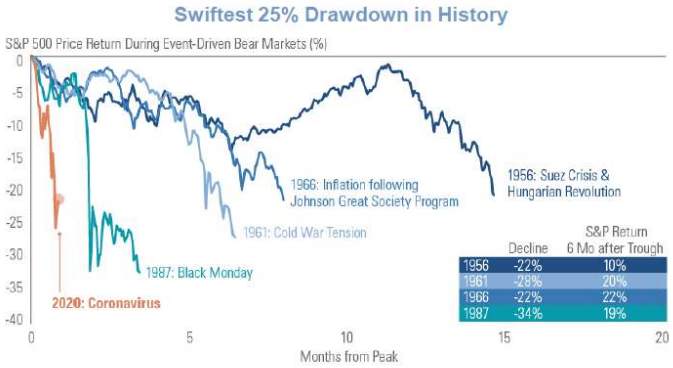
March Rundown:

March closed out the worst first quarter ever for U.S. stocks as measured by both the S&P 500 and Dow Jones indices. After peaking on February 19th, The S&P 500 declined -33.9% by March 23rd. What made this decline exceptional was not the magnitude, but the speed at which it occurred. The time to enter into bear market territory (the first -20%) was a mere 16 days. The next fastest bear market was the 1929 crash which took 44 days to decline -20%. Volatility was extreme. At one point there were 3 consecutive days with +/- 9% moves (another first since 1929). Markets managed to bounce back sharply at month end. March 24-26 was the best three-day period for U.S. stocks since 1933. For March, U.S. stocks as measured by the S&P 500 Index, fell -12.35%. Small cap stocks, as measured by the Russell 2000 Index, sunk -21.73%. International stocks, as measured by the MSCI EAFE Index, dropped -13.25%. Emerging market stocks, as measured by the MSCI EM Index, declined by -15.38%. Bonds, as measured by the MSCI Global Index, dipped by -2.24%. Gold shed -.54%.



Top 10 Largest Single Day S&P 500 Moves

Date	Positive Return	Date	Negative Return
10/13/08	12%	10/19/87	(20)%
10/28/08	11%	3/16/20	(12)%
3/24/20	9%	3/12/20	(10)%
3/13/20	9%	10/15/08	(9)%
10/21/87	9%	12/1/08	(9)%
3/23/09	7%	9/28/08	(9)%
11/13/08	7%	10/26/87	(8)%
11/24/08	6%	10/9/08	(8)%
3/10/09	6%	3/9/20	(8)%
11/21/08	6%	10/27/97	(7)%

The recent S&P 500 drawdown was the swiftest ever to reach -25%. 5 March days rank in the top ten biggest up or down days on record. Source: Goldman Sachs

To combat the economic downturn, monetary and fiscal stimulus has been implemented by governments around the world. With global economies entering a state of comatose, this stimulus will be critical to sustain people and businesses during the shutdown. As more information becomes available, we will relay ASAP. It is likely that additional stimulus will be required. There are talks of extending the existing stimulus but there has also been discussion of a trillion-dollar infrastructure program.

Global Monetary And Fiscal Stimulus To Fight COVID-19 Impact 2020 Feb to Mar

	Central Bank Liquidity Injection		Govt Fiscal Stimulus		Central Bank Liquidity Injection and Govt Fiscal Stimulus	
	$ Bln	% GDP	$ Bln	% GDP	$ Bln	% GDP
U.S.	$1500	7.0%	$2756	12.9%	$4256	19.8%
Eurozone	$1100	8.3%	$480	3.6%	$1580	11.9%
Japan	$126	2.4%	$184	3.6%	$184	3.6%
U.K.	$387	14.1%	$38	1.4%	$425	15.5%
China	$1153	8.0%	$111	0.8%	$1264	8.9%
Others*	$406		$1416		$1948	
Total	$4672	5.4%	$4984	5.8%	$9655	11.1%

*incl RoW and ADB, IMF, WB

Stimulus programs have been rolled out with astounding speed and scale. Source: Cornerstone Macro.

By: M. Euston MS, CFP©

Stocks:

Uncertainty around the duration and severity of the economic shock, how long it will take to get money to people and businesses, how tricky the restart is, and what the post crisis landscape looks like will keep volatility in the stock market elevated. We have been actively reviewing all portfolio allocations and selectively upgrading areas where high quality companies have had their valuations compressed. Today valuations look attractive for many strong businesses that will be able to withstand a downturn in the economy. In this environment we are less focused on P/E ratios and more focused on the quality of a company, strength of its balance sheet, and the durability of its future growth. Many stocks that are typically viewed as defensive have not acted that way. Equity portfolios are holding up very well despite the painful recent stock market decline.

Managing Behavior:

Poor behavior can have devastating impacts on investor performance. How devastating? Dalbar has conducted a quantitative analysis of investor behavior in mutual funds dating back to 1988. Over that time period the stock market's average return has been about 10% annually, but investors in stock funds have earned only 4.1% per year. Legendary investor Peter Lynch managed the Fidelity Magellan Fund from 1977-1990 delivering an astonishing +29% annual return during that period. Fidelity conducted a study of the fund after Lynch retired and discovered the average investor in the fund actually lost money over that same timeframe. Investors would pile into the fund in good times, adding more as performance climbed. When a downturn would occur (9 declines for the fund of over -10% or more during Lynch's tenure), investors would sell in a panic.

In a recent interview with Fidelity, Lynch had this to say: "In the stock market, the most important organ is the stomach. It's not the brain." He went on, "It's a question of what's your tolerance for pain. There will still be declines. It might be tomorrow. It might be a year from now. Who knows when it's going to happen? The question is: Are you ready – do you have the stomach for this? Most people do really well because they just hang in there. Long term, the stock market's a very good place to be. But I could toss a coin now. Is it going to be lower two years from now? Higher? I don't know. But more people have lost money waiting for corrections and anticipating corrections than in actual corrections. I mean, trying to predict market highs and lows is not productive."

This bear market set in with astonishing speed. Without a predetermined plan for action (or inaction), it would be easy for anyone to let panic kick in and sell their stocks. It should not come as a surprise that we recommend staying the course – don't let recent events cause you to overreact. Remember that your portfolio is positioned to give your stocks a long-term time horizon. Near to intermediate term cash needs can be met with a combination of portfolio income, and if needed, the sale of more conservative investments such as bonds. Still, there are some productive things you can do now:

1. Review your personal Live Well Index score. This score is the result of a daily stress test of your investments and financial plan. It provides you with clarity on where you stand, giving you peace of mind that you are ok. Have you looked at your score lately?

2. Avoid watching and reading too much news. Stay informed, but if you immerse yourself in the 24/7 news flow you will likely panic, which could lead to bad behavior.
3. Keep dollar cost averaging into your retirement and brokerage accounts. Bear markets are a friend to long term dollar cost averaging investors because lower prices enable you to buy more shares of your investments without increasing your savings rate.
4. Consider opportunistic portfolio rebalancing in your 401k. Instead of using a specified time period to trigger rebalancing, opportunistic rebalancing uses "tolerance bands". When asset allocations get "out of whack", exceeding a predetermined tolerance threshold, the rebalance is triggered. For example, if you start off with a 50/50 mix of stocks and bonds, you may decide to wait on rebalancing until a 60% upper and 40% lower tolerance band is breached. Across all multi asset strategies managed by HWM, tolerance bands were breached in March triggering the opportunistic rebalancing process to begin.

Personal Note:

We don't want to overstep our bounds as a wealth management firm here, but it wouldn't feel right to not acknowledge the humanitarian side of what is happening today. The Coronavirus has taken a devastating toll and we are praying for everyone impacted by this horrible disease. We sincerely hope that you and your loved ones are ok. Things are even more difficult because we are in isolation. If that weren't enough, millions are dealing with the trauma of losing their job.

This hits home for us at Heirloom. During the financial crisis, myself, and HWM managing partners Mike Miller and Rick Hurley (along with 18,000 other people) were laid off on the same day when the arm of Wells Fargo where we worked was shuttered. There was little notice, we got direction to hop onto a mandatory conference call where we were told our jobs did not exist anymore and severance package details would follow. I had to call Rick on his honeymoon to give him the news.

At the time, it was hard to see any good resulting from the situation. However, a decade has passed since then and with some perspective we can see that the layoff was the best thing that ever happened to our careers. It served as a catalyst for positive change, redirecting our lives in a way that would not have occurred otherwise.

Today as managing partners of HWM, we can honestly say we are living out our dream. The journey has been a pleasure because every day we can do what we love: work with our clients to understand and manage how their wealth relates to accomplishing their goals and dreams so they can confidently live their best life possible. Thomas Edison said, "I never did a day's work in my life. It was all fun." That is how we feel. We don't have a "job" – we help people doing something we love to do!

Right now, it is hard to see a silver lining to the present situation. The good from this may be clearer in time. We hope you are making it through things ok. If there is anything that we can do to better serve you or someone you care about, please let us know.

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