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The Private Bank

Red Wing Public Schools ISD# 256

Investment Review

THE PRIVATE BANK

November 23, 2020

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Red Wing Public Schools – OPEB Trust

Date of Trust:	September 2009
Type of Trust:	Irrevocable
Governing Law:	Minnesota State Statute 356A
Date of Actuarial Report:	Fiscal Year Ending June 30, 2018
Current OPEB Obligation:	$6,905,022
Current Discount Rate:	6.3%
Target Return for Portfolio:	
Investment Objective:	Moderate Growth & Income
Portfolio Life:	Greater than 10 years

Agenda

1. Portfolio Review
2. Market Charts

Portfolio Review

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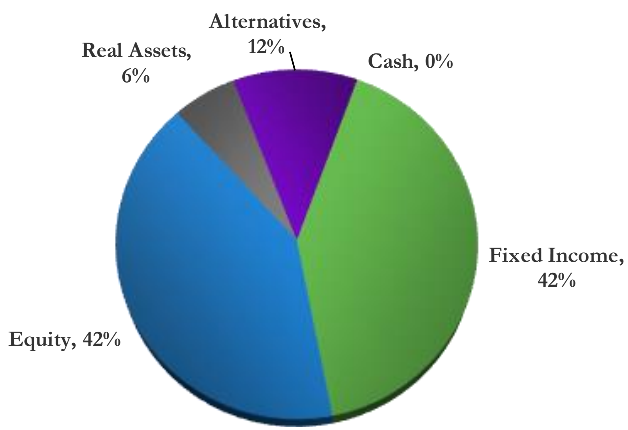
Red Wing Public Schools | Consolidated Portfolio

As of 10/31/20

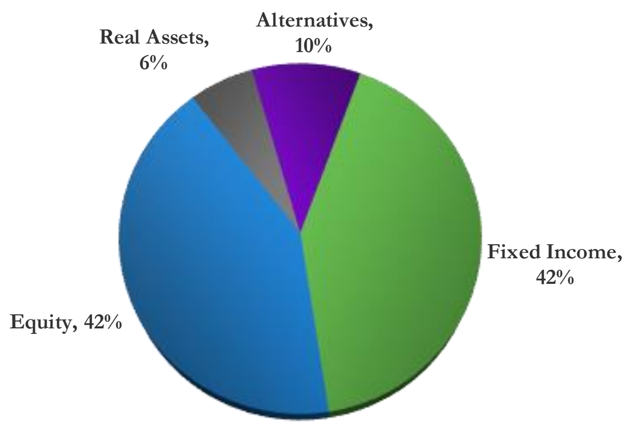
Account	Cash	Fixed Income	Equity						Real Assets	Alternatives	Grand Total
			Large Cap	Mid Cap	Small Cap	Developed Mkts	Emerging Mkts	Total			
Red Wing - Main	$54,394	$0	$1,169,603	$504,701	$136,395		$258,447	$2,069,147	$532,130	$1,244,160	$3,899,830
Red Wing - JEN LCG			$811,065					$811,065			$811,065
Red Wing - MFS LCV			$709,451					$709,451			$709,451
Red Wing - ACA MCV				$579,298				$579,298			$579,298
Red Wing - KAR SCG					$125,538			$125,538			$125,538
Red Wing - MCM INT						$130,898		$130,898			$130,898
Red Wing - TPA INT						$100,435		$100,435			$100,435
Red Wing - FIST		$4,402,489						$0			$4,402,489
Asset Allocation Total	**$54,394**	**$4,402,489**	**$2,690,119**	**$1,084,000**	**$261,934**	**$231,334**	**$258,447**	**$4,525,833**	**$532,130**	**$1,244,160**	**$10,759,006**
Equity Style Allocation			**59%**	**24%**	**6%**	**5%**	**6%**	**100%**			
% of Total Allocation	**1%**	**41%**	**25%**	**10%**	**2%**	**2%**	**2%**	**42%**	**5%**	**12%**	**100%**

Alternative Investments	
Principal Enhanced Property Fund	4.9%
Neuberger Long/Short Fund	4.0%
Robeco BP Long/Short Research Fund	3.7%
JH Seaport Long/Short Fund	3.9%

Asset Allocation



Target Allocation



Red Wing Public Schools | Receipt/Disbursement History

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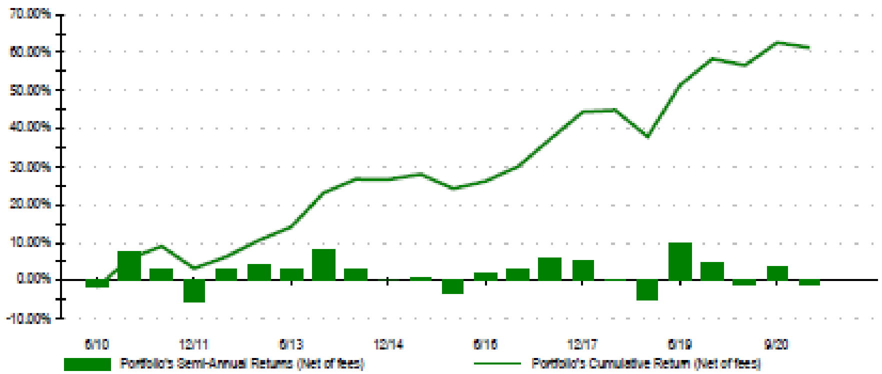
Contributions:	10/22/2009	Initial Funding of OPEB Trust	$12,556,457
	10/22/2009	Capitalized Interest	$201,858
		Total Contributions	**$12,758,315**
Disbursements:	7/6/2010	OPEB Distribution	($675,043)
	12/9/2010	Capitalized Interest	($201,858)
	7/20/2011	OPEB Distribution	($838,575)
	6/28/2012	OPEB Distribution	($794,380)
	6/28/2013	OPEB Distribution	($789,735)
	7/1/2014	OPEB Distribution	($669,665)
	10/6/2015	OPEB Distribution	($617,787)
	11/8/2016	OPEB Distribution	($688,504)
	11/3/2017	OPEB Distribution	($587,040)
	11/5/2018	OPEB Distribution	($615,656)
	11/7/2019	OPEB Distribution	($818,878)
	11/18/2020	OPEB Distribution	($889,233)
		Total Disbursements	**($8,186,355)**
		Adjusted Balance	**$4,571,960**

Current Market Value (10.31.20)	$10,759,006
Adjusted Balance	$4,571,960
Net Increase in Market Value	**$6,187,046**

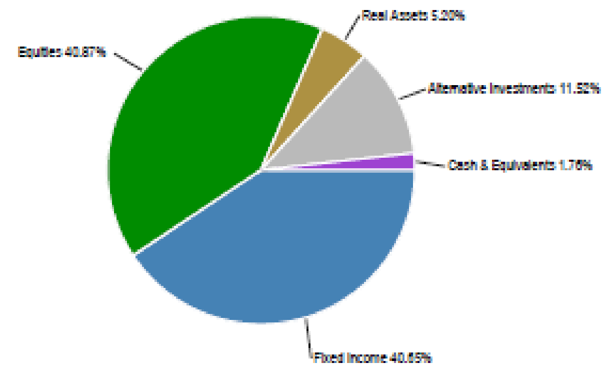
PORTFOLIO PERFORMANCE SUMMARY (CONSOLIDATED) - REPORT PERIOD: 1/1/10 TO 10/31/20

AGG775259 RED WING OPEB TRUST

PORTFOLIO RETURNS



ALLOCATION (BY CLASS)



PORTFOLIO SUMMARY	LAST 3 MONTHS	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS	LAST 5 YEARS	SINCE INCEPTION
Beginning Value[1]	10,784,119	10,592,186	11,111,975	11,440,813	10,878,567	8,736,904
Net Contributions & Withdrawals[2]	38	2,261	-816,124	-2,013,092	-2,698,190	-3,262,425
Investment Gain or Loss[1]	12,384	202,094	500,691	1,368,820	2,616,164	5,322,062
Ending Value[1]	10,796,541	10,796,541	10,796,541	10,796,541	10,796,541	10,796,541

PERFORMANCE SUMMARY	ENDING MARKET VALUE[1]	CURRENT PORTFOLIO ALLOCATION	LAST 3 MONTHS	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS[3]	LAST 5 YEARS[3]	SINCE INCEPTION[3]
TOTAL PORTFOLIO (Net of fees)	10,796,541	100.00%	0.09%	1.85%	4.74%	4.31%	4.94%	4.51%
FIXED INCOME	4,388,703	40.65%	-0.07%	5.36%	5.50%	3.84%[4]	3.11%[4]	2.37%[4]
BBG BARC 1-5 Year Govt/Credit			-0.02%	4.32%	4.47%	3.47%	2.60%	2.36%
BBG BARC Aggregate Bond Index			-1.30%	6.32%	6.19%	5.06%	4.08%	4.04%
BBG BARC 1-15 Yr Muni Blend (1-17)			-0.50%	3.09%	3.66%	3.69%	3.22%	3.66%
BBG BARC High Yield Corporate Index			0.42%	1.13%	3.49%	4.24%	6.32%	7.08%
BBG BARC High Yield Municipal Index			0.54%	0.54%	1.23%	5.79%	5.78%	6.64%
JP Morgan GBI x US			-0.26%	5.92%	4.68%	3.67%	3.90%	1.94%
JP Morgan EMBI Global Index			-1.48%	0.25%	1.97%	3.17%	5.35%	6.08%
BBG BARC Multiverse Index			-0.44%	5.41%	5.34%	4.15%	4.02%	2.98%

[1] Values include Accrued Income.
[2] As accounts are added to/removed from the composite they are displayed as a contribution/withdrawal.
[3] Annualized Return
[4] Historical classification changes exist.

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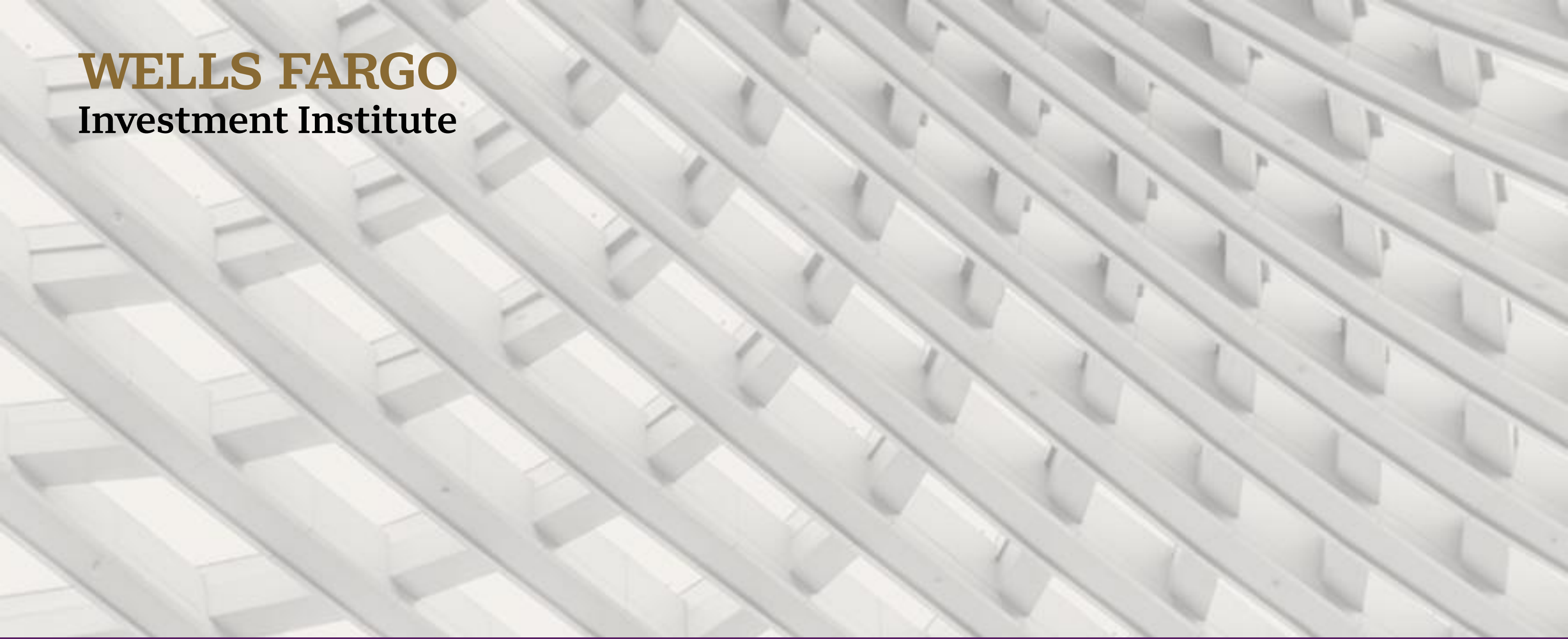
PORTFOLIO PERFORMANCE SUMMARY (CONSOLIDATED) - REPORT PERIOD: 1/1/10 TO 10/31/20 AGG775259 RED WING OPEB TRUST

PERFORMANCE SUMMARY

	ENDING MARKET VALUE[2]	CURRENT PORTFOLIO ALLOCATION	LAST 3 MONTHS	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS[1]	LAST 5 YEARS[1]	SINCE INCEPTION[1]
EQUITIES	4,412,657	40.87%	1.12%	3.83%[3]	10.92%[3]	8.57%[3]	10.49%[3]	10.55%[3]
S&P 500 Index			*0.37%*	*2.77%*	*9.71%*	*10.42%*	*11.70%*	*12.73%*
Russell Midcap Index			*2.15%*	*-1.72%*	*4.12%*	*6.77%*	*8.95%*	*11.94%*
Russell 2000 Index			*4.24%*	*-6.77%*	*-0.14%*	*2.19%*	*7.27%*	*10.15%*
MSCI EAFE Net Index			*-1.68%*	*-10.80%*	*-6.86%*	*-1.24%*	*2.85%*	*3.97%*
MSCI Emerging Mkts Index-Net			*2.64%*	*0.87%*	*8.25%*	*1.93%*	*7.91%*	*3.47%*
MSCI All Country World Index			*0.30%*	*-0.68%*	*5.42%*	*6.08%*	*8.70%*	*8.55%*
REAL ASSETS	561,481	5.20%	-1.61%	-3.08%	-2.89%	3.64%	4.23%	5.04%
FTSE EPRA/NAREIT Developed Index			*-3.78%*	*-21.75%*	*-22.18%*	*-1.47%*	*1.16%*	*6.08%*
Bloomberg Commodity Total Return Index			*4.64%*	*-10.85%*	*-8.75%*	*-4.41%*	*-2.73%*	*-5.38%*
ALTERNATIVE INVESTMENTS	1,244,160	11.52%	0.31%	-5.14%	-2.01%	0.85%	2.56%	1.34%
HFRI Fund Weighted Composite Index (update			*1.73%*	*1.15%*	*4.15%*	*2.61%*	*3.63%*	*3.84%*
HFRI Relative Value (Total) Index (updated)			*1.72%*	*-1.35%*	*0.35%*	*2.11%*	*3.36%*	*4.65%*
HFRI Macro (Total) Index (updated)			*-2.07%*	*-0.06%*	*0.87%*	*0.84%*	*1.06%*	*1.16%*
HFRI Event-Driven (Total) Index (updated)			*3.17%*	*-1.78%*	*0.64%*	*1.60%*	*3.86%*	*4.36%*
HFRI Equity Hedge (Total) Index (updated)			*2.88%*	*3.37%*	*7.73%*	*3.74%*	*5.20%*	*4.64%*
OTHER	-	-	-	-	-	-	-	-
CASH & EQUIVALENTS	189,541	1.76%	0.01%	0.44%	0.60%	1.22%	0.84%	0.62%
Lipper Money Market Index			*0.01%*	*0.40%*	*0.65%*	*1.38%*	*0.95%*	*0.45%*

[1] Annualized Return
[2] Values include Accrued Income.
[3] Historical classification changes exist.



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FOURTH QUARTER **2020**

Market Charts

Turning data into knowledge

All data shown in the charts as of third quarter (Q3) 2020 and reflect the most recent information available. Please see disclosures for the risks associated with the asset classes and for the definitions of market-based and economic indexes.

Global economy scorecard

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Metric	World	U.S.	Eurozone	Japan	China
GDP growth (%YoY) as of 6/30/2020[1]	2.9	-9.0	-14.7	-9.9	3.2
Inflation (%YoY) as of 8/31/2020[1]	3.6	1.3	-0.2	0.2	2.4
Manufacturing Index level[2] as of 9/30/2020	52.3	55.4	53.7	47.7	53.0
Central bank rate (%) as of 9/30/2020	–	0.00 – 0.25	0.00	(0.10) – 0.00	4.35
Consumer Confidence Index level as of 9/30/2020[3]	–	101.8 ↑	-13.9 ↑	32.7 ↑	116.4 ↑
Unemployment rate (%) as of 9/30/2020[4]	–	7.9	8.1	3.0	3.8

Sources: Bloomberg, International Monetary Fund, and Wells Fargo Investment Institute. Consumer Confidence Index (CCI) is designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. Global consumer confidence is not measured. Consumer confidence scale differs by region/country. Up or down arrow indicates an increasing or decreasing level from the previous quarter. GDP = gross domestic product. YoY = year over year.

Key takeaways

- The pandemic sent the global economy into its deepest recession since the 1930s depression in Q2.
- We expect China's recovery to temper the deepest global recession in over 40 years, much as it did in 2009.

1. World GDP and Inflation data as of December 31, 2019.
2. U.S. Manufacturing Index level is the Institute for Supply Management Manufacturing Index®, which is a composite index based on the diffusion Indexes of five of the Indexes with equal weights: new orders, production, employment, supplier deliveries, and inventories. Global, eurozone, Japan, and China Manufacturing Index levels use the Markit Manufacturing PMI Index, which is an index developed from monthly business surveys used to monitor the condition of industries and businesses. An index value over 50 indicates expansion; below 50 indicates contraction. The values for the index can be between 0 and 100.
3. China data as of August 31, 2020.
4. Eurozone and Japan data as of August 31, 2020. China data as of June 30, 2020.

Factors that affect the global economy

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Global economic forces

Tailwinds

- Aggressive monetary and fiscal stimulus
- Low interest rates
- “Purchasing power” boost from lower inflation
- “Pent-up” demand created by the lockdown
- Promising coronavirus vaccine news
- Increased savings and stock-market wealth

Headwinds

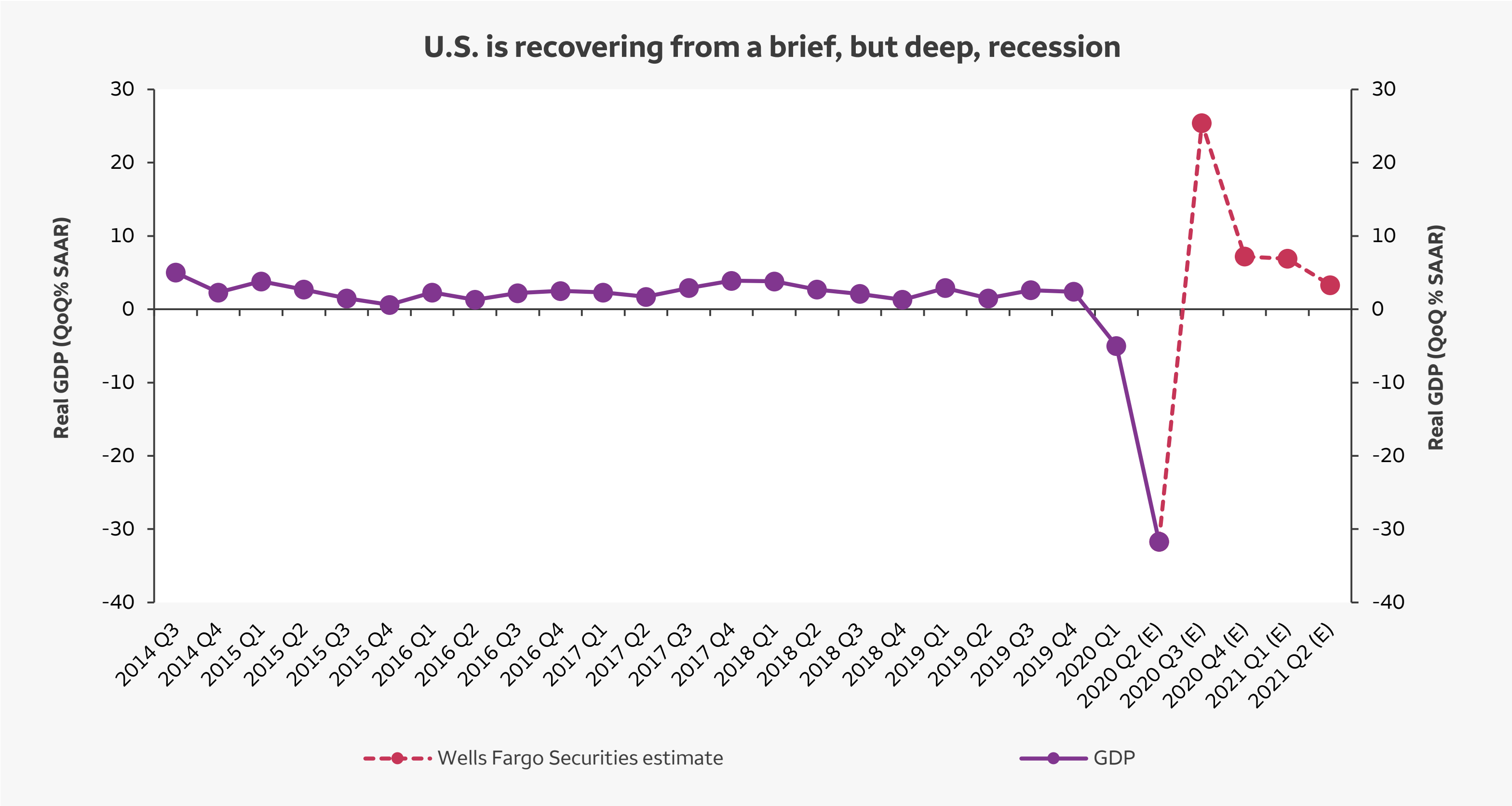
- Rise in coronavirus infections
- Geopolitical risks (U.S. elections, Brexit, European Union discord, trade disputes)
- Rising bankruptcies, associated layoffs
- Consumer caution amid pandemic concerns
- Lingering weakness from earlier economic free fall

Source: Wells Fargo Investment Institute, as of September 30, 2020. Subject to change.

Key takeaways

- We believe the global economy will decline 3–4% in 2020, in its worst recession in over 40 years.
- Consumers have been playing a more prominent role in the growth cycle in the U.S. and other parts of the world, leaving global growth that much more exposed to the coronavirus’ fallout.

We expect U.S. GDP to rebound strongly in Q3



Sources: Bloomberg, Wells Fargo Securities, and Wells Fargo Investment Institute, as of September 30, 2020. Q3 2020–Q2 2021 are Wells Fargo Securities forecasts, as of September 10, 2020. Forecasts are not guaranteed and are subject to change. GDP = gross domestic product. QoQ = quarter over quarter. SAAR = seasonally adjusted annual rate.

Key takeaways

- Consumer spending, business investment, and manufacturing led the way lower during the economy's second-quarter freefall.
- In the third quarter, we believe that the U.S. economy experienced a strong rebound.

U.S. consumer in good shape going into downturn

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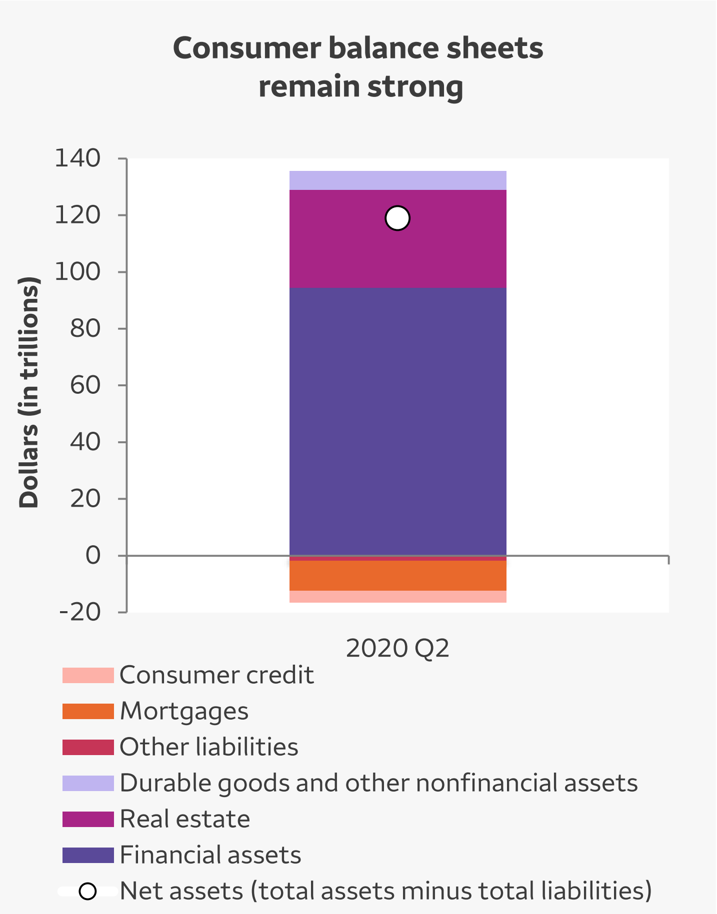
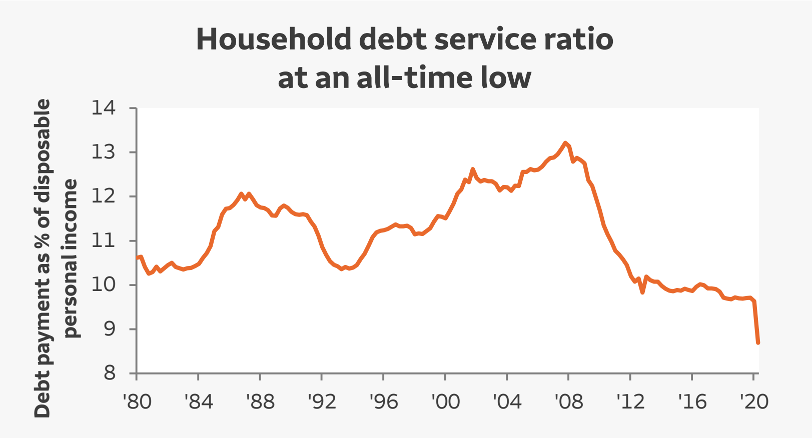
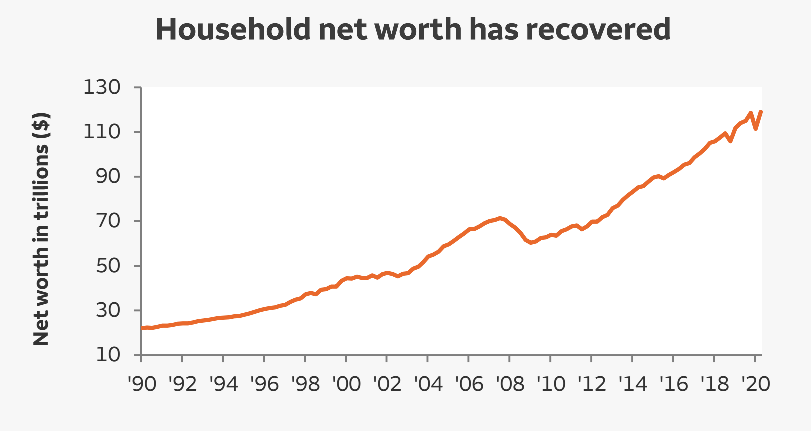




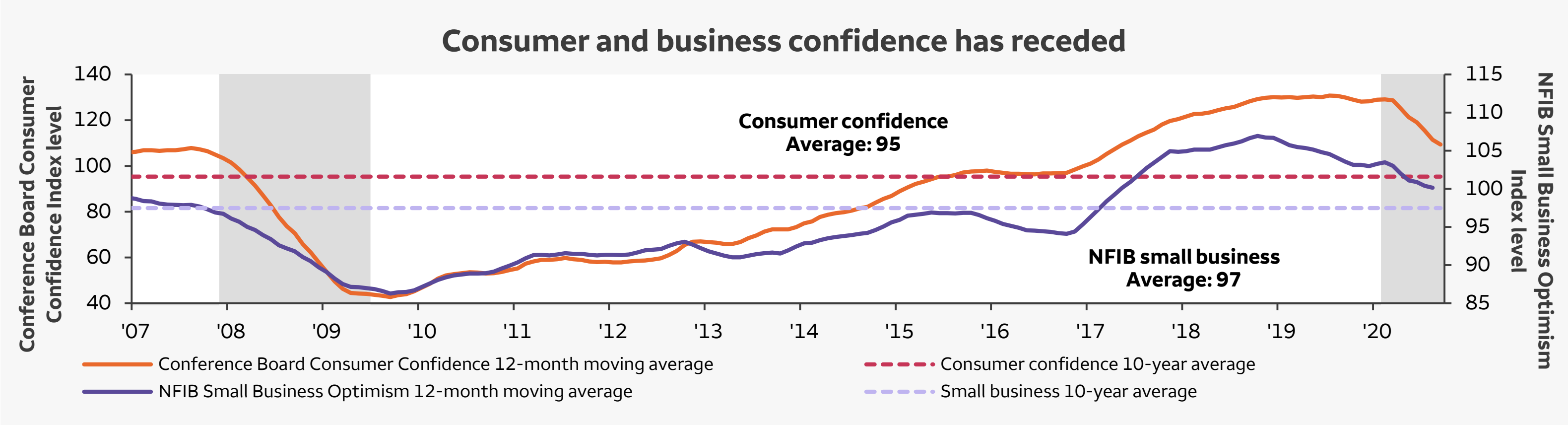


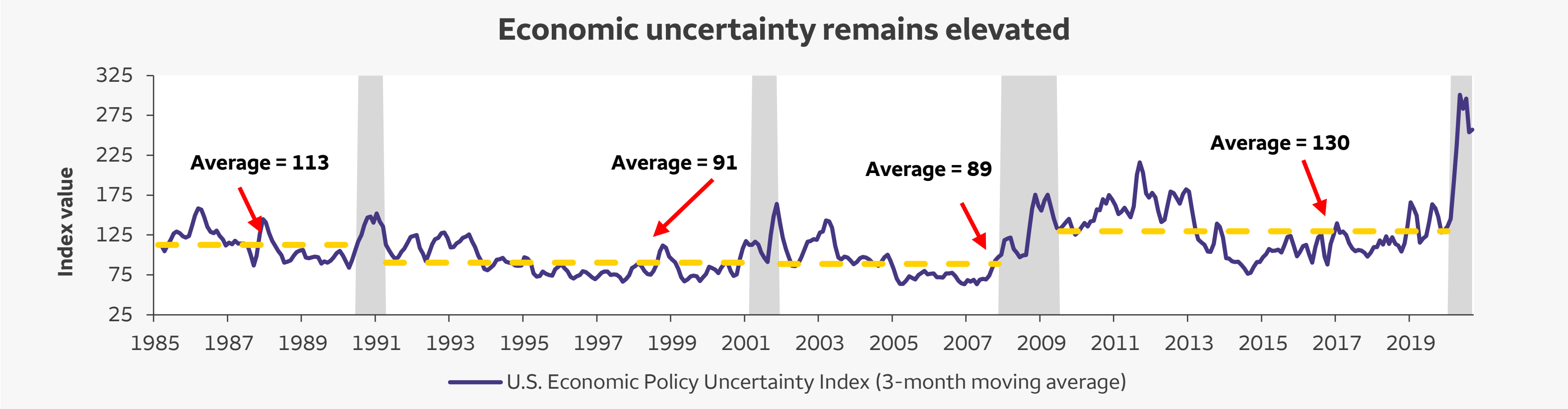
Sources: Bloomberg, Federal Reserve Board, and Wells Fargo Investment Institute, as of June 30, 2020.

Key takeaways

- Consumer balance sheets were in much better shape going into a recession than they were a decade ago.
- The stock market recovery and stability of the housing market through the latest economic crisis has seen U.S. household net worth recover from $110 trillion to $119 trillion as of second quarter 2020.

Uncertainty weighs on confidence





Sources: The Conference Board; National Federation of Independent Business (NFIB); Economic Policy Uncertainty Index—Baker, Bloom, and Davis; Bloomberg; and Wells Fargo Investment Institute, as of September 30, 2020. Shaded area represents a U.S. economic recession. The Consumer Confidence Index (CCI) tracks sentiment among households or consumers. The NFIB Small Business Index tracks the general state of the economy as it relates to businesses. The U.S. Economic Policy Uncertainty Index developed by Baker, Bloom, and Davis is based on newspaper coverage frequency as index proxies for movements in policy-related economic uncertainty.

Key takeaways

- Economic policy uncertainty is elevated as investors grapple with the coronavirus outbreak, a presidential election in the U.S., and the movement toward several progressive policies (e.g., direct income payments and the Fed's open-ended Treasury debt purchases) to the mainstream.

Equity scorecard

Asset class	3Q20 return (%)	YTD Return (%)	YoY return (%)	P/E (trailing 12 months)			Dividend yield (%)
				Current[1]	20-year average[2]	20-year median	
U.S. Large Cap Equities	8.93	5.57	15.15	26.13	18.66	18.27	1.79
U.S. Mid Cap Equities	7.46	-2.35	4.55	28.11	21.81	21.26	1.91
U.S. Small Cap Equities	4.93	-8.69	0.39	N/A	42.77	37.89	1.63
Developed Market ex-U.S. Equities	4.88	-6.73	0.93	34.92	24.75	17.68	2.69
Emerging Market Equities	9.70	-0.91	10.91	20.01	13.54	13.36	2.28
Frontier Market Equities	8.42	-8.61	-2.54	13.86	–	–	3.60

Sources: Bloomberg, and Wells Fargo Investment Institute, as of September 30, 2020. YoY = year over year. YTD = year to date. P/E = price/earnings. *For illustrative purposes only*. Large cap = S&P 500 Index. Mid cap = Russell Midcap Index. Small cap = Russell 2000 Index. Developed market Ex-U.S. = MSCI EAFE Index. Emerging market = MSCI Emerging Markets Index. Frontier market = MSCI Frontier Markets Index. The **S&P 500** is a market capitalization-weighted index generally considered representative of the US stock market. **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index. **Russell 2000 Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index. **MSCI EAFE (DM)** and **MSCI Emerging Markets (EM)** Indices are equity indices which capture large and mid cap representation across 21 DM countries (excluding Canada and the U.S.) and 24 EM countries around the world. The **MSCI Frontier Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of frontier markets. Yields and returns represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Key takeaways

- Equity markets continued their positive trends in Q3 driven by Fed liquidity, optimism regarding state re-openings, and news about coronavirus treatments and potential vaccines.
- Uncertainty surrounding the trajectory of the coronavirus and geopolitics continues to be a headwind for global equities and can lead to additional volatility in equities markets.

1. Current P/E for U.S. Small Cap Equities is N/A because current trailing 12 months earnings are negative for the Russell 2000 Index.

2. March 2009 to June 2009 P/Es for small cap have been removed due to their outlier condition.

Volatility spiked several times during this cycle

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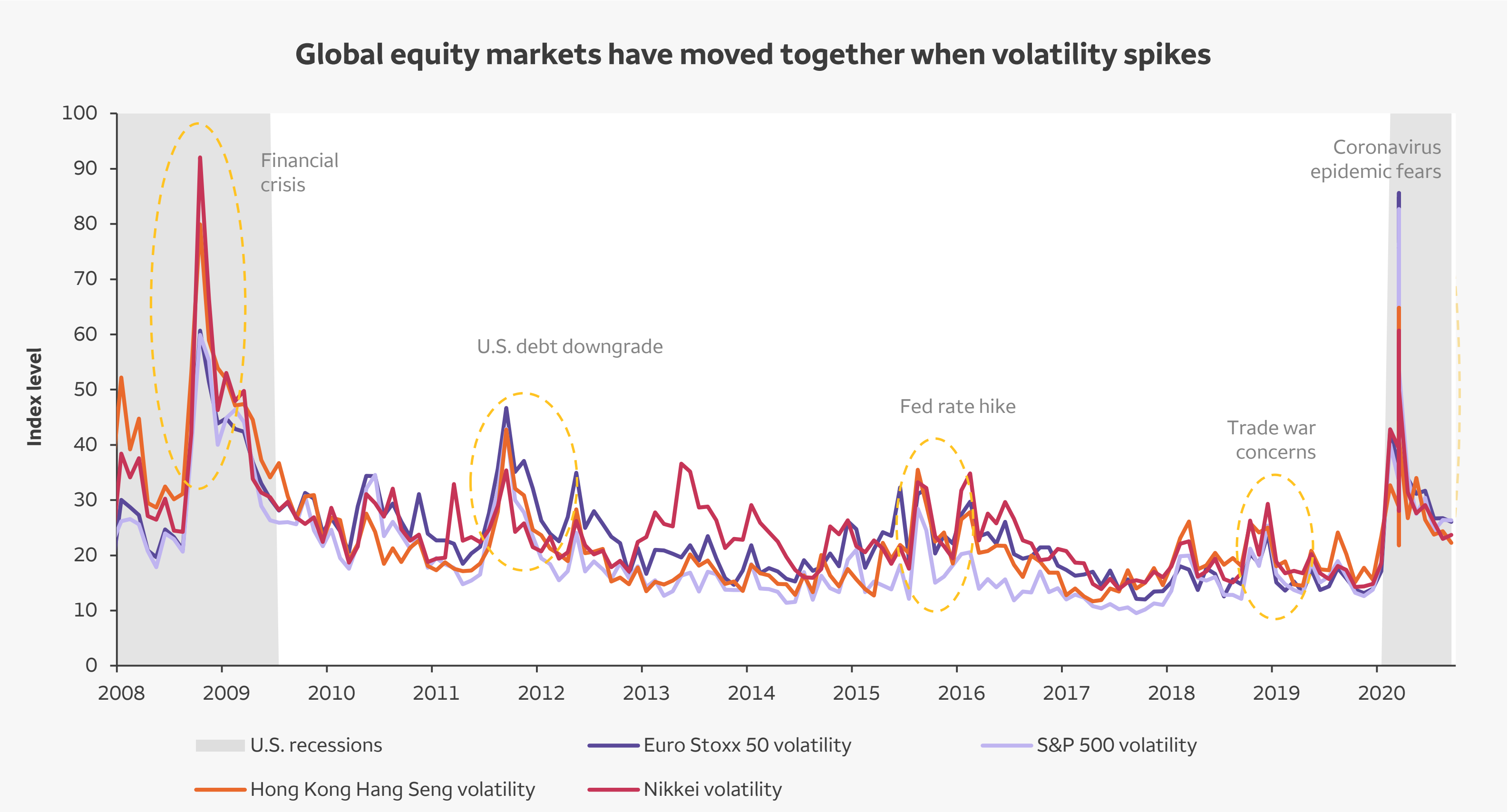
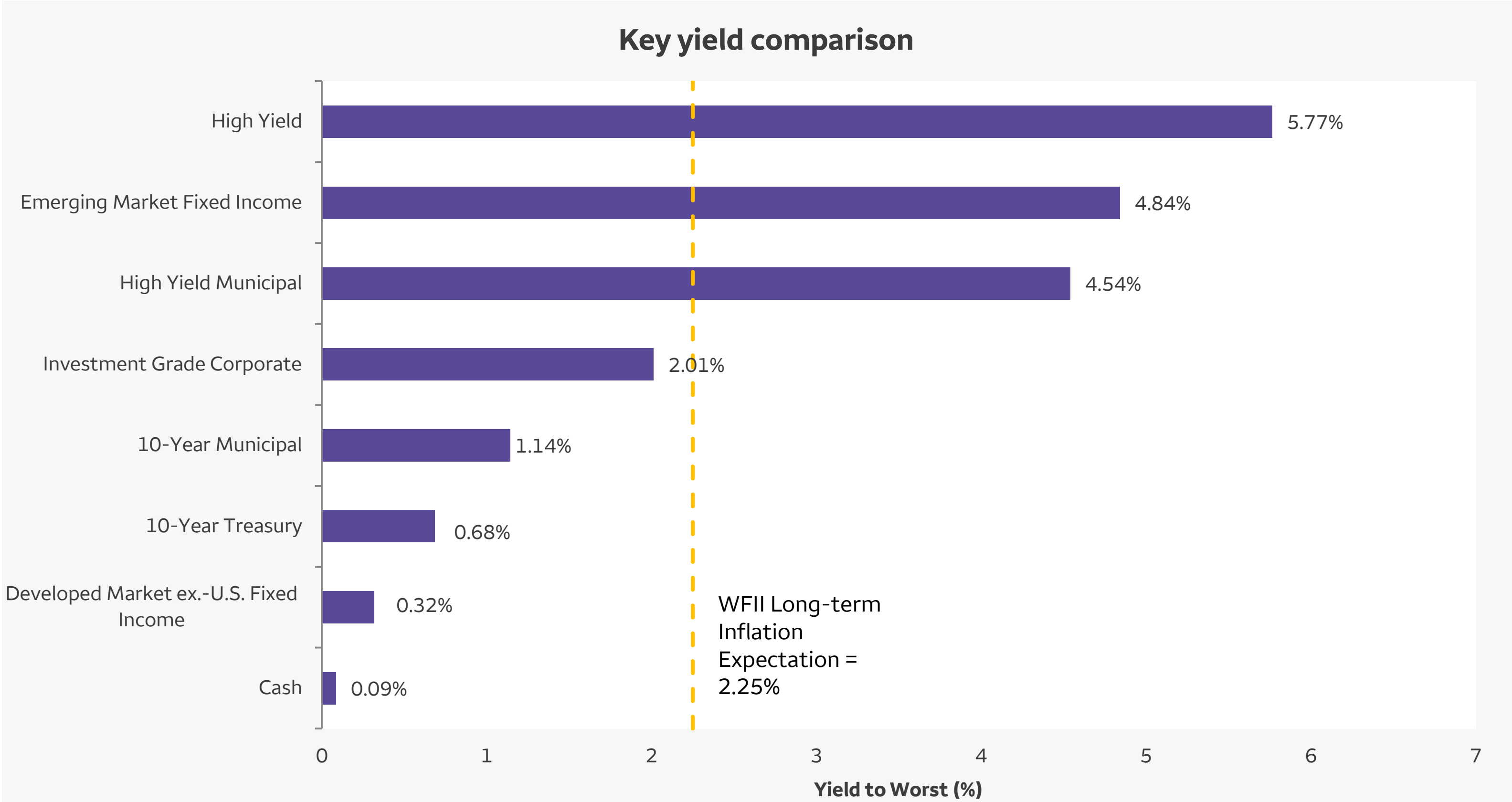


Sources: Bloomberg and Wells Fargo Investment Institute, as of September 30, 2020. For illustrative purposes only. S&P 500 volatility measured by the CBOE Volatility Index® (VIX®). Euro STOXX 50 volatility measured by the VSTOXX Index. Hong Kong Hang Seng volatility measured by the HSI Volatility Index. Nikkei volatility measured by the VNKY Index. These indexes measure the markets expectations for implied or expected volatility based on option prices. An index is unmanaged and not available for direct investing. **Past performance is no guarantee of future results.** Stock markets, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

Key takeaways

- Global equity markets have experienced periodic spikes in volatility during this cycle. U.S. volatility sparked by coronavirus fears topped volatility readings during the financial crisis.
- We expect periods of market uncertainty through the end of 2020, but investors should realize that volatility can often present opportunities.

Yield available despite low rates



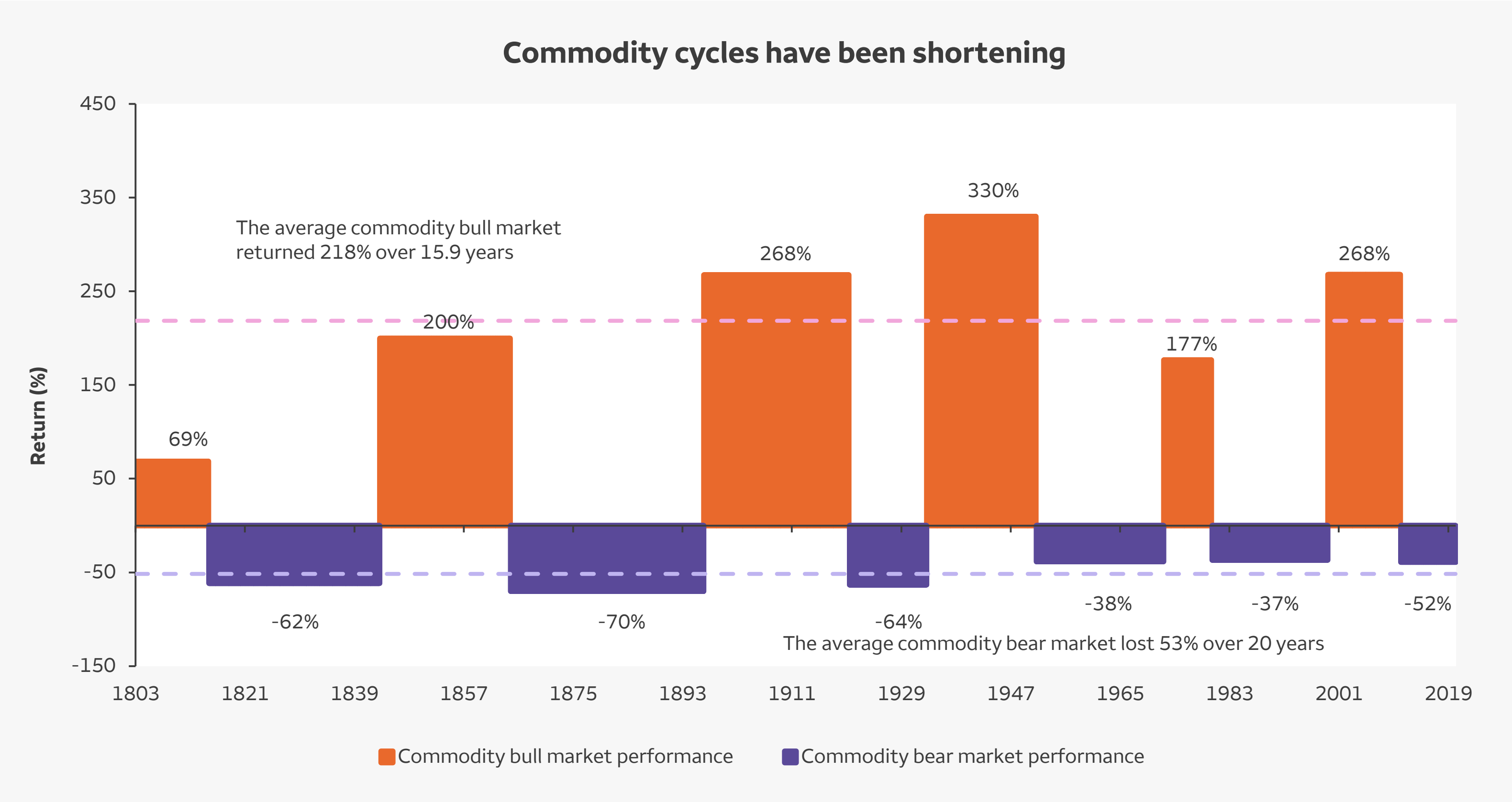
Sources: Bloomberg, FactSet, and Wells Fargo Investment Institute, as of September 30, 2020. For illustrative purposes only. High Yield: Bloomberg Barclays U.S. Corporate High Yield Bond Index, Emerging Market: J.P. Morgan EMBI Global Index, High Yield Municipal: Bloomberg Barclays U.S. Municipal High Yield Index, Investment Grade Corporate: Bloomberg Barclays U.S. Corporate Bond Index, Cash: Bloomberg Barclays US Treasury Bills (1–3M) Index, and Developed Market ex-U.S.: J.P. Morgan GBI Global Ex U.S. Index. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. An index is unmanaged and not available for direct investment **Past performance is no guarantee of future results.** See index definitions on following page.

Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. High yield fixed income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets.

Key takeaways

- Yields are still materially lower than investors have historically experienced.
- Diversifying income streams can potentially lessen portfolio volatility and reduce the probability of dramatic swings in the levels of income provided.

Commodity super-cycles

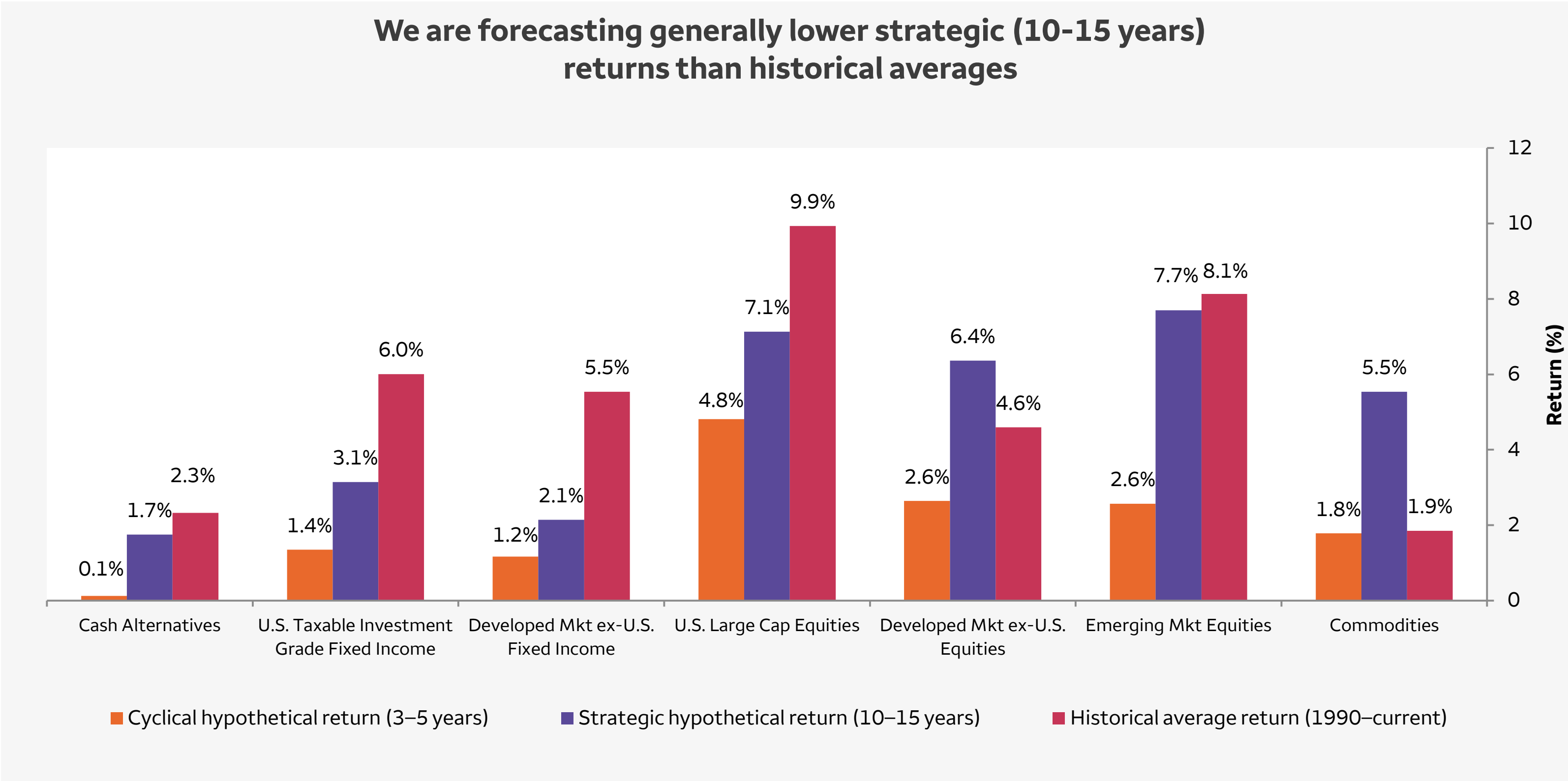


Sources: Bloomberg, Ned Davis Research, and Wells Fargo Investment Institute, as of September 30, 2020. For illustrative purposes only. NDR Commodity Composite used for December 1802–February 1972. Reuter's Continuous Commodity Index used for March 1972–June 2020. The **Reuters Continuous Commodity Index** is an equal-weighted geometric average of commodity price levels relative to the base year average price. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results**. Investing in commodities is not suitable for all investors. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility.

Key takeaways

- Historically, commodities have tended to move together in super-cycles. These cycles have gradually shortened in length over time.
- The current commodity bear super-cycle, which began in 2011, may be shorter than the 20-year average.
- Excessive supplies — built-up during the bull years — remain a concern. Price rallies for many commodities should remain capped.

Expect lower returns for longer



Sources: Bloomberg, and Wells Fargo Investment Institute, as of September 30, 2020. For illustrative purposes only. Cyclical return assumptions as of October 1, 2020. Strategic return assumptions are as of July 16, 2020. Cyclical and strategic hypothetical returns are forward-looking geometric return estimates from Wells Fargo Investment Institute of how asset classes and combinations of classes may respond during various market environments. Hypothetical returns do not represent the returns that an investor should expect in any particular year. They are not designed to predict actual performance and may differ greatly from actual performance. There are no assurances that any estimates given will be achieved. Historical average returns are for data from January 1991 to June 2020. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Indexes in order represented by Bloomberg Barclays U.S. Treasury Bill (1–3 Month) Index, Bloomberg Barclays U.S. Aggregate Bond Total Return Index, JP Morgan GBI Global Ex U.S. Total Return Index, S&P 500 Total Return Index, MSCI EAFE Total Return Index, MSCI Emerging Markets Total Return Index, Bloomberg Commodity Index. See following page for index definitions and risks.

Key takeaways

- Investors may need to consider saving more or spending less in this environment to reach their financial goals.

The cost of market timing

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Market downturns (1928 – current)

Drawdowns	Number of occurrences	Average Drawdown (%)	Average drawdown time (months)
-5% or more	316	-10.8	1.2
-10% or more	99	-19.5	3.3
-15% or more	45	-28.2	6.2
-20% or more	26	-35.6	9.6

Investing $1,000,000 in the S&P 500 Index

	Past 30 years	Past 20 years	Past 10 years
Remain fully invested	$10,991,885	$2,344,656	$2,950,696
Missing 10 best days	$5,051,362	$1,073,954	$1,623,894
% drop by missing 10 best days	**-54%**	**-54%**	**-45%**
Missing 50 best days	$855,134	$186,559	$542,519
% drop by missing 50 best days	**-92%**	**-92%**	**-82%**

Sources: Bloomberg, Ned Davis Research, and Wells Fargo Investment Institute, as of September 30, 2020. Market downturn analysis from 1/3/1928-9/30/2020. For illustrative purposes only. The **S&P 500 Index** is a market capitalization weighted index composed of 500 stocks generally considered representative of the U.S. stock market. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** A price index is not a total return index and does not include the reinvestment of dividends. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

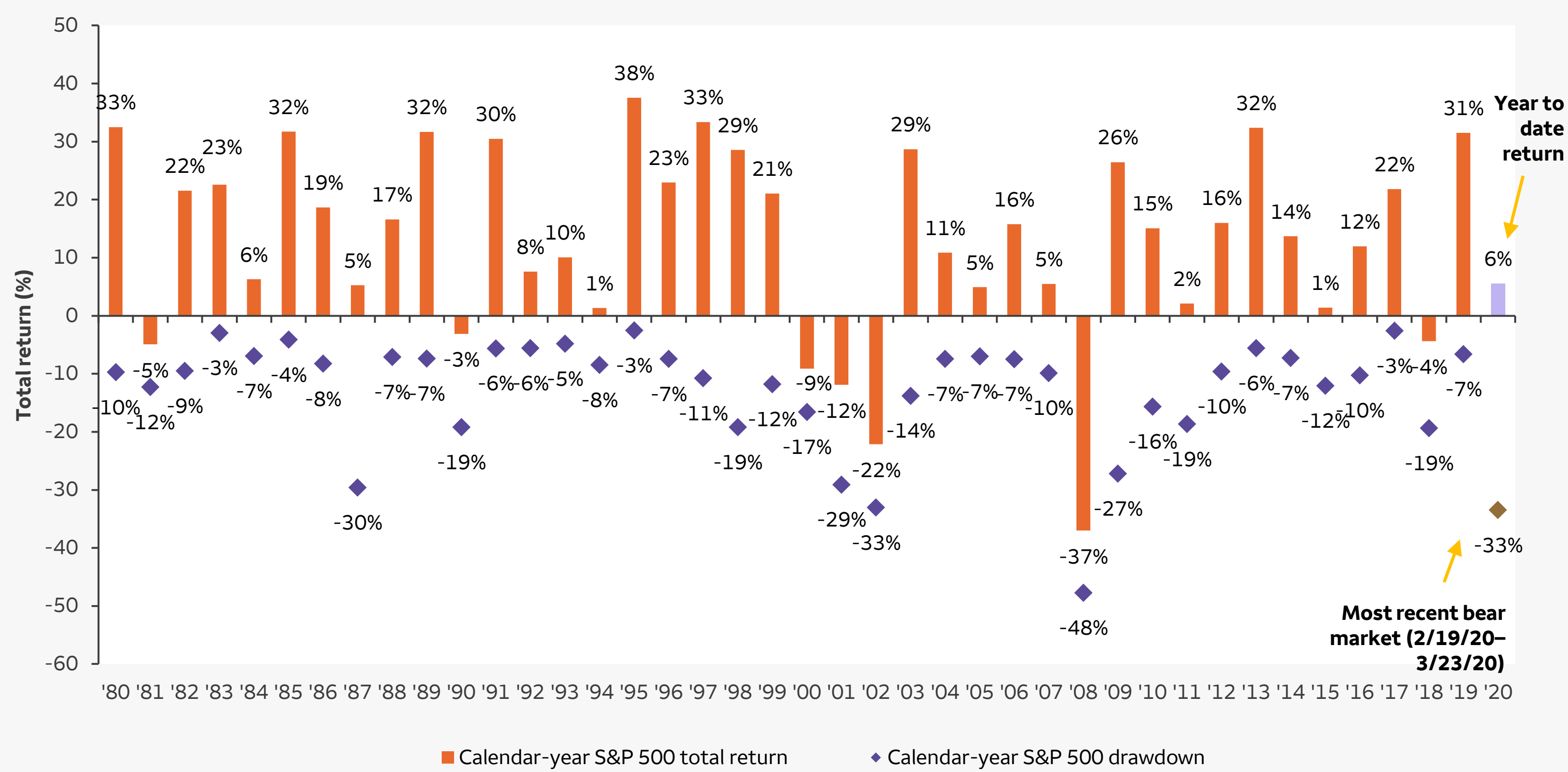
Note: Corrections are declines of 10% or more. Bear markets are declines of 20% or more.

Key takeaways

- The majority of market drawdowns have been between a 5 and 10% decline, which tend to recover much quicker than more severe corrections.
- Over 20- and 30-year time periods, missing the best 10 days reduced potential investment amount by 50%. Missing the 50 best days resulted in an end of period balance below the original investment.

Staying the course

A downturn is no reason to exit the market



Sources: © 2020 – Morningstar[1] and Wells Fargo Investment Institute, as of September 30, 2020. For illustrative purposes only. Severe intra-year corrections do not necessarily indicate subpar performance for the calendar year. Analysis was compiled using the daily price of the S&P 500 Total Return Index. The **S&P 500** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the US stock market. Calendar year drawdowns represent the largest market drops from peak to trough for each year. Investing in stocks involve risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** All investing involves risk including the possible loss of principal.

Key takeaways

- Market corrections and downturns can be difficult to endure. However, they can offer opportunities for investors to purchase high-quality stocks at reasonable prices.

Epidemics and the resilience of equity markets

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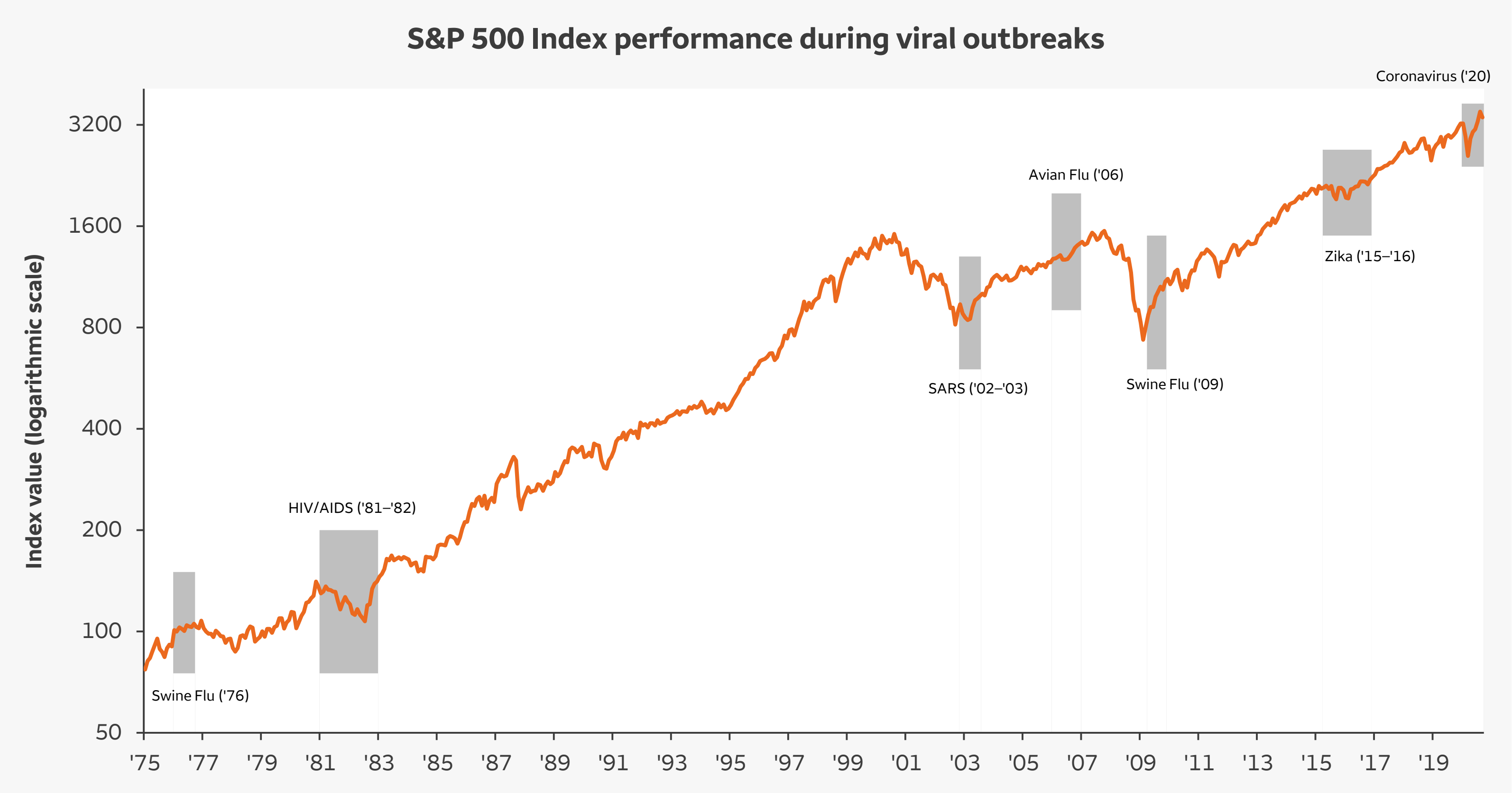
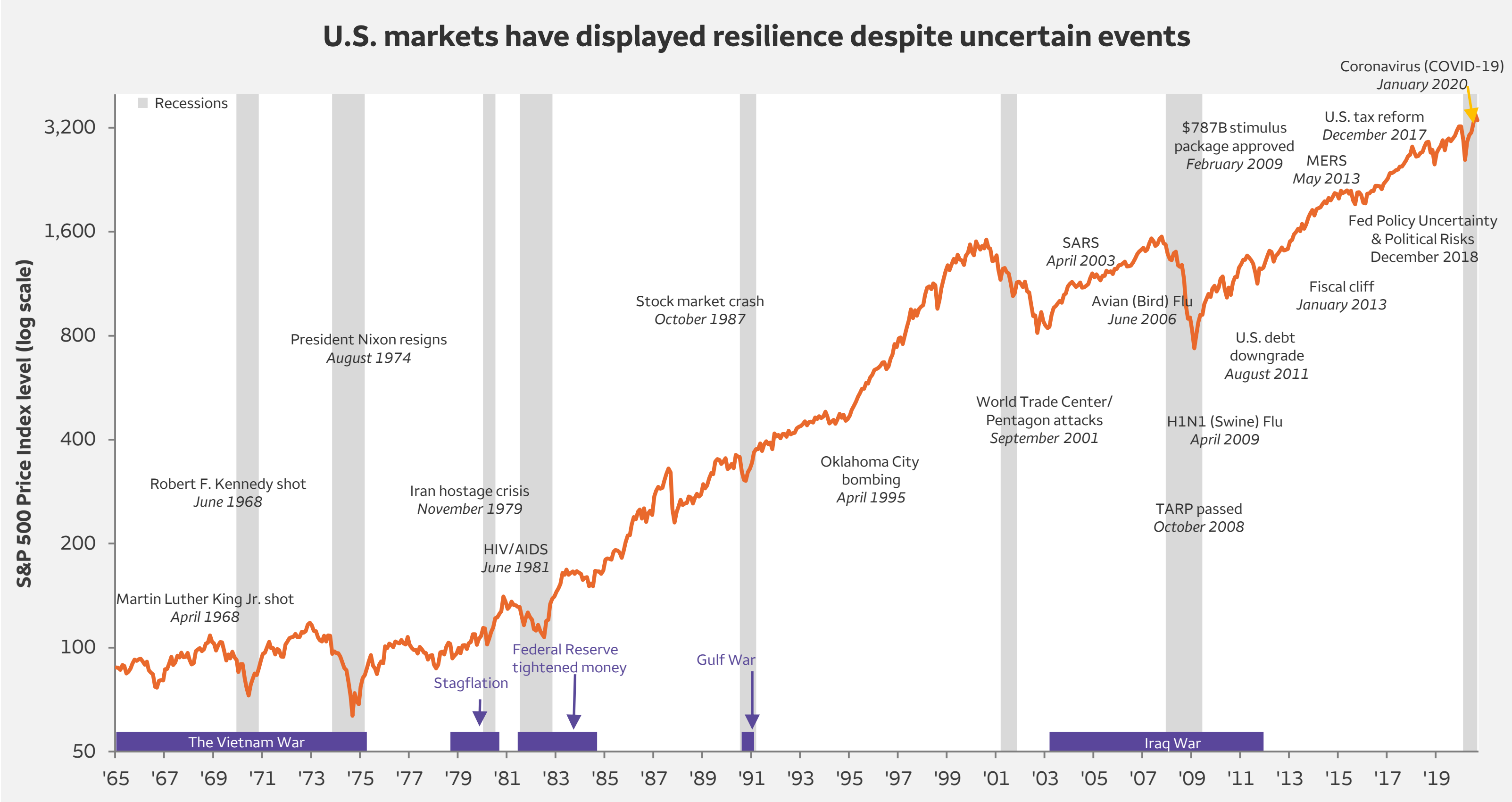


Sources: Bloomberg and Wells Fargo Investment Institute, as of September 30, 2020. For illustrative purposes only. A price index is not a total return index and does not include the reinvestment of dividends. The **S&P 500** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the US stock market. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. There is no certainty that U.S. markets will continue to show resilience despite crisis events. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** There is no guarantee equity markets will perform similarly during other periods of uncertainty. All investing involves risk including the possible loss of principal.

Key takeaways

- Equity markets have faced increased volatility and downturns during previous viral outbreaks. However, the downturn that resulted from the coronavirus was more pronounced.
- The S&P 500 Index has proven to be resilient, rebounding from four previous viral outbreaks.

Market resilience



Sources: Wells Fargo Investment Institute, Bloomberg, and Ned Davis Research, as of September 30, 2020. Shaded areas represent recessions. For illustrative purposes only. A price index is not a total return index and does not include the reinvestment of dividends. The **S&P 500** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the US stock market. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. There is no certainty that U.S. markets will continue to show resilience despite crisis events. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** There is no guarantee equity markets will perform similarly during other periods of uncertainty. All investing involves risk including the possible loss of principal.

Key takeaways

- Volatility is a normal part of market behavior and can present opportunities for long-term investors.
- Disruptive forces such as geopolitical crises, terrorist attacks, economic recessions, epidemics, or consequential central bank policies can trigger short-lived yet influential episodes of market volatility.

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