



2020 is turning into a climactic year. Nobody woke up on January 1st and predicted that a global pandemic would completely arrest our economy. As we approach the year's mid-point, we are confronted with the highest unemployment rate in generations. Large businesses are seeing their profits collapse and many small businesses probably will not survive. Individually, some of us may be insulated from the despair currently faced by many people throughout the developed world – but it is real. People are struggling.

OUR THOUGHTS on the MARKETS

As investors, we have been cautious for the past 24 months. We have regularly suggested that the global economy is fragile. Our view has not changed.

While stock markets have shown some strength over the past six weeks, we find it hard to construct a reasonable argument for meaningfully higher stock prices over the next few years that does not rely on government intervention and price momentum. However, we fully concede that *the stock market is not the economy and that stock prices may surge much higher from here.*

The risks we take with client assets need to be commensurate with expected returns and considerate of the potential loss. High debt levels in combination with sky high unemployment is not typically a formula for success. Further, the S&P 500 is currently trading 26 times above earnings; remarkably, 13% higher than it was at the beginning of the year.ⁱ

WHERE ARE WE NOW?

We remain underweight equity and fixed-income securities. We have a healthy allocation to both gold and long-short hedged strategies. We do have cash-on-hand that we will be investing over the summer, though it is not burning a hole in our pocket. We are patient people and will be looking for good entry points into the market over time, always with a long-term view.

HOW HAVE WE PERFORMED and WHERE ARE WE GOING?

We believe our portfolio has performed quite well in 2020. Year-to-date, almost all our clients are enjoying positive returns. We experienced far less downside volatility throughout March than most retail investors and we are once again flirting with our high water-mark from February 19th. We have no strong views about what will happen in the immediate future. In fact, if the past few months has taught us anything, it is that we should always expect to be surprised.

We hope that the pandemic experience has also provided some bright spots for you – more time with your family at home; rediscovering skills and hobbies outside of work; learning new technologies as we navigate the work-from-home environment.

As always, the three of us are available to speak if you have any follow-up questions. Please feel free to reach out.

Have a wonderful weekend.



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ⁱ <https://www.wsj.com/market-data/stocks/peyields>