

## U.S. ECONOMY UPDATE

### The Astor Economic Index® (AEI)

The COVID-related shutdown dragged economic indicators lower in April. *Our proprietary Astor Economic® Index is down to low levels but not at its minimum.* The labor market is setting the type of records no one wants as unemployment surged to levels unseen since the Great Depression and much faster than was thought possible.

### International Environment

The international environment mirrors the U.S. with Asia furthest along in returning to normal, having imposed a stricter regime than the U.S. The rest of the world, advanced or emerging, is just beginning to loosen lockdown regulations at best. *Growth is expected to be negative for 2020 nearly everywhere* according to the IMF's latest World Economic Outlook.

### Fed Stance

The Fed is giving support through both rates and its balance sheet. In buying Treasury bonds as fast as they can be printed, the Fed has revived asset support programs dormant since the last recovery and is inventing new ways to add liquidity to the financial system. The Fed will be backstopping markets in corporate bonds, Treasuries, asset backed securities, municipal bond markets and so called PPP loans issued in conjunction with the Paycheck Protection Program.

### Economic Summary

*The economy came to an unprecedented sudden stop in March and did not improve in April.* All levels of government are working to support consumers and businesses as much as possible, but much depends on our health service response to the crisis, how soon we can scale up various types of testing and when a vaccine or better treatments are available. In early May, some areas are beginning to allow more activity, but we have yet to see to what degree consumers will respond.

*The Astor Economic Index® is a proprietary index created by Astor Investment Management LLC. It represents an aggregation of various economic data points and is designed to track the varying levels of growth within the U.S. economy by analyzing current trends against historical data. It is not an investable product. The Astor Economic Index® should not be used as the sole determining factor for your investment decisions. The Index is based on retroactive data points and may be subject to hindsight bias. There is no guarantee the Index will produce the same results in the future. All conclusions are those of Astor and are subject to change.*

## ASTOR STRATEGY UPDATE

At Astor, we believe typically the stronger the economic environment the better equities will perform. We entered 2020 with about average levels of risk. In January, we had stock exposures we think are consistent with economic growth around average levels. As the economic situation deteriorated in 2020, we reduced exposure to equities and credit.

### Astor Dynamic Allocation (ADA)

- ADA significantly reduced its exposure in the April Investment Committee (IC) meeting and has a very low equity exposure but not the minimum possible.
- At the May meeting the IC reduced cash to buy some investment grade corporate credit.
- In April, the strong bounce helped our performance even as we reduced equity exposure into a rising market. The relatively small equity exposure and the concentration in shorter duration fixed income led to returns with much lower volatility than the broad stock market but with returns below April's extraordinary bounce.

### Astor Sector Allocation (ASA)

- Equity exposure in ASA is at low levels of exposure which we would expect to last as long as the AEI remains low.
- At the May meeting the IC reduced cash to buy some investment grade corporate credit.
- At this smaller level of exposure we continue to be concentrated in technology, health care, communications and consumer staples.
- Energy, technology and healthcare all outperformed the broad market in April while consumer staples lagged.

### Active Income (AI)

- The Investment Committee increased the credit quality of the portfolio at the April meeting to reflect the deteriorated prospect for growth this year.
- AI outperformed the aggregate bond market in April despite lower duration because of more credit exposure.

*Astor Investment Management LLC is registered with the Securities and Exchange Commission as an investment adviser. All information contained herein is for informational purposes only. This is not a solicitation to offer investment advice or services in any state where to do so would be unlawful. Analysis and research are provided for informational purposes only, not for trading or investing purposes. All opinions expressed are as of the date of publication and subject to change. Astor and its affiliates are not liable for the accuracy, usefulness or availability of any such information or liable for any trading or investing based on such information. These materials contain general information and have not been tailored for any specific recipient. There is no assurance that Astor's investment programs will produce profitable returns. These materials are not intended to cause Astor Investment Management LLC to become a fiduciary within the definition of Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974, as amended or Section 4975(e)(3)(B) of the Internal Revenue Code of 1986, as amended.*