



INVESTORS QUARTERLY

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AN OPEN LETTER ABOUT COVID-19 FROM MANAGING DIRECTOR KRIS TOWER

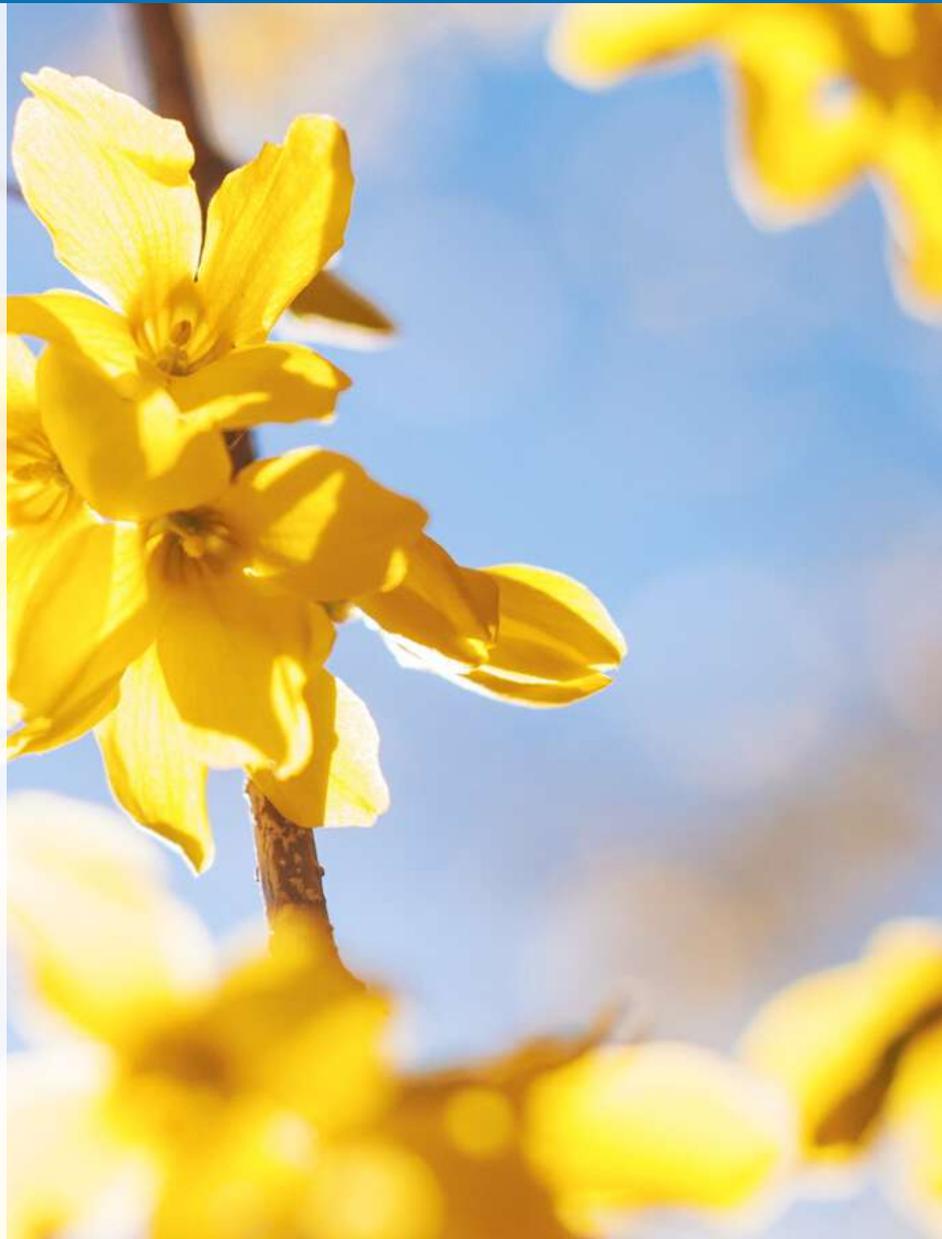
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THE STATE OF THE UNION: HOW THE U.S. ECONOMY IS POISED TO RECOVER FROM THE COVID-19 CRISIS

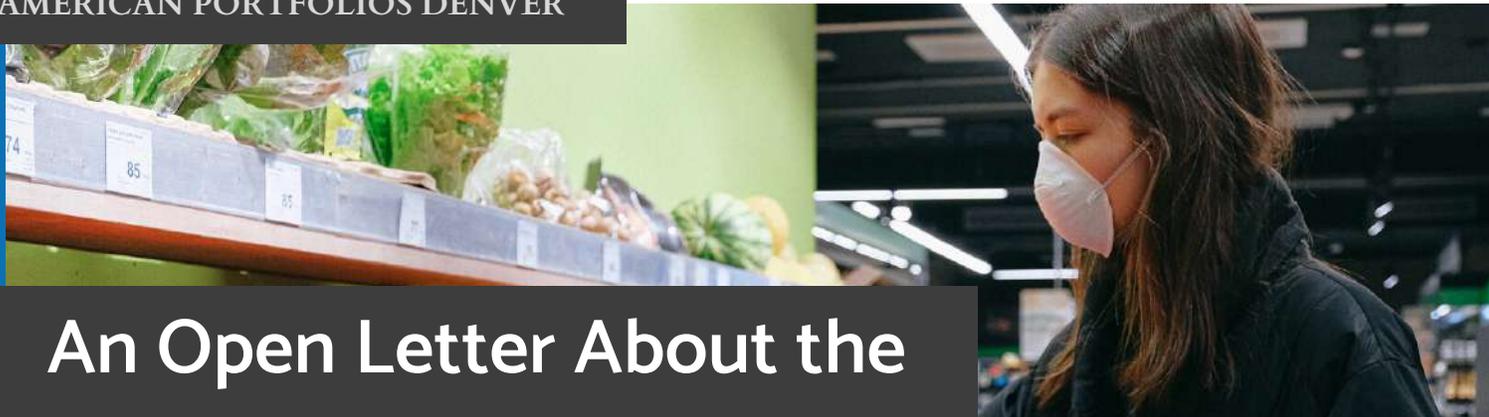
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An Open Letter About the True Impact of COVID-19

These past few months seem too surreal in the eyes of many as our world tries to recover from this COVID-19 pandemic and subsequent economic upheaval. While I'm confident messages like this are starting to sound much the same, my intention is to speak to the true depth of pain and uncertainty we're all experiencing at this time.

On a personal level, our hearts are with those who have suffered the loss of a loved one during this crisis. There are few words that can truly capture the agony and numbness of suddenly losing someone close to you. We stand firmly in the belief that relationships are far more important than many things in life. Our condolences go to those grieving today.

While the loss of life is the ultimate price anyone could pay, we also recognize the depth of loss caused by closed businesses, lost employment, and financial loss. Entire industries are now disrupted. Numerous household brands and names are on the verge of bankruptcy, some of which will never return. The normal ups and downs of market activity seem to be magnified at this time as our experiences and everyday routines are clearly anything but normal.

No one truly knows the full extent that our economy may continue changing, but our team at American Portfolios Denver knows at least one truth for certain. You deserve clear, level-headed insight on how to continue pursuing your financial goals while navigating any coming economic volatility. Plans may change. Expectations may need adjustment. Life-changing decisions may loom large on your horizon.

Whatever the future may bring, know we are here to answer any question you may have along the way. Stay strong, hold onto hope, and let us know how we can serve you today.

- Kris Tower, Managing Director



The State of the Union: How the U.S. Economy Is Poised to Recover from the COVID-19 Crisis

The four-week 34% decline in the S&P 500 from mid- to late February through the end of March qualifies as a bear market. Stocks declined at a noticeable rate as investors sensed the economy was starting to feel the economic impact of COVID-19.

Over a six-week period, there have been 30 million first-time claims for unemployment insurance (through April 25). It is by far the worst number of layoffs we've ever seen, and it is heart-breaking to see as we recognize families and lifelong dreams of entrepreneurs are now in full recovery.

A 7.5% decline in consumer spending in March is the biggest decline on record. Industrial production slid 5.4% in March, the worst decline since the end of World War II. Nonfarm payrolls for April will be released May 8. It will easily exceed the prior record of 2 million lost jobs at the end of World War II.

Sadly, we may see an acceleration in the economic contraction this month when we examine May's data more closely. Put simply, a health crisis has morphed into an economic crisis, with the economy contracting at an unprecedented speed. During April, the Dow Jones Industrial Average and the S&P 500 recorded their best monthly gains since 1987. It's an incredible disconnect between the financial economy and the real economy.

The year-to-date losses in U.S. stocks have been quite modest. The government stimulus of over \$2.5 trillion is helping build positive investor sentiment. Talk of a vaccine or treatment that would end the pandemic is a significant factor. This is another example of why it's wise not to try 'timing the market'. No one could have accurately predicted the true depth of market decline or the way in which the market seems to be bouncing back so far.

Investors are already looking to 2021 when there is the anticipation that corporate profits will turn around. We will continue providing timely, evidence-based updates to help you make the best possible decision as you continue pursuing your financial goals.

3 Financial Planning Must-Do's In a Down Market

With a significantly higher amount of volatility than normal, no one can accurately predict the exact behavior of our current market. Knee-jerk reactions and "if it bleeds, it leads" media influences are rarely helpful or wise. This is a textbook example of why evidence-based investing is essential to making wise, informed financial decisions.

A declining stock market can provide extraordinary opportunities for investors with the patience, data, and insight to take advantage of these market conditions. We firmly believe in the following three action items (among others) to consider taking during a down market.

#1: Revisit your written financial plan.

Most portfolios are down about 20% and survey results show us that investor sentiment is cautious but optimistic. Your top question about the market is likely what lasting impact COVID-19 may have on your financial plans. You want to know if you can retire when you want to retire. You want to know your plan is designed to help you have enough money no matter how long you live. You want to know your children have the support they may need.

While many advisors would recommend you immediately adjust your financial plans, we take a more informed, intentional approach by revisiting your plans to start. There's a reason why you created the plans you did with our expertise: to accommodate for the worst-case scenarios and 'what if's' of life. This is one of those moments. Safety nets and contingency plans are likely built into your plan for a reason: to help you weather volatile market conditions.

If you're concerned about your current financial plan, our team at American Portfolios Denver is happy to review your plan with you in light of our current market and your financial goals.

#2: Adjust your written household budget and liabilities as needed.

Over 26 million Americans are now on unemployment. Chances are your income may be at...

3 Financial Planning Must-Do's (Continued)

...risk, if not nonexistent now because of market changes and COVID-19 closing businesses around the world. The most recent bull market was one of the longest-lasting bull markets in the history of the stock market. That experience caused the 'wealth effect' for many investors who spent above their 'normal' spending habits.

The uncertainty surrounding the pandemic is prompting many to take a second look at their finances. This could be a watershed moment, prompting you to reflect more on your lifestyle, what's truly important and aligned with your values, and what you may want to change. If you foresee financial struggles in the aftermath of the pandemic, modest spending reductions may be a highly effective and easy-to-execute option. You may also want to revisit your current liabilities, such as consumer debt, school loans, and any impending mortgage adjustments.

#3: Stick to systematic investment plans, such as dollar-cost averaging.

Dollar-cost averaging is a prime example of a systematic investment plan, which means you invest the same amount every month regardless of market activity. A research analysis performed by the Woodbury School of Business at Utah Valley University studied the 40-year market span from 1980-2019. Their analysis shows that consistent monthly investments -- dollar-cost averaging -- shows a favorable outcome after only 12 months with a dramatic difference over a period of three years or longer compared to inconsistent investing behavior. In short, one of the best decisions you may make at this time is to maintain your monthly investments.

As financial professionals, we know that long-term investing means riding out the storm. We also know that financial storms can provide excellent investment opportunities when done with evidence-based investing. Although these strategies can take some time to prepare and execute, the financial results are often worth the wait and effort. If you have additional questions about what may be best for your portfolio at this time, connect with our team of advisors with American Portfolio Denver to review your investments and financial plan.



Are you facing uncertainty with your financial momentum in 2020? Let's talk!

Our team with American Portfolios Denver serves clients across the Rocky Mountain region and beyond through our main office and affiliated advisors. Reach out to our team to start a conversation today about your financial goals.



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