

April 2020 Newsletter

In this month's newsletter, we want to provide you a few thoughts and comments that we hope you will find informative and helpful.

We do not know when COVID-19 will peak, or when policymakers will reduce lock-down restrictions. As of today, it appears the timetables may be longer than originally expected. But those things will happen, and when they do, we'll likely see a strong economic rebound and recovery.

The S&P 500 declined by roughly 20% during the first quarter of 2020. This is on par with historical declines in previous recessions and bear markets. We do not know if the "bottom is in" but the market has certainly priced in a lot of bad news and potential negative outcomes.

Our investment team continues to review your portfolios and our discussions and resulting investment decisions have focused on several main themes:

- 1) We continue to align our investment decisions with our clients' financial plans and time horizons.
- 2) We continue to utilize our investment fiduciary process to ensure individual investment managers are performing in line with our expectations for their respective asset classes,
- 3) We continue to maintain a strict discipline of diversification across asset classes,
- 4) We continue to look for opportunities to re-balance portfolios when individual positions deviate significantly from their original target allocations,
- 5) We continue to look for opportunities to harvest tax losses within non-retirement accounts whenever appropriate.

Yes, the economy will likely struggle for the next several months, perhaps longer. Corporate earnings will be reduced by consumers' impaired ability to spend due to unemployment and stay-at-home orders. However, your time horizons are not weeks or

months. Instead, they are measured in years or decades. We are not making investment decisions based on next quarter's earnings. Our focus is on the long-term prospects of the investments we own.

Also, viewed in the context of history, markets do not wait for all the negatives to unfold before bottoming and moving higher. They price in the risks, uncertainties and potential negative outcomes, often overshoot to the downside – and then move on. The 2008-09 financial crisis is instructive in this regard. Stocks bottomed YEARS before the economy fully recovered during this period. We don't believe this time will be any different. Markets do not wait until all the bad news, negative headlines, and scary economic data are behind us.

The same will likely be the case this time. While fear and uncertainty surrounding the coronavirus have caused global markets to decline precipitously in recent weeks, at some point the fear will subside and markets will recover—just as they have done in the past. At that point, the recovery may well be swift—and you will want to be there.

It is understandable to be concerned about how recent market fluctuations will affect your savings goals. We are happy to review your financial plan and portfolio to ensure that your assets remain well-diversified and aligned with your personal financial goals.

Thank you for your continued trust and confidence. Please know that we are here for you.

Sincerely,

Your Blakely Financial Team



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