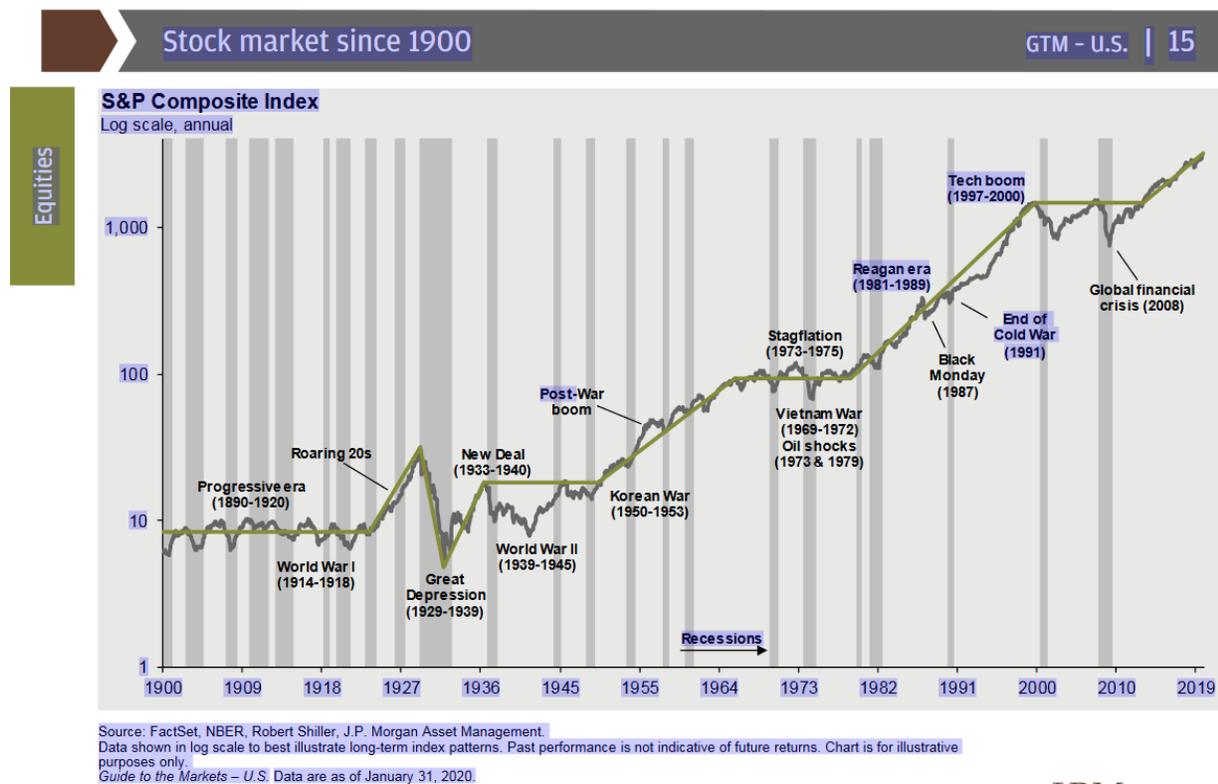


Feb 28, 2020

The Coronavirus is the major news story gripping the nation. While we do not know anything more than you do about the virus, we wanted to take a moment and give you our thoughts about the markets this week and going forward.

The Coronavirus is the latest in a string of setbacks in the markets and economy. We can look at major events like the Great Depression, WWII, Korean War, Black Monday of 1987, Technology Crash of 2000, 9-11-2001, Financial Crisis of 2008 and many others in between. As with all these cases, the markets took a major decline before rebounding and achieving new highs.

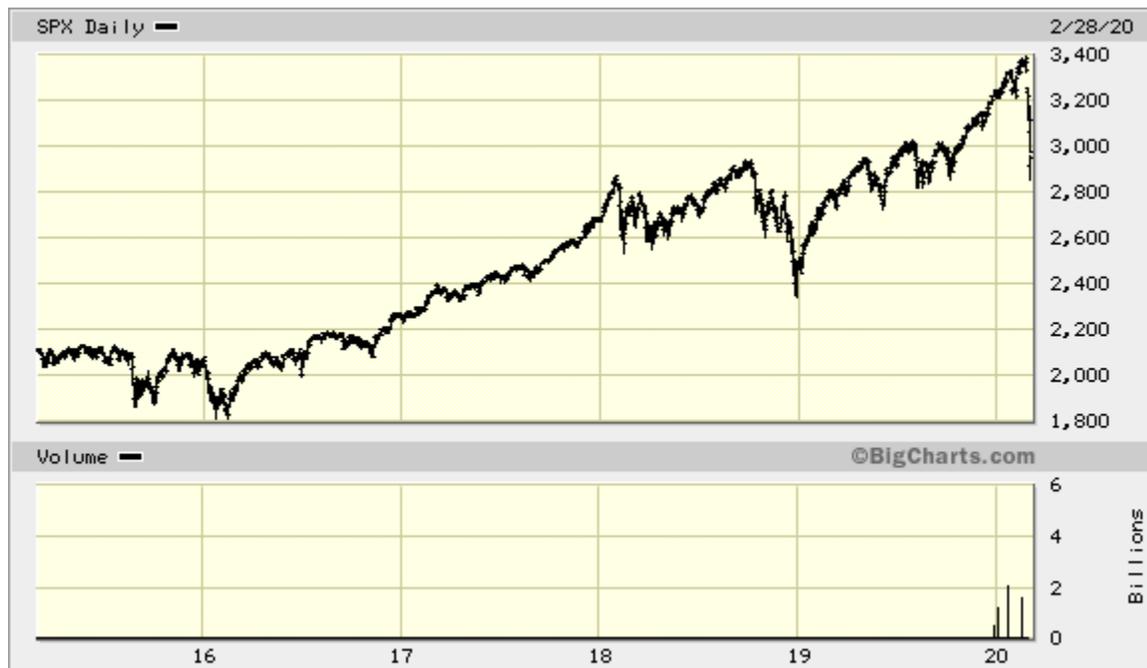


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Asset Management

The event that is most like this would be the SARS outbreak of 2003. The SARS outbreak began in November of 2002 and started to affect the stock market in March of 2003. 2003 was also the bottom of the Technology crash and we went on a bull market run until 2008. While a lot has changed in 17 years, the general lessons can be applied to the Coronavirus today.

The Market this week has dropped about 15%. We have seen some of the biggest 1 day drops in history by points. Let's put this in perspective, this weeks drop puts us at 2,954 on the S&P 500. That is about where we were in Oct. of last year.



The S&P 500 was priced to near perfection. The index was trading at a P/E ratio of around 19. That means you are investing \$19 for every \$1 of earnings. The 25-year average is 16.28. I don't want to get too technical, but to show that the markets were not "cheap".

The Bond market is another issue to discuss. The 10-year Treasury yield dropped to 1.12%. The 5-year is under 1%. This does not leave investors looking for safety a place to invest their money and get any type of return.

The markets will continue to be volatile as the affects of the coronavirus continue. We will see companies guide earnings lower for the next few quarters if they are unable to get supplies needed from countries like China. People quarantined will affect service businesses and entire sectors and industries.

Conclusion:

We think in the end this will create buying opportunities. Good companies that were trading at high valuations will now be more reasonably priced. The Federal Reserve is prepared to lower interest rates several more times to keep the economy growing. If the virus continues, as we get closer to the election this could become a major topic and affect the narrative of the two parties.

As always, we are here to answer your questions, concerns and your thoughts. Please feel free to contact us to schedule a meeting or phone call, or email anytime.

We will continue to keep you updated on our thoughts and our strategy.

Craig, Howard, Rich, Josh, Guerry & Jamie