

Dear Valued KLS Client:

Over the course of the last two weeks we have seen tremendous market volatility driven by the fear and uncertainty of the economic and social fallout from the coronavirus outbreak. First and foremost, our thoughts and prayers go out to all families who have been affected by the coronavirus. Many have compared the violent nature of the recent sell-off to the sell-off in 2008; however, it is widely acknowledged that the U.S. economy entering into 2020 was on much more solid footing than in 2008. Furthermore, the financial 2008 crisis called into question the viability and solvency of the U.S. financial system, which currently is not the case. While the ultimate economic impact the outbreak will have on the global economy and corporate earnings remains uncertain, we are likely to see corporate earnings decline through at least the third quarter of 2020.

Given the uncertainty that will continue to exist for the foreseeable future from both a public health and economic standpoint, we expect to see global central banks continue to be accommodative and reduce rates where possible. While we recognize that the capital markets may continue to question the effectiveness of these measures, we do believe easing will provide some cash flow relief to both individuals and businesses servicing debt during the ongoing crisis, and should prevent prolonged tightening of financial conditions. With global interest rates at or near all-time lows and the limited effectiveness of traditional monetary policy tools, we do expect to see, both in the U.S. and abroad, fiscal policy responses to the ongoing crisis. The first fiscal policy response in the U.S. came earlier this month as President Trump signed an \$8.3 billion dollar emergency coronavirus aid package targeted at dealing with the expenses and research requirements for the ongoing public health crisis. Over the past few days President Trump has proposed significant economic relief including payroll tax relief, paid sick leave and other support for hourly workers. The administration has also discussed targeted lending programs for small and mid-sized businesses. While it remains to be seen what will ultimately be passed, we believe that both monetary and fiscal policy responses at this stage are critical due to the fact that public health measures will have an effect on demand and ultimately corporate earnings.

While we do expect there to be increased volatility for the foreseeable future as both public health officials and investors grapple with the ultimate depth and duration of the coronavirus crisis from both a public health and economic perspective, we do believe the impact on corporate earnings will be transient. Therefore, at this time, we have maintained our equity exposure in client portfolios. Client equity portfolios continue to have a domestic equity bias and are well balanced across market capitalization and investment style. As a hedge against equity risk and volatility, we continue to have a material allocation to U.S. government securities and high quality municipal bonds.

All of us at KLS are mindful of the trust that you, our clients, have placed in our Firm. We recognize the heightened anxiety everyone feels as we all deal with the ongoing crisis and the impact that it continues to have on public health, the capital markets and your portfolios. Rest assured that our Investment Committee and our Financial Advisors are working relentlessly to assess the rapidly evolving capital markets and ensure that client portfolios are well positioned to navigate the crisis. We understand that you may have questions or concerns that go beyond what we have discussed in this letter. As always, we encourage you to reach out to your KLS Advisor with any questions you may have in these turbulent times.

March 11, 2020

The above commentary represents the economic and market views of our firm. We remind you, however, that each client's portfolio is managed individually. Please speak with your KLS advisor with respect to your personal circumstances and individual portfolio performance.

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