

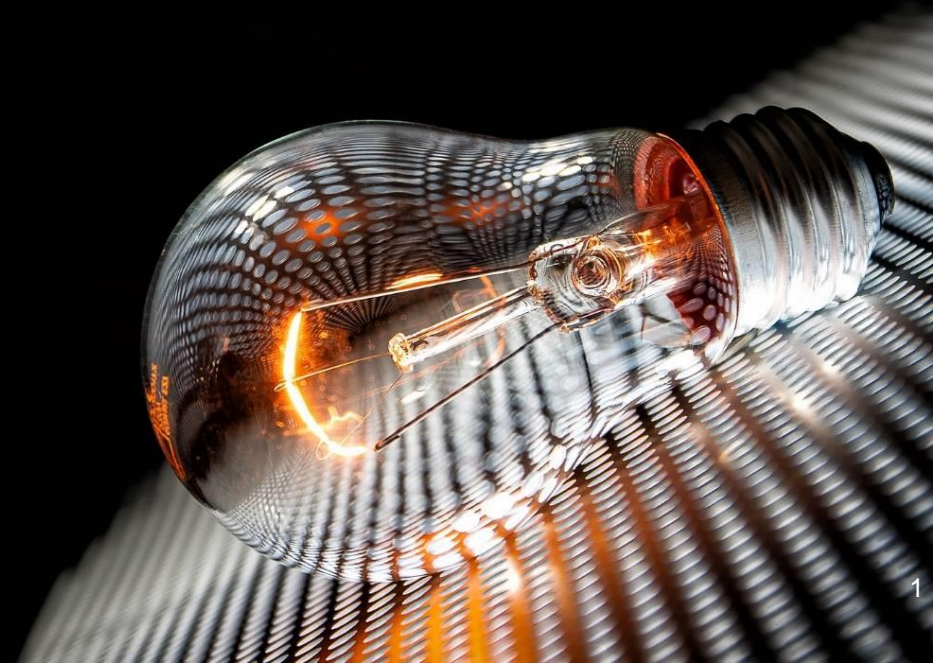
Q4 2020 ECONOMIC & MARKET OUTLOOK

*October 7, 2020
Webex Meeting*

J. Brian Henderson, CFA
EVP, Chief Investment Officer

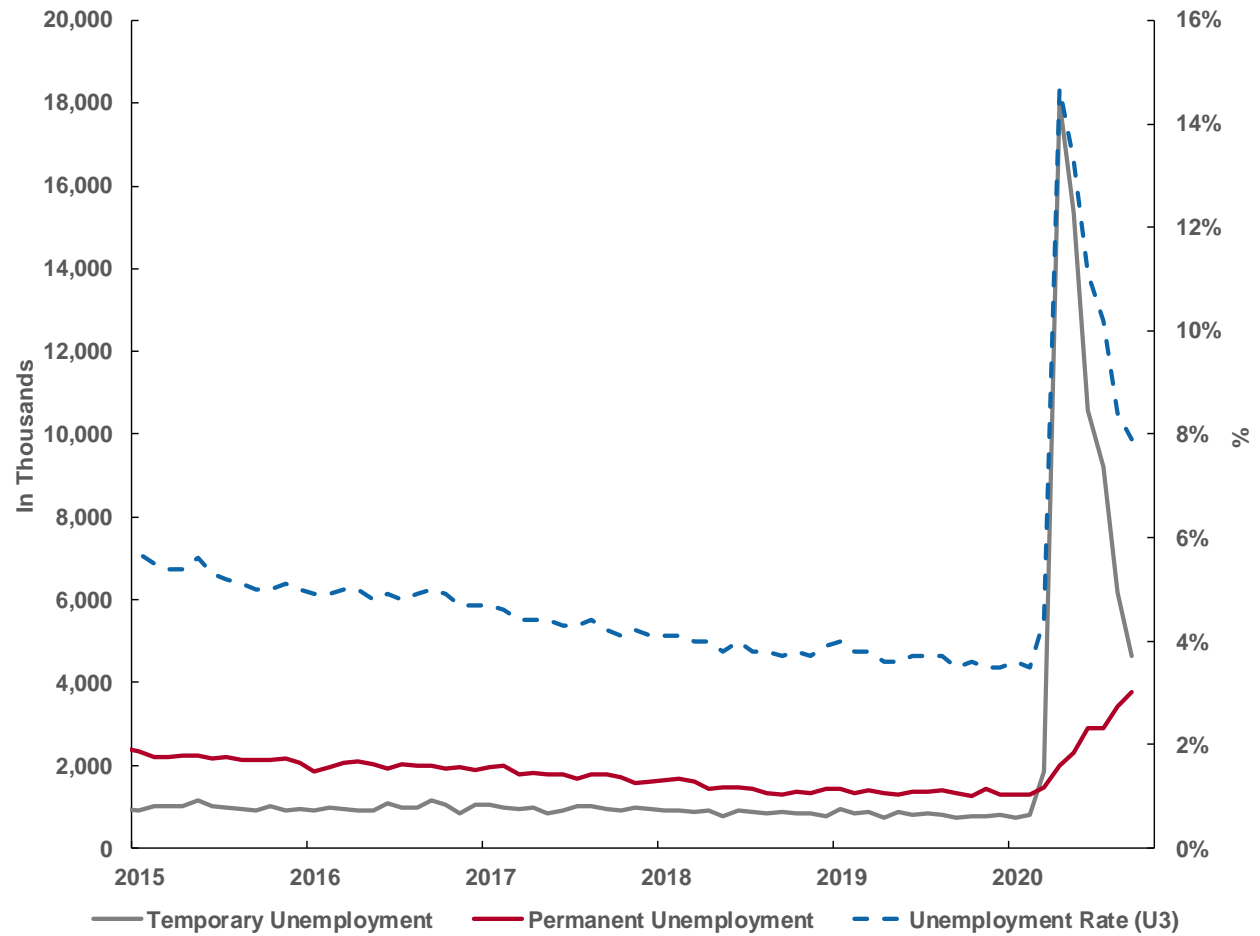
Carrie Clasen Porter
SVP, Director of Strategic Initiatives – Investment Management

Matt Stephani, CFA
President, Cavanal Hill – Investment Management



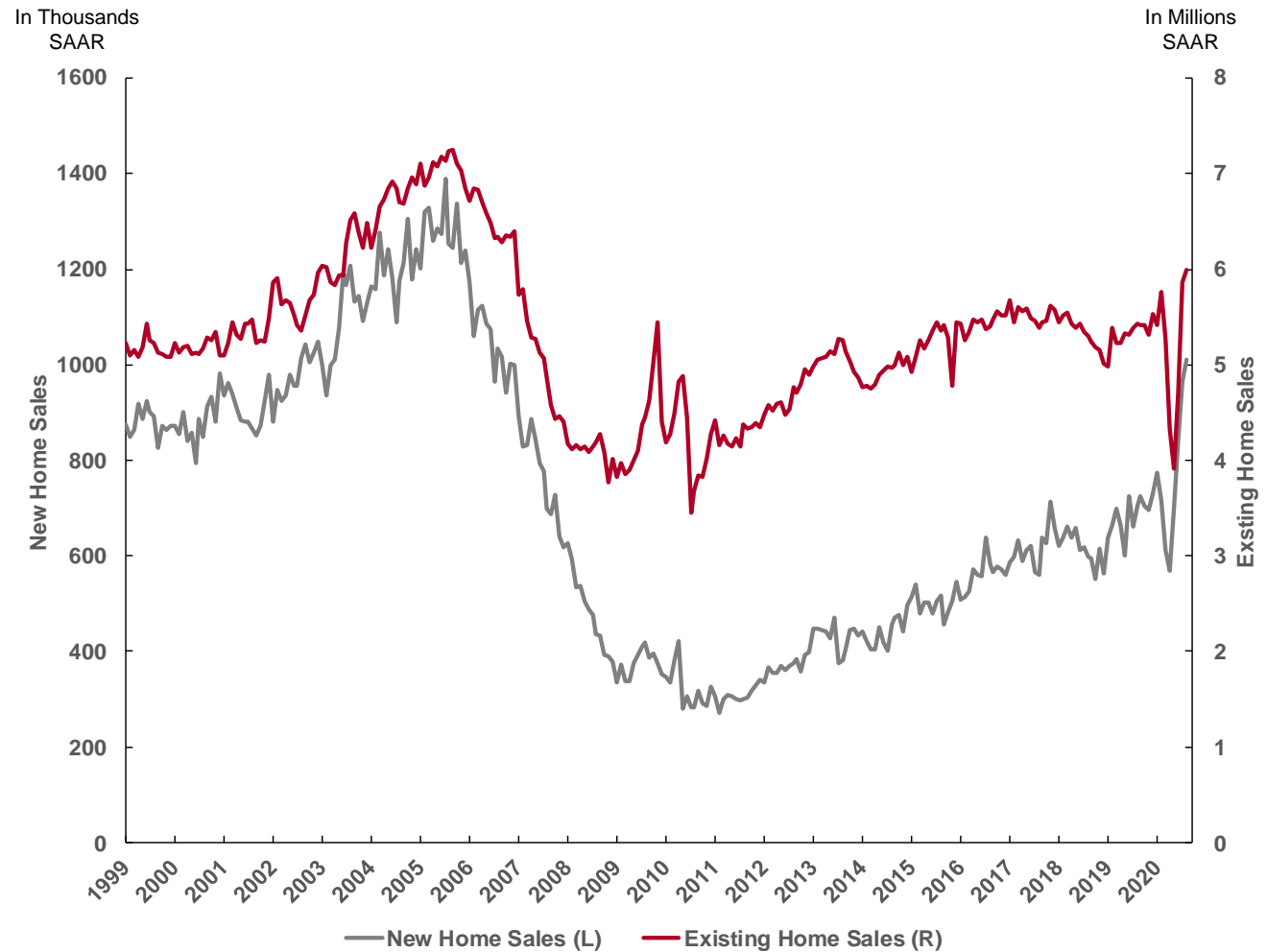
THE RACE TO GET AMERICA BACK TO WORK

- The pace of recovery in the labor market has exceeded expectations.
- The rehiring of temporarily laid off workers has driven the robust recovery.
- A prolonged virus impact risks more permanently unemployed.



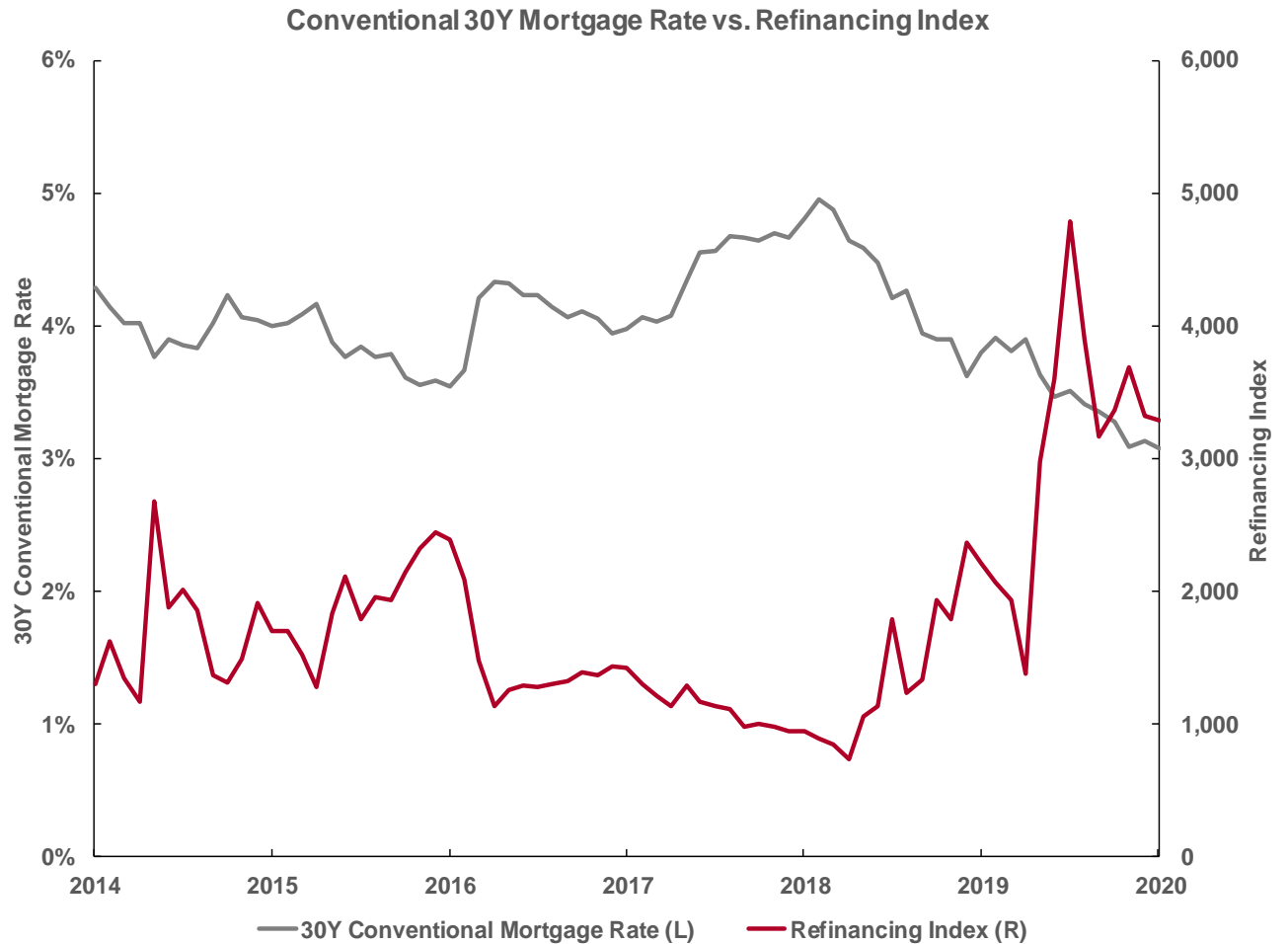
THE U.S. HOUSING SECTOR HAS BEEN A BRIGHT SPOT FOR THE ECONOMIC RECOVERY

- Home sales strongest since housing boom in 2006.
- Supply of houses low.
- Home prices rising.



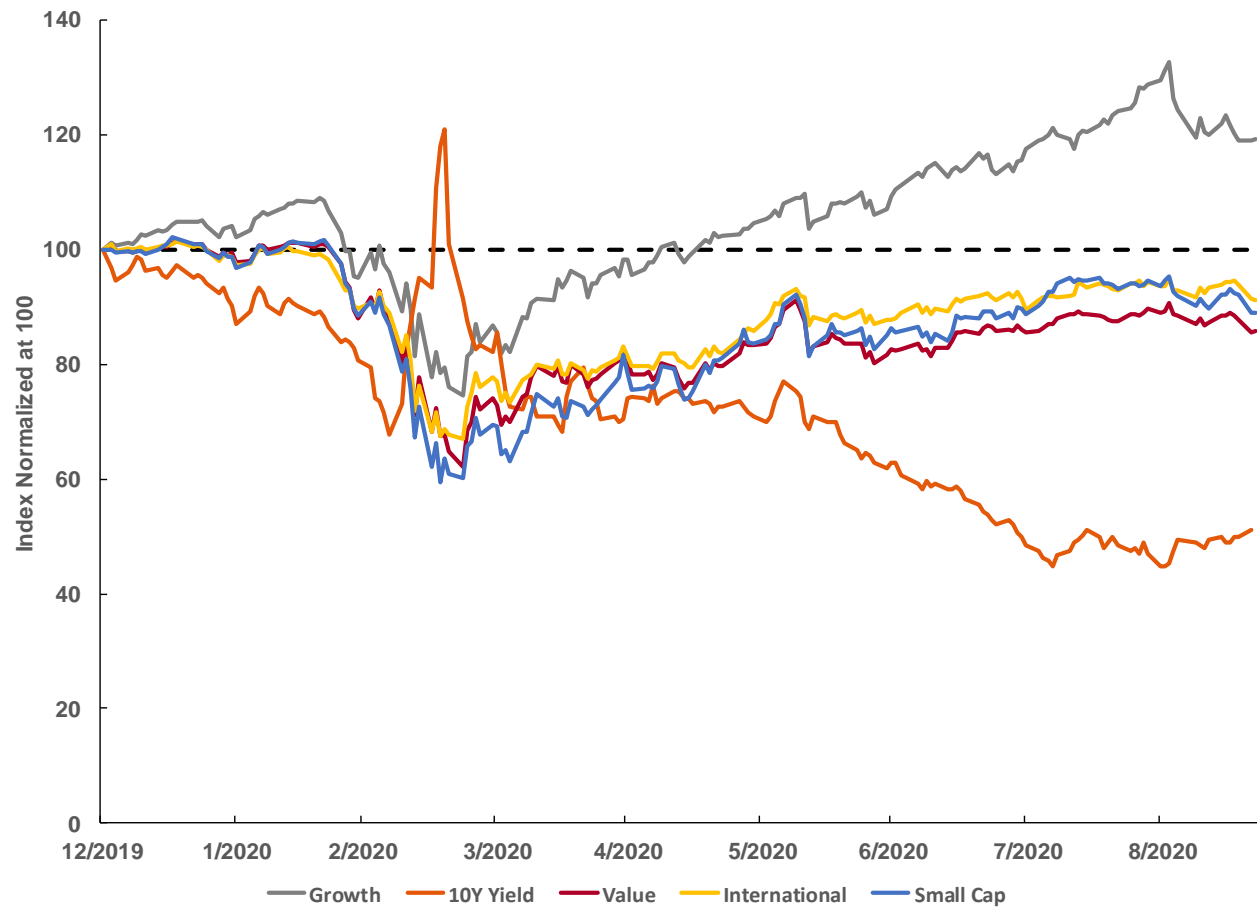
CONSUMERS ARE BUILDING SAVINGS

- Historic low mortgage rates allowing homeowners to refinance.



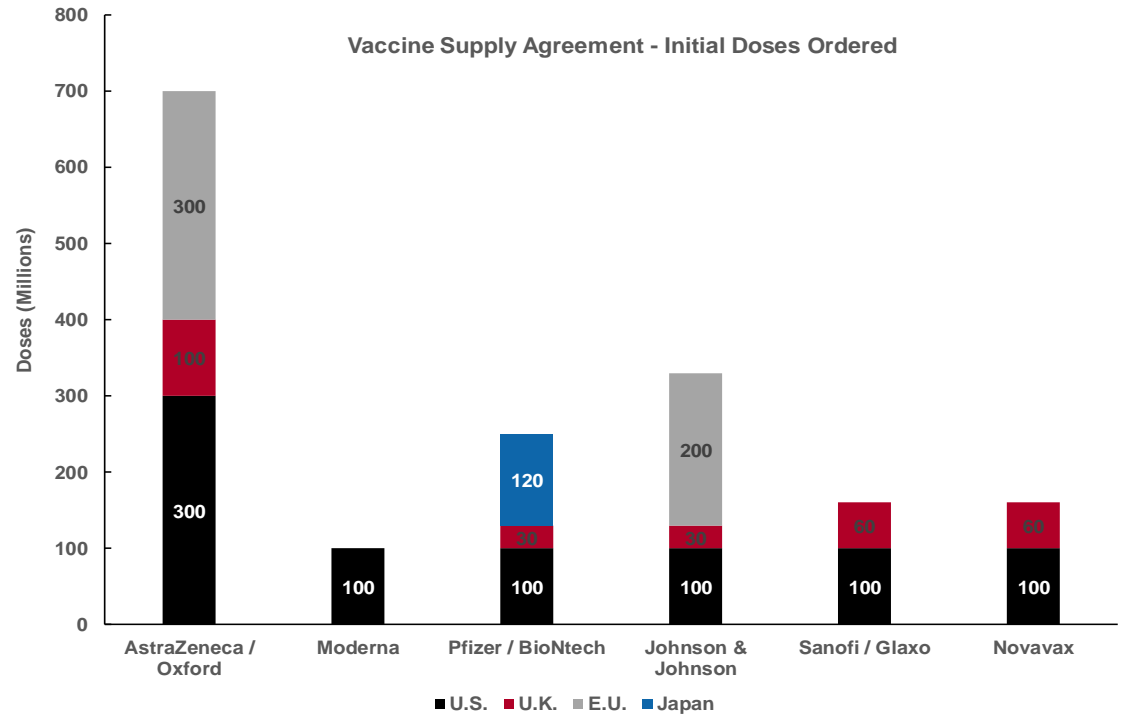
UNEVEN RECOVERY IN STOCK MARKET

- Investors have preferred secular growth stocks with strong balance sheets.
- Cyclical sectors are down 20% YTD while Tech is up more than 20%.
- Lower long-term rates have supported elevated growth stock valuations.
- Broadly diversified portfolios have been held back by international, value, and small cap stocks this year.



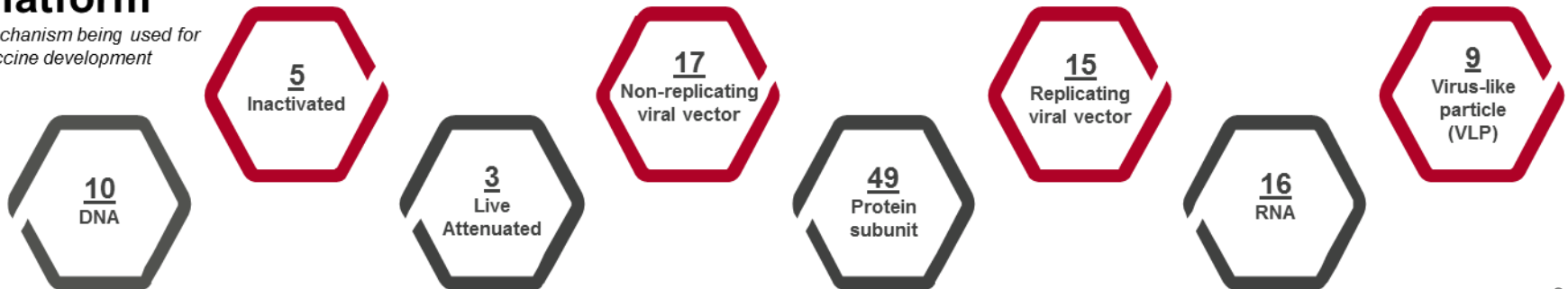
A COVID-19 VACCINE WOULD HELP BROADEN THE RECOVERY

- Over 120 potential vaccine candidates in the pipeline.
- Several in phase III trials that are expected to announce results in 2020.
- U.S. has pre-ordered millions of dosages from the leading vaccine contenders.



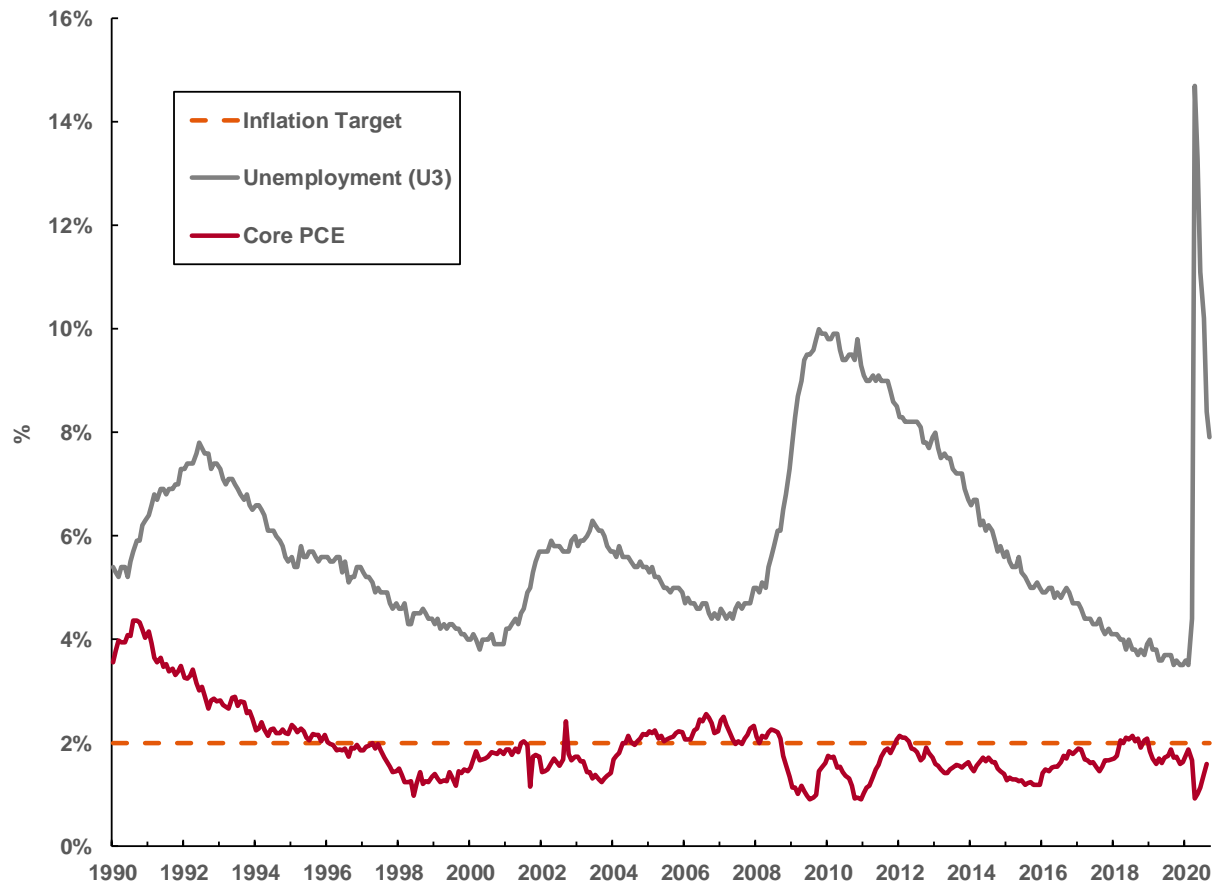
Vaccine Platform

Mechanism being used for vaccine development



FEDERAL RESERVE'S NEW MONETARY POLICY FRAMEWORK

- Short term rates expected to remain near 0% until three conditions met:
 1. Economy reaches maximum sustainable employment.
 2. Inflation has risen to 2%.
 3. Inflation is on track to moderately exceed 2% for some time.



BASE CASE OUTLOOK: INVEST IN THE U.S. ECONOMIC RECOVERY



Economy

U.S. GDP is on a gradually improving trend with near full recovery by end of 2022.

Risk: Prolonged virus impact that results in permanent damage.



Policy

Monetary and fiscal policymakers continue to provide a safety net for economy and markets.

Risk: Political inaction.



Markets

U.S. equity market outperforms.

Risk: U.S. elections and China relations.

Carrie Clasen Porter

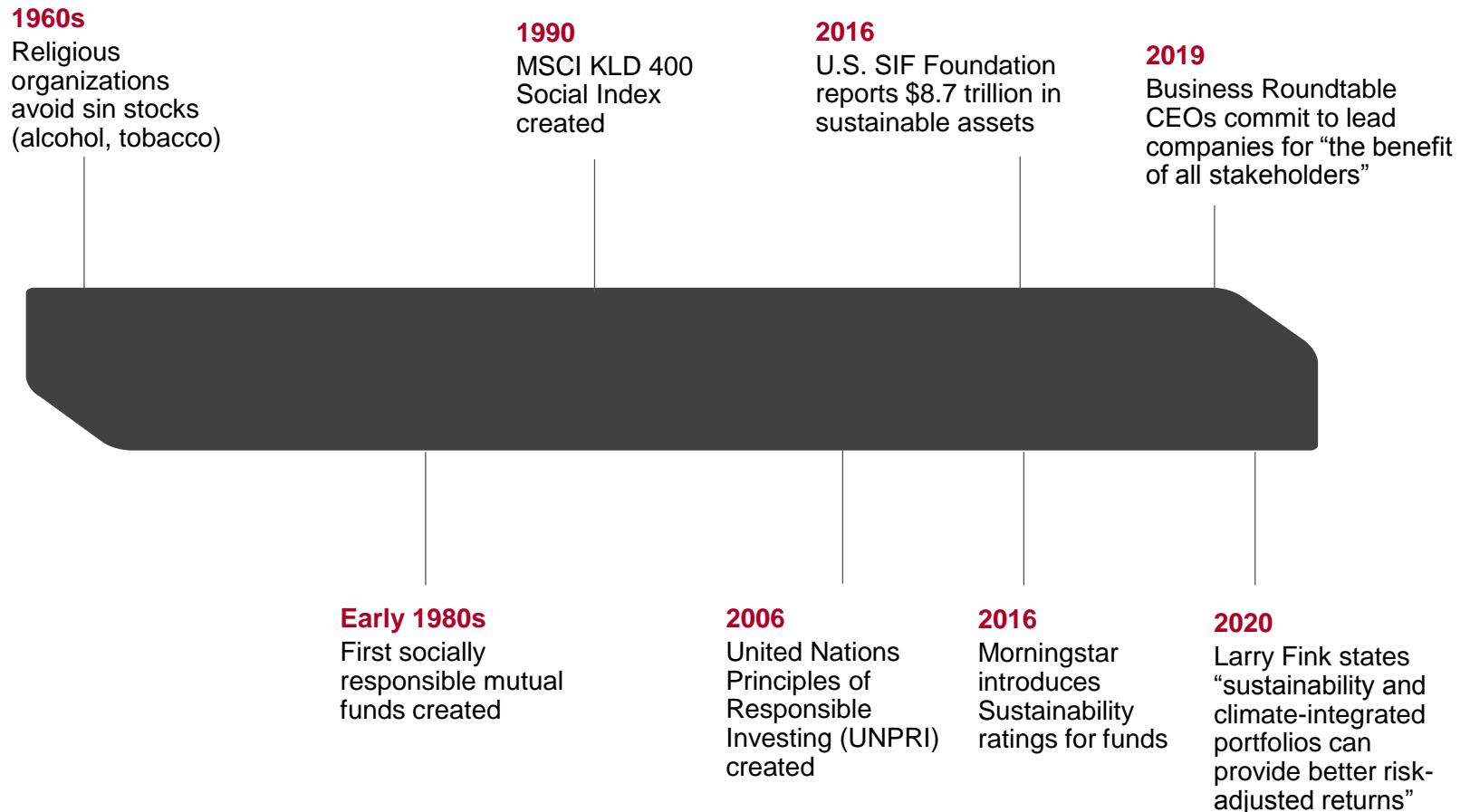
SVP, Director of Strategic Initiatives – Investment Management

A New Approach to *How You Invest*

Invest in more.
Align your values.
Make an impact.

The Evolution of Values-Based Investing

A style of investing that started long ago and has evolved over the years to what it is today.



What is ESG?

Examples of environmental, social and governance (ESG) factors

Environmental

Climate and environmental stewardship

- Environmental impact of supply chains
- Environmental impact of products
- Energy management
- Energy efficiency
- Climate change policies
- Water use

Social

Well-being of multiple stakeholders

- Employee diversity
- Employee health and safety
- Product safety and ethics
- Product impacts
- Supply chain human rights
- Consumer data privacy and security
- Community impact

Governance

Transparency, capacity, purpose

- Business ethics
- Board structure, and diversity by gender and race
- Accounting policies and controls
- Executive compensation
- Strategic sustainability oversight

Measuring the Impact

SUSTAINABLE DEVELOPMENT GOALS



Catalysts Driving the Shift to Values-Based Investing

1 Access to data, providing investors with insights to materiality and risk.

2 Increasing availability of investment strategies and solutions.

3 Performance of ESG strategies have proven to be competitive.

4 Investor interest has grown significantly and across demographics.

5 COVID and the disruption in 2020.

Values-Based Investing at BOKF

At BOK Financial, bridging your investment objectives with your personal values is a foundation of our investment philosophy.



**Relationships are
built on knowledge.**



**Our process leads
to objective advice.**

By understanding your values, we can select investments that help you to meet both your financial goals and to make the impact you desire.

Matt Stephani, CFA

President, Cavanal Hill Investment Management

EQUITY MARKET RETURNS

3 Month

	Value	Core	Growth
Large	5.6	8.9	13.2
Mid	6.4	7.5	9.4
Small	2.6	4.9	7.2
Int'l	2.3	6.3	10.2

1 Year

	Value	Core	Growth
Large	-5.0	15.1	37.5
Mid	-7.3	4.6	23.2
Small	-14.9	0.4	15.7
Int'l	-10.8	3.0	17.5

3 Year

	Value	Core	Growth
Large	2.6	12.3	21.7
Mid	0.8	7.1	16.2
Small	-5.1	1.8	8.2
Int'l	-5.1	1.2	7.3

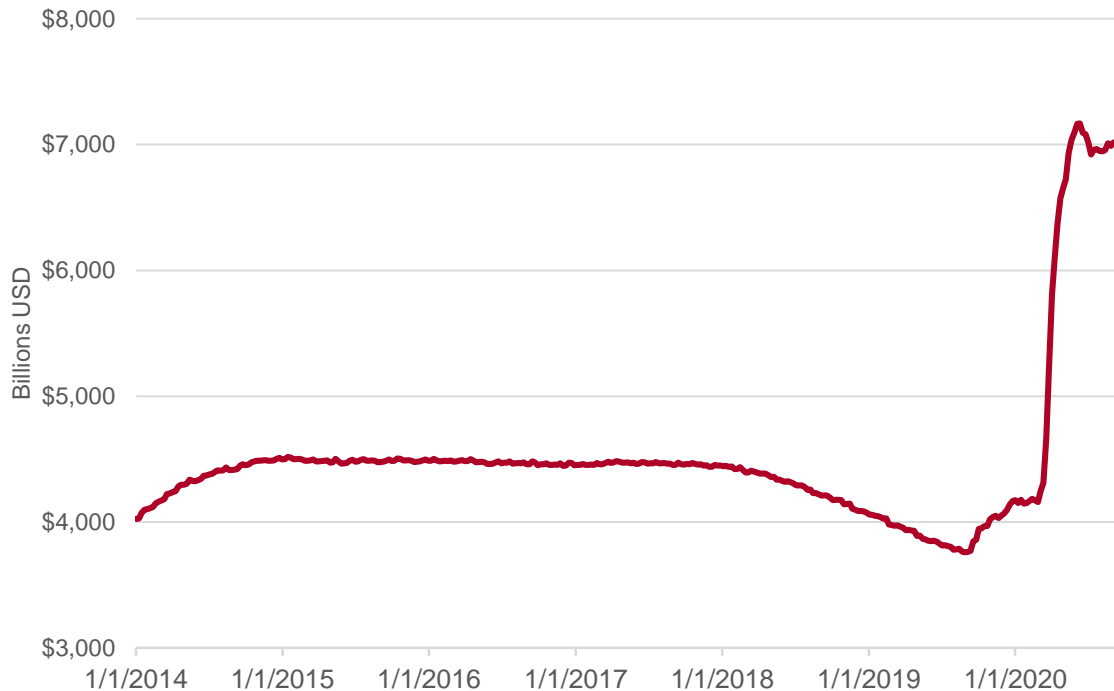
U.S. EQUITY MARKET VOLATILITY



- Fear resulted in a market drop of 34% from peak to trough.
- Off the bottom, the market has rallied 50%+.
- **Why?**

WHY DID MARKETS RECOVER?

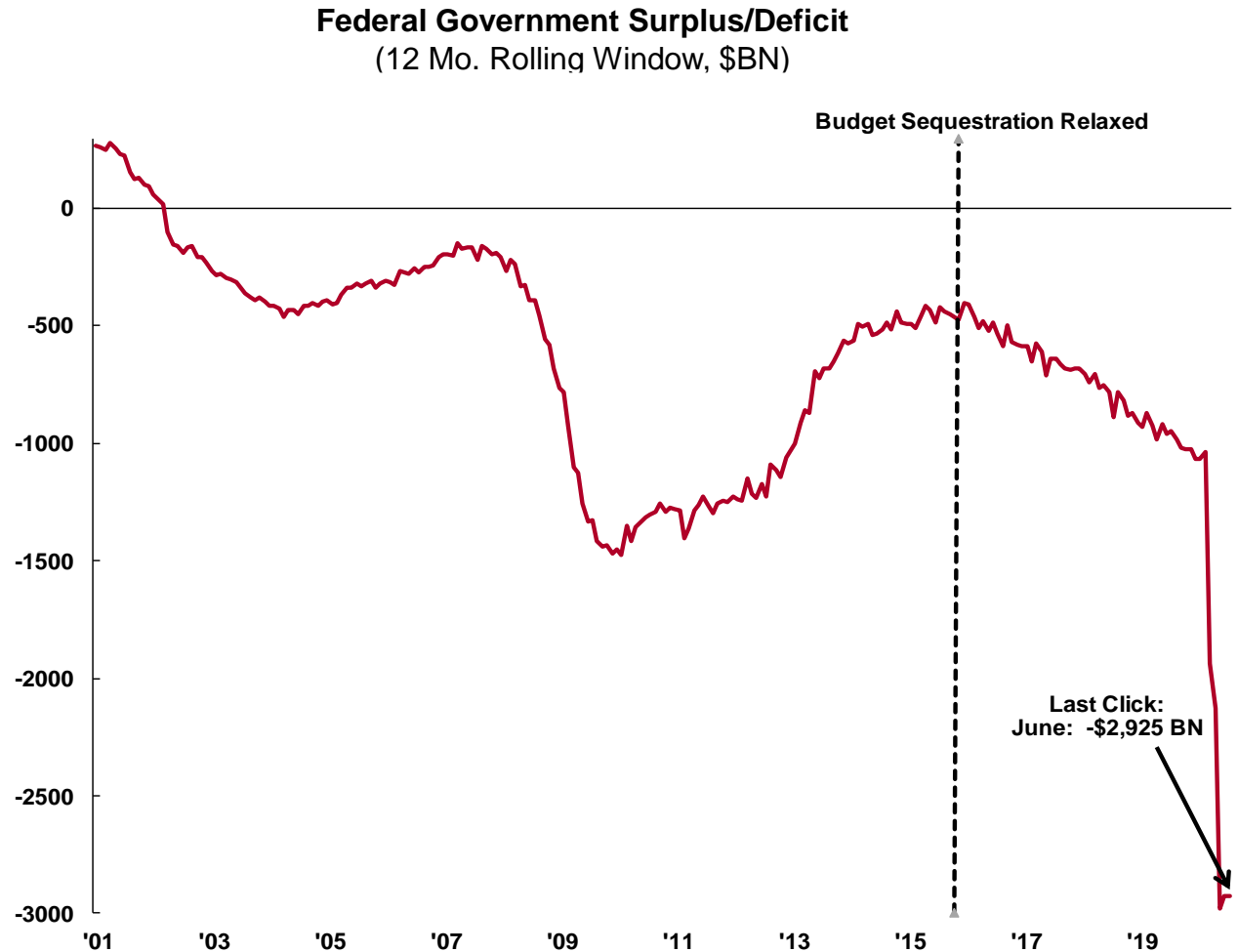
Federal Reserve Total Assets



- Federal Reserve launched massive balance sheet expansion and lowered rates to tighten corporate bond spreads.
- In addition, the Fed announced a number of measures to help improve market liquidity.
- Expect continued Fed support for several years.

BORROWING THE MONEY TO PAY FOR THE RECOVERY

- Fiscal stimulus and delayed tax collections have widened the budget deficit dramatically.
- U.S. Treasury issuance will hit record highs.
- Fed quantitative easing helps absorb increased debt issuance, but there are longer term consequences.



EQUITY MARKET OPPORTUNITIES & RISKS

Equities still remain attractive though they are not without risk. The economic damage from COVID remains severe, but recoveries are occurring in economies globally.

Equity Market Opportunities

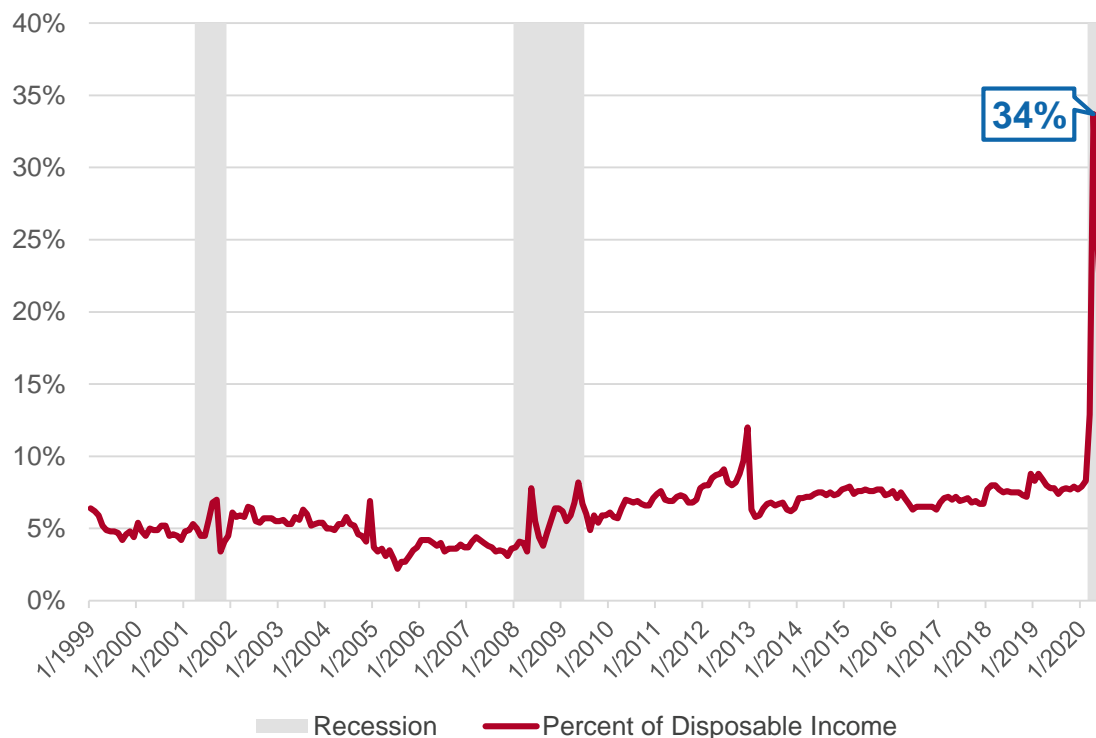
- The Fed remains accommodative for financial markets
- Development of treatment/vaccine would encourage investors to add risk
- Massive amounts of cash on the sideline
- A 2021 recovery in industrial production could help value stocks rebound as well

Equity Market Risks

- A significant rebound in COVID beyond 2020
- Failure to have a vaccine before spring 2021
- Valuation is stretched
- Federal government deficits are exploding
- Political uncertainty and election results

OPPORTUNITY FOR 2021

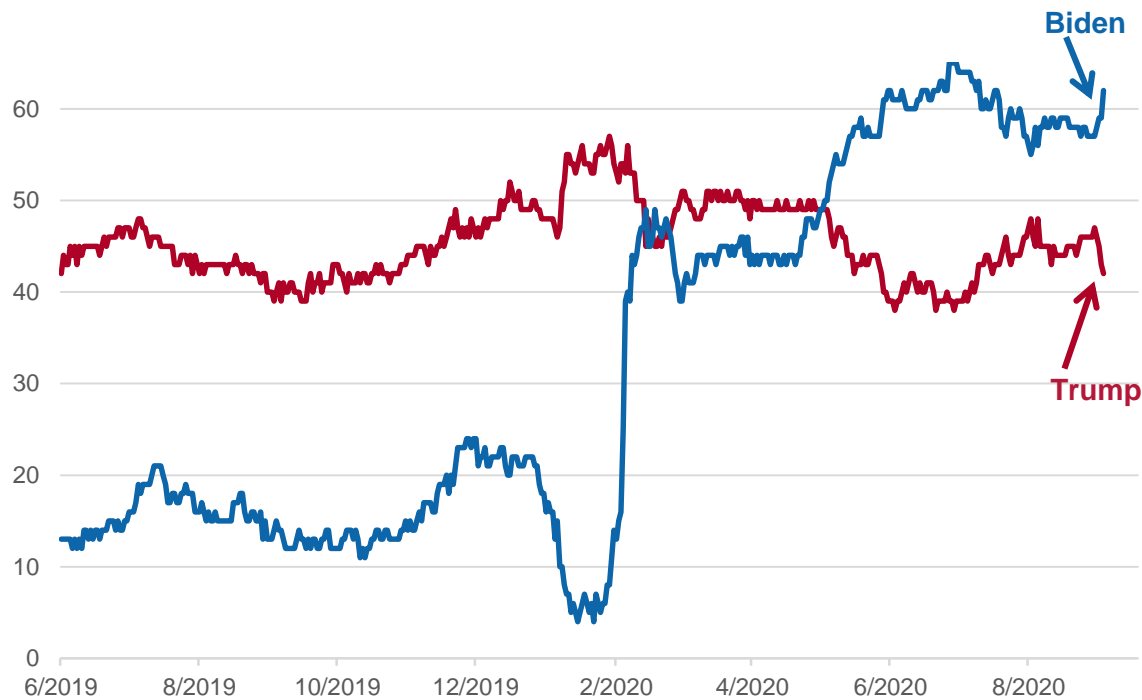
Personal Savings Rate



- Limited ability to spend along with rising incomes meant the savings rate exploded higher.
- Dry powder: record \$4.5 trillion held in U.S. money market funds.
- Bank deposits have increased nearly \$2 trillion since February 2020.
- Money coming out of savings could drive economic surprises in 2021.

POLITICAL UNCERTAINTY IS NEAR-TERM RISK

Odds of Winning the 2020 Election

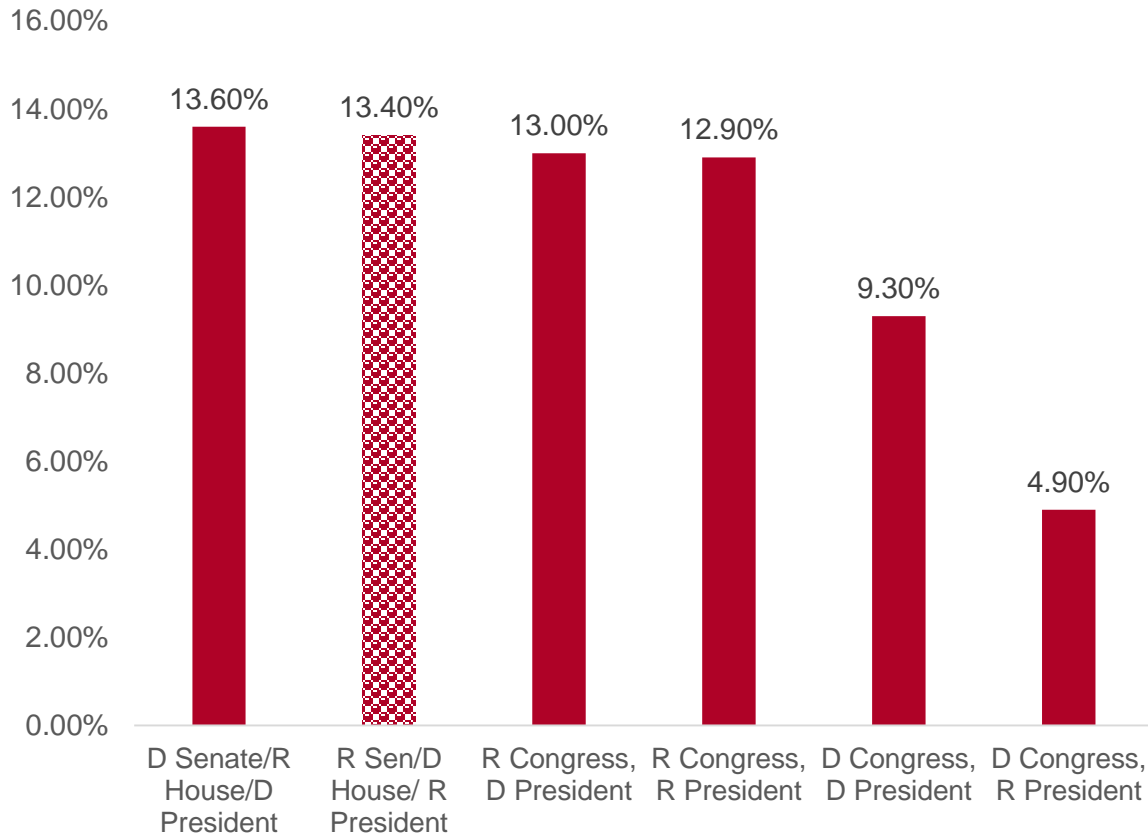


- The odds of a Biden Presidency are now more than 50/50.

2020 CONGRESSIONAL ELECTION EQUALLY IMPORTANT

Partisan Control, Avg. Annual S&P Performance

(1933-2019, Excl. 2001-2002)



- Historically, returns have been strongest with a divided Congress.
- The market appears most vulnerable to a Democrat Congress regardless of the presidential party.

2020 PRESIDENTIAL ELECTION

IF BIDEN WINS

Markets will likely respond negatively at first to a Biden election as it likely results in higher corporate tax rates, dampening earnings.

Beneficiaries potentially include:

- Infrastructure companies
- Renewable energy
- US refiners
- Companies that export to China
- Drug discovery equipment providers

Companies at risk include:

- Domestic energy companies, the “frackers”
- Aerospace and defense
- Pharmaceutical and biotechnology
- For-profit prisons & education
- Domestic retailers

IF TRUMP WINS

Markets will likely respond positively to a Trump re-election, as it removes tax-rate increases from the list of investor concerns.

Beneficiaries potentially include:

- Domestic energy companies
- Healthcare companies including insurance, biotech, and pharma
- Aerospace and defense
- Financials
- Domestic retailers
- Industrial manufacturers

Companies at risk include:

- Renewable energy
- Companies with exports to China
- Importers


Disclosures

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