Good afternoon, hope all are well.

The coronavirus and the recent oil shock have rattled markets. It's been over 10 years since markets have experienced such volatility and we understand how that can make investors feel. The catalyst is never the same, but the result is a shift of market sentiment from greed to fear, one that is well under-way right now. When this transition occurs, it is important to stay logical rather than succumb to our emotions. The media, friends, family, coworkers can all be an influence in how you feel about the financial markets. To be clear, everyone is not panicking. Selling low and buying high never works. Ever.

There is no doubt that the coronavirus will have a significant impact on corporate earnings in the near term. However, in aggregate, the impact will be minimal from a multi-decade perspective. Stocks derive their value from a long-term stream of earnings- think decades of earnings, not months, quarters and years. Near term reactions in the market are often disconnected from this fact. When the reactions are severe, they result in an opportunity to earn better returns prospectively. For example, the recent drop in U.S. small cap stocks has increased the prospective return by over 3% annualized over the next decade, all else being equal, since Feb 28th.

The reaction to high quality bonds has also been consequential to the prospective return. The 10-year treasury bond has rallied given the market selloff, which has reduced the future returns from 1.91% to .74% annualized over the next decade. Navigating the volatility in the markets is simple but not easy. We have set up triggers that alert us when a targeted allocation moves up or down by certain percentages. Our plan is to rebalance when these triggers are breached. This often results in buying investments that have fallen in value, something that emotionally isn't the easiest thing to do. Outside of rebalancing, we have and will continue to look at market weakness as an opportunity to harvest tax losses to offset future taxable portfolio gains. We continue to communicate with fund managers and analysts daily to look for additional opportunities.

As a team, we've been through many market corrections over the years. We take an unemotional, disciplined approach to investment management which has proven to provide the most benefit to long term investors. The famous champion boxer George Foreman once said: "Plan your work, then work your plan". We will continue to work the plan and do what's best for our clients. Remember, we invest our family's money the same way we invest our clients. We're all in this together, and we will get through it.

We have the capability to work remotely to address your needs and run the operation like normal. To do our part in reducing the spread of the virus, we have instructed our staff to work from home. If you have any concerns, please feel free to contact us. For the quickest response, you can contact your advisor by email. If you don't know your advisors email address, simply send an email to info@sdfinancialadvisors.com and it will be forwarded to them. You can still contact our main line at 302-994-4444, leave a message and we will return your call, should we not answer.

Sincerely,
Your Schiavi + Dattani team