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## Client Update: Recent Financial Markets and COVID-19

Market volatility has increased considerably in response to the spreading of the Coronavirus (COVID-19) and falling oil prices. Understandably, this may lead to questions about whether changes are needed to investors' portfolios.

We continue to focus on the importance of proper asset allocation and diversification, as both play important roles in helping our clients meet their financial goals. Investors should confirm that their short-term needs can be met via conservative, liquid investments such as cash, money market funds, or high-quality short-term bonds. A proper allocation that meets short-term needs can help insulate investors from volatility and prevent the need to sell equities in a downturn.

Many investors are tempted to 'time the market' during periods of significant volatility. We understand the temptation, but caution that selling at low prices or sitting on the sidelines for an extended period of time can have a dramatic impact on long-term performance. For example, \$1 million lump sum invested in the S&P 500 Index in 1999 would have been worth \$3.9 million at the end of 2019. However, if an investor missed just the best 10 days in the market over that time, that initial investment would only be worth \$1.9 million<sup>1</sup>. It is impossible to know when a significant upswing in the market will occur, which reinforces the need to stay invested despite significant ongoing volatility.

We believe that one cannot reliably invest based on short-term prognostications and we are confident that stocks remain attractive for investors with a long-term time horizon. Our conviction in this belief will only strengthen if stocks fall further and become even more attractively valued. These beliefs are supported by the realization that the alternative, shifting from equities to bonds today at all-time lows in yields, may lock in sub-par returns and even some declines in value if rates were to increase.

We recognize that there are certain elements at play that are out of our individual control, including how the market will react to the news any given day or week. Rather than panicking over what we can't control, it is more constructive to focus on the things we can control. In our financial lives, we should verify that we have appropriate liquidity and a suitable asset allocation that matches both our needs and our risk tolerance while also keeping an eye open for opportunities.

We are here to help and answer any questions you may have. Please don't hesitate to contact us.

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<sup>1</sup> FactSet, S&P Dow Jones Indices as of December 31, 2019.

**S&P 500 Index:** Measures the performance of the 500 leading companies in the large cap segment of the market. Companies are chosen based upon their market size, liquidity and sector. Together these companies represent approximately 80% of the available market capitalization.

The indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with investable products. It is not possible to directly invest in an index

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