

## Mama said there'd be days like these...

This week it has been tough to get away from the news about the COVID-19 outbreak, it's politicization, and its global impact on the markets. Thanks largely to algorithmic trading, we've seen the markets drop into correction territory (more than a 10% drop) at a record pace. You may find yourself shaking your head, clenching your teeth, and may be hearing the Shirelles singing their 1961 hit song "Mama Said There'd Be Days Like This". We understand, and wanted to reach out to you with a few thoughts.

Market corrections are not unusual. In fact, we have averaged about one per year since the financial crisis. Although they can be unpleasant, they are a reminder to us all that investment reward does not come without risk. It is the ability to stay the course in a diversified portfolio using a disciplined investment strategy that allows investors like you and like us the opportunity for reward.

You may be hearing comparisons to the financial crisis of 2007-2008 which we feel is targeted more to stir fear and unpleasant memories than it is to try and portray an accurate comparison to what is happening today. We do, however, feel that there is a lesson for us all to be reminded of as to what happened to investors who may have liquidated their portfolios and gone to cash rather than staying the course. Please take a moment to review the attachment "The Importance of Staying Invested".

We also wanted to share an article that was just released by Dimensional Fund Advisors entitled "The Coronavirus and Market Declines," which we thought you might also find to be of interest. This is also worthy of your review.

Please know that you and your financial goals and ambitions are of the utmost importance to us. Although we can not control the markets, we can make sure that we are readily available for consultation and will continue to reach out to serve.

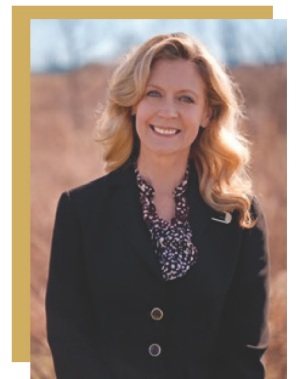
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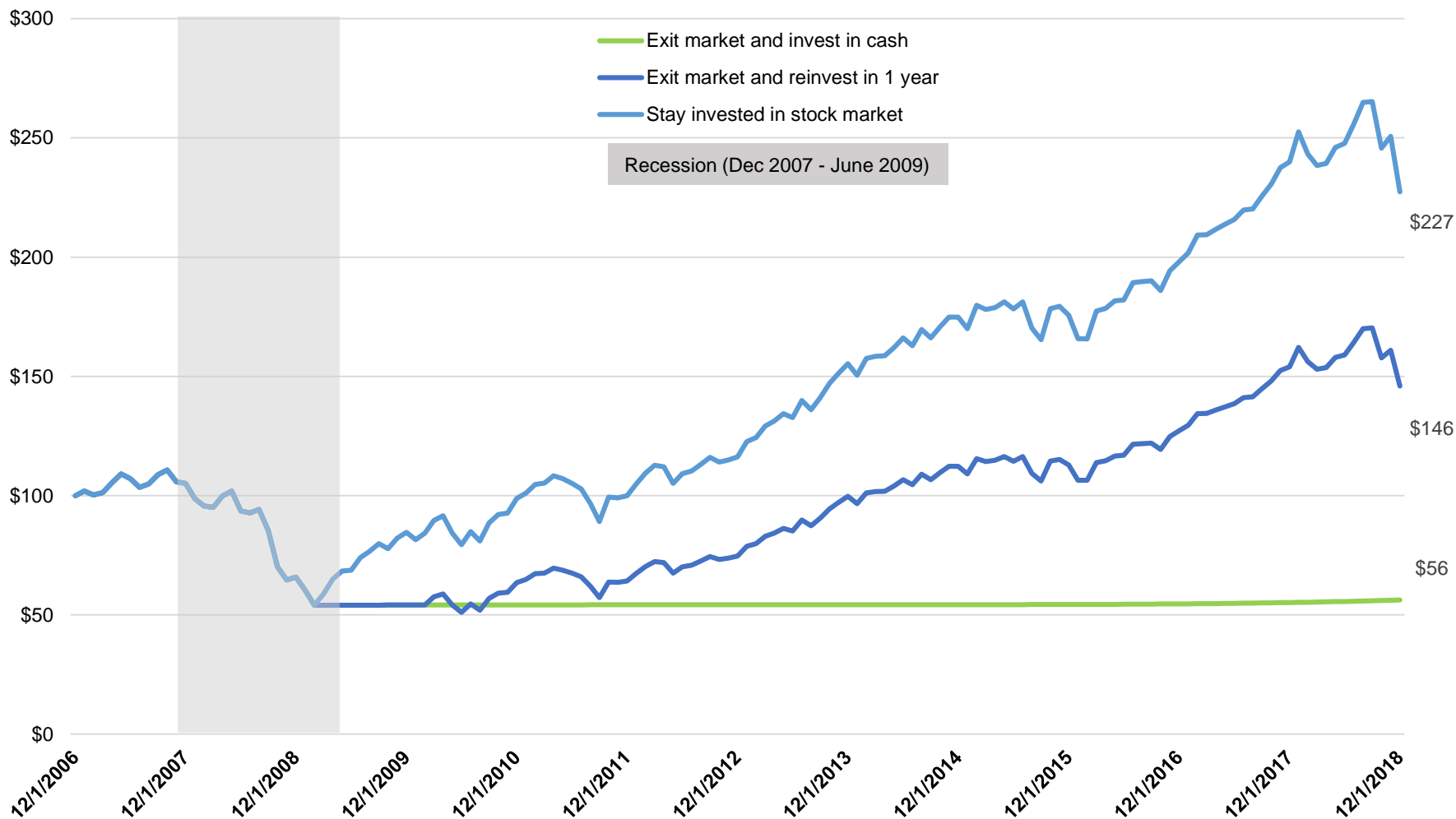
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# The Importance of Staying Invested

## Ending Wealth Values After a Market Decline



Data sources: Strategic Capital Investment Advisors. The market is represented by the Russell 3000 Index. Cash is represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. This information has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy. For index definitions please visit <http://mfinwealth.com/index-definitions/> 6/14/19. 2582293.1

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## The Coronavirus and Market Declines

Feb 27, 2020

The world is watching with concern the spread of the new coronavirus. The uncertainty is being felt around the globe, and it is unsettling on a human level as well as from the perspective of how markets respond.

At Dimensional, it is a fundamental principle that markets are designed to handle uncertainty, processing information in real-time as it becomes available. We see this happening when markets decline sharply, as they have recently, as well as when they rise. Such declines can be distressing to any investor, but they are also a demonstration that the market is functioning as we would expect.

Market declines can occur when investors are forced to reassess expectations for the future. The expansion of the outbreak is causing worry among governments, companies, and individuals about the impact on the global economy. Apple announced earlier this month that it expected revenue to take a hit from problems making and selling products in China<sup>1</sup>. Australia's prime minister has said the virus will likely become a global pandemic<sup>2</sup>, and other officials there warned of a serious blow to the country's economy<sup>3</sup>. Airlines are preparing for the toll it will take on travel<sup>4</sup>. And these are just a few examples of how the impact of the coronavirus is being assessed.

The market is clearly responding to new information as it becomes known, but the market is pricing in unknowns, too. As risk increases during a time of heightened uncertainty, so do the returns investors demand for bearing that risk, which pushes prices lower. Our investing approach is based on the principle that prices are set to deliver positive future expected returns for holding risky assets.

We can't tell you when things will turn or by how much, but our expectation is that bearing today's risk will be compensated with positive expected returns. That's been a lesson of past health crises, such as the Ebola and swine-flu outbreaks earlier this century, and of market disruptions, such as the global financial crisis of 2008–2009. Additionally, history has shown no reliable way to identify a market peak or bottom. These beliefs argue against making market moves based on fear or speculation, even as difficult and traumatic events transpire.

Dimensional also stands behind the important role financial professionals play in helping investors develop a long-term plan they can stick with in a variety of conditions. Financial professionals are trained to consider a wide range of possible outcomes, both good and bad, when helping an investor establish an asset allocation and plan. Those preparations include the possibility, even the inevitability, of a downturn. Amid the anxiety that accompanies developments surrounding the coronavirus, decades of financial science

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*Please see the end of this document for important disclosures.*

and long-term investing principles remain a strong guide.

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1. Apple, February 17 press release. <https://www.apple.com/newsroom/2020/02/investor-update-on-quarterly-guidance/>
  2. Ben Doherty and Katharine Murphy, "Australia Declares Coronavirus Will Become a Pandemic as It Extends China Travel Ban," The Guardian, February 27, 2020. <https://www.theguardian.com/world/2020/feb/27/australia-declares-coronavirus-will-become-a-pandemic-as-it-extends-china-travel-ban>
  3. Ben Butler, "Coronavirus Threatens Australian Economy Reeling from Drought and Fires," The Guardian, February 5, 2020. <https://www.theguardian.com/business/2020/feb/05/coronavirus-threatens-australian-economy-reeling-from-drought-and-fires>; Ed Johnson, "Australia Says Economy to Take 'Significant' Hit from Virus," Bloomberg, February 5, 2020. <https://www.bloomberg.com/news/articles/2020-02-05/australia-says-economy-to-take-significant-hit-from-virus>
  4. Alistair MacDonald and William Boston, "Global Airlines Brace for Coronavirus Impact," The Wall Street Journal, February 26, 2020. <https://www.wsj.com/articles/germanys-lufthansa-makes-cuts-as-it-braces-for-coronavirus-impact-11582712819>
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