LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update

May 2020

Can the Rebound Last?

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Today, I thought I would follow up on Carl's newsletter from last month. It is only fair to include the good with the bad that has taken place since March! Since we reached the bottom on March 23rd of 2237 (nice call, Carl), the equity markets have rebounded sharply. As of this writing, we are now back to 2930 on the S&P 500! That is a 31% jump in about two months – a staggering move regardless of what data point you use in history! Here is where things get interesting. We are still 16% off the all-time highs we reached just a few short months ago. How can that be?

It is just simple math really. Compounding works both ways. If the market declines by 20%, you need 25% to get back to even, 40% requires 75% and a 50% decline requires 100%! Over the last 10+ years, all you had to do was put your money into equities and you made money.

We have now seen three bear markets in the last 20 years. It is not that uncommon. The difference and concern today are what caused this one. The US economy was doing quite well just a few short months ago. Today, due to the coronavirus, we have completely shut down. As referenced in Carl's article last month, the Federal Reserve and Congress have thrown everything but the kitchen sink at this in order soften the blow. Let's call it $8 trillion and counting. I believe it will certainly help, but does it justify an upward move in the market of this magnitude? It is truly hard to say. I think the better question is what needs to happen to maintain this path upward?

Let's start by looking at the programs that have been put in place so far. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to address the economic fallout of the 2020 coronavirus pandemic in the United States. The highlights of the bill include $208 billion for businesses including help for the airline and the healthcare Industries, as well as $500 billion for payments of $1,200 directly to many Americans.

Also included was a loan program for small businesses specifically called the Paycheck Protection Program (PPP). These programs and a few others aimed at major corporations make up a $2 trillion bailout package provided by the federal government. While these programs have certainly helped in the short term, what is it really going to take to get us beyond this crisis? We believe there is certainly more coming. Congress is currently looking at another $3 trillion in relief aid. The largest portion would go to state and local governments. There would also be additional checks sent out to Americans (~$1,200 per person/ $6,000 maximum) to help them get by in this time of need. Additional aid would be given to small businesses in order to maintain their employees and continue providing healthcare, etc. This has not been passed but is in process at this time.

Something else to consider is the new direction taken by the Federal Reserve. They are now buying corporate bonds & junk bonds via exchange traded funds (ETF'S) to try to prop up the credit markets! Certainly, market friendly but what are the implications? How much longer does the country have to be shut down before the Fed truly contemplates purchasing equities? The Fed buying corporate debt was not even a consideration several months ago. Is this the path that we as a country want to take? China has done it. Japan has done it. Though it would have been unthinkable just months ago, who knows at this point? Let's think back just 12 years ago to the great financial crisis. The Fed embarked on a new policy at the time called quantitative easing (QE). Since then we have had QE2, QE3, operation twist and now more QE. The markets have become so dependent on the Federal Reserve to back stop the markets one has to wonder when true price discovery will come back, if ever.

Just something to ponder as we all sit back in isolation watching Netflix and "The Last Dance." Thankfully MJ was kind enough to provide us with something interesting to watch and divert our attention from the pandemic!

Junius V. (Trip) Beaver III, is a co-founder of Lanier Asset Management and serves as its Co-Chief Investment Officer. Trip has been a financial advisor delivering high-value investment solutions to affluent individuals since 1994. In addition to his work at Lanier, Trip donates his time and investment expertise to charitable organizations such as the Library Foundation and the Metro United Way.

Key Points From Our Investment Meeting – 5/18/20

Macro Viewpoint

- Coronavirus continues to have a profound effect on people's lives, as much of the country and businesses continue to stay closed or open at much lower levels.
- US equity markets have rebounded sharply as the curve for COVID-19 flattens. Technology leads the way as financials and the energy complex lag significantly.

Asset Class Comments

- With fixed income at historic lows, investors should consider other asset classes to buffer downside.
- The energy sector and commercial real estate continue to be under significant pressure as months go by without businesses truly reopening.
- Bank stocks have been decimated over the last several weeks due to plummeting interest rates. Show patience at this time. Look for the best balance sheets across all sectors.

Performance Update

	Investment Vehicle	Total Return (%)							
						Annualized			
		April	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
TRADITIONAL ASSETS									
Cash									
Vanguard Federal Money Market Reserve		0.0%	0.0%	0.4%	1.7%	1.8%	1.3%	0.9%	0.7%
Fixed Income									
Domestic (Barclays US Agg)		2.8%	2.8%	5.0%	11.8%	5.4%	3.9%	3.3%	4.0%
Vanguard Total Bond Market	VBMFX	1.7%	1.7%	5.0%	10.7%	5.1%	3.7%	3.2%	3.8%
RiverNorth Doubleline	RNDLX	2.1%	2.1%	-5.7%	-1.0%	1.7%	2.6%	2.9%	3.9%
Eaton Vance Floating Rate	EIBLX	3.4%	3.4%	-9.0%	-7.1%	0.3%	1.8%	2.1%	3.1%
US Preferred Stock ETF	PFF	9.5%	9.5%	-6.5%	-0.1%	1.7%	2.7%	3.5%	5.0%
High Yield (Barclays US Corp HY)		5.1%	5.1%	-8.3%	-3.9%	1.5%	2.2%	2.4%	3.4%
Short Term High Yield	SJNK	4.9%	4.9%	-7.4%	-5.0%	1.0%	2.1%	2.1%	4.3%
Equities									
Domestic Large Cap (S&P 500 TR)		12.7%	12.7%	-9.9%	-1.1%	6.9%	6.9%	9.0%	9.4%
S&P Equal Weight	RSP	14.4%	14.4%	-16.1%	-9.0%	3.7%	5.2%	8.6%	10.0%
Domestic Mid Cap (S&P 400 TR)		14.2%	14.2%	-19.7%	-14.9%	0.0%	3.4%	6.7%	8.8%
Vanguard Mid-Cap ETF	VO	14.2%	14.2%	-15.2%	-8.3%	3.8%	4.9%	8.5%	9.9%
Domestic Small Cap (S&P 600 TR)		12.7%	12.7%	-24.1%	-19.6%	-1.8%	3.3%	6.9%	8.7%
Vanguard Small-Cap ETF	VB	14.6%	14.6%	-19.9%	-15.2%	2.6%	4.6%	7.8%	9.3%
Developed Intl. (MSCI EAFE)		6.3%	6.3%	-18.6%	-13.7%	-3.0%	-1.6%	0.8%	2.8%
MSCI EAFE	EFA	5.8%	5.8%	-18.5%	-12.5%	-1.3%	-0.5%	1.6%	3.4%
Emerging Intl. (MSCI EM)		9.0%	9.0%	-17.0%	-14.3%	-1.4%	-1.3%	-0.1%	0.8%
Vanguard FTSE Emerging Markets ETF	VWO	7.8%	7.8%	-18.5%	-13.8%	-1.2%	-1.3%	-0.1%	1.0%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		9.1%	9.1%	-16.6%	-9.5%	1.8%	3.7%	4.4%	8.2%
Mortgage Real Estate	REM	18.0%	18.0%	-48.3%	-44.1%	-14.1%	-4.7%	-3.7%	1.0%
REIT ETF	VNQ	9.0%	9.0%	-17.4%	-9.1%	1.3%	3.4%	4.4%	8.1%
Commodities (Thomson Reuters/Jefferies CRB Index)		-5.7%	-5.7%	-47.0%	-43.1%	-9.5%	-12.2%	-11.8%	-8.0%
DBC	DBC	-3.1%	-3.1%	-31.7%	-31.2%	-8.8%	-9.3%	-12.0%	-7.0%
BlackRock	BCSAX	8.1%	8.1%	-18.7%	-16.6%	-2.6%	-3.6%	-4.8%	-3.4%
Gold	GLD	7.3%	7.3%	11.1%	31.0%	9.6%	7.0%	3.7%	3.8%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		4.8%	4.8%	0.6%	4.0%	3.7%	3.0%	3.7%	3.7%
INFINITY*	OCEAN	2.4%	2.4%	0.7%	3.7%	3.8%	3.7%	5.3%	5.9%
Boston Partners Long/Short Equity	BPLEX	8.5%	8.5%	-13.6%	-10.9%	-6.7%	-1.0%	0.1%	3.5%
Catalyst/Millburn Hedge Strategy	MBXIX								
Millennium*	MILLENN	2.9%	2.9%	3.4%	10.4%	7.4%	7.0%	8.6%	8.5%
Verition*	VERITION	3.6%	3.6%	8.0%	16.8%	10.5%	9.8%	11.4%	10.2%
Renaissance*	RENAISS	1.9%	1.9%	-13.0%	-7.6%	4.4%	10.8%	10.2%	13.4%
Third Point*	THIRD P	7.1%	7.1%	-10.1%	-6.0%	-0.1%	1.0%	3.5%	6.2%
Lanier Hedge Fund*	LHF	3.6%	3.6%	-2.3%	2.7%	4.3%	5.7%	7.1%	8.0%
Boston Partners Global Long/Short	BGLSX	6.3%	6.3%	-13.3%	-11.7%	-4.6%	-1.5%	0.6%	1.5%

= Benchmarks
= Lanier Selections

* For Accredited Investors

Our Team

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Junius V. (Trip) Beaver, III
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Sara B. Thomas, JD, CPA
Financial Consultant

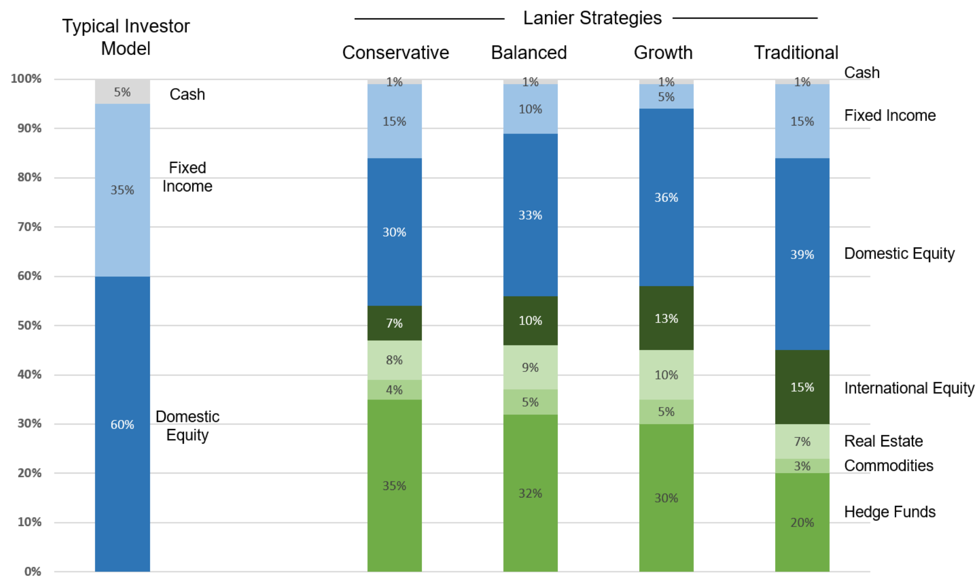
Deidre M. Durbin
Chief Compliance Officer

Stephanie E. Milby
Investment Associate

Building Confidence and Security in Your Financial Future

Our Approach

At Lanier, we believe that portfolios designed to deliver superior performance and lower correlation with the overall markets must decrease reliance on stocks and bonds and be complemented with a set of diversifying strategies and alternatives



Each of our clients has a unique set of needs (based on age, risk tolerance, income need, etc.) and an asset allocation model designed specifically to meet those needs. Consequently, actual client investment models can and do vary from the allocation percentages listed above.

Lanier Asset Management is an independent Registered Investment Advisory firm. Our mission: ***To Build Confidence and Security in our Clients' Financial Future***. We use an open architecture investment structure to combine the best of proprietary and independent investment strategies. At Lanier, we deliver superior service and performance to our clients as a result of four distinguishing elements:

- People: we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
- Investment Philosophy: we seek to smooth investment returns, providing superior investment performance and a significantly lower correlation to the overall market
    - Focus on projected returns rather than historic for all asset classes
    - Similar to the largest U.S. endowments
- Investment Process: combine active and passive management in traditional asset classes; complement with diversifying strategies/ alternatives
- Conviction: we believe in our approach – this is how we invest our own money

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