QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

April 10, 2020

Quarter Ending March 31, 2020

Year-to-Date Performance	YTD Index	Close
Dow Jones Industrial Average	-23.20%	21,927.91
NASDAQ Composite Price	-14.18%	7,694.67
Standard & Poor's Averages	-20.00%	2,578.52

A lot has happened since our mid-quarter letter was sent out a short while ago. The coronavirus and its impact on the world population and economy has continued at an exponential rate. Infection and death rates continue to climb, and the world economy is slowly working toward a complete standstill, especially here in the United States. In short, the current markets and world economy are in uncharted territory.

Before we get into more specific details about the current market environment, we wanted to provide a quick update. At Quantitative Asset Management, we have a combined 67 years of investment experience. And although we are going through some uncertain times, know that we are working extremely hard to make sure it is business as usual. Some employees have been working remotely, but there should be no interruptions in our daily business. We have also tried to be available seven days a week if clients do have some time-sensitive questions. If something does come up over a weekend, an email is the best way to reach out.

In the last six weeks, the markets have experienced some significant volatility. From February 19th to March 23rd, the U.S. stock market saw the quickest meltdown in history. The S&P 500 saw a staggering drop of 33.9%. These were the worst declines since the financial crisis of 2008 and Great Depression. This drop was followed by a 17.5% three-day gain in the last week of March, which was the best three-day stretch since 1930. The recent market volatility has caused some uneasiness for investors. That said, we wanted to revisit a very common mistake investors undertake during these times: panic selling.

Panic selling not only locks in losses, but also puts investor's at risk for missing the market's best days. According to Bank of America, "Looking at data going back to 1930, if an investor missed the S&P 500's 10 best days in each decade, returns would be 91%, significantly below the 14,962% return for investors who held steady through the downturns." Think about that statistic - the best days generally follow the worst days.

We have always been very cautious when addressing clients' cash and liquidity needs. We would rather give up some upside gains instead of having to liquidate and sell during market weakness. During long stretches of a bull market, it might appear we are underperforming our benchmarks; however, today's market activity provides a concrete example as to why we always proceed with some caution. Due to the fact we are sitting on some cash, we should be able to meet clients' liquidity needs and ride out this market volatility.

The coronavirus and its impact on the world have been devastating. But it is important to note that it is **not** the virus that is causing the economic problems. It is the response to the virus that is causing systemic issues. In order to combat the economic stoppage, the Federal Reserve and U.S. Government have taken extraordinary measures to help stimulate the economy. The Fed cut the funds rate by a full percentage and the discount rate by 1.5%. These are rates not seen since 2008. The government enacted the CARES Act, which provides $2 trillion dollars of rescue and support. 93% of Americans will be receiving stimulus checks directly from the government. Small businesses can apply for the Paycheck Protection Program, which is basically a forgivable loan if the proceeds are used for wages and rent. Put simply: the government is doing everything it can to help the U.S economy and its citizens.

The biggest issue the U.S. and the world are facing right now is time. With the pandemic, it will take time to prudently find ways to fight it. As for the economy, the longer it is shut down, the more devastating the short-term effects. At some point, the government will have to weigh the pros and cons of keeping the strongest economy closed.

In our view, there is a good possibility the markets bottomed last quarter. As the news cycle continues, we might revisit those lows; however, that drawdown was probably building in a worst-case scenario. It is more likely that we will continue to trade in this range until Wall Street can get a better handle on the overall impact on corporate earnings. As history has shown, we will get through this crisis. We are fortunate to live in the best country in the world. More importantly, a country that will do whatever it can to help us through this difficult time.

To wrap up, a recent quote from famed investor Howard Marks: "I feel it's a time when previously cautious investors can reduce their overemphasis on defense and begin to move toward a more neutral position or even toward offense."

Stay safe.

Jeffrey L. Farni, Sr.

John C. Farni