

To: Newman Dignan & Sheerar, Inc. Clients

From: Your team at ND&S, Inc.

Re: 1<sup>st</sup> Quarter

We hope that all of you are staying safe and keeping well in these crazy and challenging times.

Enclosed is your 1<sup>st</sup> quarter 2020 portfolio appraisal(s). Normally we would also include our quarterly newsletter, but we are forced to dispense with the newsletter this quarter since our printing company (along with most other businesses) is closed due to the ongoing coronavirus pandemic.

Well, everything in the markets and the economy seemed to be going along just fine, and then the coronavirus hit and the longest-ever bull market in U.S. history came to an abrupt end. Economies around the world were essentially shut down in an attempt to halt the spread of this pervasive virus. For the first quarter of 2020 the S&P 500 stumbled 20.0% while the DJIA dropped 23.2% (its worst showing since 1987). The NASDAQ declined 14.2% while small cap stocks, represented by the Russell 2000, plummeted 30.9%. Developed international stocks gave back 22.8% while emerging market stocks lost 23.6% for the quarter. Bonds provided a safe-haven to investors as the Bloomberg/Barclays Aggregate Bond Index advanced 3.2%.

The S&P 500 officially entered into bear market territory by closing at least 20% below its previous all-time high. The S&P 500 corrected 35% from its February 19<sup>th</sup> high to its March 23<sup>rd</sup> closing low. The DJIA erased three years of gains in a month while historically it took the market on average 18 months to move from peak to trough. Every bear market has its unique precipitating causes, and most are due to some form of economic excess. This one was caused by a virus. We cannot predict when this bear market will bottom out, and it would certainly be presumptuous of us if we said we knew. Perhaps it already has (at the March 23<sup>rd</sup> low of 18,213 for the DJIA), but we can say with certainty that it will bottom. History tells us that bottoms are a process – a low is reached, several relief rallies take place followed eventually by a test of the original low. According to Gavekal Research, in 15 bear markets since 1950, only one did not see the initial low tested within three months. It is fool's errand to try to pick the absolute bottom. Remember, every correction/bear market has proven to be temporary, and this one will be no different.

Our higher-than-normal cash levels will allow us to take advantage of price dislocations in the markets by adding to quality investments that appear too cheap. You will notice an increase in portfolio activity over the next few months as we rebalance portfolios ... the only free lunch in town. We also plan to continue the process of tax-loss harvesting whereby we sell securities with tax losses and swap them into similar securities (thereby reducing capital gains over time).

We wish that we could be meeting with you in person, but circumstances dictate otherwise. Rest assured that we are closely monitoring markets and researching investments for risks and opportunities. As always, we remain available should you have any questions.

***Stay Safe!***