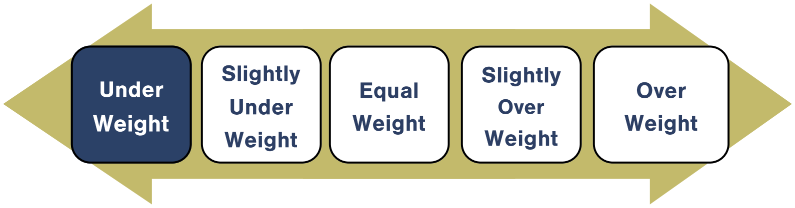
ECONOMIC & MARKET UPDATE - MARCH 2020 (as of 3/31/20)

SFMG MARKET RISK SIGNAL—STOCK ALLOCATION



CURRENT ASSET CLASS ALLOCATIONS

The U.S. stock market's long-term uptrend has been broken. Current conditions align with a bear market. We have reduced our stock exposure and are **Under Weight** to stocks. The allocation mix of bonds vs. stocks depends on our risk signals that shift our weightings accordingly.

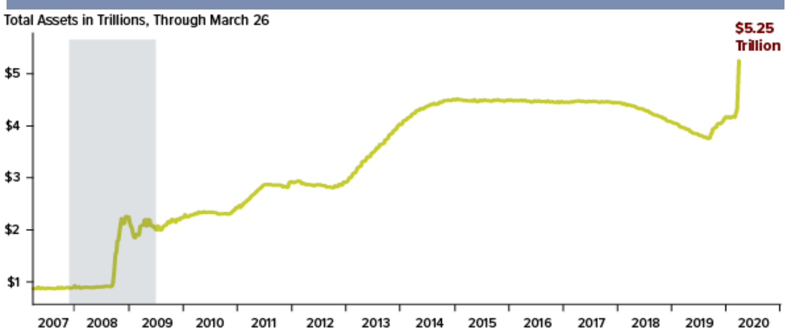
ECONOMIC NEWS

- The $2 trillion coronavirus relief bill was passed through Congress and signed by President Trump on 3/27. Financial assistance will be provided to small and big businesses, as well as individuals to try and offset impacts of the coronavirus.
- U.S. jobless claims rose to 3,283,000 in March. This figure is roughly 5 times the peak of jobless claims during the financial crisis. The enormous one week jump highlights the rapid impact of government mandated business closures.
- Along with healthcare companies racing to create a vaccine and make rapid testing kits available, other businesses are stepping up in their own way. Companies such as Ford, General Motors, and Tesla are shifting production lines to make ventilators and masks which are in short supply.

MARKET NEWS

- Oil prices have sunk to $20, levels not seen since 2002. Prices have experienced 5 straight weeks of declines amid the continued price war between Saudi Arabia and Russia, as well as slowing demand across the globe.
- Mortgage companies are preparing for an increase in missed payments in April with an estimated $20 billion in monthly retail real estate rent coming due. The increased risk of non-payment or late payments has put pressure on the $3 trillion commercial mortgage market.
- Bank stocks have declined as lower interest rates make it difficult to generate profits. However, post-2008 regulations have made banks much better capitalized and able to handle loan defaults compared to the financial crisis in 2008.

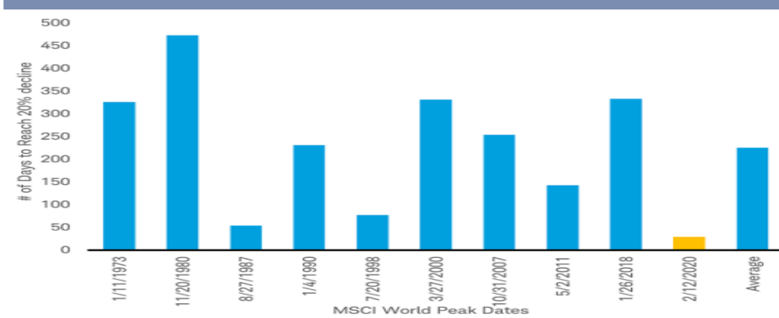
FED BALANCE SHEET TOPS $5 TRILLION



Source: Federal Reserve, Bloomberg, U.S. Global Investors

The Federal Reserve's balance sheet rose past $5 trillion in assets for the first time as a result of having to step in and provide liquidity to markets. The Fed has begun purchasing corporate bonds, municipal bonds, mortgage-backed securities, and treasuries. This provided stabilization to the reeling bond markets.

FASTEST BEAR MARKET EVER



Source: Charles Schwab, Factset data as of 3/13/2020. MSCI World Index data since 1/1/1970.
Past performance is no guarantee of future results.

U.S. and global stock markets peaked in February and throughout March entered into a bear market. On average, bear markets take 8 months to develop. The current market fell prey in less than one month, the fastest on record. The MSCI World Index and the S&P 500 index both declined approximately 33% from their peaks to the recent troughs on 3/23/20.

CURRENT THOUGHTS

The past month has seen record breaking government stimulus and market movements, and it's likely more records will be broken as we progress through the crisis. It's clear that the economic data over the next few months will be bad. The government's relatively quick response in providing aid should help soften some of the economic releases, but the stimulus measures will only last so long and the extent of the recession is dependent on slowing the virus and getting the economy heading back to normal. Congress and the White House are already looking to prepare another stimulus package to assist with longer-than-expected economic issues. We are seeing some positive signs of the virus being suppressed in China and areas of Europe. China has released improving manufacturing data, but are still well below pre-virus levels. And while activity is improving, China's economy will still be pressured until foreign demand currently being impacted by the virus resumes. In the U.S., investors will be focused on how efficiently the federal stimulus is being applied and attempting to form expectations for how quickly businesses will be able to re-open and re-hire employees. A large concern is that even as this happens, citizens may be reluctant to reestablish their original spending habits and consequentially, weakness in consumer spending could drag on. We continue to watch how other economies are recovering as a roadmap for how the data may evolve at home, acknowledging how things may be different as well. Confidence that the growth rate of the virus is being flattened is the key.

Contact one of our Wealth Management professionals today at **972.960.6460** or visit us online at **www.SFMG.com**