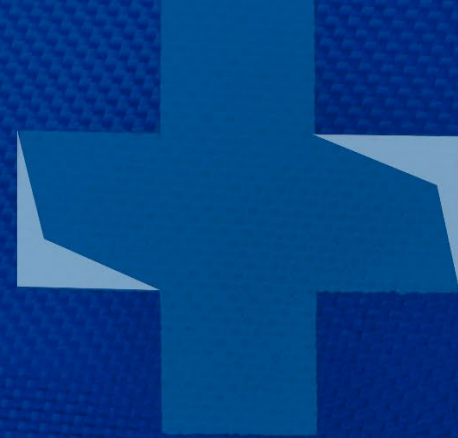




Coronavirus Pandemic

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Smart Strategies for Investing in a Volatile Market: How to Optimize Your Investments

May 14, 2020



BARNES DENNIG
Accounting • Tax • Business Insight

PRESENTERS



George Sparks, CPA/PFS

Director/Owner

George has more than 29 years of experience in public accounting. As a Personal Financial Specialist (PFS), George has met the financial planning requirements established by the AICPA and can address his clients' comprehensive financial planning needs with an in-depth understanding of the tax implications as well as optimized investment strategies.



Tom Barrett

Chief Investment Officer for Biechele Royce Advisors

Tom serves as the head of the firm's investment committee and oversees the portfolio management process from asset classes to individual securities. He also reviews and implements strategies to add value by making taxable client's accounts more tax efficient.

YOUR GUIDE TO INVESTING



The New Economic Outlook



Monetary and Fiscal Response to COVID-19



Valuations: Market Volatility, Market Opportunity



Navigating Volatility with a Sound Financial Plan



Your questions answered

NEW ECONOMIC OUTLOOK

- The fact is we, don't know exactly what it's going to look like
- Some business sectors will weather this well while others face a much longer road
- New businesses will be created to meet new demands and others will evolve
- There will be consequences to decisions and indecision
- Those with vision and planning will seize and create opportunities

NEW ECONOMIC OUTLOOK

- What can I do to position myself for success?
 - Capitalize on your close relationship with current business advisors
 - Add an advisor: Start meeting regularly with your CPA, Attorney, Financial Advisor
 - Meet with your financial advisor and business advisor together
 - Revisit your current business and financial plan
 - Marry financial planning opportunities with tax opportunities

NEW ECONOMIC OUTLOOK

- What areas of my personal financial plan should I address?
 - Investment allocation and strategies related to diversification and risk tolerance
 - Estate documents – Wills, Living Wills, Medical Powers of Attorney, etc.
 - Insurance needs – ranging from buy/sell funding to life and Long-Term Care needs
 - Closely held business and how to monetize for retirement needs
 - Consider the needs of both children and parents

MONETARY AND FISCAL RESPONSE TO COVID-19

- Congress and the Fed take action
- CARES Act – PPP Loan Program as well as other programs for assistance made available
- Several rounds of stimulus packages – provided extended unemployment benefits, direct cash payments
- Another round currently being considered in the House
- Federal monetary decisions related to interest rates and security purchases by the Fed

VALUATIONS: MARKET VOLATILITY, MARKET OPPORTUNITY

- The events of the first quarter and beyond have marked a period of extreme volatility across asset classes
- Equally extreme policy response from governments and central banks around the globe
- Economy hit by shock to both demand and supply sides

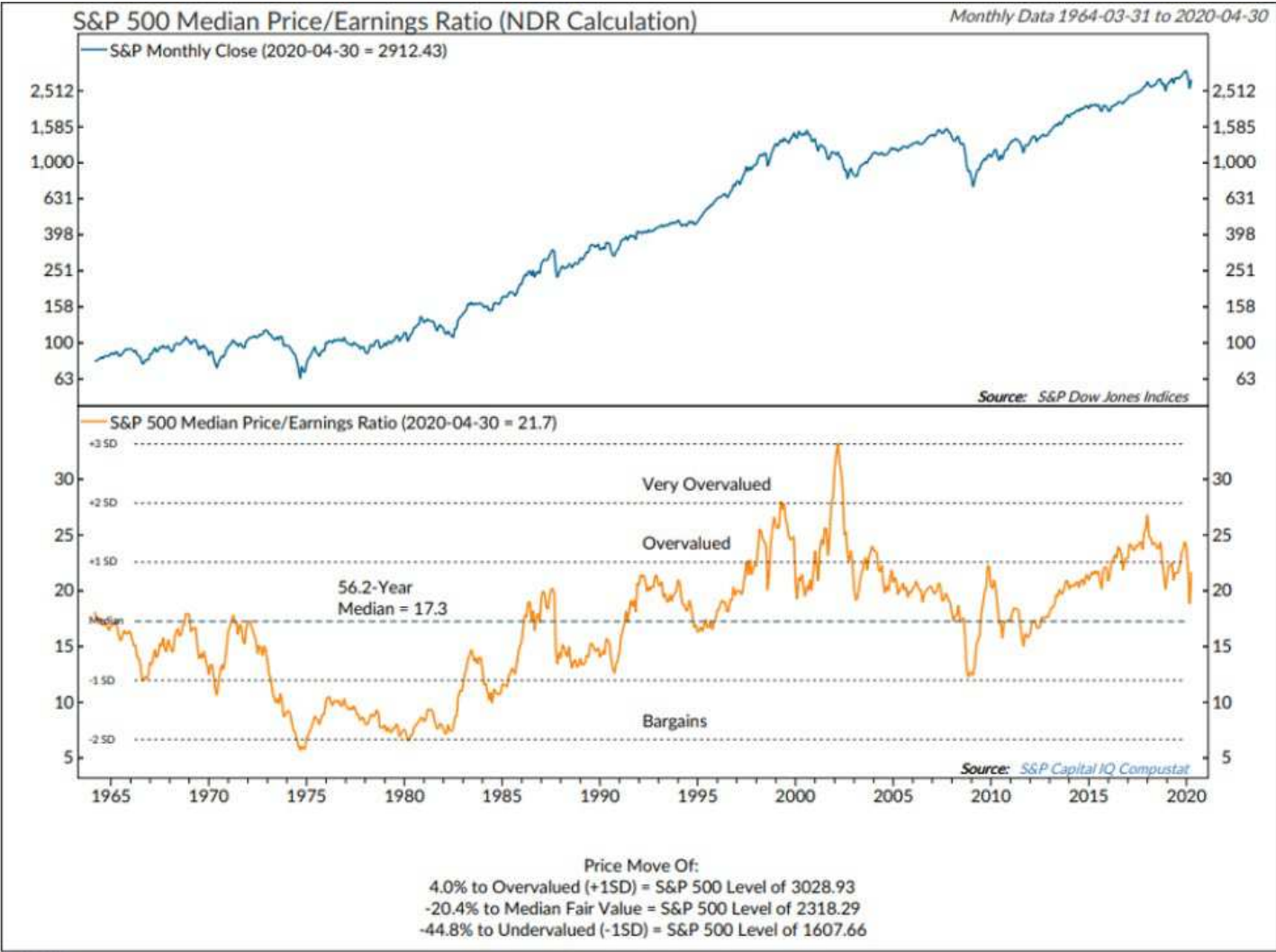
VALUATIONS: MARKET VOLATILITY, MARKET OPPORTUNITY

- Fiscal policy to date: designed to plug the temporary holes in incomes and obligations that can't be met during the shutdown period.
- Major unknowns around virus: Shape of recovery, what is priced in?
- Growth could begin to rebound in the 3rd and 4th quarters as pent-up demand results in more spending and investment.
- Potential for negative “aftershocks” to arise that may need even more targeted stimulus.

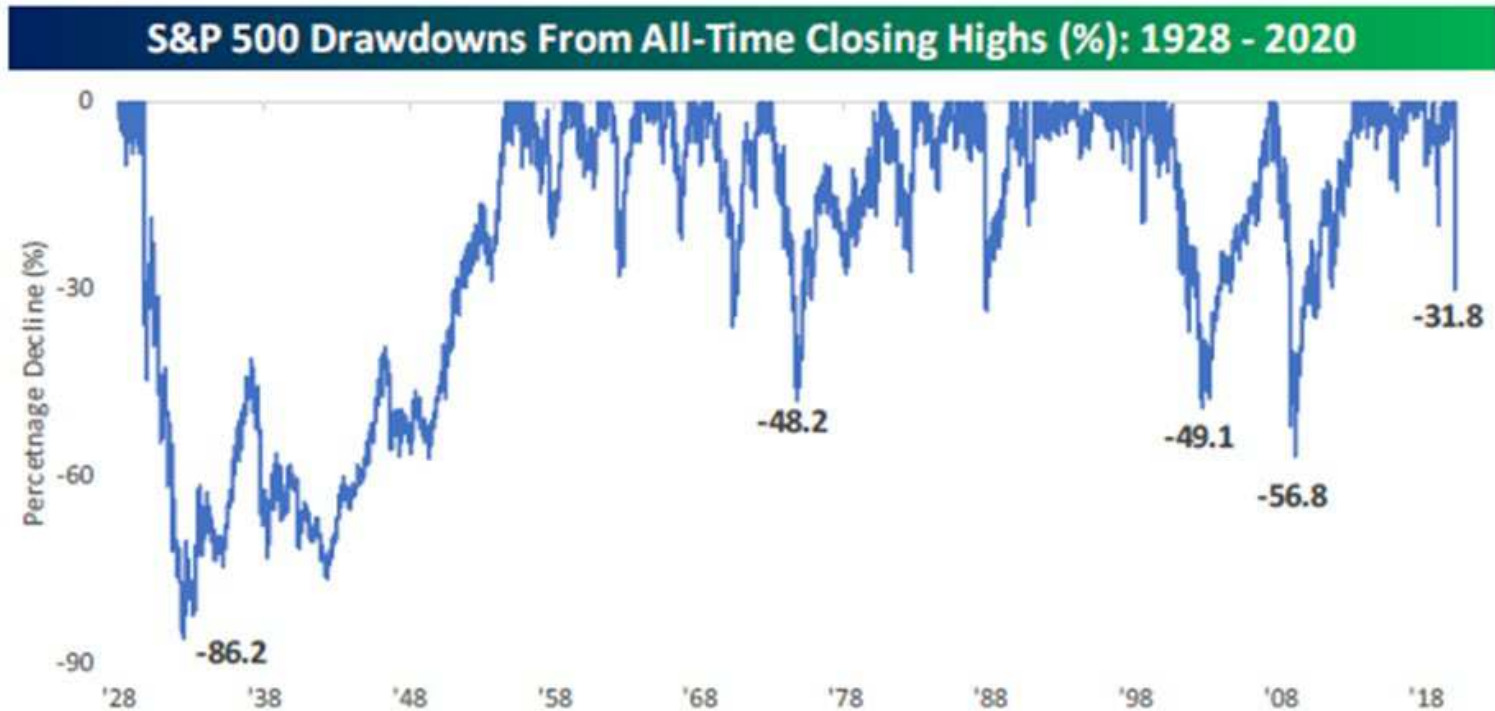
VALUATIONS: MARKET VOLATILITY, MARKET OPPORTUNITY

- Markets tend to lead the economy, moving higher in advance of the turn in economic data
- In periods of heightened uncertainty, assets should remain volatile; volatility can serve up opportunities when prices dislocate too far from long-term value
- Focus on long run earnings and cash flow generating abilities of businesses, balance sheets and liquidity
- The market went into the coronavirus led selloff at a very high valuation relative to historical levels
- Trying to predict market tops and bottoms is an impossible task

VALUATIONS: MARKET VOLATILITY, MARKET OPPORTUNITY



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VALUATIONS: MARKET VOLATILITY, MARKET OPPORTUNITY

S&P 500 Performance Following Rebounds From 30%+ ATH Declines

Date	S&P 500 Change (%)				
	One Week	One Month	Three Months	Six Months	One Year
6/1/32	3.86	4.55	92.50	52.95	121.36
5/26/70	12.34	6.03	17.20	22.80	43.73
10/3/74	12.06	18.63	13.54	30.88	38.01
12/4/87	5.09	14.30	19.37	18.99	21.39
10/9/02	10.72	15.19	19.42	11.49	33.73
3/9/09	11.43	26.61	39.30	52.75	68.57
Average	9.25	14.22	33.56	31.64	54.46
Median	11.08	14.74	19.39	26.84	40.87

NAVIGATING VOLATILITY WITH A SOUND FINANCIAL PLAN

- Risky to make all-or-none decisions with portfolios
- Adjust portfolios to the changing risks and rewards in asset classes and companies in a patient and disciplined manner
- Consider portfolio diversifiers like liquid alternatives, investment grade fixed income and absolute return fixed income funds - all of which would be expected to have performed better on a relative basis during market stress
- Allows for an increase in stocks to be funded from a part of the portfolio that was less impaired by the market decline
- Allows for portfolio withdrawals to be funded without selling good assets at a temporarily low price

NAVIGATING VOLATILITY WITH A SOUND FINANCIAL PLAN

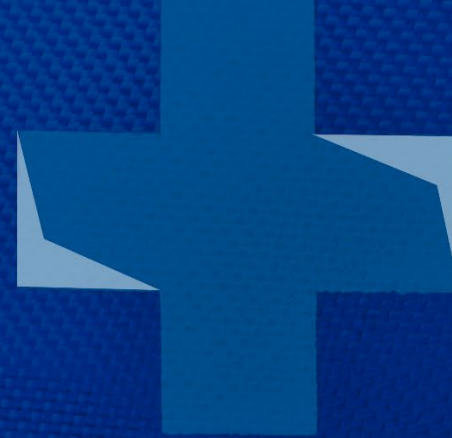
- Very important to know what you own and why you own it
- Still many unknowns, but confident brighter days lie ahead
- A sound financial plan builds on a thorough understanding of:
 - Overall financial situation and specific goals
 - Time-tested valuation analysis and portfolio construction
 - Diversified mix of strategies and asset classes
- This strategy gives us the highest probability of delivering long-term outcomes aligned with your objectives
- Committed to helping clients navigate through rough waters

NAVIGATING VOLATILITY WITH A SOUND FINANCIAL PLAN

- There are investment opportunities that are non-market related for qualified investors
 - Private investments that ranges from debentures that pay 7.5% for a three-year commitment
 - New oncoming tax-exempt 30-year bond that pays 6.5%
 - Viatical life insurance investment companies
 - Real estate-backed investments in certain strategic markets
 - Technology-based company opportunities

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QUESTIONS?

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