Executive Summary

John Augustine, CFA, Chief Investment Officer

Year-to-Date market total returns:

<table>
<thead>
<tr>
<th>Index</th>
<th>YTD 6/30 Total Returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>-3.08</td>
</tr>
<tr>
<td>S&amp;P 400</td>
<td>-12.78</td>
</tr>
<tr>
<td>S&amp;P 600</td>
<td>-17.85</td>
</tr>
<tr>
<td>MSCI EAFE</td>
<td>-11.07</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>-9.67</td>
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<tr>
<td>BB Intermediate</td>
<td>5.38</td>
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<tr>
<td>BB High Yield</td>
<td>6.01</td>
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<td>BB TIPS</td>
<td>2.08</td>
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<tr>
<td>BB Municipal</td>
<td>14.64</td>
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<tr>
<td>Gold</td>
<td>-3.80</td>
</tr>
<tr>
<td>Commodities</td>
<td>-19.67</td>
</tr>
<tr>
<td>Global REITs</td>
<td>-21.08</td>
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</tbody>
</table>

Themes of the month:

1. S&P 500 had its biggest quarterly price gain since the fourth quarter of 1998.
2. NASDAQ Composite Index made four new closing highs in the quarter.

Summary Outlook

The U.S. economy ended its longest post-WWII economic expansion on March 1, 2020 according to the National Bureau of Economic Research. This was due to a government-mandated U.S. (and global) economic shutdown to manage the coronavirus pandemic (The Great Lockdown). Fiscal and monetary policymakers around the world reacted with titanic, timely, and targeted stimulus programs.

Markets took note of both the pandemic and the policy response, with the 10-year U.S. treasury reaching a record low closing yield of 0.54% on March 9 before recovering to 0.89% on June 5. For stocks, the S&P 500 closed at a year-to-date low of 2,237.40 on March 23 before rebounding to 3100.29 at the end of the quarter.

We believe the focus of July will be the shifting headlines between reopening and resurgence, the release of first quarter corporate profits and the potential for further economic stimulus from Washington.
Economic Review

George Mokrzan, Ph.D., Senior Vice President, Director of Economics

Themes of the month:
• Recovery in Labor Markets saw 7.5 million workers return to work in May and June.
• Rebound in Retail Sales growth during May by a record 17.7% month-over-month as consumers release pent-up demand from the Great Lockdown.
• Recovery in Manufacturing began as new orders and production rose.
• Recovery in Housing resumed as pending home sales and loan applications for purchases surged.
• Rebound in both Business and Consumer Optimism Indexes from April lows.

Economic Outlook

After sharp declines in the second quarter, real GDP growth is forecasted to reemerge strongly in the second half of the year, led by V-like acceleration in the third quarter. Timely and massive monetary and fiscal policy support will promote the resurgence. Full recovery to the pre-recession GDP peak is expected by Q3 2021, but potential exists for a quicker recovery depending on developments in the containment of the virus. Average annual GDP growth is forecasted to decline 4.2% in 2020 but grow 5.4% in 2021. Suppressed by the global downturn, inflation is likely to be low in 2020 overall before commencing a gradual but sustained acceleration in 2021, achieving 2.0% by the end of next year. Labor markets are expected to continue a strong recovery in the second half of the year. The Federal Reserve will likely maintain the Fed Funds rate target in the 0.0%-0.25% range until the end of 2021. Expanded purchases of bonds, in addition to high yield bond purchases by foreign central banks in the US, Europe and Japan, will likely suppress long-term interest rates for the foreseeable future, though rising inflation and economic growth next year are expected to lift the 10-year Treasury yield into the mid 1.0% to 2.0% range in 2021.
Themes of the month:

- Treasury yields were stable in June, ending the month about where they started.
- Investment Grade (IG) Corporate yield spreads to Treasuries narrowed again last month, declining another 25 basis points (0.25%). NOTE: Gains in corporate bonds were broad based, but longer-maturity financial issues were the best performing group.
- US Government Agencies were able to produce excess returns of 14bp with longer-maturity issues topping the list.
- Municipals likewise had a good month as excess returns to Treasuries reached 91bp.
- With volatility down and risk-taking up, the Bloomberg Barclay’s Intermediate Bond Index produced a positive total return of +0.62% in June.

Fixed Income Outlook

Looking ahead, a possible road map for the Treasury market in the second half of 2020 could mirror the late-2011 through early-2013 period – with exceptionally low yields. During that time, backups in Treasury yields were contained by central bank actions as the manufacturing cycle bottomed. We expect the 10-year note to stall and find selling in the 0.50-0.60% area. On the other side, we still expect to see the 0.95-1.00% zone as a likely yield ceiling for the summer. Later this year, absent a new round of coronavirus, the 10-year may make a run towards 1.30%.

In terms of credit, investors need to confront a balancing act of risks. Earnings visibility is low, leverage has risen substantially, and A-rated credit valuation is now below average levels as indicated in the below chart. Demand for corporate debt has been strong, aided by Federal Reserve buying and investors seeking to maximize income opportunities. While credit spreads have moved nicely lower from the March blow-out, they are still above pre-virus levels, so there is some room to move down further this summer (absent a new round of coronavirus).

We are remaining overweight corporates with a focus on A-rated names in economically stable sectors with little merger and acquisition activity (...which can often play havoc in the bond market). In our view, the best risk-reward can be found in financial, healthcare, and utility issues.
Equity Markets
*Randall Hare, Senior Vice President, Director of Equity Research*

Themes of the month
1. Large cap stock indexes underperformed small caps and international stocks.
2. The S&P 500 was led higher by Technology, Consumer Discretionary, Basic Materials, Industrials, and REITs.
   a. More specifically, Technology Hardware, Airlines and Internet-Focused industry groups drove the S&P 500 market gains.
3. Utilities, Healthcare, Energy, Communication Services, Consumer Staples, and Finance sectors were all lower during the month.
4. Boeing, Apple, and Amazon were the best performing stocks for the Huntington Strategies.

Equity Market Outlook

The S&P 500 paused during June, with a total return of 1.99% compared to small cap stocks (S&P 600) with a total return of 3.73%. In addition, emerging markets was the best performing index, finishing June with a total return of 7.36%. Technology led the other sectors with a total return of 7.14% for the month.

All three equity strategies slightly underperformed for the month of June with the strong upward movement in the first week of the month followed by a pullback on new coronavirus case fears for June and going into July:

- Blue Chip Core remains positioned with a Beta slightly higher than 1 and overweight to the Technology and Consumer Discretion sectors.
- Blue Chip Dividend’s overweight to Technology made the strategy competitive for the month (with a 3% overall strategy yield), though that overweight was not enough to offset weakness in the Consumer Discretionary, REIT, and Financial sectors.
Global Growth was very competitive but does remain underweight Technology from a risk management perspective (max sector weighting of 35%). This strategy does maintain a Beta above 1 and is positioned for a positive equity environment.

For July we will be listening to what companies report on their earnings conference calls about the durability of their franchises, strength of their balance sheets and safety of their dividends. We will evaluate the ability of companies to forecast the remainder of the year and make any changes as necessary. Absent a new round of coronavirus, we believe stock market lows were in March, and the near-term path of least resistance for stock prices, given the robust monetary and fiscal stimulus, is higher.
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