%
High Grade -0.3%	High Yield -5.0%	US A 0.8%	High Yield -15.3%	High Yield -3.3%	High Yield -13.4%	US A 3.6%	US A 1.4%	High Grade -0.8%	US A 1.2%	US BB -7.3%	High Yield -38.1%
US AAA -0.3%	US B -5.6%	US AA 0.4%	US B -17.2%	US B -6.9%	US BB -15.0%	US AAA 2.6%	US AAA 1.1%	US BBB -2.0%	US AAA 1.1%	High Yield -7.3%	US B -39.6%
US A -0.8%	US CCC -9.5%	US AAA 0.1%	US CCC -21.7%	US CCC -8.6%	US CCC -16.2%	US AA 2.0%	US AA 1.0%	US CCC -2.4%	US AA 1.0%	US CCC -9.2%	US CCC -48.7%

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US CCC 97.4%	US CCC 13.2%	US AAA -2.2%	US CCC 18.7%	US CCC 14.4%	US BB 0.7%	US AAA 0.0%	US CCC 35.2%	US CCC 9.6%	US AA -1.2%	US BB 10.2%	US AA -3.8%
High Yield 58.7%	High Yield 9.8%	US BB -2.5%	High Yield 13.6%	High Yield 9.5%	US A 0.0%	US AA 0.0%	High Yield 16.2%	High Yield 6.1%	US AAA -1.7%	US B 9.3%	US A -4.4%
US B 48.7%	US B 9.0%	US B -2.6%	US B 13.2%	US B 9.2%	High Grade 0.0%	US A -0.3%	US B 15.7%	US BB 5.6%	US A -2.6%	High Yield 9.2%	US AAA -5.1%
US BB 46.8%	US BB 8.9%	High Yield -3.3%	US BB 12.2%	US BB 7.8%	US AA -0.1%	High Grade -1.6%	US BB 11.9%	US B 5.4%	High Grade -2.8%	US BBB 8.1%	High Grade -5.7%
US BBB 35.0%	US BBB 4.0%	US AA -3.6%	US BBB 9.4%	US BBB 3.3%	US BBB -0.1%	US BB -2.4%	US BBB 6.9%	US BBB 4.6%	US B -3.0%	High Grade 6.5%	US BBB -7.1%
High Grade 23.5%	High Grade 2.8%	High Grade -4.1%	High Grade 7.9%	High Grade 2.8%	US AAA -0.4%	US BBB -3.2%	High Grade 4.7%	High Grade 3.8%	US BBB -3.4%	US A 5.2%	US BB -7.6%
US A 20.0%	US A 2.3%	US BBB -4.3%	US A 7.5%	US A 2.2%	High Yield -1.3%	High Yield -5.9%	US A 3.2%	US AAA 3.3%	High Yield -3.7%	US AAA 4.3%	High Yield -10.4%
US AA 12.4%	US AA 1.5%	US A -4.3%	US AA 5.3%	US AA 1.9%	US B -2.0%	US B -6.3%	US AA 2.4%	US A 3.1%	US BB -3.8%	US CCC 4.2%	US B -11.4%
US AAA 4.1%	US AAA 1.3%	US CCC -7.6%	US AAA 2.1%	US AAA 1.0%	US CCC -5.2%	US CCC -16.2%	US AAA 2.3%	US AA 2.4%	US CCC -5.8%	US AA 3.4%	US CCC -19.7%

Source: CreditSights, ICE BofAML Indexes data through 06/30/2020

(Excess return = the total return of the asset class minus the total return of a duration matched basket of government securities. Essentially the excess return metrics remove the yield curve piece of the return picture. In its basic form, it is mainly a function of coupon differentials and spread changes).

(Continued from page 1)

In March the Federal Reserve took many decisive actions. They lowered the fed funds rate nearly to zero and stated its intention to leave it there for several years. It has stated that it will buy not only Treasuries and Mortgage backed debt , but also corporate bonds and some Exchange Traded Funds in order to maintain stable financial markets. The Fed has also established new facilities to lend to corporations and state and local governments. They also established the Main Street Lending Program to lend through banks to medium-sized companies.

Congress and the administration have provided much fiscal support through enhanced unemployment benefits and the Paycheck Protection Program. As we write, Congress is working on additional fiscal programs and, probably, an extension of the current assistance programs.

The results of their efforts produced a stunning rebound in consumer spending in May of +8.2% (source: Bureau of Economic Analysis 6/26/20). More recently, June retail sales rose 7.55% following May's revised increase to 18.2% (source: *Wall Street journal* 7/16/20). J.D. Power reported retail sales of new autos were just slightly below pre-virus levels in the week ended July 5 and used car sales 20% above pre-virus levels (source: *Wall Street journal* 7/15/20). Also, new home sales rebounded 16.6% in May to levels slightly below pre-virus levels. Real-estate experts expect follow through in June in both new and existing home sales given the rise in mortgage applications (source: ibid).

However the jobless claims remain stubbornly high. July 16th's report showed 1.3 million initial claims, down just 10,000 from the prior week. This compares to pre-virus initial claims average of 210,000 (source: *Bloomberg* 7/16/20).

(Continued on page 4)

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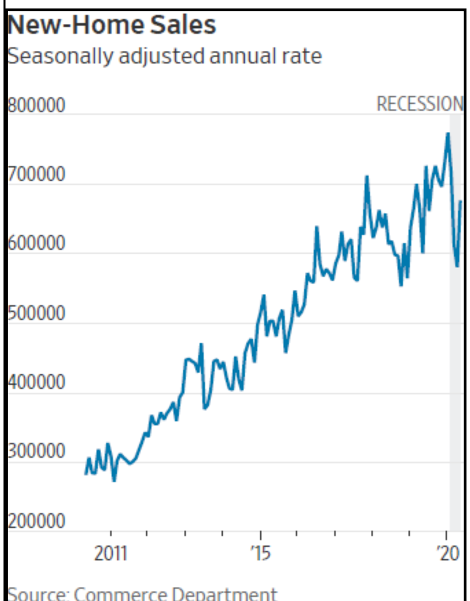
A leading indicator, the conference board's consumer confidence index, beat economists' projections, increasing to 98.1 for June up from May's reading of 85.9. The board noted, " the reopening of the economy and relative improvement in unemployment claims helped improve consumers' assessment of current conditions...looking ahead, consumers are less pessimistic about the short term outlook, but do not foresee a significant pickup in economic activity" (source: CNBC 6/30/20).

Since that time virus infections have risen, prompting 22 states to either reverse or pause reopenings. So confidence could reverse.

Globally, there are about 160 coronavirus vaccines under development.



Sharpe Ratios (risk & reward relative value) Inception-Q2 2020

CAM Investment Grade Strategy 0.47
Bloomberg Barclays U.S. Corp Bonds 0.45

CAM High Yield Strategy 0.52
Bloomberg Barclays High Yield Corp Bonds 0.48

CAM Short Duration 0.50
Bloomberg Barclays Weighted Benchmark
(1/2 Interm. HY & 1/2 U.S. Corporate 1-5) 0.59

CAM Short Duration IG Strategy 1.18
Bloomberg Barclays U.S. Corporate 1-5 Yr 1.19

CAM Broad Market Strategy 0.77
Bloomberg Barclays Weighted Benchmark
(2/3 Corporate and 1/3 High Yield) 0.75

An important objective for all Cincinnati Asset Management investment strategies is to deliver superior risk-weighted returns. A quantitative indication of our success is the Sharpe Ratio that calculates total return per unit of risk. The data on the left indicates we have largely been successful. Sharpe Ratios of the Investment Grade and High Yield Strategies exceeded their respective benchmarks by approximately 4% and 8%, respectively. The Short Duration Investment Grade approximated its bench-mark. The Broad Market Strategy produced a Sharpe Ratio approximately 3% in excess of the benchmark's ratio.

Following phase 3 trials, results are vetted by regulators and approved for use. AstraZeneca whose vaccine is in phase 3 clinical trial could have 30 million doses available in the U.K. by September and begin shipments to the U.S by October (source: *The Wall Street journal* 7/20/20). Moderna's vaccine, currently in phase 2 clinical trials expect to start phase 3 July 27 (source: ibid). Pfizer, partnering with BioNTech, has a vaccine in phase 2 and is expecting to broaden the trial this month to include up to 30,000 people. Novavax's vaccine is in phase 2 and expects to enter phase 3 trials this fall.

Interestingly, each vaccine mentioned above delivers its immunity in a different way. So we have multiple companies pursuing different avenues to defeat the virus. Additionally there are other major drug makers with vaccines that are in preclinical development, including Sanofi, GlaxoSmithKline, Merck and Johnson & Johnson.

A number of companies are developing antivirals, which work by stopping the virus from replicating or infecting cells. They include newly developed biotech therapies to current generics, such as HIV drugs, hepatitis C treatments and even the flu drug, Tamiflu. Gilead Sciences drug, Remdesivr has been authorized. Favipiravir sold in Japan as Avigan to fight the flu has been authorized. Teva Pharmaceuticals generics also manufactured by Mylan, Sanofi, Novartis and Bayer AG, chloroquine and hydroxychloroquine are in phase 3 trials. A Yale University study concluded it is effective (when combined with azithromycin) and should be used as early as possible in those infected (source: Yale School of Medicine 6/1/20).

So, the Fed and Congress will speed additional aid and the vaccines, antivirals and therapies are quickly emerging.

Keep safe! Please contact team CAM if we may be of assistance.

Rating	BA	B	CAA
Avg Spread	373	533	967
Std. Dev.	172	231	435
06/30/2020	**456**	**643**	**1308**
Lowest Spread	151	228	378

Spreads to Treasuries by Credit Rating show significantly lower risk of BA and B rated bonds. Source: Bloomberg Barclays Capital (12/31/99 to 06/30/20)