



Coronavirus and the Markets: Action Steps to Date

March 20, 2020

During our many internal meetings and discussions at our offices during the past few weeks, we have talked about and pondered over our memories and experiences of past economic and stock market related events. Seismic events like 1987s 'Black Monday', the tech bubble of 2000, the housing market correction in 2008, and the 2011 downgrade of U.S. debt were major occurrences, but after time become a small 'blip' in the history of our economy.

While this correction is far from the first that we have experienced, there are a few common observations:

- The underlying cause of each was unique, something that had never been seen before.
- Not only was each cause unique, but the cause of each one was also very real.
- While every cause was unique, the response in each crisis was the same. Fear led to panic, which then manifested itself as irrational thinking and actions.
- Things always seem darkest before the dawn.

In that spirit, we continue to manage portfolios using reasonable analysis and not knee-jerk emotional reactions. We have however identified a few areas that required action and would like to share those steps that we have taken.

Not all these actions apply to each portfolio, but rest assured that we have reviewed and continue to monitor each holding and allocation in all of our client's accounts:

- We have increased cash to cover several months of distributions for clients that receive a monthly deposit.
- We have identified sectors and geographic regions that will have difficulty recovering and reallocated positions away from those sectors and increased holdings in short-term bond funds.
- Even though banks are well capitalized, we cannot model a profitable scenario with interest rates so low. Thus, we have reduced exposure to many funds focusing specifically on the financial services and banking sectors.
- Our economic modeling affirms that inflation will continue to be subdued and as a result, we are reviewing and carefully reducing exposure to inflation-protected securities and reallocating to more global investments.
- We profitably sold some individual stock holdings that were most vulnerable to the impact of the pandemic and reallocated into companies that may have a modest negative short-term impact, but represent long-term value given current low valuations.

We have contingency plans in place that allow for all our advisors and staff to work remotely, and if local governments mandate that we must remain home, please know that we are still here to provide the high level of service you expect. You can continue to contact us using the same phone numbers and email addresses that you have always used.

Finally, the Treasury Department announced that Tax Day will be delayed from April 15 to July 15, saying that "All taxpayers will have an additional 90 days to file and make payments without interest or penalties".

We wish you the very best and pray that you and your loved ones stay safe, healthy and calm amidst these storms.

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PHONE · 800.752.8766 | FAX · 719.471.1972 | WWW.SEAMOUNTFINANCIAL.COM

90 SOUTH CASCADE AVENUE, SUITE 1140
COLORADO SPRINGS, CO 80903

14851 NORTH SCOTTSDALE ROAD, SUITE 205
SCOTTSDALE, AZ 85254

738 EAST CHAPMAN AVENUE
ORANGE, CA 92866

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