April 8, 2020

Dear Investor,

That WAS nuts! If you read our first quarter letter, you know we led it off with the statement "This is nuts." That turned out to be a *massive* understatement.

A wild first quarter delivered the fastest bear market *in history* and it did quite a few other things along the way. Most importantly (and thankfully as this is a silver lining), it reminded people of what is truly important: good health, family, friends (from a distance) and hope for the future.

For us, it reminded us *precisely* why we got into this business: **to help people.** We help people with their future. We help them … as they help their families. And we do it through education, information, and by providing and applying different tools … we '**coach**'. And … that we did.

We have many different clients with many different risk tolerances, time-lines and goals. They have different levels of understanding investment markets, different levels of interest, and different philosophies about life and the role they want to play in it.

Some clients are aggressive, some are risk-averse, and some (a lot actually!) want to be both … they just want to be the 'right one' at the 'right time'! Some clients want us to 'just do it', and if we cannot, for someone to do it for them. We recommend and arrange that wherever we can.

During this wild, exhausting quarter, we talked to a lot of people … as you yourself likely did. While face-to-face meetings are best for building good relationships, allowing for two-way communication that helps define goals, convey comfort levels, and make decisions, the culprit of Q1, the coronavirus, took that option away. So … like you, we did a lot of virtual meetings and phone calls, and a lot of follow-up through screen-shares and e-mails. Quite a busy time.

We held more than a dozen evening presentations for retirement plan participants to provide market updates, remind everyone how their plan works, answer questions and guide choices. And, we held a lot of phone conversations and screen-shares with individual clients.

A lot of different choices were made. Some chose to 'stay put', others chose to reallocate, many chose to give us full discretion, where we can use all of our tools, including hedging or 'shorting'. (That allows for 'inverse' positions that can rise when markets decline.)

The extreme nature of this quarter tested all of us in ways we wouldn't expect. The arrival of a viral threat threw into legitimate question the future health and viability of our people and businesses alike, and the situation was very demanding of everyone's time, and more importantly demanded potentially life-changing decisions be made … on the virus' timetable. That is a ***tough*** quarter.

So … what to do now? We'll address that in the Detail that follows. As always, we will point out the back-drop behind the scenes of your wealth-building environment. Younger investors who have the luxury of time to ride out major changes in markets (and perhaps even the currency we use), may view the near-term as a lower-cost buying opportunity, nothing to get worked up about. For older investors near retirement, or younger investors who may need to access their assets anytime soon, we understand it would be preferable to hear 'everything will get better, starting today'. That may indeed be the case, but it also may not. So … we should make a decision that fits you and your situation with the reality at hand … not with what we want it to be.

We have zero doubt that the country will navigate through the hardship at hand and emerge stronger. The near-term path may be challenging. Call us if we can be of help: (614) 734-9584.

Best Regards,

Mike Sullivan, President, Certified Financial Planner Professional ®

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Perspective & Outlook:

The Fed money-printing rally that began in Q4 did indeed continue in full force … but only until the third week of February. Interestingly, the Chinese economy was largely shut down for weeks before our markets rolled over … but that almost surely has to do with the Fed, and when they rolled, they rolled hard … Q1 2020 returns by index:

INDEX	TYPE	2020 Q1
Standard & Poor's 500	US Based Large Stocks (500)	**-19.6%**
Dow Jones Industrials	US Based Large Stocks (30)	**-22.7%**
Nasdaq Composite	US Based Large Stocks	**-14.2%**
Standard & Poor's 400	US Based Mid-Cap Stocks (400)	**-29.7%**
Russell 2000	US Based Small-Cap Stocks (2000	**-30.6%**
Dow Jones Transports	US Based Transportation Stocks	**-28.8%**
Dow Jones Utilities	US Based Utility Stocks	**-13.3%**
EAFE International Index	International Large Cap	**-23.7%**
MSCI Emerging Markets	Diversified Emerging Markets	**-23.6%**
Barclay Aggregate Bond	Intermediate Bond	**3.2%**
3 Month T-Bill	Cash Equivalent	**11.7%**

Sources: *Bloomberg, yahoo.com*

We have written about the Fed ad-nauseum, so we will spare you any more details this quarter. For over a decade, 'the math is broken' has been the message, and we trust everyone can now see the extent of the absurdity … most certainly in the financial sector, in particular with the Fed, and of course in Washington.

The important issue today is … what to do?

Last quarter the answer was to consider lightening up risk. This quarter, everyone is hoping the worst is behind us, us most definitely included.

The path, however, is uncertain, and once again it is littered with bail-outs, money-printing that boggles the mind, and uncertainty.

So, as we all know, ***the answer differs for different investors*** based on different time-lines, different beliefs about the existing monetary and political systems, and different needs.

Our retirement plans all have a wide breadth of investments in them, including professionally managed accounts that offer 'Defensive Investing'. If you're in one of the retirement plans, please be aware of this feature and the various models offered. As indicated, we have conducted numerous calls after hours so everyone could join in and ask questions, and be reminded of how their plans work. If you were notified of a call but could not attend, do know that you can reach out to us anytime for one-on-one conversations and consultations.

Of note, one of the services we have used for years pretty much nailed the top, and has projected a near-term return to the range the markets are in right now as we go to print, with the Dow Jones near 23,000 and the S&P 500 in the 2,800 area. Note, this does *not* mean that the market will necessarily roll over here, but it is a possibility so it is worth noting, especially to those who anticipate they may need to access funds for any reason in the near future.

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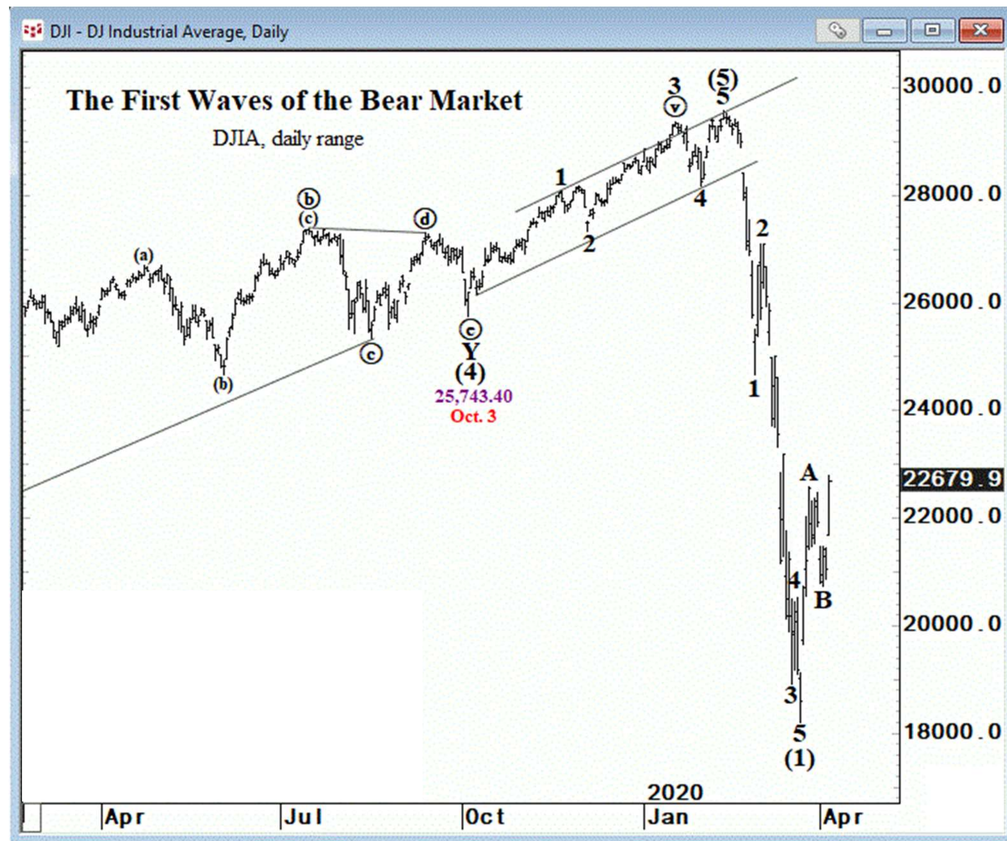
Importantly, Congress recently approved the CARES act, which makes access to retirement funds a bit easier, although that is something every investor should resist to the extent possible. If you don't anticipate needing to access them, you should instead consider whether your allocation is in line with your risk tolerance and with your emotional needs.

For individual clients, we have acquired many different tools over the years, including 'hedging' strategies and we have managed accounts that actually weathered Q1 with plus signs, some with relatively modest minus signs, and others more in line with what would be expected in today's markets. There are also a number of products that can help buffer down-side.

It is a prudent time to make sure you are using a strategy that fits you and your circumstances.

Now, again in the spirit that a picture is worth a thousand words, here are some charts that are noteworthy:

First, the service that nailed the top is a technical service called 'Elliott Wave'. It sees one possible pathway as a reversal in the area we are today, with the Dow Jones Industrial Average in the 23,000 area, followed by more downside:



Again, this is by no means any type of guarantee that this is what happens, however, it may be in line with some forthcoming nerves as companies begin to report what will surely be negative revenue and earnings reports. We would expect that many of them will have no clear forecasts since the global shutdown we have just experienced is 'unprecedented' … a word that is most definitely overused, but accurate nonetheless.

We note that McDonald's today just reported abdominal March sales and suspended all forecasts for the foreseeable future. We expect that will be the case for many companies.

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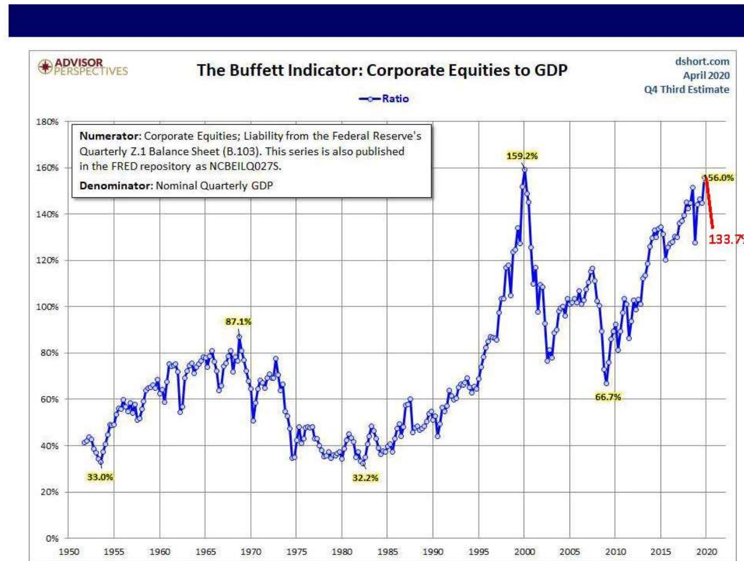
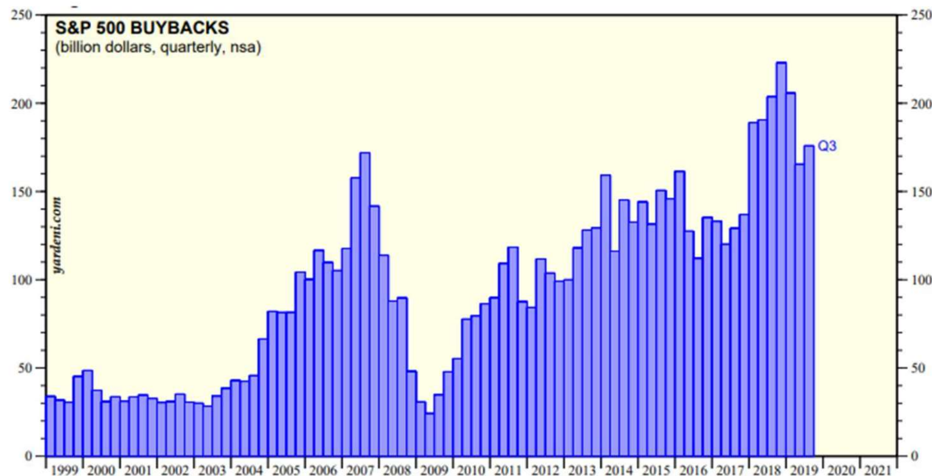
Doug Short put out this chart, which illustrates the value of corporate equities as a percentage of Gross Domestic Product:



A quick look at this chart suggests that even with the brutal, historic sell-off we just experienced, this ratio at 133.7% is still fairly high from a historic stand-point. It does not mean that it cannot reverse and resume its upward trend, particularly in the face of all of the central bank bail-out activity and the fiscal stimulus programs being put in place left and right, it merely suggests that we are still at a high valuation … particularly with so many unknowns.

And last, the following chart shows the years-gone-by activity of the biggest buyer in the bull market since 2009 that just ended: stock buy-backs. Those occur when companies buy back their own stock. It is noteworthy that in 2008, the buyback activity decreased for some time.

Quarterly Buybacks on S&P 500



Source: Yardeni Research

For perspective, many companies in the S&P 500 borrowed money to buy their stock back. By doing so, many borrowed money cheaply at say 1%, and then buy their stock back which in many cases paid dividends, of 2% or 3% or 4%. By doing so they supported their stock price, and the money borrowed cost less than the dividend they paid out on the stock would have cost, but many companies took on new debt to do it. Boeing is the poster-child for bad buy-backs in this market crisis, having used over 90% of their 'free cash flow' to buy back their own stock over the past five years. Now, with the problems they're encountering with their faulty planes combining with the virtual cessation of air travel, they are in big trouble. Not too many companies manufacture airplanes in this world, so they are almost a national security necessity … so they of course are screaming for the taxpayers to bail them out, both directly and indirectly by having the Federal Reserve print up more money and lend it to them.

Many companies in the S&P 500 will be screaming for bail-outs, just like Boeing, but if they do get assistance, they will be prohibited by the CARES Act from buying their stock back again for a full year. That means a big buyer of stocks will be removed from the markets.

We are going to leave this letter to stand with these three simple charts. And once again, we'll remind everyone to think about a few simple questions you can discuss with us … if you have thought about these, we can make great use of our time together and identify any changes that may be prudent, if necessary:

1. Have your long-term needs changed?
2. What are your immediate needs for liquidity?
3. Do you believe your risk-tolerance has changed?
4. Does your current strategy suit your needs today?

We wish the best for you, your family, your friends, and your business in this unique environment and in the days and years that follow. There is no doubt we can navigate through this chapter, and we fully expect we will all come out stronger down the road.

Thank you for the opportunity to be of service. Please call us at (614) 734-WLTH (9584) if we can help you think through the questions above!

The opinions and forecasts expressed are those of Mike Sullivan and may not actually come to pass. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security or investment plan. Past performance does not guarantee future results. An investor cannot invest directly in an index. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 400 Mid Cap Index tracks the stocks of 400 mid-size U.S. companies. The Russell 2000 Index tracks the stocks of 2,000 small U.S. companies. The Dow Jones Transportation Average (DJTA) is a price-weighted average of 20 transportation stocks traded in the United States. The Dow Jones Utilities Average (DJUA) is a price-weighted average of 15 utility stocks traded in the U.S. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Individuals cannot invest directly in an index. The Nikkei 225 Index is the Japanese equivalent of the US Dow. Price-weighted average of 225 stocks of the first section of the Tokyo Stock Exchange. The Hang Seng Index is a free float-adjusted market capitalization-weighted stock market index in Hong Kong. Investments in precious metals such as gold involve risk. Investments in precious metals are not suitable to everyone and may involve loss of your entire investment. These investments are subject to sudden price fluctuation, possible insolvency of the trading exchange and potential losses of more than your original investment when using leverage. Securities America and its Representatives do not make a market in, conduct research on, or recommend purchase or sale of securities mentioned.

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