Raymond Capital Advisors LLC

March 22, 2020

Dear RCA Client:

Given the rapidly evolving health care, economic, and market developments related to the coronavirus, we wanted to provide you with an update of where we stand:

We are holding fast to our positions at neutral stock/bond weightings for Tactical Asset Allocation strategies. On the bond side we have moved up in credit quality, and somewhat shorter duration. Sector exposure had been overweighting defensive industries, but we are now moving towards neutral weightings in preparation of a bounce.

Fundamentals for the economy have rapidly deteriorated with social distancing and other restrictions related to the coronavirus pandemic.

The base case scenario has now moved towards a short recession of one or two quarters (possible analogs are 1957 Asian flu, and the supply chain disruptions from the 2001 terrorist attacks, and the 2011 Japan Tsunami). The good news is that the policy responses from the health care, monetary, and fiscal authorities, though delayed, are moving in the right direction. They also now appear to be in "whatever it takes" mode.

The bad news is that the infection rate will assuredly surge as testing ramps up, and the mortality rate is also likely to increase if our health care system becomes overwhelmed. It's, also, possible the economic recovery could be further delayed, especially if social distancing restrictions are maintained for long periods and are slow to be removed… no one knows. The infections, however, will eventually peak and the economy will start to unthaw given that productive capacity (i.e. assets) hasn't been destroyed... only disrupted. In this election year, it's likely the fiscal authorities will be eager to jump start work programs so as to return to normalcy as soon as it's safe. Perhaps the much-needed rebuilding of our nation's infrastructure (highways, bridges, waterways, electrical grid, etc.) will be one of the programs to get things jump started? Also keep in mind that stock prices tend to bottom ahead of the economic fundamentals!

On the price action front, the speed of this decline has been truly remarkable. Much of the speed and volatility is from computerized algorithmic trading which can exaggerate the shorter-term moves, although fundamentals will dictate the longer-term trends. The high levels of uncertainty are entirely understandable since investors have been quickly plunged through the "looking glass" where everything is now different (empty store shelves, job outlook, etc.). Our "fear" indicators are now at 2008 levels which is actually a very positive development as rapid market declines from panic events have often led to strong rebounds as shown below. This is not to say that a capitulation bottom of stock prices is yet in, but that several of the key conditions we look for at bottoms are emerging (favorable monetary conditions, fiscal backstopping, strong fear, deeply oversold prices). During such conditions and under the cover of high volatility, bottoms can quickly form, and once reached, stock price rallies over the subsequent months can be strong. Please see tables below.

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For clients with additional risk capacity, cash to invest, and long investment horizons, such market declines can be excellent entry points to add exposure. For those with shorter investment horizons and diminished risk tolerance, subsequent rallies are likely better opportunities to reduce exposure should lower long-term equity exposure be desired.

Also important in these times, please check in on others who may be in need, practice good hygiene, and stay healthy!

All the Best,
Geoff & Lance

Stock Market Panics Greater Than -30%, And Subsequent Stock Market Returns

		---------- Dow Industrials ----------				
		Return (%) During	**Return (%) Following Bottom**			
Crisis Event	**Decline Dates***	**Decline Dates**	**1-Month**	**3-Months**	**6-Months**	**1-Year**
Panic of 1907	2/15/1907 to 11/20/1907	-42.9	6.9	14.7	29.9	48.3
Market Crash of 1929	10/11/1929 to 11/13/1929	-43.7	27.3	34.1	46.0	11.8
Financial Panic of 1987	10/2/1987 to 10/19/1987	-34.2	11.5	11.4	15.0	24.2
Sub-Prime Crisis 2008	9/15/2008 to 3/9/2009	-43.3	22.0	38.8	50.2	68.6
Average		**-41.0**	**16.9**	**24.8**	**35.3**	**38.2**

Useas daily price data, dividends not included. Concept courtesy: Ned Davis Research, Inc. Sub-Prime crisis uses Lehman Collapse as start date, and S&P 500.

Spanish & Asian Flu Pandemics and Subsequent Stock Market Returns

		---------- Dow Industrials ----------				
		Return (%) During	**Return (%) Following Bottom**			
Pandemic Event	**Pandemic Dates***	**Pandemic Dates**	**1-Month**	**3-Months**	**6-Months**	**1-Year**
Spanish Flu 1918-1919	Jul 1918 to Feb 1919	7.3	5.0	20.6	25.2	17.0
Asian Flu 1957-1958	Jun 1957 to Mar 1958	-10.9	-0.7	4.8	15.9	35.3
Average		**-1.8**	**2.2**	**12.7**	**20.6**	**26.2**

**Uses monthly price data as of the first of the month, dividendds not included.*

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