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Greetings,

Enclosed is your investment letter through March 31, 2020. We are in an extremely difficult time. I have been through terrible situations before. I have been an investment advisor for 25 years. Everyone was scared after 09/11 (2001) and when the stock market came back in 2003, my clients had a composite return of 37%. It looked as if the world was going to come to an end during the financial crises of 2008/09. Well, it didn't and my clients had a composite return of 35% with many returning 39-40% in 2009. I have been through scary times before and have come through them well. We will do so. I want to thank you for your resilience as well as being smart. It is appreciated.

I would like to shake things up and recount some recent conversations I have had with several different people I know. Their questions were relevant as well as my responses.

A friend called me a few weeks ago. He was very well off financially and manages his own assets. He was scared. His was about my age. He wanted to know whether he should "pull out of the market"? I asked him "you mean you want to sell everything"?? He said "I am thinking about it". I said "so you want to sell all you have after the market has already dropped well over 25%"? He then responded "well, I will get back in later" and I asked him "when is later, after the market goes back up"? He then asked "what should I do"? He was a smart business person but he was a deer in the headlights. Since he was a good friend, I told him to stand firm with what he had. I asked him "you have made a lot of money in the market over the past 10-15 years"? He responded "yes I have". I then explained to him that we are now paying the price for making all the money we have made over the past 10-15 years. I asked him, "Can you stand the pain now for the prosperity later once this is over"? He said "sure". I then said "You can't go to heaven without eating your spinach now". He thanked me. With a heavy heart, I haven't spoken to him again because to heaven he went as he passed away last week. Suddenly and unexpectedly.

Conversation number two was with a client. A new one who was not with me during the markets last two down turns. She asked a great two part question. She wanted to know "what my strategy was for now and if I was looking to take advantage of any tax loss opportunities"? I responded "that there was plenty of time to take tax losses so I won't sell something now simply to take a tax loss. However, when I do sell a stock, I will look to sell one that has a loss rather than pay taxes with one that has a gain". The strategy part of the question was a bit more complicated. I responded "I am not going to do anything different as far as my investment philosophy just because the market is acting crazy. However, (and for full disclosure, I didn't explain this part in detail over the phone at the time since I needed some time to think about it so I am paraphrasing the explanation now) I do constantly review our portfolio on a daily basis. My long term "strategy" has not changed. What I have been doing is selling some of our holdings that while I did like them, let's say I didn't like them as much as our larger, core holdings. I also trimmed a holding or two. The market is well off its lows so the strategy has been successful as it was in 2009 when I had significant market beating returns.

Conversation number three was actually with a few people at my gym. As it is now closed, it was a couple of weeks ago. One was a personal trainer, the others were salespeople. Their questions were what to buy now? They threw out a couple of risky names, wanting my opinion and I let them know that it was best not to speculate and stay with the bigger, safer names that will hold up during tough times. What I found so refreshing was their optimism. In general, while talking to people, I don't sense doom and gloom as I saw back after 09/11 and the financial crises. Many (not all of course) people get it now because they have seen how the market has come back in the past from these crises.

The country is in a health crises. We are not in a financial crises. The Federal Reserve is doing all that it can do and they are not done yet. It lowered short term rates twice before it's meeting quickly and decisively. The Fed then ramped upped unlimited quantitative easing which is essentially adding liquidity into the credit markets so that they can function. We are not in an economic crises, yet. I say "yet" because unlike the financial crises (11 years ago) which caused a deep, long recession followed by a tepid recovery, the people on Capitol Hill along with the White House understand the magnitude of the situation and are acting accordingly. During the financial crises, TARP failed on its first vote in the House and the DJIA dropped over 1,000 points in a matter of hours which was over a 10% drop at those levels. The stimulus package of 2009 wasn't passed fast enough nor was it big enough, once it passed. It was as if Rome burned while Nero fiddled. Now, a $ 2 trillion stimulus/emergency relief package just passed quickly after some minimal haggling amongst the politicians. While a recession is certain, it will most likely be deep but over rather quickly. The economy was and is still structurally sound. I say most likely over fast, only because we are fighting a virus. No one knows for sure how long this will take to get under control. This stimulus/relief package will mitigate some of the damage and there is already talk of a phase 4 package that could be under way next month. It is nice to see that for the first time since the 09/11 tragedy, the people in Washington are actually doing something constructive to help the country in this time of need.

As far as the stock market; glass half empty, it has been a brutal, difficult 6 weeks. We have given back a large amount of the profits that we have made, for now. Glass half full, we are well off the market lows after a furious rally over the past week. Remember, the markets are forward looking. I remember back in 2007, the economy seemed fine but it was showing some signs of cracks in the armor. I recall being frustrated because the market wasn't doing well as corporate profits were strong. The market was up just 3.5%. Since the market is forward looking, it saw the storm clouds gathering on the horizon. It works both ways. While things look bleak now as far as the economy, let's just say that if the economy does rebound in the fall (which is not that far off), guess what? The market will be looking ahead to that recovery and the market is rebounding now in anticipation of the economic recovery that will eventually occur. That is why market timing is an exercise in futility. Even if a handful of people think that if they were smart enough to "get out" at just the right time around Presidents day, do you think they were also smart enough to get back in a week ago at the market bottom?? Unless they did, then all that they accomplished was receiving a huge tax bill (perhaps sleeping a little better at night) from Uncle Sam next year on their capital gains, assuming they sold from a taxable account. While I am in a historical frame of mind, I will point out that while I wasn't a professional investor during the 1987 market crash when the DJIA dropped by 20% in one day, I was an investor for my own money. I found that drop one of the best buying opportunities in my lifetime. I had the cash and I was buying blue chip stocks the next morning. I can't predict short term market returns. I will leave you with this. In 1987, the market finished up for the year and the 1987 sell off happened in late October.

If you have any questions or anything that you need to discuss, please by all means email or call me.