FINITY GROUP, LLC

4380 SW Macadam Avenue •Suite 245 • Portland, OR 97239

April 2020

First Quarter Market Update

Over the last few weeks, the world has changed as we deal with the global pandemic Covid-19. We hope that we can resolve this as quickly as possible and give thanks to all the front-line workers; physicians, nurses, grocers, to name but a few that are keeping us safe and operational during this time. While the crisis is taking a deadly toll and impacting the lives of everyone, it is also having a significant impact on financial markets. After a strong initial start to the year, markets took a dramatic turn in mid-February as we began to understand the magnitude of the calamity that was approaching. As we work through this, we encourage investors to focus on the long-term goals of their portfolios as we are confident that this too shall pass.

Financial Reaction to COVID-19

The financial reaction to the deadly COVID 19 virus was swift and startling. From mid-February to mid-March the S&P500 dropped approximately 34%. Since March 23rd, however, the index has had a significant recovery, rebounding approximately 25% to end the quarter down 19%. A familiar phrase in the investment world is that past performance is not an indicator of future results and we are glad there is not a similar past event to reflect on in this situation. That said, we have seen market selloffs in the past and we feel they can teach us valuable lessons on how to handle this hopefully one-of-a-kind event.

Regardless of cause, one thing, bear markets have in common is volatility. While the goal of financial markets is to accurately price assets (a stock, bond, commodity, etc.) they rarely move to the accurate price immediately and with precision. Instead they are more like a pendulum working its way to equilibrium with an overreaction in one direction followed by an overreaction of a slightly lower magnitude in the other; then repeating the process until they have settled on a fair price for the asset. We encourage investors to keep this analogy in mind as we expect the markets to remain volatile until we work our way through the healthcare crisis. Using the 2008 Great Recession as an example, Goldman Sachs noted that the S&P 500 had six periods in which it went up between 9-19% on its way to hitting the lows in March of 2009. After each one of these upticks the market sold off further on its way to the eventual low point and subsequent turnaround.

As I write the above paragraph, the S&P 500 just had its best week since October 1974 and the DOW Jones Industrial average just had its best week since 1938. For most, these statistics are bewildering as they flash on television screens juxtaposed to headlines that 16 million Americans have lost their jobs in three weeks and the omnipresent health toll this virus has taken on the country and world. In this type of market environment, one in which the justification for the rebound seems lacking and even callous, it is important to remember the time horizon of your investments. For longer term investors still in their accumulation years, this will not be the last time we go through a bear market. Hopefully it will be the last one due to a healthcare crisis, but regardless of the cause, there will be more, and staying invested to participate in the eventual rebound is one of the most important investment skills you can have.

Correctly framing our investments and then having the emotional discipline to maintain one's allocation when market volatility picks up is difficult and arguably goes against our basic instinct that when something is going wrong to try and fix it. The "fix" however, is one of the worst things that one can do as an investor. The natural reaction is to try and limit further loss and thus make the portfolio more conservative. By doing this, yes, additional potential losses are likely reduced but so are future potential returns. We would instead recommend looking to rebalance back to your targeted risk return profile that was developed knowing that these types of events occur and allow your more volatile assets the opportunity to recover.

This is hopefully a once-in-a lifetime event and it is taking a significant toll on everyone. We wish you and your loved ones health and safety as we work through this. We are all in this together and if an article or headline triggers a question or concern as it relates to your investment accounts, please call. We are always ready to assist you and if any changes to your situation have occurred, please contact us at your convenience.

Index	Closing Price: 3/31/2020	Closing Price: 12/31/2019	Q1 2020 Return	2020 YTD Return	Trailing 12 Months
S&P 500	2,584.59	3,230.78	-19.60%	-19.60%	-6.98%
S&P 500 Value	953.09	1,285.77	-25.34%	-25.34%	-12.20%
S&P 500 Growth	1,664.05	1,952.62	-14.50%	-14.50%	-2.47%
Russell 2000	2,865.75	4,146.56	-30.61%	-30.61%	-23.99%
Russell 2000 Value	4,481.80	7,008.02	-35.66%	-35.66%	-29.64%
Russell 2000 Growth	4,891.60	6,603.31	-25.76%	-25.76%	-18.58%
MSCI EAFE	1,559.59	2,036.94	-22.72%	-22.72%	-13.92%
MSCI EM	848.58	1,114.66	-23.57%	-23.57%	-17.36%
BBgBarc US Agg Bond	2,295.05	2,225.00	3.15%	3.15%	8.93%

Written by Finity Group