VISIONPOINT[SM]

IMPACTING THE SUCCESS OF THOSE WE SERVE

February 25, 2020

Dear Valued Client:

In light of recent news from the Centers for Disease Control on the COVID-19 virus, we would like to make our clients aware that VisionPoint Advisory Group maintains and regularly tests a Business Continuity Plan ("BCP"). This is one of our highest priorities in serving our clients. The goal of our BCP is to mitigate the impact of significant business disruptions that could potentially impact our ability to provide investment management services to clients.

Our firm's focus and purpose is *Impacting the Success of Those We Serve*. While no BCP can address every possible scenario, we have devised, maintained and tested a BCP to be able to serve you in the event of a significant business disruption. Such disruptions may include disasters that are natural (weather, earthquakes, floods, pandemics) or man-made (cyber-attack, key personnel departure, electrical outages, fire, etc.).

We conduct periodic testing to ensure that our Dallas office and each branch office has a well-documented plan to follow in the unlikely event a business disruption occurs. Our plan anticipates and is designed to mitigate the impact of possible internal and external disruptions. Internal business disruptions could affect a branch's ability to communicate and do business, such as a fire in an office building. External business disruptions could prevent the routine operation of the securities markets or a number of branches, such as a terrorist attack, a city flood, or a wide-scale, regional disruption such as a pandemic. Our response to an external disruption relies heavily on communication and cooperation with other organizations and systems, including our broker/dealer and custodians who all maintain their respective BCPs.

We believe the firm is well prepared to respond to a disruptive event and quickly recover and resume operations and allow our customers to continue to transact business. Our BCP incorporates the ability of our advisors and staff members to work remotely, coordinate with our external technology partners (who have their own well documented and robust plans) and continue to serve our clients.

COVID-19 Market Commentary[1]

Monday was a tough day in the stock market, with the S&P 500 Index down more than 3% as the number of coronavirus cases reported outside of China jumped. Monday's losses reversed all of this

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[1] Source: LPL Financial

year's gains so far for the S&P 500 Index and the Dow Jones Industrial Averages. The Nasdaq Composite Index appeared to be holding onto a small year-to-date gain through Monday's close. After several months of relative calm in the markets, Monday's volatility probably felt worse than it might have otherwise, but a 3% one-day decline never feels good.

Every virus outbreak is different, but looking back at other major global outbreaks over the last three decades (SARS, bird flu, swine flu, Zika, etc.), we can see that the impact to the U.S. and global economies and stock market has tended to be short-lived. It's possible the current outbreak has the potential to follow a similar path, although there is still significant uncertainty. The coronavirus has spread more quickly than SARS, the most comparable outbreak, but the policy response also has been more aggressive, and the survival rate has been higher.

To put Monday's decline into perspective, even in positive years for stocks, the S&P 500 historically has experienced an average peak-to-trough intra-year decline of about 11%. In other words, the S&P 500 has fallen 11% at some point during most years before ending higher. This latest pullback that we're experiencing has barely reached 5%, and it is still well within the normal range of market volatility. On average, the S&P 500 has experienced three to four pullbacks of around 5–10% per year.

It's also important to remember that the global economy had started to see a pickup in momentum in late 2019/early 2020, before the outbreak. Leading indicators of economic activity were pointing higher. Purchasing managers' surveys for the United States and Europe had improved. And corporate America delivered solid better-than-expected fourth quarter 2019 earnings results, with many companies saying good things about their 2020 outlooks.

Many view the coronavirus as a delay in—not an end to—the global economic acceleration story that has been unfolding since December's U.S.-China trade deal. That momentum has put the global economy and corporations in better positions to weather the coronavirus storm. Most likely there will be global economic impact from the coronavirus over the next several months, but investing fundamentals make the case for a rebound in the second half of this year, potentially with some help from government stimulus.

As difficult as it may be to stay the course in the face of recent market volatility, long-term investors may want to consider that approach. Based on history, it is possible that we may see a return to pre-outbreak levels of global economic growth and corporate profits within the next several months—which could continue to power this bull market and economic expansion through 2020 and possibly beyond.

If you have questions or concerns, please contact your VisionPoint Financial Advisor.

Sincerely,

Brian Wing
President and CFO
VisionPoint Advisory Group, LLC

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All data is provided as of February 24, 2020.

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