HUGHES | FINANCIAL SERVICES, LLC

Q2'20 Economic *update*

None of us expected an economic upheaval spawned by a health crisis when the year 2020 began. Yet, after a sharp waterfall drop in March, major equity markets came back, showing resolve in the second quarter. Let's take a look at the details.

Following the Dow Jones Industrial Average's (DJIA) worst first quarter ever, the index rose over 17%, its best second quarter performance since 1938. The S&P 500 ended the quarter up 20%, achieving its largest quarterly gain since 1998 and the best second quarter for blue-chip equities since the S&P 500 was created in 1957. While those indexes did not reach their earlier-in-the-year highs, the Nasdaq Composite recorded all-time highs with technology stocks strongly emerging from their March descent.

Although equity markets posted gains this quarter, efforts to contain the coronavirus have had major impacts on the global economy. Most of the second quarter's stock market advances took place in April and May. June witnessed the major indexes remaining in a relatively narrow range as investors weighed concerns about the increasing number of coronavirus cases against positive economic data.

WEDNESDAY LUNCH & LEARN

Our virtual educational LUNCH & LEARN sessions ARE BACK!

See page 5 for session dates and topics

HUGHES FINANCIAL SERVICES, LLC

Hughes Financial Services, LLC, is an independent Registered Investment Advisor (RIA) working closely with individuals and families to provide direction and strategies on how to financially achieve their personal goals and dreams.

We adhere to the highest fiduciary standards when providing advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients a wealth of comprehensive financial planning expertise in the following areas:

- retirement planning
- investment management
- estate planning
- risk/protection management
- education planning

The financial advisors at Hughes Financial Services hold a variety of professional designations and certifications and are well-versed in several financial disciplines. We specialize in helping employees and retirees of local government, school systems and U.S. military with their retirement options. Our combined education and experience allow us to offer you independent financial advice and solutions we are proud to provide.

Located in Herndon, Virginia (Fairfax County), Hughes Financial Services works with clients across the country.

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As equity indexes soared from their late-March lows, there was an incredible amount of data to digest:

- bond yields remain very low
- gold prices rising to an eight-year high
- unemployment skyrocketing to ultra-high levels
- oil prices rebounding from Q1 lows (still down YTD)
- a Chinese survey showing factory activity rose to a three-month high in June
- disease experts warning about losing control of the COVID-19 outbreak

This quarter, investors enjoyed a nice rise in equity prices but with markets being heavily volatile, some analysts feel the market may have moved too far, too fast and based on historical numbers such as price earnings, that equities are highly overvalued and overpriced. Others insist that we are still in a "**TINA**" market, or in other words, **T**here **I**s **N**o **A**lternative to stocks. This group believes equities need to be an investor's main position because interest rates are still near historic lows. However, equities are not cheap and even the savviest of investors need to be mindful of risk.

MONEY RATES
(as posted in Barron's 6/29/2020)

	LATEST WEEK	YR AGO
Fed Funds Rate (Avg. weekly auction -c)	**0.08%**	**2.37%**
Bank Money Market -z	**0.12%**	**0.24%**
12-month Cert -z	**0.40%**	**0.99%**

c- Annualized yields, adjusted for constant maturity, reported by the Fed Reserve on a weekly average basis. z – Bankrate.com (Source: Barron's; bankrate.com)

It has been the best of times and the worst of times for U.S. equity benchmarks over the past two quarters, leading to headlines that stock market strategists have never been more confused in June about the year-end outlook for equities.

We could devote many pages to all the issues that need to be watched, but for the sake of brevity this quarterly update will focus on a few of the central investment themes we think are important.

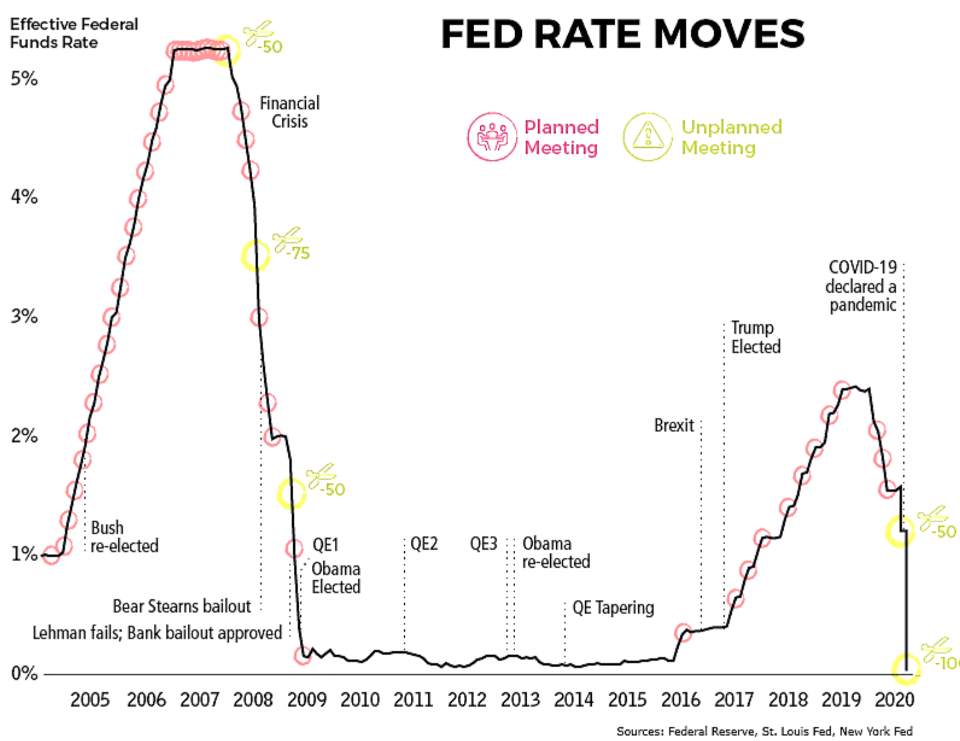
HISTORIC LOWS FOR INTEREST RATES

Changes in interest rates are important for investors to keep track of because of the positive and negative effects they can have on the markets. Central banks often move interest rates in response to economic activity, historically raising rates when the economy is excessively strong and lowering them when the economy is sluggish. The Federal Reserve, which determines the United States rates at which banks borrow money, can produce a ripple effect across the entire economy when changing interest rates. At their June 2020 meeting, the Fed chose to keep interest rates near zero and indicated that that is where they'll stay while the economy recovers from the coronavirus pandemic.

"We're not thinking about raising rates," said Fed Chairman Jerome Powell. "What we're thinking about is providing support for the economy. We think this is going to take some time." At the June session, central bankers also projected the economy will shrink 6.5% in 2020 to be followed by gains of 5% in 2021 and 3.5% in 2022, both well above the economy's longer-term trend.

Powell stressed during the session that the pace of the recovery is dependent on the path of the coronavirus. The central bank repeated its commitment from the April meeting that it "expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals." Powell also said the Fed's economic projections are based on a "general expectation of an economic recovery beginning in the second half of this year and lasting over the next couple of years, supported by interest rates that remain at their current level near zero." The Fed stated it will continue to increase its bond holdings, targeting large Treasury and mortgage-backed security purchases. Following that Fed meeting, markets reacted positively to the news.

However, low interest rates can make bond yields less attractive to investors that need and seek returns. With the Fed commitment to keeping interest rates low for the foreseeable future, investors may need to reexamine their portfolios and adjust their return expectations. **Interest rates will remain at the top of our investor "watch" list.**



UNEMPLOYMENT

After several quarters of strong employment numbers, COVID-19 decimated the U.S. work scene. The COVID-19 outbreak and the economic downturn it caused increased the ranks of unemployed Americans by more than 14 million, from a historically low number of 6.2 million in February (a 3.8% rate) to 20.5 million in May 2020 (a 13% rate). The May numbers were the second highest since the 1940's, trailing only the level reached in April of this year (14.4%).

Unemployment rates in the COVID-19 era is substantially greater than seen during the Great Recession. The Great Recession, which officially lasted from December 2007 to June 2009, pushed the unemployment rate to a peak of 10.6% in January 2010 according to a new Pew Research Center analysis of government data.

With massive support from the Federal Reserve, the federal government, and the reopening of previously closed businesses, employment in May unexpectedly surged a record 2.5 million. Yet with many businesses still closed or operating on a smaller scale due to local, state and federal restrictions, employment will be an area that should be monitored by investors.

ECONOMIC & POLITICAL CONCERNS

Equity markets enjoyed a strong quarter, moving higher since their March lows. Equity markets typically lead the economy and one big unanswered question moving forward continues to be: how will the economy recover? The answer depends on who you ask.

"The economy's turnaround from coronavirus-addled lows will arrive in the form of a steep V-shaped rebound," according to Blackstone CEO Stephen Schwarzman. He believes we will see a two-stage recovery, with an economic reopening sparking a rapid rebound from the bottom set in the second quarter. He also shares that, "Where the Federal Reserve's liquidity-boosting measures drove a sharp run-up for risk assets, easing of nationwide lockdowns will prompt a similar pattern for economic activity." His advice to investors: "You'll see a big V in terms of the economy going up for the next few months because it's been closed. As people are allowed to go back, the economy will really respond a lot."

On the flip side, JP Morgan strategists were less optimistic in their June message. They feel "investors should be more selective over the next six months as some assets will outperform others." Their advice: "Investors should be more discerning over the next six months as markets are showing a 'slight fatigue'."

American Funds/Capital Group's Vice Chairman and Portfolio Manager Rob Lovelace shares that, "it's hard to predict the exact path of the recovery." In their June mid-year outlook, he said, "It's hard to know how wide the valley is, but I believe we will end up in a better place two years from now."

When sharing his economic outlook for the remainder of 2020, David Solomon, the CEO of Goldman Sachs said, "when you look at the initial shape of the recovery, which was preceded by a sharp decline in economic activity, it will start to look like a 'V' to begin with." He stressed the "start" was key to that forecast and added, "Uncertainty still remains 6-12 months out and what additional negative impacts will result on the economy, including on the healthcare situation." Solomon expects the recovery to get more challenging and flatten out to where it started before the crisis.

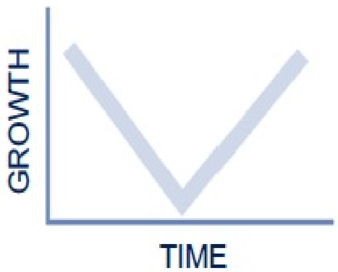
As if the economic concerns were not enough to be concerned about, political uncertainty (including the upcoming 2020 elections), continuing health concerns and social unrest are all additional areas we need to continue be aware of. From a financial standpoint, we always try to understand the impact the political landscape can have on investment markets. We will be keeping an eye on these activities and how it may affect your investments.

POSSIBLE ECONOMIC RECOVERY SCENARIOS

How will the ECONOMY recover?

No one knows for sure how or if the economic recovery will continue, but economists give recoveries what might be called a letter grade when discussing possible paths. Three of the more common recovery paths are the V, the W, and the L shape.

V-shaped recovery



"V-Shaped" Recovery, a short, sharp decline and then a quick rebound, is the best-case scenario. In this case, lockdowns lift soon and spending surges, driven by pent-up demand and government stimulus.

W-shaped recovery

"W-Shaped" Recovery, a "double-dip recession," is the worst-case scenario that could happen if the easing of restrictions leads to another wave of infections and lockdowns, or the economic damage causes a 2nd downturn.

L-shaped recovery

"L-Shaped" Recovery is obviously shaped like an L and represents a sudden plunge and fitful recovery. This can possibly happen if lockdowns continue through the year and growth is slow to return.

WEDNESDAY LUNCH & LEARN

Hughes Financial Services' 20-minute virtual educational Lunch & Learn webinar sessions **ARE BACK!**

Grab your device and lunch and join us **each Wednesday at Noon** to juice up your financial planning knowledge on a variety of topics!

REGISTER ONLINE @ www.h4fs.com

WEDNESDAY, JULY 29
Halftime Report: An Economic & Market Update

WEDNESDAY, AUGUST 5
Five Financial Mistakes Made in Retirement & How You Can Avoid Them

WEDNESDAY, AUGUST 12
Investing 102: Making Your Money Work For You

WEDNESDAY, AUGUST 19
Planning For College & What COVID-19 Has Changed

WEDNESDAY, AUGUST 26
How to Maximize the Value of Your HFS Portal, Part 2

WEDNESDAY, SEPTEMBER 2
Raising Financially Aware Kids (& Grandkids)

WEDNESDAY, SEPTEMBER 9
Politics & Markets: What Happens During a Presidential Election?

INVESTOR STRATEGIES DURING MARKET VOLATILITY

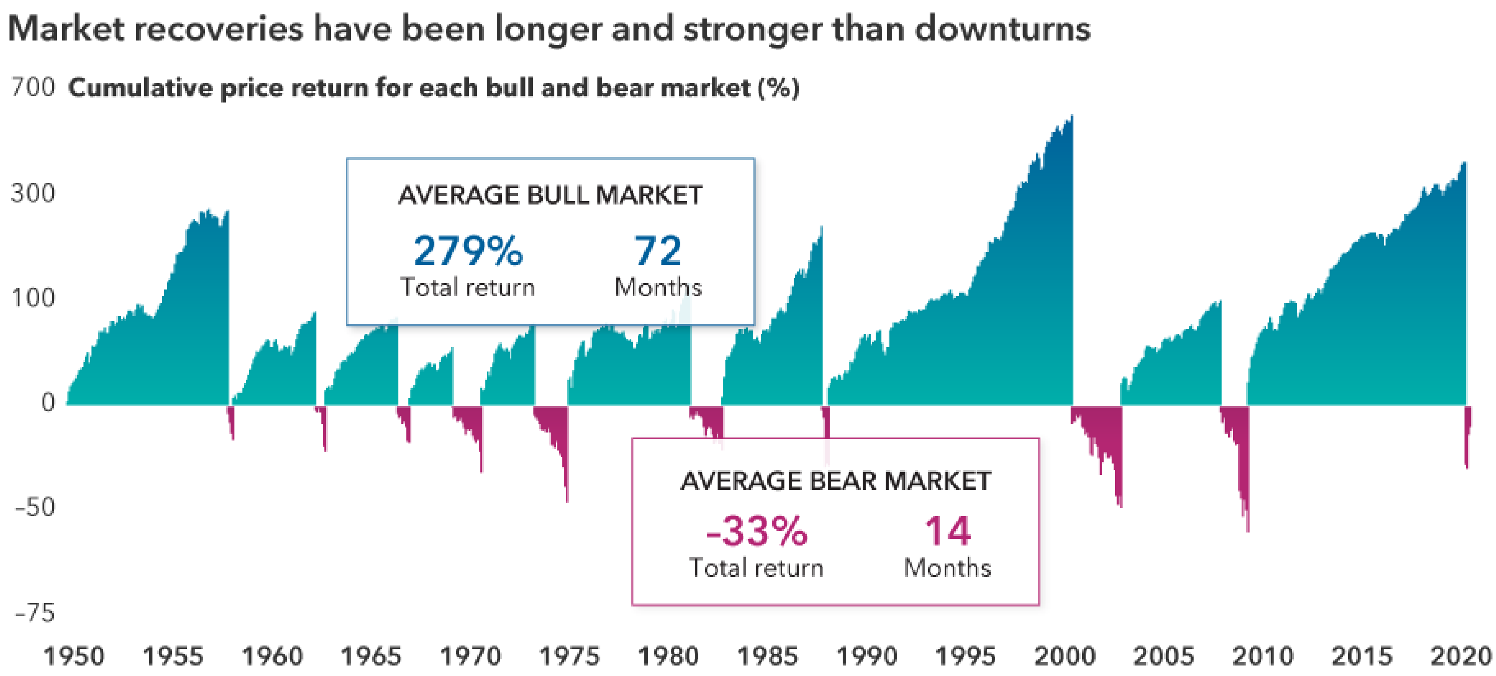
> "The best way to measure your investing success is not by whether you're beating the market, but whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go."
>
> BENJAMIN GRAHAM

Bear markets like the one we experienced in March can be confusing and painful. When investor portfolios suffer a sharp decline, it can feel never-ending. Any investor that panicked and sold their investments missed out on this quarter's rebound. While prior equity market performance is no assurance of present performance, something to remember is that post-World War II, bull markets have been far more robust and longer lasting than bear markets. While every market decline is unique, over the past 70 years the average bear market lasted 14 months and resulted in an average loss of 33%. **By contrast, the average bull market has run for 72 months — or more than five times longer than the average bear market — with an average gain of 279%.**

As investors learned in the last severe downturn, equity market returns have often been strongest right after the market bottoms. After the carnage of 2008, U.S. stocks finished 2009 with a 23% gain. Missing a bounce back can put an investor behind, which is why it is important to consider staying invested through even the most difficult periods. Thus, now is a good time to:

| Revisit your financial goals and objectives |

Investors should always put their primary focus on their own personal goals and objectives. When equity markets become volatile even the savviest of investors can become not just concerned, but unnerved. When markets are volatile, it's important to keep perspective and understand your situation as well as your financial plan. Letting your emotions drive your decisions can be costly. A wise strategy is to proceed with caution and always allocate your investments to match your risk tolerance.



Sources: Capital Group, RIMES, Standard & Poor's. As of 5/31/20. The 2020 bear market is considered current as of 5/31/20 and is not included in the "average bear market" calculations. In all other periods, bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale. Returns in USD.

INVESTOR OUTLOOK

In the second quarter, we witnessed an unusual amount of stock market volatility. Calling it a rollercoaster does not fully capture the experience! The major indexes have erased much of their losses as the market responded well to what seemed to be a successful reopening of the economy. Many analysts were amazed by the quick bounce-back despite the enormous unemployment rate and the continuing bear market. While fears of another downturn are real, investors need to understand there is a major difference between a sharp selloff of 5%-10% and an over 30% decline like we suffered in March.

Analysts feel that the current public health situation and economic landscape are still risky, so pullbacks in equity markets might bring buying opportunities for investors. Moving forward, an investor needs to keep in mind that the fate of COVID-19 is still a gigantic unknown. It is impossible to predict if the virus' first wave is now calmed or if (and when) a second wave will emerge. Equally hard to predict is the forecast for economic data and the path equity markets may take.

As we continue to grapple with an economic and health care crisis, we understand you may feel uncertain and uneasy. This is something none of us have ever faced before.

As financial advisors, our purpose is to focus on your goals and objectives, timeframes, and risk tolerances and using this information, provide strategies and suggestions to help achieve your financial dreams.

When stocks are taking a beating, remember that the fundamentals – the core financial precepts – are always the building blocks of any credible financial plan. If you have a carefully created strategy with realistic financial goals, timeframes, risk tolerance levels and return expectations, don't shift away from it because of emotions or media magnification. A financial strategy is only as good as your ability to consistently follow it.

To that end, three questions you can ask yourself:

Are you confident in your strategy?

Are you comfortable with your strategy?

Are you consistent with your strategy?

If you answered No to any of these questions, reach out to us so we can discuss your situation. We want to be proactive, not reactive.

We hope you found this review to be helpful and educational. We have addressed various issues with you, but if you have questions or concerns, let's have a conversation. We are here for you. Be safe, be well.

PLEASE SHARE

HELP US *Help others*

Our goal is to offer our services to several other clients just like you. If you would like to share this report with a friend or colleague, please call Elise at (703) 669-3660.

Ideas for Staying Positive and Healthy During the Covid-19 Pandemic *and beyond...*

Be thoughtful of others.

Send a neighbor or friend a thoughtful card or message.
Practice random acts of kindness.
Support a local initiative.

Practice mental and emotional health.

Take a break from watching the news.
Start something on your "wish" list.
Appreciate the "little things" in life.
Practice gratitude.

Embrace activity.

Keep energized!
Practice regular physical exercise to benefit your physical, mental, and emotional wellbeing.

Maintain a healthy lifestyle.

Eat healthy and try to choose foods that boost immunity and energy.
Take "me" time to relax and recharge.
If working from home, keep a balanced work/life schedule.

Keep in touch.

Stay connected with family, friends, and colleagues.

"Choose to be optimistic, it feels better." Dalai Lama