

Dear Fellow Social Distancers,

So much for "In like a lion, out like a lamb." In the financial markets, this March was pretty much all teeth bearing lion from start to finish! I was sending a note to someone the other day and couldn't remember if "unnerving" had one or two n's, so I looked it up: "the loss of courage or confidence, disconcerting." A pretty good word for describing how most of us have been feeling lately. The speed of decline in the markets has been historic. From the peak of the Dow Jones on February 12, to bear territory (down 38%<sup>1</sup>) took only 41 days. I've experienced about five declines of 25% plus in my career and each one has had its own unique attributes. However, they seem to share a common trait: we can't predict their arrival nor their end. And if we're human this uncertainty is, in a word, unnerving.

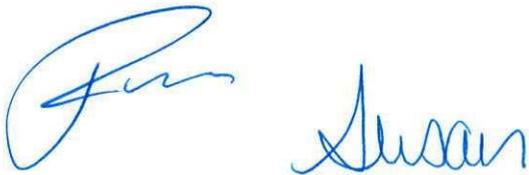
Despite all this, it's our job to try and manage our portfolios through these challenges as best we can. Uncertainty is nothing new, but during bear markets it's hard not to let emotions effect our thinking. Our old partner used to say "sound investing isn't that hard but it requires a solid framework and the ability to keep emotions from corroding that framework". Uncertainty and fear are terribly corrosive elements to sound judgment. We've been spending most of our time going through your portfolios one by one checking to see if we have opportunities to invest some excess cash or possibly to upgrade individual holdings. We are trying to make sure our holdings are sufficiently sound to make it through what is sure to be a fairly long, challenging business environment. We are paring back those we think more vulnerable in favor of those with stronger balance sheets and more staying power. We had been doing this before the crash, but we're still holding a few names that are quite economically sensitive.

It's probably worth remembering that after all bear market declines throughout US history, equity markets without fail, have recovered and continued to reach higher highs. If you believe history repeats, then the question is not if but how long before things recover. For some historic perspective, this is the seventh decline of 25% plus since April 28, 1974<sup>2</sup>. Investors who stayed the course during these declines averaged three year forward returns of 27%<sup>2</sup> with only one three-year period showing negative results of -2.9%<sup>2</sup>. Looking out five years, post 25% declines, and every five-year period showed positive returns with an average increase of over 61%<sup>2</sup>. Of course there are no guarantees, but betting against recovery seems to defy the odds.

Clearly this global shock has disrupted life as we have become accustomed to living it. But perhaps some good might come from our current shared challenges. While it seems like the world has become increasingly divided lately, something like a lethal virus does remind us, in a most visceral way, that we are all truly connected. We are reminded that

all of us worry for our friends, our children, our parents and our loved ones. The important things we share in common are so much greater than the things we allow to divide us.

Is it possible that we might be reaching a “tipping point” with our constant 24 hour barrage of social and traditional media? People seem to be tuning out and choosing to get outside, to enjoy a walk or to spend more time with their families. They seem to be reaching out to neighbors, family and friends to make sure they are OK. Maybe we will come out the other side of all this a little healthier, happier and more grateful. And speaking of grateful, we would like to thank Jennifer and Kelli for all their hard work during these long and stressful days. We’re proud to be part of their team and most thankful for the deep commitment they constantly demonstrate to our clients/friends. And we are most grateful for the kind words of encouragement and prayers that we have received from so many of you. We’ve decided that friends are like toilet paper, you can never have too much during trying times.



<sup>1</sup>-Barron's.com

<sup>2</sup>-DA Davidson & Company Wealth Management Market Strategy – March 18th.