5862 Saddle Downs Place
Centreville, Virginia 20120

Hendershot
INVESTMENTS

Ph: 703.361.6130
Fx: 703.817.0737

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MR. MARKET'S MARCH MADNESS

DATE	DOW POINT CHANGE	DOW % CHANGE
MARCH 09	-2,013	-7.79%
MARCH 10	1,167	4.89%
MARCH 11	-1,465	-5.86
MARCH 12	-2,353	-9.99%
MARCH 13	1,985	9.36%

As the table above shows, Mr. Market experienced March Madness last week with the Dow swinging wildly due to elevated volatility arising from a panic attack. The pandemic of fear in the market spread faster than the virus itself. The Dow is down about 20% from its recent record high on Feb. 19th, which is the typical definition of a bear market. On March 12th, the Dow suffered its worst one-day loss since the Crash of 1987, only to reverse itself sharply the next day on March 13th in one of the biggest point gains and percentage gains of all time.

So, what happened to cause this March Madness? *Barron's* perhaps described it best:

> *"The coronavirus was declared a pandemic by the World Health Organization. Saudi Arabia announced a huge output increase, sending oil prices plunging. Forrest Gump contracted the coronavirus. There are no basketball scores to check. Baseball won't start on time this spring. And President Donald Trump declared a national emergency on Friday after announcing a European travel ban on Wednesday."*

A global recession now appears likely, according to many economists. Exuberance that drove stock prices to dizzying heights less than one month ago has been replaced by fear, a powerful emotion that feeds on itself.

So, what is an investor to do?

Take a deep breath while keeping your long-term goals in mind. While they can be scary, bear markets are a part of long-term investing and can be expected to occur periodically throughout every investor's lifetime. Stocks will on average fall by 30% or more at least once every five years.

Keeping bear markets in perspective helps us remain rational during market declines. Since 1966, the average bear market has lasted roughly 17 months, far shorter than the average bull market. This past bull market lasted a whopping 11 years, which makes this bear appear rare even though it isn't. Bear markets often end as abruptly as they began, with a quick rebound that is very difficult to predict, which is why timing the market is vastly less profitable than staying the course.

What are we doing?

Know that we have prepared your portfolio in advance for bear markets by developing a long-term investment strategy for you based on your risk tolerance, time horizon, investment goals and withdrawal needs. We also prepare for bear markets by investing only in ***HI***-quality companies that have the financial strength to weather inevitable economic downturns. Furthermore, as the market rose, we were continuously rebalancing your account by trimming back stocks that appeared overvalued and reinvesting the proceeds in high-quality stocks that appeared undervalued.

As always, we will be listening carefully to upcoming conference calls taking note of how managers of the high-quality businesses we own are managing through this challenging time and updating our valuation models based on reported financial results. For example, this past week during the market mayhem, Oracle reported solid fiscal third quarter financial results and noted that their software business had very little impact from the coronavirus. Seeing the downturn in their stock price, Oracle management announced a new $15 billion share buyback program thanks to their strong cash flows. We bought more Oracle after reviewing the results. Oracle's stock rebounded 20% on Friday. The companies you own are strong and will likely come out of any economic downturn even stronger. Your dividend and interest income will continue growing steadily despite the short-term pullback in stock prices.

Governments around the world are working together to slow down the spread of the virus through drastic actions, such as travel restrictions, school closures, event and sports cancellations and social distancing. This will enable healthcare companies the time to develop COVID-19 treatments and vaccines to provide relief to people around the world. In addition, governments are injecting massive monetary and substantial fiscal stimulus to combat the recessionary economic impact of the coronavirus. Sunday night, the U.S. Federal Reserve cut interest rates to zero and launched quantitative easing of the purchase of at least $700 billion of Treasury and mortgage-backed securities.

We experienced another episode of March Madness during the 2008/2009 financial crisis with the stock market down 50% and the Dow bottoming at around 6,547 on March 9, 2009. In our March 2009 newsletter titled, "*The Future Has Not Been Cancelled*," I wrote these words which aptly apply 11 years later:

> *The stock market right now is gripped by fear, panic and risk aversion. However, this, too, shall pass. Even though the stock market has been cut in half, we know that the underlying value of the businesses we own have not dropped anywhere close to 50%. In fact, most of our companies continue to increase their value. As a result, there is a huge discrepancy between stock prices and business values. Like a stretched rubber band, the stock prices of **HI**-quality companies will snap back strongly toward the intrinsic value of these excellent businesses once a fearful Mr. Market regains his confidence and composure. While the timing of the recovery is difficult to predict, history suggests that the stock market rebound will occur well in advance of the economic recovery.*

During periods of volatility, "staying the course" and focusing on your long-term goals generally proves to be the best plan of action, although we understand that it is difficult to do. We are here to help you during this challenging time. Please reach out to us with any questions or concerns. We will continue to communicate to you with weekly emails as long as the stock market volatility remains elevated.

Stay safe,

Ingrid R. Hendershot, CFA
President