

CURBSTONE FINANCIAL MANAGEMENT CORPORATION

From the Curb

Letter to Clients

Quarter Ending June 30, 2020

We hope that this letter finds you safe and healthy during these unprecedented times.

Markets staged a historic rebound in the second quarter. The Federal Reserve and the U.S. Treasury, acting independently and in concert, took aggressive steps to shore up markets around the globe. The peak in COVID-19 cases in April provided a backdrop for an economic re-opening across the U.S., boosting investor confidence that the shutdown would not last into summer. The result was a 12% gain in the S&P500 in the month of April.

The rebound continued into May, as the spread of the coronavirus continued to slow, paving the way for additional economic re-openings in the U.S and abroad. By the end of May, all 50 states had at least partially reopened their economies. Meanwhile, markets were supported by continued economic stimulus from the U.S. Treasury, via enhanced unemployment benefits and the Payroll Protection Program to businesses. The Federal Reserve contributed via open-market bond purchases and the populace remained ever-hopeful that at least one vaccine would be available by early 2021. The S&P 500 rallied more than 4% in May, while the Nasdaq Composite turned positive for 2020—a development that seemed almost impossible during the depths of the March declines.

By the middle of June, several states experienced a resurgence in COVID-19, and by the end of the month, new cases in the U.S. were hitting all-time highs on a daily basis. Although muted relative to what was experienced during the first quarter, asset price volatility increased as investors realized the future economic and social impact, both domestically and globally, was again becoming increasingly cloudy.

While a lot of progress was made on many fronts, questions remain relative to economic and corporate health through at a minimum, the end of 2020. Can the COVID-19 outbreak be tamped down? Can schools reopen allowing more people to return to work? Will consistent albeit slow, economic progress become viable? What affect will the approaching November elections contribute from both a concrete and psychological perspective? Key indicators such as trends in jobless claims, unemployment levels, a tick up in historically low interest rates, and increasing confidence in corporate earnings estimates are among the factors we will monitor in setting our strategy seeking more concrete data to lessen our cautious stance on equity commitments.

Looking forward, through the second half of 2020, we remain cautiously optimistic. We take comfort in the fact that there are still a number of tailwinds to support these markets, including global governmental stimulus activities. Additionally, medical and science communities around the world are united in a historic effort to produce a vaccine for COVID-19; any successful development will further improve the prospects for healthy global economies.

On the regulatory side of our business, the Securities and Exchange Commission, in an effort to further clarify the difference between brokers and advisors, has required all financial service firms to create and distribute to our clients the enclosed Form CRS (Client Relationship Summary), also known as the Form ADV Part 3. Form CRS summarizes the types of services Curbstone offers to investors, along with our fees, costs, and conflicts associated with those services. It also provides information relative to our standard of conduct as a fiduciary, whether our firm or associated persons have disciplinary history, and how to access more information about Curbstone. Additional information can be accessed at our website, as noted on the Form CRS for your convenience. You will find Form CRS as the very first enclosure in this quarterly packet.

Finally, we thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment. Enclosed, for your review, please find your June quarter-end reports.