



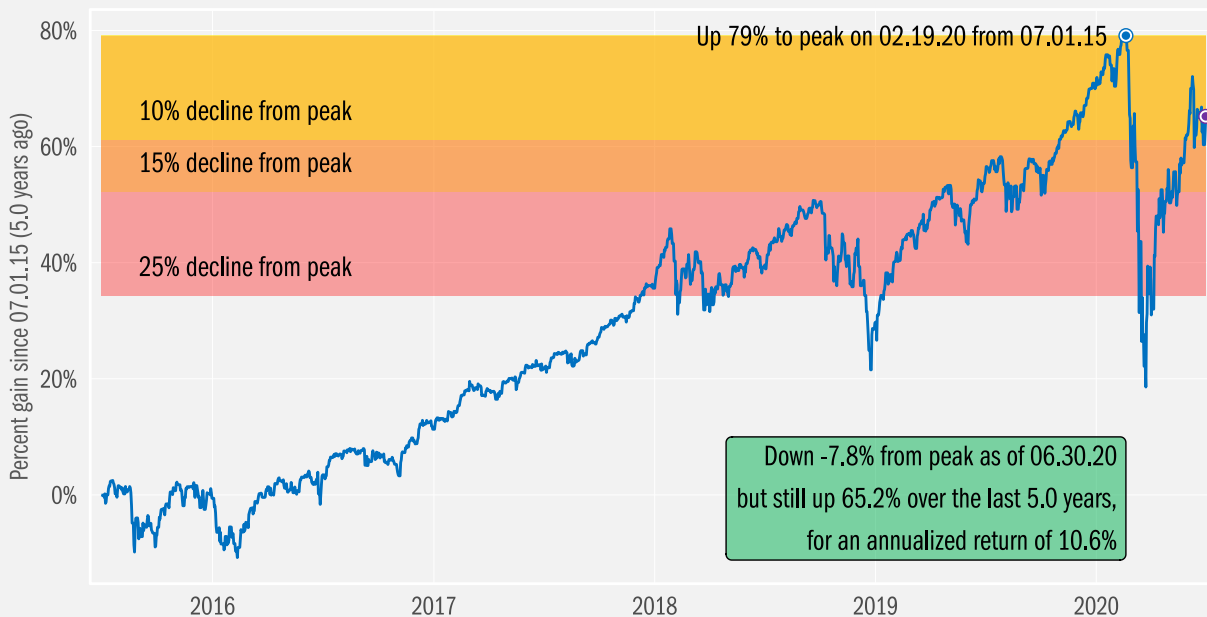
LAMENTING THE BOUNCE?

The U.S. equity market rests just under 8% from its February 19 peak. Cue worries that we've come too far, too fast. Near-term stock valuations may look extended as revenue and earnings sink. There's no end yet in sight for the pandemic, and U.S. elections are just around the corner. But, as the bulk of the premise for owning stocks is based on long-term future value creation. Specific winners and losers aside, we imagine the future no less obscure than it ever has been. While we suggest all investors regularly revisit risk tolerance in order to gauge comfort with market risk, perhaps most should seek to maintain that longer-term perspective we have found tends to lead to better investment outcomes.

On Approach to Peak...

Despite the ongoing health, societal and macroeconomic challenges that the COVID-19 outbreak has spawned, the equity market's substantial rebound from March lows suggests investors might have broadly discounted a quick recovery. If the recovery indeed proves reasonably full and sharp, then the rebound may be seen as justified. Could be so even if the recovery proves a bit less than entire and a bit more drawn out than expected. And that's because investors naturally—and justifiably—tend to train their sights on the longer-term future, the range of potential outcomes for which remains unchanged from pre-outbreak days.

Figure 1: S&P 500 Index Total Return



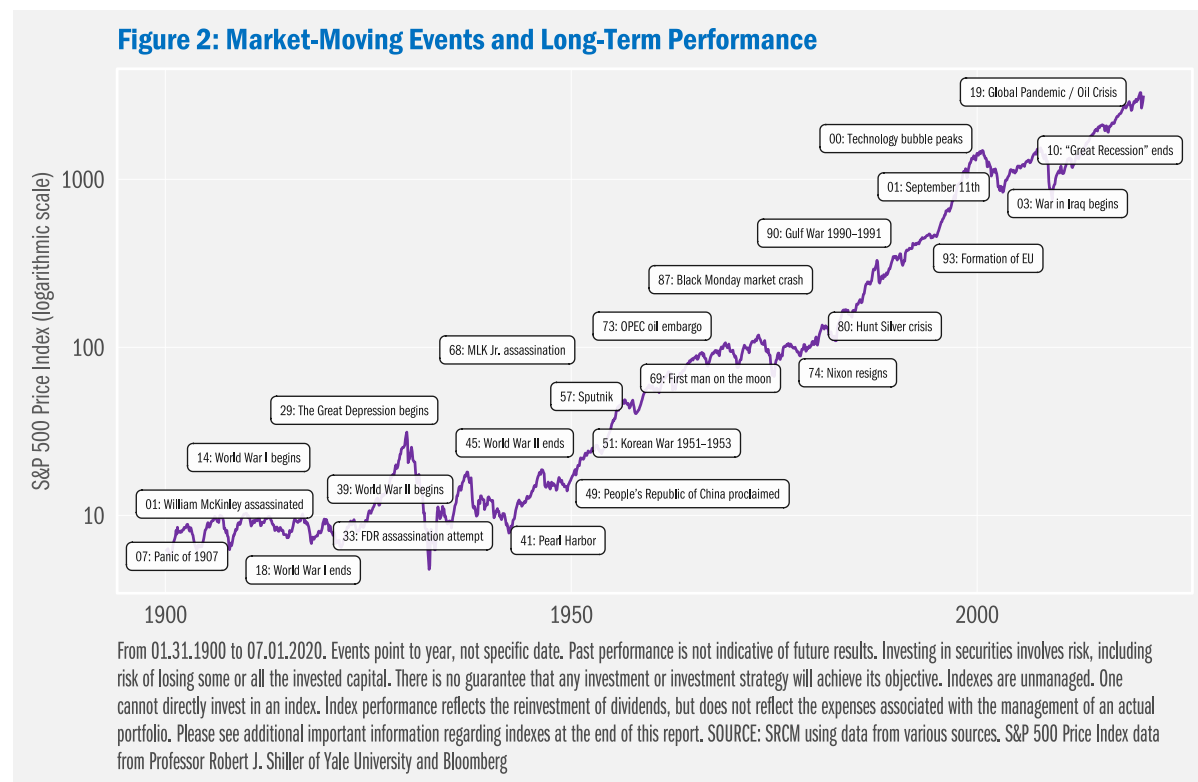
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...Not to Normality

Such statements must come across as Pollyannaish and/or just dumb, we imagine. How can it be that the outbreak doesn't matter? The efforts of policies that seek to pursue a balance between public safety and fiscal security have seen some observable successes. But, growth in COVID-19 cases, the percentage of tests showing positive results and the number of hospitalizations all are surging along with attempts at reopening the world to social interaction and macroeconomic activity. And let's not forget that the U.S. presidential election is right around the corner. If polls of the recent past are any guide, the march toward November 3rd should prove a font of prompts for market volatility.

But, while there are myriad reasons for folks to worry about both trends, the longer-term outlook for investing shouldn't be one of them. We certainly can understand concerns regarding individual health, safety and employment. And we must continue to be cognizant of our collective social well-being. But, even a glance at Figure 2 shows we've experienced numerous global dislocations in the past, most likely having generated similar existential angst, and that that the market has recovered from each over time.

This history shows, too, that impetuous risk-off reactions to near-term events tend to prove detrimental to progress toward longer-term financial goals for those with investment time horizons sufficiently distant to allow them to persevere the interim market volatility. One need simply to accept that market instability is among the reasons we should expect any return at all on our investments. Many will try to time the ups and downs. But, selling out of the market is easy. It's the getting back in that's the tough part. Especially when the news remains ugly, much as it did throughout March and May and even still.



But, What's Forever Changed?

For those able to demonstrate an ability to time the markets in such ways, we're hiring! Actually...we're not looking for a market timer. And that's because we think it's foolish to promise such things even if there is a teeny chance that it's possible. Instead of thinking about how to time the coronavirus news cycle, we think a better question to ponder is what may forever have changed as a result of the outbreak. And we suggest pondering the question itself, not the answers you might surmise. Not to be too philosophical, we think the answer is both everything and nothing. The world ten or twenty years hence is likely to be remarkably different than the once in which we now live. Just as the turn of the millennium occurred in a world quite different than now. The future is thus likely to remain in a constant state of unknowable-in-advance flux, just as it always has. We believe that still will leave the best method of investing being one that pursues an allocation appropriate to a given comfort with market risk, with intentions focused on the longer-term potential outcomes of the approach.

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