Mobilizing Our Efforts

Across the nation and around the world, governments and their citizens continue to contend with the COVID-19 pandemic. As we noted in our most recent Quick Comment, the virus continues its spread in Western Europe, with Italy in particular being tragically stricken. In Asia, Chinese cases have remained essentially level of late, and South Korea has maintained control over its outbreak, due in large part to aggressive testing for the illness. Globally, the ever-changing case count stands at just over 350,000, with over 15,000 deaths recorded to date.

As expected, COVID-19 cases in the US have grown sharply, now over 35,000. After weeks of frustrating delays, diagnostic tests are finally reaching the public, and we are learning that a growing number of us are sick. Even if the rising case counts can seem dispiriting, we actually *want* to know who is sick—to identify local case clusters, for example, and to track the overall spread of the virus across the country's reaches. Thankfully, the sickness brought on the vast majority of us by COVID-19 is relatively mild, and not life-threatening. For older persons, or younger people with pre-existing health compromises, the virus can be much more challenging.

We continue the fight to slow down infections. Social distancing remains the simplest and most important thing all of us can do, and most of us are. (Some younger people, though, need a stern talking-to.) Over one-third of the US population is under some form of a shelter or stay-home order. It is unsettling to cope with such a rapid change in our work and life habits, but we are coping. On the true front lines of the crisis, in hospitals and emergency rooms and clinics, medical professionals are dealing with dwindling supplies of basic items like gowns and masks and, of course, ventilators for the very ill, as they perform their work. These people are amazing heroes, staring down a dangerous virus with each person they see and treat.

The economy continues to decelerate, and job losses are mounting. A profound economic slowdown has arrived, as will soon be apparent in the regular reports of economic activity that populate the business news. In Washington, Congressional negotiators are working to complete a financial rescue package intended to assist industries and households with a variety of aid measures, but there is not yet a deal. Expect one; we do. We also believe there are high odds for a larger, second deal to join the one that will soon pass. Earlier today, the Fed announced another set of programs intended to support credit markets. The Fed has signaled unambiguously that it intends to join the fight aggressively against the downturn. This is economy- and investor-friendly news.

Our leaders, both state-level and national, recognize that we've put the world's largest economy on sudden stop and that isn't sustainable. We will need to come to terms, soon, about sending people back to work safely. Jobs and wages are the oxygen supply for our economy and we cannot starve that supply indefinitely, and we will not.

As violent as this downturn has been, we are optimistic in our longer-term investment outlook. Our economy was in a good place as the virus hit, with strong employment and high consumer confidence, and without the typical excesses that could trigger a downturn. Although investors' memories are fresh with the steep losses of 2008-09, we do not believe the current situation to be similar. Then, too, the problem was a "virus," but it was one potentially far more deadly for investors' capital, lodged in the bloodstream of the world's financial system. A mountain of bad debt, most of it tied to the US housing bubble, had been repackaged into securities sold around the world, causing steep, permanent capital losses. Now, we are dealing with a business interruption of unprecedented scale, but it remains an interruption—a shock to business cash flows and household income, unpleasant and disruptive, but ultimately a set of problems that can be solved.

We think the US, in particular, will emerge from this crisis with a relatively strong hand. Our companies are world leaders across multiple industries, and we remain a prosperous, industrious, and innovative nation. We can absorb financial setbacks with much greater resilience than other regions of the world, and on a relative basis we believe the US will be a superior destination for investor capital for years to come. We continue to position our investment portfolios in concert with that idea.

We are mindful that the COVID-19 crisis is not over, not by a long shot. To borrow from Winston Churchill, this is not the end, not even the beginning of the end, but it is, perhaps, the end of the beginning. We are hopeful that the next several days will begin to show progress from social distancing, and an inflection in the rate of new cases. The time of a turn might be pushed out a bit longer than that, but a turn should be approaching.

We remain highly involved in understanding the public health and economic situation that is affecting all of us, and of course that extends profoundly to your investments and the course we are charting. Thank you, as always, for the trust you have put in our team.

Respectfully submitted,