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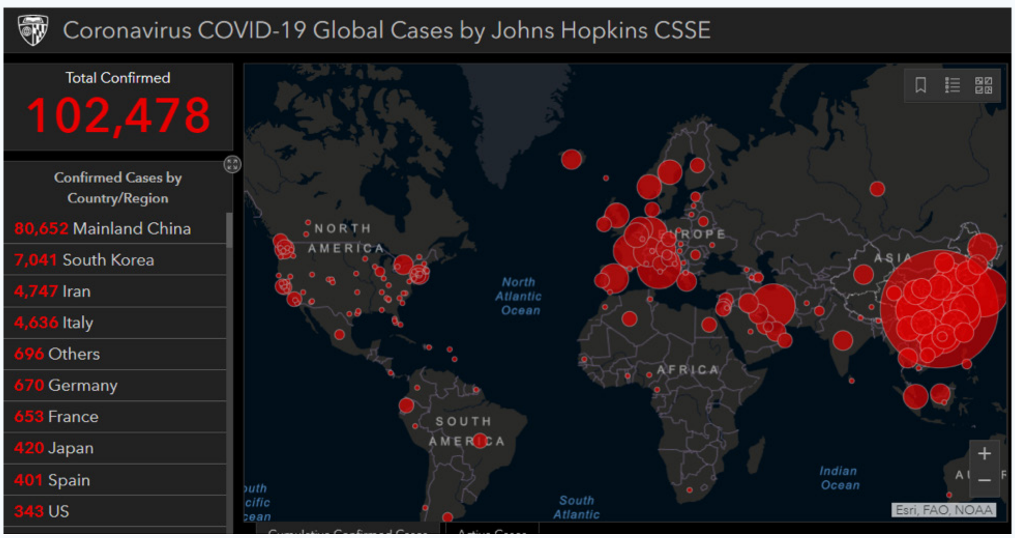
## MARCH 2020 MONTHLY INVESTMENT MUSE
### PERPARE FOR RISK - DAILY ROUTINE
### SEIZE OPPORTUNITY - PATIENCE IS REWARDED

Equity markets have been riled since hitting record highs on February 19, 2020, by the growing economic impact of global attempts to contain the spread of the Coronavirus (COVID-19). Questions have been raised by many market participants regarding whether the roughly 4000 down Dow Jones Industrial Average points that have been lost since February 19th is justified. I do not believe that the market reaction measured in percentage loss has been unjustified. However, the pace of the correction has been noteworthy and I am on guard for other non-virus risks.




No one, investment professional or health professional, predicted that the world would be striving to contain a virus pandemic in the first quarter of 2020. However, Seven Summits Capital has been discussing and preparing for an event that would jeopardize the survival of a ten-year economic expansion, which has been defined by slow growth that continues to be reliant upon both stimulative monetary and fiscal policies. It has been very disconcerting that U.S. markets have been caught up in the false narrative that our economy entered a much stronger and more durable phase over the last several years. Anyone who takes a more critical look at the U.S. economy over the last several years would see that our economy has not entered a new phase. Our economy confuses many observers because, by age, it is late-cycle; however, due to the distortions of fiscal and monetary stimulus, it does not exhibit all of the typical characteristics of a late-cycle economy leading many wishful thinking investors to dispel commonsense in favor of a fairytale of virtually endless economic expansion.

It is impossible to quantify and predict the exact impact that the global effort to contain this pandemic will have on economic growth, but what the market is telling us is that the effect will not be insignificant. Given where broad equity market index valuation stood on February 19th, it is plausible that the S&P 500, currently sitting just under 3000, could correct down to the 2,300 -2,600 level if economic growth slows dramatically for a couple of quarters, but we certainly could avoid a deep recession.

Author, trader, Professor, and Psychiatrist, Brett Steenbarger recently wrote on his blog site TraderFeed the following:

**"The greatest life lesson I've learned from the markets is to first mitigate risk, then aggressively pursue reward."**

I began to ramp up portfolio risk mitigation in late Spring of 2018, and that helped soften the impact of several 10% plus, short-lived stock market corrections since that time. But each of these corrections saw a quick "V-shaped" recovery. Given how long that it will likely take to reach the peak levels of COVID-19 in the U.S. and abroad, and the lasting impact of those measures on economic activity, a "V-shaped" recovery will most likely not be associated with this correction/ bear market.

When you look at the image on the first page, which shows reported U.S. cases at 343 as of mid-day on March 7, 2020, the Coronavirus does not look like an epidemic, let alone a pandemic. However, we are likely to see this number rise exponentially for the foreseeable future. This likely exponential growth means that instead of counting our infected population in the hundreds or even thousands, we will be counting cases in the millions by the middle of April.

There will be opportunities to buy stocks as a result of the market's reaction to the economic fallout of what appears to be shaping up as a significant shock to both supply and demand components of our economy. I will once again dust off a couple tried and true axioms by Warren Buffett and Shelby Davis that will undoubtedly come into play this year:

**"Out of crisis comes opportunity…
A down market lets you buy more shares in great companies at favorable prices. If you know what you're doing, you'll make most of your money from these periods. You just won't realize it until much later."**

\- SHELBY DAVIS

**"Be Fearful When Others Are Greedy and Greedy When Others Are Fearful"**

\- WARREN BUFFETT

I am very pleased how our client portfolios have weathered this virus-related market shock over the last month. The next six months in the markets are likely to be volatile and more confusing than usual. The markets will stabilize once the economic impact on the economy of the efforts to contain the virus is much better understood. The time to turn from cautious to aggressive will not be when we see the light at the end of the tunnel, but instead, as Jeremy Grantham wrote in his March 2009 investment commentary, titled Reinvesting when Terrified:

**"Be aware that the market does not turn when it sees light at the end of the tunnel.
It turns when all looks black, but just a subtle less black than the day before."**

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