PARKSIDE INVESTMENTS

Market Review and Outlook

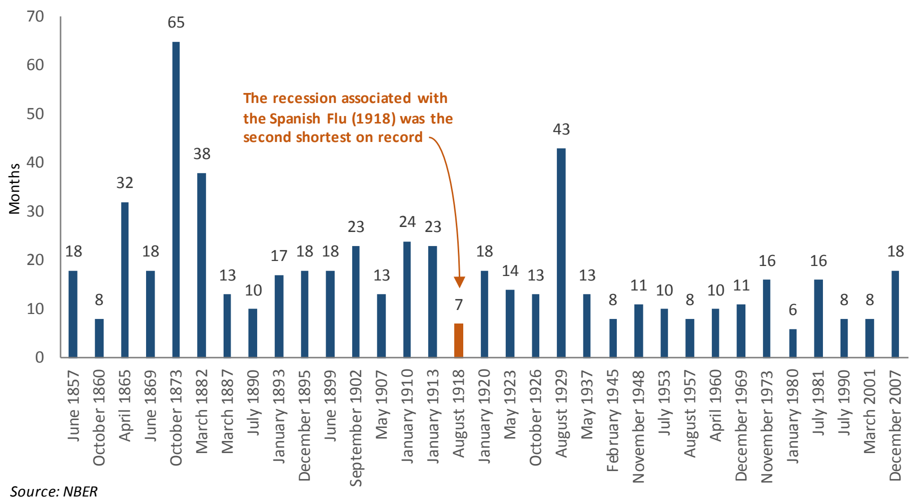
While the top priority for us all remains the health of those close to us, we will try to provide our best assessment of the economic and market impact from COVID-19 over the near and medium term. The global pandemic roiled financial markets during the first quarter. The S&P 500 Index posted a loss of 19.6% in the quarter (and declined 33.8% from its February 19th all-time high to the intra-quarter low on March 23rd), closing the chapter on an 11-year bull market run and pushing domestic equities firmly into bear market territory. International equities reported similar carnage, as developed international equities (EAFE) posted a first quarter loss of 22.7% and emerging markets (EM) declined 23.6%.

Due to the forceful government response designed to mitigate the spread of the coronavirus, economic activity in the U.S. has come to a grinding halt. Stores are closed, restaurants are empty, travel and events are canceled, and many manufacturing facilities are shut. Prior to these unprecedented moves, the U.S. economy enjoyed a 50-year low unemployment rate and was poised to maintain stable GDP expansion. It now appears inevitable that the economy will cascade into a recession. The uncertainty around the scope of the coronavirus outbreak makes forecasting economic growth difficult, but economists estimate GDP could decline up to 5% in the first quarter, and suffer an unprecedented decline of 20% or more in the second quarter. Economic activity is expected to recover significantly in the third quarter as the economy re-engages, but the knock-on effects of employment losses from a traumatic second quarter could throttle back the speed of the recovery.

The more encouraging news is that there is reason to believe this sharp and pronounced recession could prove short in duration. Our optimism for this is grounded in a few observations. In China, the epicenter of the crisis, new cases of the virus are slowing, which has prompted businesses to reopen and for consumers to resume spending. If containment measures in the U.S. prove successful in "flattening the curve", we could see a similar slow return to normal economic activity beginning in the coming weeks. Second, aggressive monetary and fiscal stimulus already initiated in the United States and globally should provide additional support for the economy and stem the length of this downturn. The $2.2 trillion coronavirus stimulus aid recently approved by Congress is equal to nearly 10% of gross domestic product (GDP) and more than twice the $831 billion stimulus package enacted during the 2009 financial crisis. Finally, the recession born out of the 1918 influenza pandemic, popularly known as the Spanish Flu, may offer a parallel to economic recovery we can expect for this pandemic-driven recession. Despite being one of the most destructive health crises in modern history, the Spanish Flu recession was the second shortest[1] in U.S. history at just 7 months. With far superior healthcare and technology versus what was available in 1918, and with the U.S. economy and corporate balance sheets entering 2020 in relatively good shape, there is promise that economic activity could return faster than market prices imply.

[1] See chart next page. The shortest recession in U.S. history was January 1980, 6 months.

Length of All U.S. Recessions on Record



Source: NBER

The magnitude and duration of the looming recession won't be tabulated until the economy is already in its recovery stage, but the markets should rebound well ahead of that lagging data. The turning point for the stocks could come when the daily reports show a decline of new cases in the U.S. (which following trends in China or South Korea, could be in the coming weeks) or when more widespread testing is available so universal isolation measures aren't necessary. Whatever the inflection point proves to be, just as the market selloff began well before the economic disruption was felt; stocks should bottom before the economy does. In fact, a market nadir may have already been set in late March, when the S&P 500 declined 34% peak to trough – which is consistent with a typical bear market decline.

It's difficult to put a valuation multiple to the market right now given the uncertainty over where corporate profitability is likely to finish 2020. As we move deeper into the year and investors begin to look past the impaired 2020 earnings figures towards the more normalized profit forecasts for 2021, we believe the market could move appreciably higher. As a result, for those with a medium-term time horizon, we believe today may offer an attractive time to not only maintain existing equity exposure, but also to deploy excess capital that has been waiting on the sidelines for a more opportune entry point.

While a deep recession is likely looming and it may be tough to see the other side from where we sit today, this virus and market downturn will ultimately come to an end. Much like the selloff amid the 2008/2009 financial crisis, recent market capitulation may have set the stage for a more constructive market environment after the health crisis abates. With supportive government policies and a stronger economic system heading into this downturn, we think U.S. stocks are likely to lead global equity markets higher like they did during most of the prior bull market expansion.

Core Portfolio

We initiated new positions in Amazon, Pinterest, and the VanEck Gold Miners ETF during the first quarter.

Amazon is the largest global retailer on the Internet and the leading provider of cloud computing capabilities through Amazon Web Services (AWS). With its dominant online retail presence and next-day delivery convenience, consumers are flocking to Amazon during this period of social distancing to buy essential health and household products while also getting groceries delivered through services like Amazon Fresh. Sales were so robust in March that Amazon announced it was hiring an additional 100,000 full-time and part-time employees in the U.S. for warehouse and delivery jobs to meet the surge in demand from online shopping. Additionally, businesses forced into remote work situations are more reliant than ever on the tech infrastructure provided by Amazon Web Services, as popular video conferencing services such as Zoom and employee collaboration apps like Slack rely at least partially on AWS to keep their services running. Thus, unlike most companies, Amazon should continue to grow its revenues and earnings during this challenging environment.

Pinterest is a visual Web and mobile application used for discovering ideas and organizing them. Users save and categorize visual recommendations, or "Pins", into collections called "Boards". The company has over 300 million monthly users that utilize the site to find inspiration for future action such as redecorating their home, planning a wedding or cooking dinner. We believe Pinterest's value proposition to both consumers and advertisers is highly compelling. Although it is still in a pre-profit growth phase, we also think there is a clear path to profitability in the next couple of years as the company attracts more advertisers (who are still relatively new to the platform) and is able to better scale operating expenses.

The VanEck Gold Miners ETF is an exchange-traded fund that holds a portfolio of companies involved in the gold mining industry. In times of economic uncertainty, gold prices are often bid up as investors rush toward its safe-haven status – as gold has historically had a low (or negative) correlation to risk assets. In other words, gold tends to "zig" when everything else zags. Moreover, gold is often seen as a hedge against inflation – which could become an increasing threat following the massive $2.2 trillion stimulus package Congress just passed. For obvious reasons, gold miner stocks tend to be highly correlated with the price of gold and we view holding a liquid basket of these companies as an attractive way to participate on the prospect of rising gold prices.

During the first quarter we sold our positions in Newell Brands and XPO Logistics.

Newell Brands is a leading global consumer goods company with a portfolio of well-known brands, including Paper Mate, Coleman, Mr. Coffee, Graco, Rubbermaid, and Yankee Candle. While Newell has made progress in turning around what had previously been a mismanaged portfolio of companies, the turnaround is taking longer than we expected and we fear some of its core brands are increasingly losing relevance with consumers. As a result, we decided to exit our position in the name.

XPO Logistics is a multi-modal (truck brokerage, LTL, intermodal, last mile, expedited, and freight forwarding), global transportation service provider. XPO has an impressive growth record and we see particular value in the company's last-mile e-commerce delivery capabilities, but growth has started to slow due to increased competition and we viewed the company's heavily levered balance sheet (from years of aggressive acquisition activity) as a potential liability moving forward. Consequently, we sold the shares to raise cash that could be redeployed into more attractive opportunities.

Equity Income

The COVID-19 induced economic shutdown had a significantly adverse impact on Equity Income securities in the first quarter due to the combination of financial market distress and reduced demand in the context of the economic shutdown. As a result of the near-term risks, we accelerated our reduction in exposure to energy-related investments within the segment. The recent spate of private equity transactions for midstream assets, at valuations far in excess of public market values, as well as corporate executives continuing to purchase substantial shares in the underlying midstream energy assets suggests there remains long-term value in the industry. That said, there remain near-term risks that keep us cautious on the energy space overall. We will continue to evaluate the risk and opportunity as the shutdown comes to a conclusion.

Fixed Income

Mirroring the recent dive in stock prices has been a plunge in interest rates for U.S. Treasury bonds, as a flight to safety spurred by the global pandemic pushed U.S. Treasury yields to historic lows during the first quarter. The 10-year Treasury yield began the year at a yield of 1.9%, before careening to a low of just 0.5% in early March, followed by a modest recovery to 0.7% by quarter end. Short-term (1-, 2-, and 3-month) Treasury yields briefly turned negative in the quarter. The rush to bonds did not extend to other areas of fixed income, as all credit products (corporates, mortgage back securities, and municipal bonds) witnessed a complete lack of liquidity as institutional market participants tried to raise cash in a market with no buyers. As we look beyond the outbreak to a potential economic rebound in the second half of this year, we would anticipate a move higher in U.S. treasury yields and narrowing of credit spreads from current levels.

Final Thoughts

Despite the current turbulence in the markets, we are optimistic about the viability for long-term economic growth in the U.S., as this country has overcome trying times throughout our history. Corporate America has shown the ability to confront, innovate, and adapt to new environments, paving the way for growth and prosperity through numerous wars, terrorism and natural disasters. As proven across past trials, we expect the determination, ingenuity and leadership of small and large businesses alike will lead to an economic recovery over the coming quarters and years, paving the way for financial markets to recover accordingly.

Parkside Investments, LLC

April 8, 2020

Please contact your Parkside representative at 312/778-7700 if there are any changes to your financial situation or objectives, or if you wish to modify any restrictions on your account.

Parkside Investments, LLC maintains a business continuity plan and periodically reviews the plan for disaster preparedness. In an emergency, news updates will be posted to our website *www.parksideinv.com* ***until the critical situation has been resolved. You may also contact us through our individual phone lines and e-mails or by our main phone 312/778-7700 and e-mail address*** *info@parksideinv.com*. ***Your calls and e-mails will automatically forward to other devices away from our offices.***