



Dear Clients and Friends,

For the first time in months we are beginning to feel more optimistic about the outlook for risk markets. The last month has been one of the most stressful times in modern history as health uncertainties have combined with unprecedented financial market turbulence. We had been writing and discussing over the last several months about our concerns over the elevated valuation levels that existed in stock markets and the high degree of investor complacency. However, after a nearly 30% decline in stock markets from the highs in February to the low this past Thursday we believe that equity markets now offer attractive value and that fear is the near-universal emotion.

We do not know when nor at what level equity markets will ultimately bottom, but our job as advisors is to reduce portfolio risk when markets are expensive and increase exposure when markets are attractively valued; we believe we are now at one of those latter times. A month ago, the S&P 500 was trading at almost 19.5 times projected 2020 earnings. At Thursday's low it was trading at 14.2 times. At the same time the yield on 10-year Treasury notes has fallen from 1.60% to less than 1.00%. Complacency has been replaced by one of the highest levels of fear in modern history as evidenced by the declaration of a national emergency, national border closings, widespread school and college closures, food and toilet paper hoarding, etc.

Events of recent days have provided some cause for increased optimism on the likely impact of the Covid-19 virus on the U.S. and its economy. The disease will inevitably have a significant health and economic impact, but the fact that federal, state and local governments have finally gotten motivated to provide testing and to limit social contact suggests that the odds have increased that the U.S. will avoid the worst-case scenario that had been considered as likely only a few days ago. Furthermore, when the country emerges from the crisis the economy will enjoy very low interest rates and energy costs and massive government stimulus which should significantly aid the recovery.

We have been quite active in our client portfolios over the last week or so. As stock markets declined, we began to remove our defensive positioning, namely liquidating our sizeable holdings of gold and long-term Treasury bonds. On Friday we began to redeploy some of our cash into financial stocks and preferred stocks, both of which had declined to what we view as very attractive levels. We will be looking to opportunistically add additional risk in the coming days and weeks.

At BRAVE, we are taking precautions to help ensure that we remain healthy and able to serve our clients. The Summit office will be closed until further notice. We have systems in place that will allow us to provide the same level of service from our homes. Please email or call us as you normally would. If you have not set up access to our client portal, please let us know and we can assist you with that. You will be able to access your Pershing 2019 1099 tax forms through the portal.

As always, please feel free to call or email us at any time.

Stay healthy!

Your team at the BRAVE