STILL I RISE:

Q2 Market Update

"Just like moons and like suns,
With the certainty of tides,
Just like hopes springing high,
Still I'll Rise"
-Maya Angelou, *Still I Rise*

We are not underestimating the severity of the CoronaVirus and the rapid and evolving changes to our daily lives. For the first time in decades, the fight is not in some distant third world country, but in our cities, our stores and our streets. Information is flying fast and loose. Routines and safety feel as if they are slipping away.

But we will rise.

Depressions, terrorism, world wars, pandemics, recessions, oil crises, political scandal are not new to us. We believe in the resiliency of the American people to come together to fight the invisible foe terrorizing our shores. Strength through unity.

UNCHARTED TERRITORY?

Everyone has an opinion these days. I am sure you have noticed your friends are now all medical experts, economists and seemingly clairvoyant.

Society seems to think our currency, going forward, will be toilet paper and Clorox wipes. We acknowledge that we are in trying and uncertain times. The length of quarantines and the duration of the virus are unknown; experts vacillate between weeks or months in predicting a return to normalcy. But, that is the point. There WILL be a return to normalcy, as we have learned from our past tragedies including the 1918 Flu, Great Depression, and 9/11. We have faced evil and defeated it, and we will come through this. Each market crash feels like the end of the world. Each one feels as if it cannot recover and it is different, but history has shown recovery will happen. If you stay invested, stay disciplined and don't panic, you will benefit from the recovery and be back on track with your plan. I am not minimizing the risk or the fear. I am not claiming we are at a bottom. I am advising you to stay with the plan and realize market pullbacks, recessions and crashes are part of investing in stocks. While frightening, they are transitory. Recovery will happen.

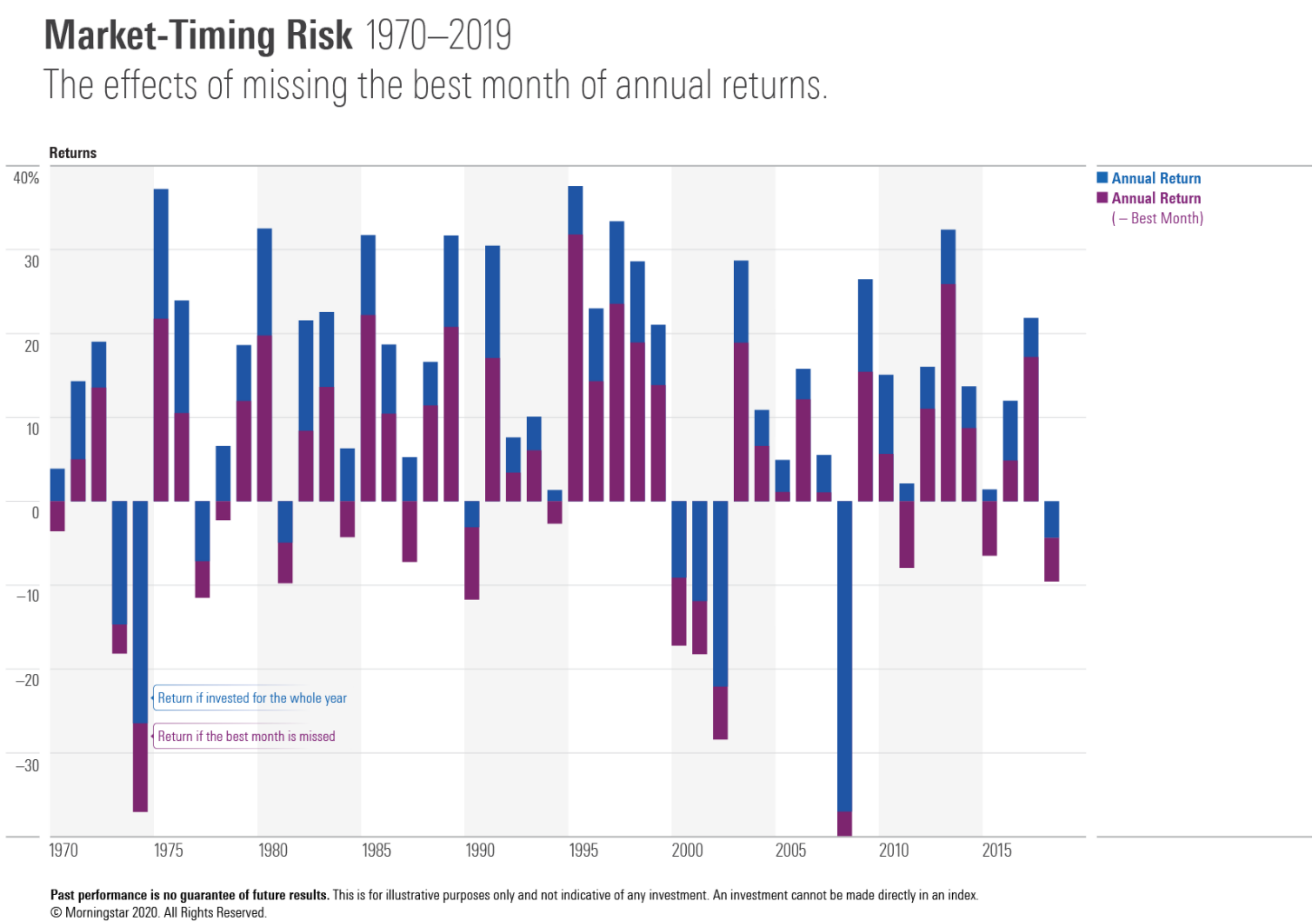
HISTORY RHYMES

Black Monday 1987 felt as though it was the end of the world in one day. In the depths of the financial crisis, during the Fall of 2008 and Spring of 2009 when the markets were down -55% from highs, there was a chorus of voices claiming "This time it's different. The crisis is too far spread!" Yet within 3 years, if you stayed the course, you were back on track. Those who sold out missed some of the best market returns in history. We have learned from prior mistakes and made fundamental changes.

Companies tend to be less leveraged, markets have more circuit breakers and regulation, and the government is acting quickly and aggressively to provide liquidity and both Fiscal and Monetary relief. Politicians and leaders learned from our past crises and we see stronger intervention to blunt the effects.

Lately, many are drawing parallels to the Great Depression and the potential for a repeat event. While G Squared understands the correlation of the potential sharp rise in unemployment, bank stress and general feeling that the end is nigh, we feel this virus will run its course rapidly. We believe this will be a sharp and swift recession, bottom out and recovery starting potentially in second half of 2020. This is a more transitory, temporary halt than an era of prolonged job loss and unemployment. After that, we will be back to business as usual.

Morningstar, as well as many others, have done extensive research into market pullbacks and crashes. "Missing the single best month during a year drastically reduced return. During years when returns were already negative, the effect of missing the best month only exaggerated the year's loss. And in seven of the 49 years shown (1970, 1978, 1984, 1987, 1994, 2011, and 2015), missing the best month would have dragged otherwise positive returns into negative territory."[1] Research shows if you look at returns since 1926, of the 90, 5-year periods, only 12 have resulted in a loss, with the bulk of those coming in the Great Depression. Even on a 1-year basis, again since 1926 (94 years), 73 have been gains and only 27 years have been losses (28.7%). Successful market timing does have the potential to enhance returns; however, getting both the exit point and the entry point correct is difficult. If you miss the best month of the recovery, it drastically reduces your return (Chart 1 Below).



[1] *3 Charts That Show Why Investors Should Stay the Course Throughout Market Turmoil*, Tom Lauricella, MorningStar March 16, 2020

WHAT NOW?

Fear and panic are the enemy of strategy. A good plan is easy to follow during smooth sailing, but the purpose of the plan is to help you stay on track during times of stress. Research shows that even if there is more downside to this market, staying invested and staying the course is smarter than trying to time the market and sit on the sidelines.

This crisis is happening very rapidly, extremely violently, and is compounded with the daily uncertainty that we all live under. Do not let the concerns about your personal health and well-being derail your financial plans. Quarantine and daily life disruption are new to most of us and exacerbate our fear of the unknown. A few months of bad markets, in the grand scheme of a 20- or 30-year financial plan, is a small speed bump.

G Squared plans to stay with our strategies, constantly evaluating opportunities and risks. We recognize that selling during times of stress typically reduces long term returns. It also leads to falling victim to poor pricing and poor liquidity on extreme days. For those with risk appetite we are dollar cost averaging our way into this market and taking advantage of historically volatile days. Assets all become correlated during stress, so even safe havens such as Gold and Municipal bonds have seen some pullbacks with the flight to cash. Patience and discipline are keys to long term success.

Lastly, I advise us all to be good neighbors & citizens. Remember those out there who need our help. Support your local restaurants, help your elderly neighbor shop, practice social distancing, and if needed isolation. Listen to your local government and stay informed. Its always darkest before the dawn, keep calm and carry on.

Victoria Greene CFA®, CRPC®
Founding Partner &
Portfolio Manager

Chart 3: History of market crashes

Event	Date	16-day chg
Wall Street Crash of 1929	10/29/1929	-33.6%
Black Monday	10/19/1987	-31.3%
End of Gold Standard	10/5/1931	-26.7%
Lehman crisis	11/20/2008	-25.2%
World War 2	5/21/1940	-24.6%
COVID-19 outbreak	3/12/2020	-20.7%
DotCom Bubble	7/23/2002	-19.3%
Post-WW2 demand shock	9/10/1946	-16.9%
US debt downgrade	8/8/2011	-16.7%
Great Financial Crisis	3/4/2009	-13.8%
LTCM	8/5/1998	-8.7%

Source: BofA Global Investment Strategy, Bloomberg

***If* by Rudyard Kipling**

If you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But are making allowance for their doubting too;
If you can wait and not be tired by waiting,
Or being lied about, don't deal in lies,
Or being hated, don't give way to hating,
And yet don't look too good, nor talk too wise
Yours is the Earth and everything that's in it

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