Covenant
Asset Management, LLC

Second Quarter 2020
Investment Perspectives

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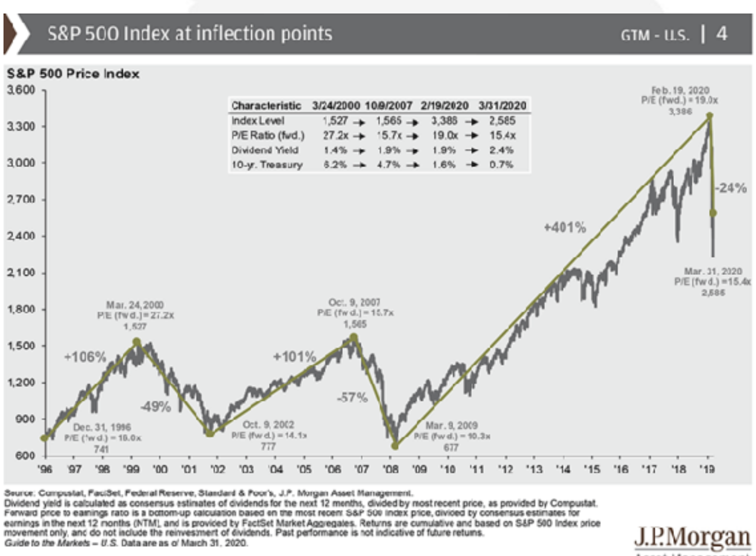
Economic and Financial Markets Review & Outlook

Covenant Asset Management is pleased to offer our latest investment perspectives. In this publication we review first quarter results and highlight key economic, financial and political themes which we expect will drive markets and investment performance in the coming months.

KEY THEMES

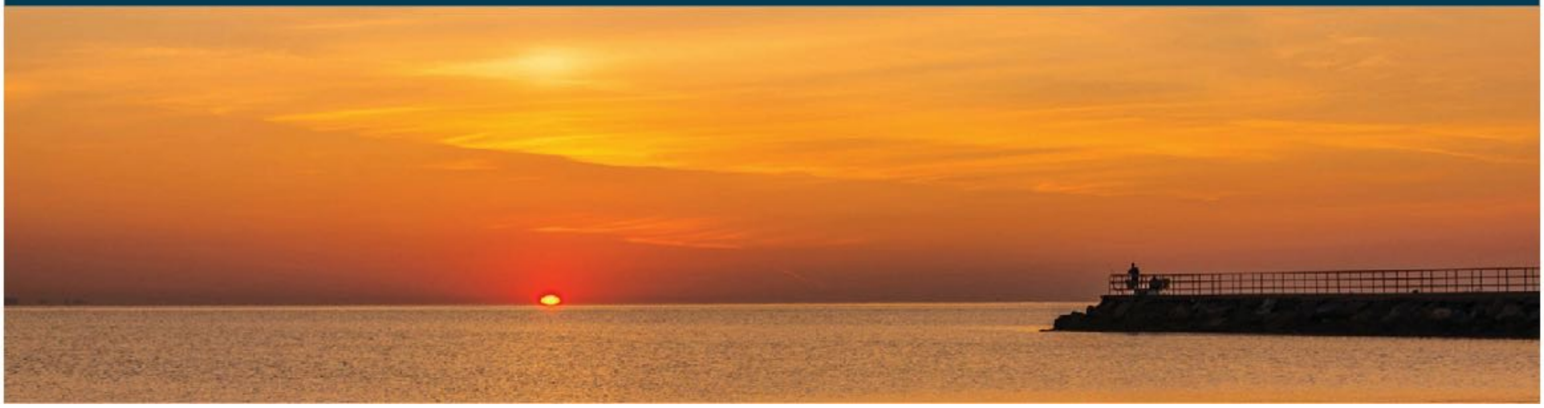
1. The coronavirus and subsequent shutdowns created an unprecedented economic and financial market environment.
2. Rapid and massive monetary and fiscal policy responses have cushioned the economic and market collapse from the worst case scenarios.
3. All eyes are now focused on when the spread of the virus slows enough to allow for the reopening of parts of economy.
4. Given the enormous financial shock, we expect uncertainties and volatility to remain high in the weeks ahead.

It is almost hard to believe what the world has experienced in the past two months. In January, the focus was on impeachment, trade deals and an economy that appeared poised to accelerate. When the coronavirus was first mentioned, it was thought it would be limited to China and might not easily transmit from human to human. Misinformation coming from China and the World Health Organization delayed responses by the U.S. and many other countries that could have prevented the virus from turning into a global pandemic. Once it became clearer how easily transmittable and potentially deadly the virus is, health experts began to model some very dire projections concerning the number of infections and deaths. These projections set off alarms that healthcare systems could be overwhelmed and unable to handle the volume of cases. These experts recommended a plan to "flatten the curve" of new coronavirus cases through social distancing, ultimately resulting in the shutdown of most non-essential services in the U.S., Europe and many countries around the world.



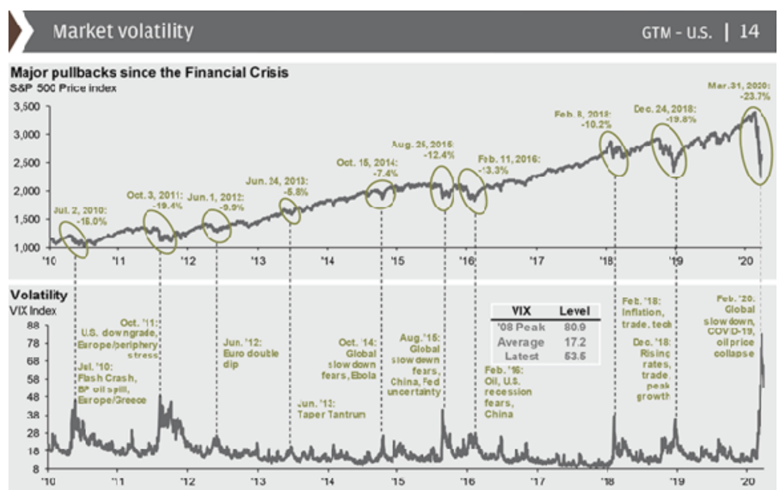
The economic and financial markets shock that has occurred is both unprecedented and understandable. Consumer spending represents nearly 70% of the U.S. economy. With most retail, restaurants, travel and leisure and live entertainment forced to shut down, the job and economic loss is immense. In the past two weeks, a record-shattering 10 million Americans filed for unemployment benefits. That number is expected to rise considerably in coming

Economic and Financial Markets Review



weeks. The unemployment rate, which stood near record lows a few weeks ago, could rise to 10-15% or more until businesses are allowed to reopen. Before the coronavirus crisis, U.S. GDP growth was expected to average 2.5%-3.0% for 2020. At this point, it is safe to say GDP will contract substantially in the first half of the year. It is premature to predict the timing and shape of the recovery until we have a better sense of when businesses will be allowed to reopen and what restrictions will be placed upon social gatherings. As more and more businesses and social activities began to close in early March, markets reacted to the news by plummeting in a violent and unprecedented fashion. In the quickest time on record, 19 trading days, stocks fell into a bear market. From peak-to-trough, the Dow Industrials declined by 37%, the S&P 500 by 34% and the small-cap Russell 2000 Index by 43%. The Federal Reserve Bank moved rapidly to cut interest rates to zero and pour trillions of dollars into the economy to provide needed liquidity and shore up the banking system and capital markets. Shortly thereafter, Congress and the Trump Administration agreed to a massive $2.2 trillion economic relief package to help bridge the gap between the shuttering of large parts of the U.S. economy and a staged reopening. These actions prompted a ferocious rebound as stock indexes surged by more than 20% in three days from the March 23 bottom. After a brief pullback, stocks jumped again during the first week of April, as optimism rose that the curve of new infections may be plateauing.

We know that markets are forward looking and are better indicators of future activity than are economists and investment strategists. However, a great deal of uncertainty lies ahead for global economies and the ability of investors to correctly predict the shape and speed of recovery is limited. Much will depend upon when parts of the economy are allowed to reopen and at what pace consumers are willing to engage in social activities once certain restrictions are lifted.



Source: CBOE, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Drawdowns are calculated as the prior peak to the lowest point.
Guide to the Markets – U.S. Data are as of March 31, 2020.

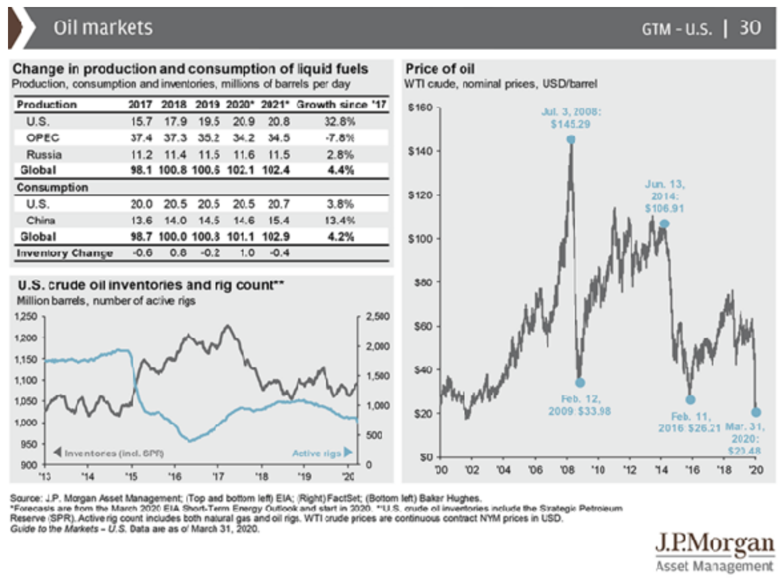
J.P.Morgan Asset Management

Warmer days, higher humidity and more intense ultraviolet light during the summer months may cause the spread of the virus to subside for a time. Health experts caution that the virus is likely to come back again in the fall. In the meantime, a number of off-label, anti-viral therapies are currently being tested in the field, while new anti-viral drug and monoclonal antibody trials are being conducted by numerous researchers at a rapid pace. The first FDA-approved therapeutics are not expected before the end of the summer. A number of vaccines are also being lab tested, with clinical trials to follow.

Economic and Financial Markets Challenges

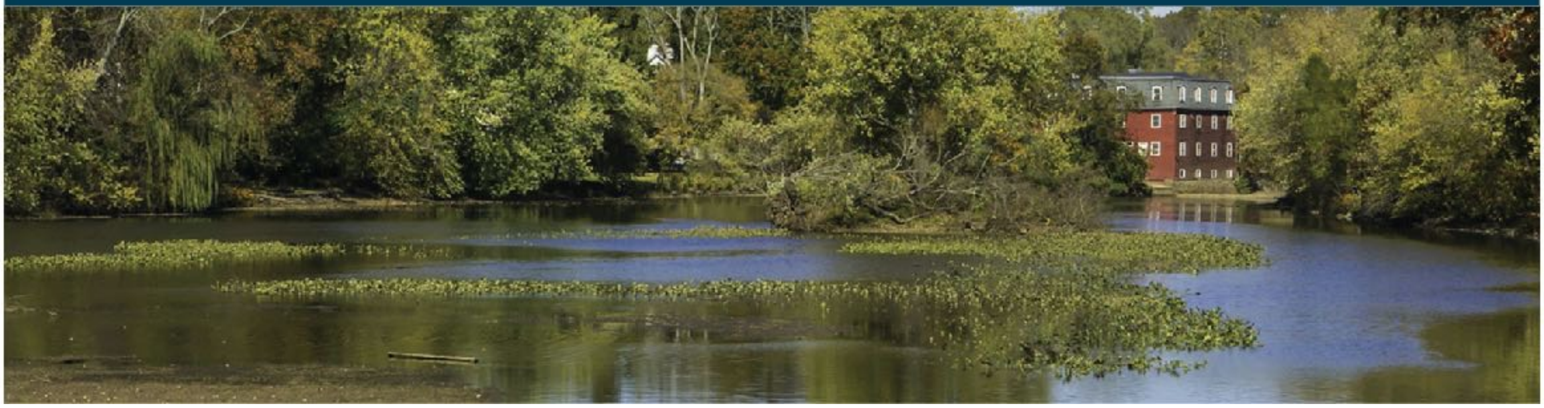
Approved vaccines are not expected to be available for 12-18 months. Until a treatment is available or a vaccine is approved, it is unlikely all activities will resume in the same way they were before the outbreak. New guidelines and testing requirements may allow certain regions and business types to reopen by mid-spring to early summer. Density of population and intensity of the disease spread are likely to play a role in the reopening. In the coming months, a staged resumption of many economic activities is expected. However, large social gatherings like conventions and sporting events may take longer to resume. Much will depend on the progress of testing, tracking the disease spread and treatment options. Because of the uncertainty of the pace and extent of reopening shuttered activities, the depth and duration of the pandemic's disruption is still unclear. This, in turn, limits the ability to forecast economic activity. We expect markets to remain unusually volatile until a path to some semblance of normalcy becomes clearer.

As much as the federal government would like to provide whatever support it can during this crisis, no one can anticipate every economic dislocation or hardship. Funding gaps are likely to occur for certain industries, groups or people. Some of the gaps may be caught and fixed while others may slip through the cracks and produce areas of concern. From an investment standpoint, we are doing our best to assess the financial health of the companies owned in our client's portfolios to confirm their ability to weather the storm and recover and prosper once the storm has passed. One sector that has been hard hit is energy.



With demand down due to contracting economic activity and increased supply from a production dispute between the Russians and the Saudis, oil prices have plummeted. The oil price decline poses a major threat to small and mid-size U.S. energy companies. If the present low level of oil prices continues, some energy companies may be unable to service their debt, likely causing credit rating downgrades and loan defaults that could place additional pressure on bank lenders, the economy, and markets. In many other industries, because of the great uncertainties, companies have already revised expectations sharply lower or withdrawn guidance altogether. More and more companies are also suspending dividends and share buyback programs. Share buybacks have provided an important source of support for stock prices in the past. The loss of that support may inhibit the recovery opportunities for those companies who have chosen to or been forced to suspend their programs.

Financial Markets Charts



In the aftermath of the September 11 terror attacks, the 9/11 Commission attributed our unpreparedness for the attacks to a failure of imagination. In some ways, our government may have been guilty of the same failure of imagination, when it came to our preparedness to respond to the outbreak of a novel virus. But, just like in the days after 9/11, our leaders have mobilized a rapid and effective coronavirus response. We are confident that this health crisis will be overcome through rapid medical development including test kits, therapeutics and vaccines. In addition, Congress will hopefully allot a substantial increase to the budget for health equipment and supplies so we are not caught flat-footed when a future epidemic occurs. On this issue, we believe the long-term future is bright. However, the short-to-intermediate term is a bit cloudy, until effective therapies and a vaccine are available.

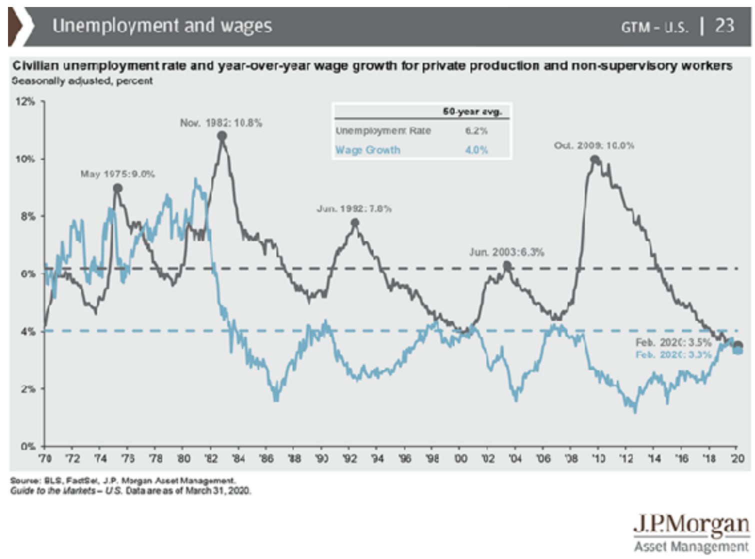
Because of the near-term uncertainties, we believe a heightened level of caution is warranted. For the most part, we will be highly selective with the timing of new investments, whether it is deploying new cash or swapping one security for another. As stated earlier, when uncertainty is high, market volatility is generally also elevated. We hope to take advantage of future pullbacks to invest cash or to make portfolio changes. However, until the clouds lift and we can better understand the recovery path for economic activity, we expect to be more patient in committing new capital or making material changes to our strategy.

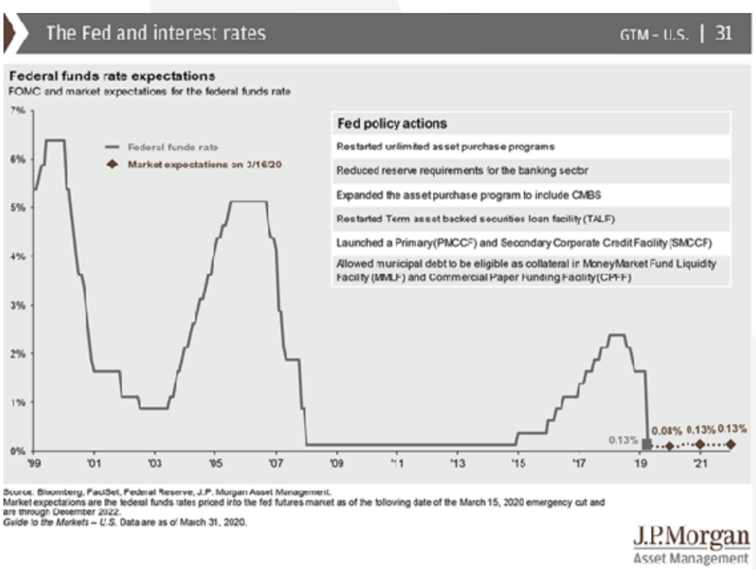
In terms of strategy, it is important to adhere to a well-defined financial plan. This includes confirming that you have access to an adequate cash reserve until this crisis passes and markets rebound. If not, raise capital when asset prices rally. It is also smart to stick to a diversified portfolio of U.S. and foreign stocks, high grade and high yield bonds and REITs and high yield MLPs in whatever allocation best fits your investment objectives. Your Covenant financial advisor is monitoring your portfolio to assure these core principles are in place. We are always available to assess and review your plan by audio or video call.

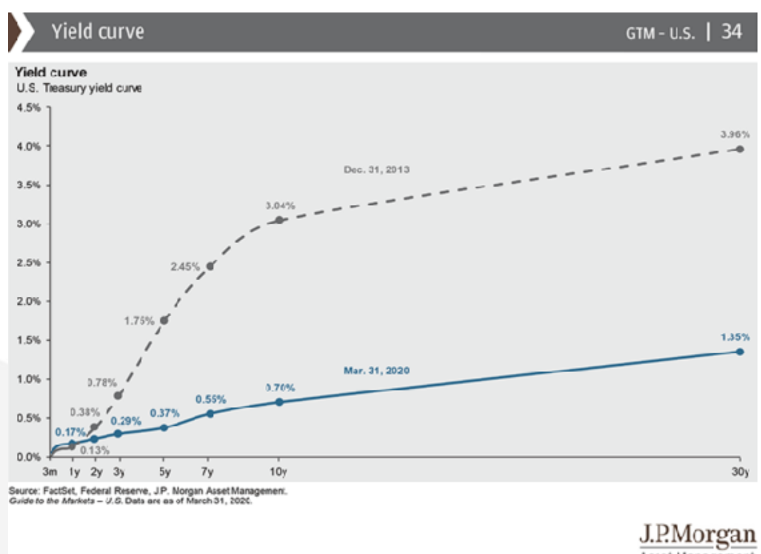
Especially during this period, we are grateful for your business and the trust you have placed in us to advise and manage your financial affairs. We hope and pray for your continued health and safety amid this trying time.

Financial Markets Charts

Rather than write extensively about equity valuations, economic statistics and investing principles, we offer the following charts organized by topic and courtesy of J.P. Morgan Asset Management:







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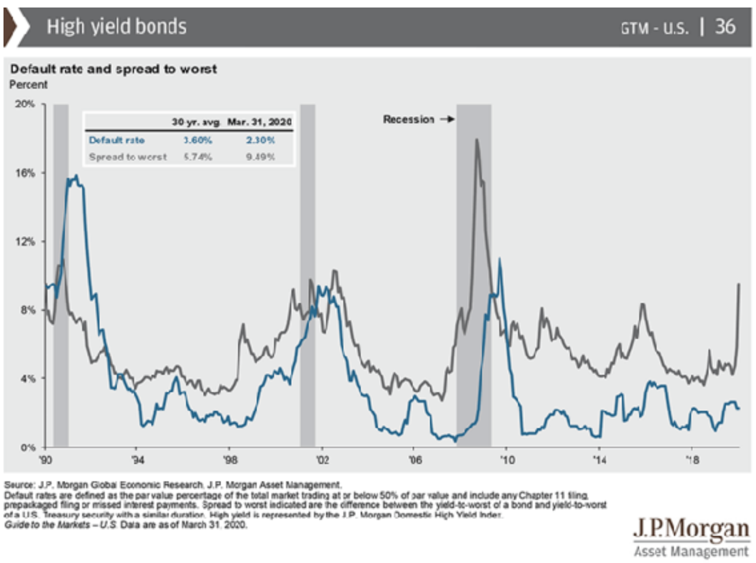
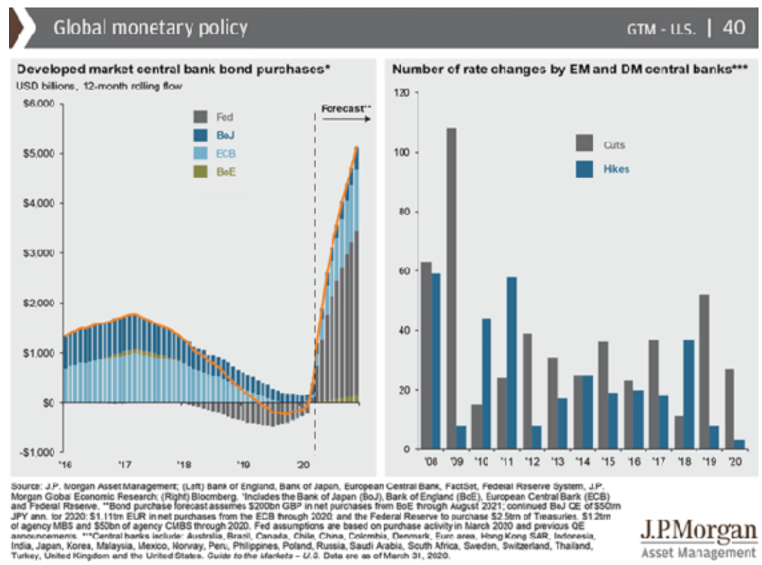
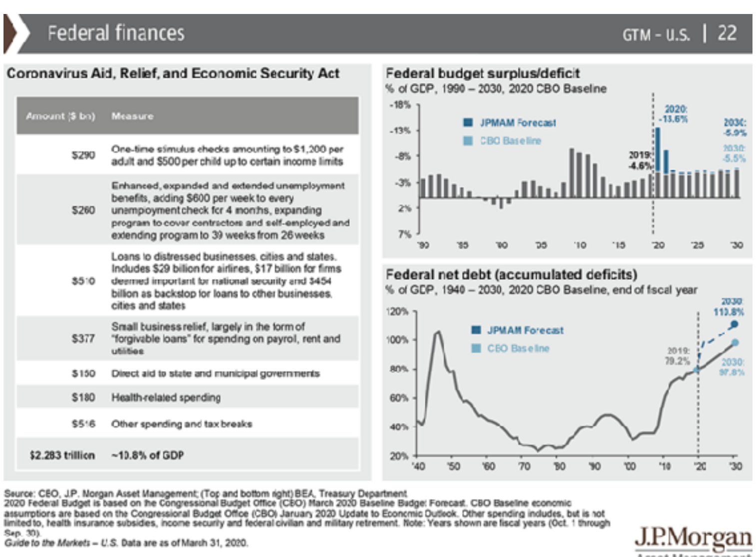
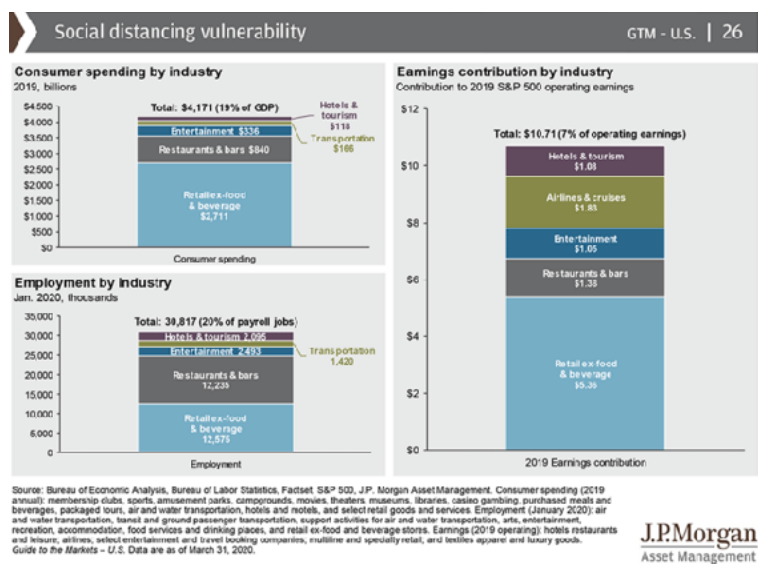






Amount ($ bn)	Measure
$290	One-time stimulus checks amounting to $1,200 per adult and $500 per child up to certain income limits
$260	Enhanced, expanded and extended unemployment benefits, adding $600 per week to every unemployment check for 4 months, expanding program to cover contractors and self-employed and extending program to 39 weeks from 26 weeks
$510	Loans to distressed businesses, cities and states. Includes $29 billion for airlines, $17 billion for firms deemed important for national security and $454 billion as backstop for loans to other businesses, cities and states
$377	Small business relief, largely in the form of "forgivable loans" for spending on payroll, rent and utilities
$150	Direct aid to state and municipal governments
$180	Health-related spending
$516	Other spending and tax breaks
$2.283 trillion	~10.8% of GDP

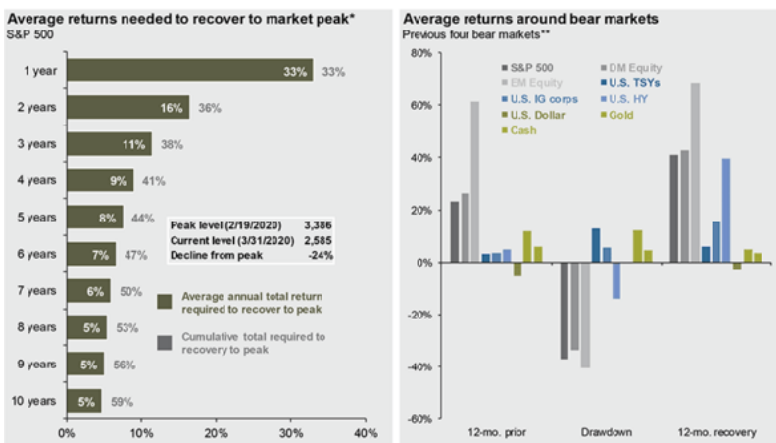


Financial Markets Charts

Rather than write extensively about equity valuations, economic statistics and investing principles, we offer the following charts organized by topic and courtesy of J.P. Morgan Asset Management:

Asset class performance around bear markets

GTM – U.S. | 64



Source: Bloomberg, Barclays, CME, FactSet, Standard & Poors, MSCI, J.P. Morgan Global Index Research, J.P. Morgan Asset Management.
Indices: S&P 500: S&P 500 index; DM Equity: MSCI EAFE; EM Equity: MSCI EM; U.S. HY: Bloomberg US High Yield; U.S. IG: Bloomberg US Corporate Investment Grade Index; U.S. Treasuries: Bloomberg US Treasury Index; U.S. Dollar: US Dollar Index (DXY); Gold: Gold (NYM $/oz) contiuous contract; Cash: US Treasury 3M Bellwether. All data are total returns and are in USD. *Assumes 2% dividend yield throughout. **Previous four bear markets are the GFC ('08-'09), tech-bubble ('00-'01), 1990 and the flash crash ('87). Drawdowns are measured from market peak to market trough. EM equity returns do not include the 1987 bear market due to data availability. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of March 31, 2020.

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Asset class returns

GTM – U.S. | 60

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	2005 - 2019 Ann.	2005 - 2019 Vol.
EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Fixed Income 3.1%	Large Cap 9.0%	REITs 22.2%
Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	Cash 0.5%	REITs 8.3%	EM Equity 22.1%
DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Asset Alloc. -14.8%	Small Cap 7.9%	Comdty. 18.4%
REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	High Yield -15.0%	EM Equity 7.8%	Small Cap 17.7%
Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	Large Cap -19.6%	High Yield 7.2%	DM Equity 17.3%
Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	DM Equity -22.7%	Asset Alloc. 6.6%	Large Cap 14.0%
Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	Comdty. -23.3%	DM Equity 5.3%	High Yield 10.1%
High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	REITs -23.4%	Fixed Income 4.1%	Asset Alloc. 10.0%
Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	EM Equity -23.6%	Cash 1.3%	Fixed Income 3.4%
Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	Small Cap -30.6%	Comdty. -2.6%	Cash 1.0%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/04 – 12/31/19. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of March 31, 2020.

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*Any performance-related data listed in this report may represent un-audited results compiled by Covenant Asset Management or others. It could be intended to reflect results that are indicative of Covenant's individual client's equity performance who religiously invest according to our model portfolios. This performance data represents past performance and individual client results may vary materially. Past performance does not guarantee future results and current performance may be higher or lower than the performance data quoted.

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