MARKET ADVANTAGE PORTFOLIOS

QUARTERLY COMMENTARY 2020Q2

The second quarter of 2020 saw a strong reversal of the pandemic induced sell-off experienced during the first quarter. The U.S. led the way with the S&P 1500 Total Return Index gaining 20.8%. Emerging markets were a close second, as the MSCI Emerging Markets Net Total Return Index rallied 18.1%. Developed markets ex-U.S. trailed slightly, as the MSCI EAFE Net Total Return Index posted a 14.9% return. This reversal in equity performance was accompanied, not surprisingly, by a drop in market volatility. The CBOE Volatility Index, which started the quarter just over 53 (having come down from the peak in mid-March of over 82), ended June slightly above 30. Interestingly, all of this occurred against a dismal economic backdrop and a labor market that has yet to recover.

In addition to declining volatility measures, the flight to safety rush also showed signs of abating as the ICE US Treasury 3-7 Year TR Index rose 0.6% for the quarter, while the Barclays US Aggregate Bond TR Index was up 2.9% and the iBoxx USD Liquid High Yield Index rose 7.7% for the quarter. On the alternatives front, the HFRX Global Hedge Index closed out the quarter with a gain of 6.2%, falling just short of recovering all of the first quarter's losses.

TABLE 1 | CEDAR MAPs PERFORMANCE

As of: June 30, 2020 | PORTFOLIO	QTD			YTD 2020		
	NET	GROSS	BENCHMARK[1]	NET	GROSS	BENCHMARK[1]
MAP Conservative	5.12%	5.51%	7.65%	-3.62%	-2.89%	2.68%
MAP Moderate	7.52%	7.91%	10.88%	-5.49%	-4.77%	0.25%
MAP Growth	11.49%	11.89%	15.84%	-6.48%	-5.77%	-3.58%
MAP Individual Endowment	12.79%	13.20%	17.52%	-7.28%	-6.57%	-4.91%
MAP Alternatives	14.20%	14.61%	6.19%	-8.31%	-7.60%	-1.09%

Source: Internal, Bloomberg

TABLE 2 | RETURNS FOR INDIVIDUAL MAPs HOLDINGS

CATEGORY	TARGET FOCUS	TICKER	3/31/2020	6/30/2020	RETURN
EQUITY	Strategic	ITOT	56.98	69.44	21.87%
		EFA	52.71	60.87	15.48%
		DBEF	26.48	30.22	14.14%
		VWO	33.41	39.61	18.57%
	Tactical	GHSIX	8.44	8.93	5.81%
FIXED INCOME	Strategic	AGG	114.27	117.78	3.08%
		MBB	109.40	110.30	0.83%
		TIP	117.45	123.00	4.72%
		HYG	75.41	80.95	7.34%
	Tactical	NTBIX	9.90	10.53	6.36%
		PWRIX	9.05	9.20	1.66%
ALTS	PE/VC	LDVIX	18.87	26.96	42.87%
		LDPIX	9.32	12.20	30.90%
	Absolute Return	IQDNX	13.03	13.08	0.38%
		BIMBX	9.60	10.23	6.56%
	Real Assets	GHTIX	4.77	5.37	12.58%

***Table 2:** Returns for individual MAPs holdings. **NOTE:** Not all portfolios hold all securities. Source: Internal, Bloomberg.[1] The benchmark for MAPs Conservative is 70% Barclays Agg / 30% MSCI ACWI. The benchmark for MAPs Moderate is 50% Barclays Agg/ 50% MSCI ACWI. The benchmark for MAPs Growth is 20% Barclays Agg / 80% MSCI ACWI. The benchmark for MAPs Individual Endowment is 10% Barclays Agg / 90% MSCI ACWI. The benchmark for MAPs Alternatives is the HFRX Global Hedge Fund Index.*

TABLE 3 | ESTIMATED PERFORMANCE ATTRIBUTION (gross-of-fees)

Q2 | 2020		PORTFOLIO	STRATEGIC FIXED	TACTICAL FIXED	STRATEGIC EQUITY	TACTICAL EQUITY	ALTS
MAP Conservative	Return	5.51%	1.72%	3.16%	19.08%	5.83%	10.59%
	Target Weight	100.0%	45.5%	24.5%	13.0%	7.0%	10.0%
	Wtd. Return	5.51%	0.78%	0.77%	2.48%	0.41%	1.06%
MAP Moderate	Return	7.91%	1.75%	3.05%	18.55%	5.79%	12.91%
	Target Weight	100.0%	32.5%	17.5%	19.5%	10.5%	20.0%
	Wtd. Return	7.91%	0.57%	0.53%	3.62%	0.61%	2.58%
MAP Growth	Return	11.89%	1.34%	3.12%	18.92%	5.75%	14.48%
	Target Weight	100.0%	13.0%	7.0%	32.5%	17.5%	30.0%
	Wtd. Return	11.89%	0.17%	0.22%	6.15%	1.01%	4.34%
MAP Individual Endowment	Return	13.20%	2.44%	3.21%	17.45%	5.41%	14.80%
	Target Weight	100.0%	6.5%	3.5%	16.3%	8.8%	65.0%
	Wtd. Return	13.20%	0.16%	0.11%	2.84%	0.47%	9.62%

Table 3: Estimated performance attribution across different portfolio sleeves. Source: Internal, Bloomberg

Looking specifically at the Market Advantage Portfolios, all composites posted positive returns for the quarter, with those having more exposure to riskier assets benefitting from the strong equity returns. Table 3 breaks out the performance attribution by key functional area within the MAPs portfolios. In general:

Strategic – On the fixed income side, the strategic allocations generally underperformed the Barclays US Aggregate Bond TR Index due in large part to the larger cash allocation. On the equity side for all portfolios, strategic equity allocations were generally in line with the MSCI AC World Net TR USD Index, which closed the quarter with a gain of 19.2%.

Tactical – On the fixed income side, tactical performance outperformed strategic aggregate corporate bond returns mainly due to the relatively strong performance of the high yield sector. On the equity side, tactical holdings lagged strategic returns by several percentage points. As volatility spiked and equity markets began to sell-off, several of the tactical equity models adopted large or full "risk-off" positions. As a consequence, many strategies did not participate in the recent rally.

Alternatives – The alternative component benefitted from strong performance in venture capital and private equity index holdings. The Thomson Reuters Private Equity Buyout Index was up 32.9% for the quarter. The Thomson Reuters Venture Capital Index fared better, gaining 43.4% for the period. Absolute return exposure achieved through the two reduced correlation holdings (IQDNX, BIMBX) managed to contribute positively to performance, but fell short of the HFRX Absolute Return Index, which was up 4.8% for the period. The real-assets exposure (GHTIX) rose 12.6% for the quarter, underperforming the real assets space as measured by the S&P Real Assets Equity TR Index which was up 13.2%. The real-assets space in general continues to struggle to recover from the Q1 sell-off.

On The Radar

The second quarter has left us in a rather peculiar position. While economic data looks dismal, quarter over quarter GDP registered -32.9% for example, and the labor market remains strained, with an unemployment rate of 13%, equity markets continue to rally, defying what most people would consider to be rational. It is true the stock market tends to be a leading indicator with respect to the economy, turning higher before economic data show signs of improvement. However, this period certainly seems to be extreme, and almost appears as a complete decoupling of the equity markets and the economy – something that generally doesn't end well. It is possible that the market rally is really being driven by large technology companies that have benefitted from the pandemic and the global shift to remote work forces and greater reliance on technology. Certainly the market caps of the large tech firms (think Amazon, Apple, Alphabet, etc.) will have a greater influence on broad based market indices. However, it is also tough to not lose sight of the fact that the pandemic remains real, relevant, and mostly uncontrolled. In early spring, we relied on the idea that come summer, the virus will abate and life would get back to a more normal mode. But instead, we've seen states and cities ultimately open up too quickly, with COVID-19 case counts resurging in places like California or kicking off new waves in places like Florida and Texas. The virus still has the upper hand, and we believe that is likely to be the case well into 2021.

In our view, the potential for a V-shape recovery in the economy remains off the table, barring any coronavirus disease treatment or vaccine breakthroughs in the near term. Does this mean the stock market rally has been overly optimistic? Ultimately, it is difficult, if not impossible, to know. While the retesting of the lows in March is looking less likely, we do still expect some pressure on the stock markets, particularly as we end the summer and start coping with the re-opening of schools (or the lack thereof) and the move back into flu season which seemingly can only work against coronavirus containment. For sure, as we stated previously, it will take much longer to restart than it did to lock down. However, unlike the first quarter where there was disruption across the board, including asset classes like treasuries and corporate credit, things have normalized somewhat.

Going forward we will look to unwind some of the more cautious allocations made during the first quarter, while still acknowledging that riskier assets such as stocks and some alternatives could come under pressure as we move through the fall and into winter. Ultimately, we know the U.S. economy, the U.S. stock market, and most importantly U.S. citizens are resilient and at some point the pandemic will be over, even if we can't be sure of the timing or exact trajectory. It is times like this where a well thought-out portfolio strategy can be extremely valuable. In keeping with the structure of MAPs it is important to recognize that in any given period, certain elements of the portfolios will be the drivers to overall performance. Which elements prove to be key contributors to returns will naturally vary throughout time and market environments. As such, based on our research, we believe one of the best ways to construct portfolios is to blend strategic, tactical and alternative components as done through the MAPs framework to establish a well-balanced portfolio consistent with investor objectives and risk tolerance. A well-designed portfolio paired with discipline can often be one of the most effective ways to achieve investment success.

DISCLOSURES

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Performance results and strategy characteristics presented are derived from each strategy's composite. The composites include all discretionary accounts managed in accordance with each strategy. Inception dates of the composites presented are as follows: MAPs Conservative – October 31, 2015; MAPs Moderate – October 31, 2015; MAPs Growth – October 31, 2015; MAPs Individual Endowment – December 31, 2015 ; MAPs Alternatives - October 31, 2015.

Performance results are presented in U.S. dollars and reflect the reinvestment of dividends and capital gains. Results are presented gross and net of management fees. Gross returns include the deduction of trading expenses and are presented as supplemental information. Net returns are net-of-max model fees and trading expenses; the applicable fee is 1.5%. Actual fees may vary based on, among other factors, account size and custodial relationship. Changes in investment strategies, contributions or withdrawals may cause the performance results of an individual account to differ materially from the composite presented.

Past performance is no guarantee of future results. There are risks associated with any investment strategy, including the possible loss of principal. There is no guarantee that any investment strategy will achieve its objectives. Diversification does not guarantee a profit or eliminate the risk of loss.

Cedar Capital's reliance on the strategy and its judgments about the value and potential appreciation of the securities in which the strategy invests may prove to be incorrect. Overall market risk, including volatility, may affect the strategy's performance. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment strategy will either be suitable or profitable for a client's investment portfolio.

The Cedar Market Advantage Portfolios ("Cedar MAPs") are subject to specific risks. Cedar MAPs are subject to management risk and an investor's return and principal value of investment may fluctuate such that an investment, when liquidated, may be worth more or less than their original investment. Cedar MAPs invest primarily in mutual funds or exchange traded funds (ETFs), which are subject to investment advisory and other expenses. There are numerous risks associated with investing in the underlying mutual funds and ETFs which should be considered prior to investing.

Cedar MAPs invest in equity, fixed income, and liquid alternative investments (as classified by Cedar Capital). The more aggressive the Cedar MAPs selected, the more likely the strategy will contain larger percentages of riskier asset classes. Equity investments are subject to overall market risk and volatility. Fixed income investments are subject to issuer credit risks and the effects of interest rate fluctuations. Alternative investments typically hold more non-traditional investments and may employ more complex trading strategies including leverage through the use of derivatives. Investors considering alternative investments should carefully consider their unique characteristics and additional risks. Tactical investment strategies may result in the portfolios being more concentrated in a specific asset class, which could reduce overall return if these asset classes underperform.

*The **S&P Composite 1500 Total Return Index** combines three leading indices, the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600 to cover approximately 90% of the U.S. market capitalization.*

*The **MSCI EAFE Total Return Net Index** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.*

*The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.*

*The **ICE U.S. Treasury 3-7 Year Bond Index** measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to three years and less than seven years.*

*The **Barclays US Aggregate Bond Total Return Index** ("Barclays Agg") is an index designed to provide a measure of the performance of the U.S. investment grade bond market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass through securities and asset backed securities that are publicly offered for sale in the U.S.*

*The **Markit iBoxx USD Liquid High Yield Index** is a modified market-value weighted index designed to provide a balanced representation of U.S. dollar-denominated high yield corporate bonds for sale within the United States by means of including the most liquid high yield corporate bonds available as determined by the index provider.*

*The **HFRX Global Hedge Fund Index** is designed to be representative of the overall composition of the hedge fund universe. It is composed of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event drive, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.*

*The **MSCI ACWI Net Total Return** ("MSCI ACWI") is a free float-adjusted market capitalization weighted index that is designed to measure the performance of developed and emerging markets. Net total return indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.*

*The **Thomson Reuters Private Equity Buyout Index** replicates the performance of the Thomson Reuters Private Equity Buyout Research Index, which is designed to be a comprehensive and highly representative indicator of the US PE Buyout industry, through a combination of liquid, publicly listed assets.*

*The **Thomson Reuters Venture Capital Index** replicates the performance of the Thomson Reuters Venture Capital Research Index, which is designed to be a comprehensive and highly representative indicator of the US venture capital industry, through a combination of liquid, publicly listed assets.*

*The **HFRX Absolute Return Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.*

*The **Chicago Board Options Exchange Volatility Index** (the "VIX") reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of S&P 500 index options.*

*The **S&P Real Assets Equity Total Return Index** is a static weighted return of investable and liquid equity indexed components that measures the performance of real return strategies that invest in listed global property, infrastructure, natural resources, and timber and forestry companies.*

Total Return indexes reflect the reinvestment of income. Net total return indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non resident institutional investors who do not benefit from double taxation treaties. The indexes for each composite are as follows: MAPs Conservative – 70% Barclays Agg/30% MSCI ACWI; MAPs Moderate – 50% Barclays Agg/50% MSCI ACWI; MAPs Growth – 20% Barclays Agg/80% MSCI ACWI; MAPs Individual Endowment – 10% Barclays Agg/90% MSCI ACWI; MAPs Alternatives - HFRX Global Hedge Fund Index.

Indexes are unmanaged and cannot be invested into directly. Index performance does not reflect the deduction of fees or transaction costs, which would decrease performance. The investment strategy and types of securities held by the comparison indices may be substantially different from the investment strategy and the types of securities held by the strategies. Performance of the strategy relative to its benchmark may have been impacted positively or negatively by economic and market conditions which affect the strategy or the benchmark to a greater degree.

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