

Continuing the Fight

Our nation continues its fight to contain the COVID-19 outbreak. More than one of our public officials have likened our struggle to that of a war, only the enemy is an unseen virus that is making us sick and changing the ways we live, work, and educate ourselves. And similar to a large-scale war, we are scrambling to understand the enemy, mobilize resources for the fight, care for the stricken, and strategize how to win. We are all in this together.

The official statistics continue their grim rise higher. They're going to go higher still. Worldwide, we have surpassed the one million case mark. The US comprises one fourth of the world total, at 260,000 cases. Italy and Spain each are approaching 120,000 cases. COVID-19 has proven itself highly contagious among unprotected populations and frighteningly lethal to older persons, giving increased urgency to the social distancing measures now underway around the world.

Here at home, New York City remains besieged by the virus. The city's dense population made New York especially vulnerable, and city officials were slow to grasp the potential scope of the problem as the virus gained its stealthy foothold and seeded its sickness. Weeks later, the city is in full-bore crisis, and the images are chilling: the Empire State Building's mast lighted in red and white, in tribute to the city's emergency responders and health workers. The hospital ship USNS Comfort, making way up the Hudson, on a mercy mission to relieve overcrowded hospital wards. New Yorkers applauding from their apartment balconies at the hospital shift changes. Inside those hospitals, harrowing stories of depleted protective supplies, and a continuing scramble to line up life-saving ventilators.

We are making some progress on procuring supplies and ramping testing, but some days it feels too slow, too inadequate. Wars can be like that, fraught and wasteful. It takes times to gather, plan and do. The urgency is growing, because COVID-19 is showing itself in other areas, usually urban ones. Chicago, Detroit, and New Orleans are all hot spots. The state of Florida, slow to act on sheltering, is expected to have a large outbreak.

The economy is showing the effects of the rapid slowdown from COVID-19. In the last two weeks, ten million people have filed for new employment benefits as the travel, leisure and restaurant industries have gone quiet, often by government order, but no industry has been immune. The hope is these dislocations are short-lived, tied to our getting ahead of the virus' spread. There's more work to do.

The government has taken bold actions to address the economic hit the country is taking. As we've previously mentioned, Washington has passed legislation that will flow relief checks directly to eligible households, make forgivable loans available to small businesses, and will provide financial assistance to hard-hit industries. The Fed has slashed interest rates and undertaken other financial measures to shore up the financial system for its continued smooth running. It's a lot, more than has ever been done in our country's history in both speed and scale, and our sense is we're not finished. More action will be on the way in relatively short order.

The first quarter saw steep losses in stock markets everywhere, as investors moved out of risk assets. Bonds, too, came under pressure, for the same reason, people wanted out. No investor was immune from losing money in the quarter. We have continued to navigate these choppy waters and reposition our client's portfolios. In recent days, using cash from earlier stock sales, we have added several new

positions in high-quality semiconductor, business and creative software, and animal health names, among other moves. In our smaller accounts where we employ funds, we have repositioned capital toward larger companies, which we believe are better-positioned to weather the current storm upon us and perform strongly on the eventual rebound we expect. Overall, we are using the market's decline to opportunistically purchase investments that seldom go on sale as they have presently done. Quality is imperative – meaning strong market positions, strong finances, and capable managements. We remain US-centric in our investment thinking, given our country's advantages in national wealth, innovation, creativity, and overall business competitiveness.

We will be fighting the war against COVID-19 for some time to come, longer than many of us want. We all want to get back to familiar rhythms, socialize with our friends, go out on the town. That will need to wait. In time, the infection will peak, though will still be with us, and we can then relax some of our societal restrictions. We are not yet there. And until convincing therapies to treat, or vaccines to inoculate, become available, we're not really going back to normal as regards many of our former habits. But those medicines will come, and our hunch is faster than we expect.

We urge the people reading this note to continue to be smart about taking precautions against COVID-19. Be spatially distant, but stay social with other tools, like technology. Limit your time in public. Wash your hands, sanitize surfaces, and avoid touching your face. Appreciate your families, friends, and communities. We will win the fight.