



INVESTMENT GROUP: OPPORTUNISTIC INVESTMENTS



CAPTRUST

Continued bouts of high volatility in the next few months, followed by rebounding economies

- We expect all major economies to go through recession over the next two quarters as quarantine efforts lead to massive drops in economic activity
- Government and policy leaders will continue to scramble to backstop financial markets and businesses in an effort to stem permanent damage to the economy
- We expect the outbreak to peak in the next two to three months, similar to the timeline in Asia
- Given this base case, we think economic activity will recover meaningfully in the second half of the year, as economies restart and massive stimulus kicks in

The market is currently challenged by liquidity issues, leading to high volatility

- Policymakers had no playbook for the unique challenge the virus posed, most notably the sudden economic stop from “shelter in place” and other quarantine measures
- Liquidity quickly became a major issue as drops in revenue due to workplace stoppages quickly put a premium on cash funds, leading to deleveraging across markets
- Trading floors and the dealer community working from remote environments exacerbated this problem as the ability to transact was impeded
- After numerous attempts, the Fed and policymakers have unleashed unprecedented monetary, liquidity, and fiscal measures to stem these issues
- While it will not be a straight line, we believe markets are on a path to more normal functioning, and the extreme low liquidity and high volatility should abate

Strategic Outlook

CAPTRUST expects all major economies to enter recession in the next two quarters, followed by a rebound in economic activity and growth in the second half of the year. Our base case is for:

- The infection curve to peak in the next two to three months and begin to abate, leading to businesses restarting
- The Fed and policymakers provide the necessary backstops for businesses and markets to prevent permanent damage to the economy
- While not a straight line, appropriate steps are taken to resolve liquidity, and volatility returns to more normal levels.

Key Strategies

Sudden stop leads to opportunities

The unique nature of this crisis led to a sharp increase in volatility and decrease in liquidity, creating opportunities as prices overshot to the downside (not reflective of fundamentals), especially in fixed income where we are actively looking for opportunities. We continue to favor consumer and residential areas but are also looking at high yield and investment grade corporate opportunities.

Low rates and high deficits

The combination of extremely low interest rates and increasingly high deficits is leading to even worse fundamental risk-return characteristics within the Treasury sector. We continue to favor more diversified bond exposure than the index, which provides higher yield and increasingly better fundamentals.

First-in, first-out

China's economy was the first to get hit with the outbreak, but they are also the first to exit, likely followed by Europe. The Investment Committee currently favors U.S. equities over international developed markets, but as these economies recover and with more coordinated efforts to stem the outbreak, they may present opportunities.

Dominant business models

Profitable large cap companies were already thriving in the current economy, but the nature of the crisis may accelerate disruption. Much activity was already moving online (e-learning, ecommerce, entertainment, cloud) and the virus outbreak may have accelerated those trends as consumer behavior evolves.

The Investment Group has developed Opportunistic Investments given current market conditions

- These opportunities span credit, equity and alternatives
- The credit and alternatives opportunities are largely driven by anomalies due to stressed levels of liquidity and high levels of volatility
- These opportunities are in closed-end funds, interval funds and potentially future private funds
- The equity opportunities consist of thematic ideas in fund form in value, growth and income-focused strategies
- We are also providing more contrarian, thematic and targeted strategies in equities both within ETF and single security solutions
- The Investment Group will monitor these investments and update as markets evolve, as they are changing rapidly
- For questions on mutual funds, interval funds and potential future private funds please contact David Hood
- For questions on ETFs and single security solutions please contact Mike Vogelzang

Opportunities in Credit & Alternatives

Credit – Closed End Funds

Ticker	Name	Category
NIQ	Nuveen Intermediate Duration Quality Municipals	Higher quality municipals
NID	Nuveen Intermediate Duration Municipals	High quality and higher yielding municipals
PDI	PIMCO Dynamic Income	Multi-Sector Public and Private Credit – Securitized, Corporate, Emerging Markets

Alternatives – Interval and Private Funds

Ticker	Name	Category
PFLEX	PIMCO Flexible Credit Income	Multi-Sector Public and Private Credit – Securitized, Corporate, Emerging Markets
ASCIX	Angel Oak Strategic Credit	Securitized Credit – Non-Agency RMBS, CMBS, CLO

Opportunities in Equities

ETF Opportunistic List

Ticker	Name	Category
ITA	iShares US Aerospace and Defense	Industrial Equity
XLE	Energy Select Sector SPDR	Energy Equity
JETS	US Global Jets	Industrial Equity
PEJ	Invesco Dynamic Leisure & Trvl	Consumer Cyclical Equity
XHB	SPDRS S&P Homebuilders	Consumer Cyclical Equity
BJK	VanEck Vectors Gaming	Consumer Cyclical Equity
CLOU	Cloud X Cloud Computing	Technology Equity
IHI	US Medical Devices	Healthcare Equity
FINX	Global X FinTech	Technology Equity
XRT	SPDR S&P Retail	Consumer Cyclical

This list of individual ETFs is for use with only aggressive investors who understand the risks involved in speculation. This should only be used for a small portion of an individual investor's total investable assets. The average "beta" for this group of stocks is approximately 1.4x the broad market. Ellen Shaer will be the point Investment Strategist who can answer additional questions. One suggested use is to equal weight this entire list of ETFs for clients.

Equities – Opportunistic Individual Stock List

Industry	Individual Stocks
Airlines	AAL (American); LUV (Southwest)
Travel	EXPE (Expedia); UBER (Uber Technologies)
Home Building	LOW (Lowe's); DHI (D.R. Horton); AVB (Avalon Bay REIT)
Hospitality	RHP (Ryman Hospitality); FUN (Cedar Fair, LP)
Gaming/Casino	LVS (Las Vegas Sands); MGM (MGM Resorts Int'l); VAC (Marriott Vacations)
Tech/Software	NCR (NCR); ESTC (Elastic); SQ (Square)
Cruise Lines	NCLH (Norwegian Cruise Lines)
Healthcare	BSX (Boston Scientific)
Energy	MPC (Marathon Petroleum); CVX (Chevron)
Financials	MET (Metlife, Inc); COF (Capital One Financial)
Retail	LB (L Brands, Inc.)

This list of individual stocks is for use with only aggressive investors who understand the risks involved in speculation. This should only be used for a small portion of an individual investor's total investable assets. The average "beta" for this group of stocks is approximately 1.7x the broad market. Ellen Shaer will be the point Investment Strategist who can answer additional questions. The IG Individual securities team put this list together but will not be providing ongoing company research on these individual companies. One suggested use is to equal weight this entire list of companies for clients.

Opportunities in Equities

Thematic and Concentrated Ideas – Mutual Funds

Ticker	Name	Category
DODFX	Dodge & Cox International Stock	Thematic and concentrated deep value
CFSIX	Touchstone Sands Capital Select Growth	Thematic and concentrated growth

High Dividend Income – Mutual Funds

Ticker	Name	Category
HHDFX	Hamlin High Dividend Equity	High dividend equity