

There is no doubt that the human and financial toll of the Covid-19 pandemic is far reaching and devastating. In three months, worldwide statistics are overpowering:

- 803,313 confirmed cases
- 162,937 recovered
- 39,014 deaths
- Nearly 2 billion of the world's population in some form of "shelter-at-home" or lockdown condition
- Many "non-essential" commercial enterprises at a standstill with mass layoffs
- Depression-like declines in revenues and production for the world's industries

This partial list displays the impact of individual and governmental responses to an effort to slow and contain the advance of a virus that Dr. Anthony Fauci, Director of the National Institute of Allergy and Infectious Diseases, estimated to be much more lethal than a typical seasonal influenza. In the early weeks of the quarter, there was some complacency that the virus would not spread as quickly as it has. Since this is a novel virus, immunity in the world's population does not yet exist. Hot spots started to erupt and now the entire world has some form of contagion, the after effects of which are being dealt with in a significant and serious manner:

- Restrictions about any gatherings and guidelines about virus containing behaviors
- Stepped up efforts to produce needed medical supplies and equipment that are in short supply
- A race to develop therapies to lessen the effects of the virus
- An effort to understand the virus and create a vaccine

Because of the uncertainty and fear emanating from this crisis, financial markets swooned into bear market territory and react daily, sometimes violently, to nuances about positive or negative announcements. Huge swaths of industrial and service workforces are either furloughed or laid off without a paycheck. This may go on for another one to two months until the number of cases of the virus declines and the world's economies can return to some form of normal. Trillions of dollars of support programs in the United States and elsewhere have been legislated into action to offset some of the damage to individuals and corporations. Will these programs be enough to prevent an unrecoverable situation? Will the efforts to limit individuals' freedom of movement with "shelter-in-place" and "social distancing", coupled with frequent hygiene be enough to "flatten the curve" prior to any long lasting remedy to the virus allowing most to resume their normal daily activities? Will the recovery be as swift as the decline or will there be a slow progression off the bottom?

As investors, we are presented with "unknowables" and also with some "knowns". The uncertainties are sketched above. What is known is:

- Financial markets are no longer complacent about the present and near future
- Massive stimulus sends a "whatever it takes" message to the markets
- History of prior pandemics indicate that "social distancing", "shelter-in-place", and hygiene are successful non-pharmaceutical interventions that will work to "flatten the curve"
- A recent Federal Reserve of New York paper on the 1918 Flu Pandemic\* sheds a hopeful light on the resurgence of commerce in those geographic areas taking more aggressive actions to stem the virus
- Lastly, bear markets offer opportunities that do not present themselves in less stressful episodes

Our portfolio managers are engaged with current market conditions to enhance portfolio holdings and find a path forward regardless of style or strategy.

\* Sergio Correia, Stephan Luck, and Emil Verner, "Fight the Pandemic, Save the Economy: Lessons from the 1918 Flu," Federal Reserve Bank of New York Liberty Street Economics, March 27, 2020, <https://libertystreeteconomics.newyorkfed.org/2020/03/fight-the-pandemic-save-the-economy-lessons-from-the-1918-flu.html>.

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