



FOURTHOUGHT
PRIVATE WEALTH

Coronavirus Outbreak: Our View

March 2, 2020

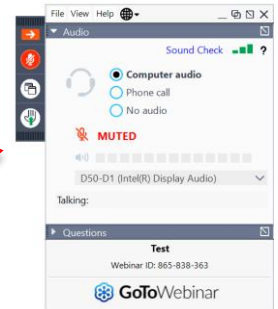
Advisory Services Provided by FourThought Financial, LLC

Have a specific question for our moderators?

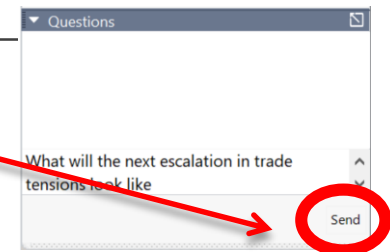
1. Click on the orange arrow to open the GoToMeeting Dashboard.



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2. Click on the drop-down arrow to open the 'questions' box.



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3. Type your question into the text box and click send.



Agenda

Coronavirus Impact on Global Growth

- Monitoring Global Impact
- Governmental Response
- Recovery
- Valuation

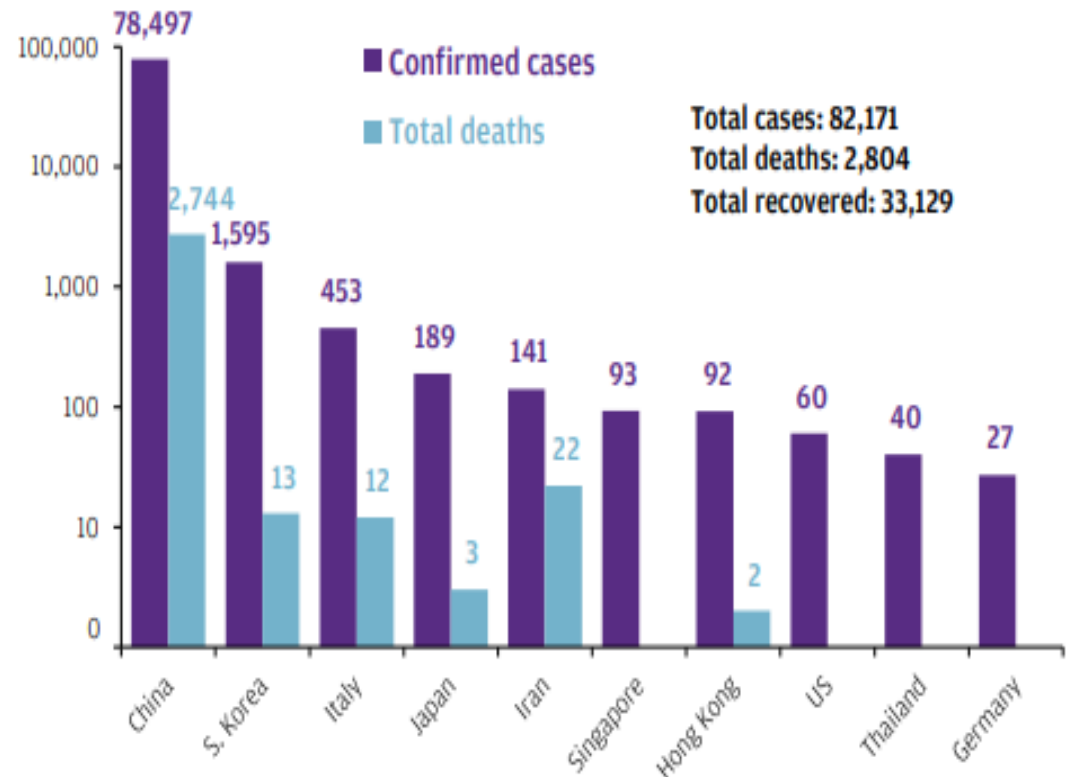
Investment Thesis

- Quality companies
- Cash flow driven
- Top and bottom line focus

Monitoring Global Impact

- China in a recovery phase
 - Fewer cases each day
 - Businesses beginning to re-open
- Coronavirus moved globally
 - Italy, South Korea, and Iran
 - Fueled global uncertainty
- Supply chain disruptions
 - Companies relying on the manufacturing
 - Distribution effort in China
 - Travel industry
 - Energy

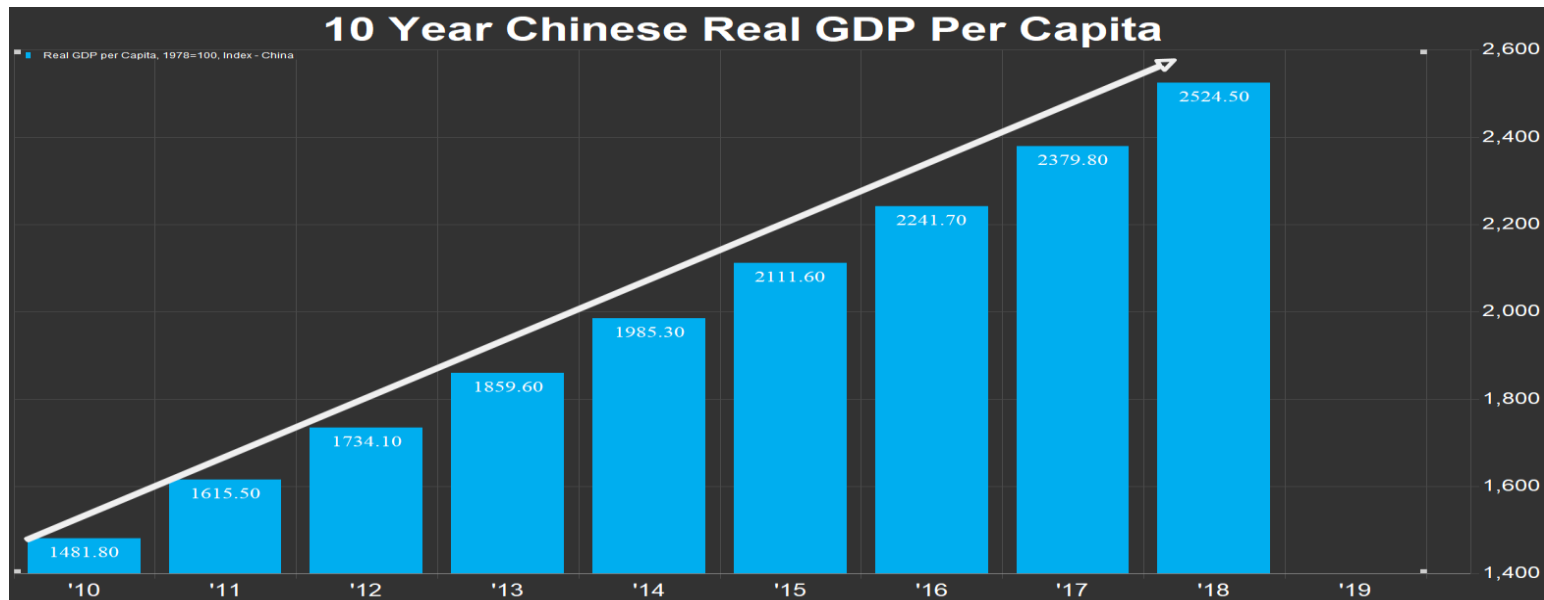
EXHIBIT 1: COVID-19 CONFIRMED CASES AND DEATHS BY COUNTRY
Log scale



Source: Johns Hopkins CSSE, J.P. Morgan Asset Management. Data as of 27 February 2020.

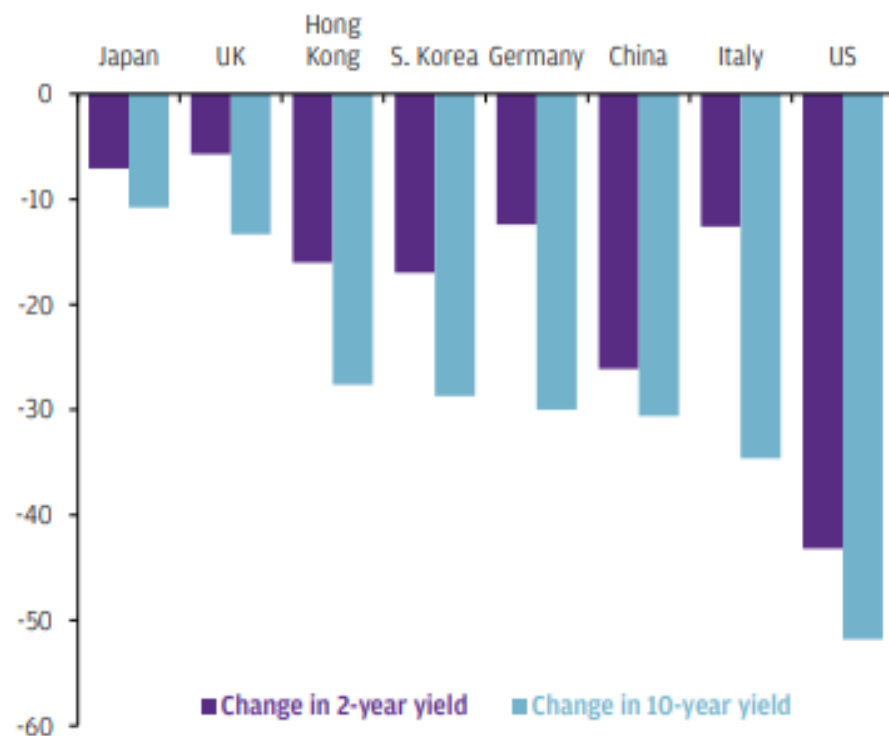
Government Response - China

- Long term growth still positive trend
- Chinese government providing fiscal and monetary stimulus
- Small to medium sized companies beginning to run at partial capacity
 - Cash flow pressures
 - Relying on China's relief program



Government Response - Global

- Interest rates have been impacted
 - 10-year US treasury yield fell to an all-time low of 1.12% (as of February 28th)
- While the market anticipates the Fed will ease interest rate again during 2020:
 - Affect on the economy would be lagged, approximately 6 to 12 months after easing
 - Fed may be on pause until after presidential election

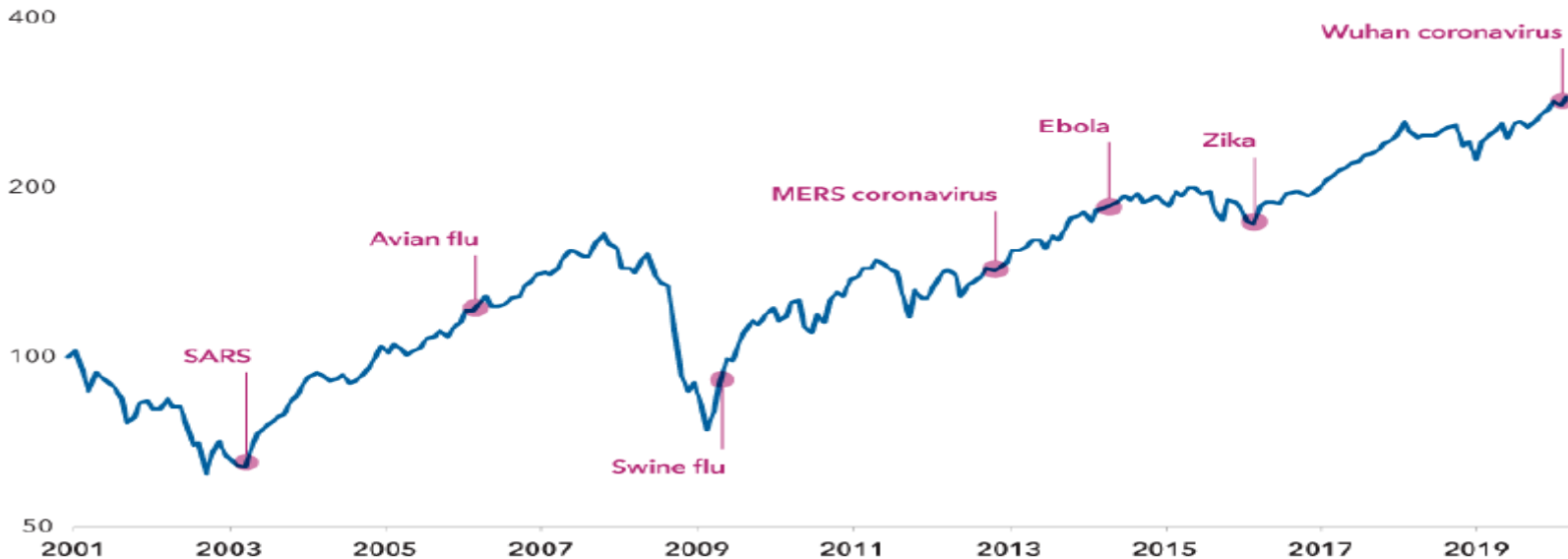


Source: Bloomberg, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Data as of 26 February 2020.

Recovery

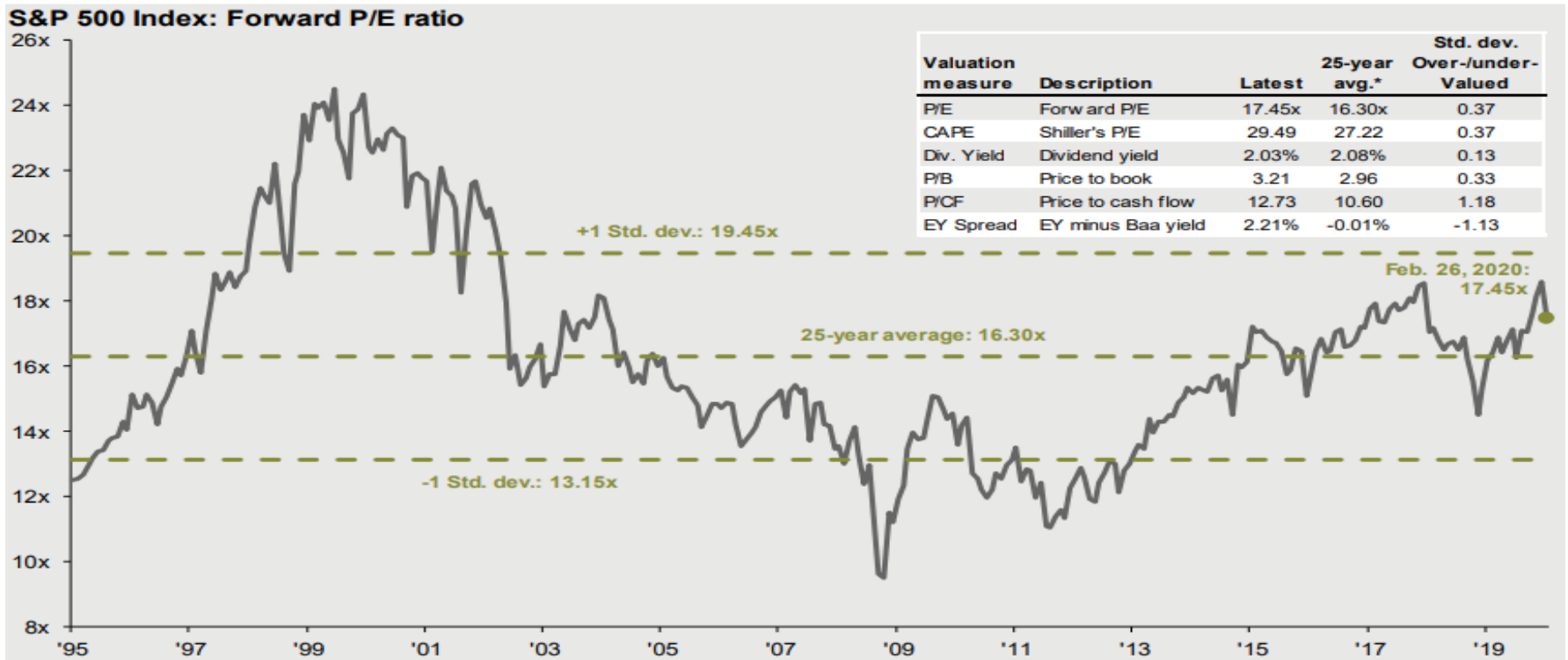
- Too soon to assess the full impact of the coronavirus on corporate earnings
 - Anticipate flat to incremental growth for 2020
 - No profound sustained negative impact yet
- Analysts expect a sizeable bounce back in Q2 - signaling a "V" shaped recovery
 - Consistent with similar events

MSCI ACWI index levels



Valuation

- Up until Mid-February - markets were relatively resilient, particularly outside of the worst-affected areas
- Monetary policies have been supportive of equities; however they have repriced accordingly
- S&P forward P/E 16x - more in line with the 25-year average forward P/E



Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management

Investment Thesis

- Strategic allocation and diversification
 - Helps limit volatility on portfolios
 - Allows participation in periods of economic prosperity
 - Aids in downside protection and stable cash flow
 - Helps with stable income even through market downturns



**FOCUS ON QUALITY,
INCLUDING DIVIDEND-
PAYING COMPANIES
WITH GOOD CREDIT
RATING**



**CONSIDER COMPANIES
THAT CAN GROW TOP
LINES AND IMPROVE
MARGINS**



**INVEST SELECTIVELY IN
CORPORATE CREDIT
AND CONSIDER MUNI
BONDS**



**INVEST IN SELECTIVE
INTERNATIONAL
MARKETS.
UNDERWEIGHT SMALL
CAP STOCK**



Risk Considerations

ASSET ALLOCATION AND DIVERSIFICATION ARE INVESTMENT METHODS USED TO HELP MANAGE RISK. THEY DO NOT ENSURE A PROFIT OR PROTECT AGAINST A LOSS. ALL INVESTING INVOLVES RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. THERE CAN BE NO ASSURANCE THAT ANY INVESTMENT STRATEGY WILL BE SUCCESSFUL. INVESTMENTS FLUCTUATE WITH CHANGES IN MARKET AND ECONOMIC CONDITIONS AND IN DIFFERENT ENVIRONMENTS DUE TO NUMEROUS FACTORS, SOME OF WHICH MAY BE UNPREDICTABLE. EACH ASSET CLASS HAS ITS OWN RISK AND RETURN CHARACTERISTICS. SOME OF THE RISKS ASSOCIATED WITH THE REPRESENTATIVE INDEX ASSET CLASSES SHOWN IN THE CHARTS INCLUDE:

ALTERNATIVE INVESTMENTS: ALTERNATIVE INVESTMENTS, INCLUDING HEDGE FUNDS AND PRIVATE CAPITAL FUNDS, ARE SPECULATIVE AND ENTAIL SIGNIFICANT RISKS, INCLUDING THOSE ASSOCIATED WITH POTENTIAL LACK OF DIVERSIFICATION, RESTRICTIONS ON TRANSFERRING INTERESTS, NO AVAILABLE SECONDARY MARKET, COMPLEX TAX STRUCTURES, DELAYS IN TAX REPORTING, VALUATION OF SECURITIES, AND PRICING. THEY TRADE IN DIVERSE COMPLEX STRATEGIES THAT ARE AFFECTED IN DIFFERENT WAYS AND AT DIFFERENT TIMES BY CHANGING MARKET CONDITIONS. STRATEGIES MAY, AT TIMES, BE OUT OF MARKET FAVOR FOR CONSIDERABLE PERIODS WITH ADVERSE CONSEQUENCES FOR THE FUND AND THE INVESTOR. AN INVESTMENT IN THESE FUNDS INVOLVES THE RISKS INHERENT IN AN INVESTMENT IN SECURITIES AND CAN INCLUDE LOSSES ASSOCIATED WITH SPECULATIVE INVESTMENT PRACTICES, INCLUDING HEDGING AND LEVERAGING THROUGH DERIVATIVES, SUCH AS FUTURES, OPTIONS, SWAPS, SHORT SELLING, INVESTMENTS IN NON-U.S. SECURITIES, JUNK BONDS, AND ILLIQUID INVESTMENTS.

COMMODITIES: THE COMMODITIES MARKETS ARE CONSIDERED SPECULATIVE, CARRY SUBSTANTIAL RISKS, AND HAVE EXPERIENCED PERIODS OF EXTREME VOLATILITY. COMMODITIES MAY BE AFFECTED BY CHANGES IN OVERALL MARKET MOVEMENTS, COMMODITY INDEX VOLATILITY, CHANGES IN INTEREST RATES, OR OTHER FACTORS AFFECTING A PARTICULAR INDUSTRY OR COMMODITY. INVESTING IN PHYSICAL COMMODITIES, SUCH AS GOLD AND OTHER PRECIOUS METALS, EXPOSES A PORTFOLIO TO OTHER RISK CONSIDERATIONS, SUCH AS POTENTIALLY SEVERE PRICE FLUCTUATIONS OVER SHORT PERIODS OF TIME AND STORAGE COSTS THAT EXCEED THE CUSTODIAL AND/OR BROKERAGE COSTS ASSOCIATED WITH A PORTFOLIO'S OTHER HOLDINGS. IN ADDITION TO THE RISKS OF INVESTING IN COMMODITIES GENERALLY, INVESTING IN BASE METALS CARRIES ADDITIONAL RISKS. THESE METALS ARE HIGHLY LEVERED TO THE RELATIVE STRENGTH OF THE U.S. DOLLAR, ECONOMIC GROWTH, AND INFLATION. THEY CANNOT BE HELD PHYSICALLY AND ARE NOT EASILY CONVERTED TO CASH. EXPOSURE TO BASE METALS IS USUALLY ACCESSED THROUGH INVESTMENTS IN STOCKS OF MINING COMPANIES, EXCHANGE-TRADED FUNDS, MUTUAL FUNDS, OR FUTURES TRADING.

CURRENCIES: CURRENCY RISK IS THE RISK THAT FOREIGN CURRENCIES WILL DECLINE IN VALUE RELATIVE TO THAT OF THE U.S. DOLLAR. EXCHANGE RATE MOVEMENT BETWEEN THE U.S. DOLLAR AND FOREIGN CURRENCIES MAY CAUSE THE VALUE OF AN INVESTMENT TO DECLINE.

EQUITY SECURITIES: STOCKS ARE SUBJECT TO MARKET RISK, WHICH MEANS THEIR VALUE MAY FLUCTUATE IN RESPONSE TO GENERAL ECONOMIC AND MARKET CONDITIONS, THE PROSPECTS OF INDIVIDUAL COMPANIES, AND INDUSTRY SECTORS. THE PRICES OF **SMALL/MID-COMPANY STOCKS** ARE GENERALLY MORE VOLATILE THAN LARGE-COMPANY STOCKS. THEY OFTEN INVOLVE HIGHER RISKS BECAUSE SMALLER AND MIDSIZE COMPANIES MAY LACK THE MANAGEMENT EXPERTISE, FINANCIAL RESOURCES, PRODUCT DIVERSIFICATION, AND COMPETITIVE STRENGTHS TO ENDURE ADVERSE ECONOMIC CONDITIONS.

FIXED INCOME: INVESTMENTS IN FIXED-INCOME SECURITIES ARE SUBJECT TO INTEREST RATE, CREDIT/DEFAULT, LIQUIDITY, INFLATION, AND OTHER RISKS. BOND PRICES FLUCTUATE INVERSELY TO CHANGES IN INTEREST RATES. THEREFORE, A GENERAL RISE IN INTEREST RATES CAN RESULT IN A DECLINE IN THE BOND'S PRICE. CREDIT RISK IS THE RISK THAT AN ISSUER WILL DEFAULT ON PAYMENTS OF INTEREST AND/OR PRINCIPAL. THIS RISK IS HEIGHTENED IN LOWER-RATED BONDS. IF SOLD PRIOR TO MATURITY, FIXED-INCOME SECURITIES ARE SUBJECT TO MARKET RISK. ALL FIXED-INCOME INVESTMENTS MAY BE WORTH LESS THAN THEIR ORIGINAL COST UPON REDEMPTION OR MATURITY. HIGH-YIELD FIXED-INCOME SECURITIES ARE CONSIDERED SPECULATIVE, INVOLVE GREATER RISK OF DEFAULT, AND TEND TO BE MORE VOLATILE THAN INVESTMENT-GRADE FIXED-INCOME SECURITIES. **MUNICIPAL BONDS** OFFER INTEREST PAYMENTS EXEMPT FROM FEDERAL TAXES, AND POTENTIALLY STATE AND LOCAL INCOME TAXES. MUNICIPAL BONDS ARE SUBJECT TO CREDIT RISK AND POTENTIALLY THE ALTERNATIVE MINIMUM TAX (AMT). QUALITY VARIES WIDELY DEPENDING ON THE SPECIFIC ISSUER. **U.S. GOVERNMENT SECURITIES** ARE BACKED BY THE FULL FAITH AND CREDIT OF THE FEDERAL GOVERNMENT AS TO PAYMENT OF PRINCIPAL AND INTEREST IF HELD TO MATURITY. ALTHOUGH FREE FROM CREDIT RISK, THEY ARE SUBJECT TO INTEREST RATE RISK.

FOREIGN/EMERGING/FRONTIER MARKETS: INVESTING IN FOREIGN SECURITIES PRESENTS CERTAIN RISKS NOT ASSOCIATED WITH DOMESTIC INVESTMENTS, SUCH AS CURRENCY FLUCTUATION, POLITICAL AND ECONOMIC INSTABILITY, AND DIFFERENT ACCOUNTING STANDARDS. THIS MAY RESULT IN GREATER SHARE PRICE VOLATILITY. THESE RISKS ARE HEIGHTENED IN EMERGING AND FRONTIER MARKETS.

REAL ESTATE: INVESTING IN REAL ESTATE INVESTMENT TRUSTS (REITS) HAS SPECIAL RISKS, INCLUDING POSSIBLE ILLIQUIDITY OF THE UNDERLYING PROPERTIES, CREDIT RISK, INTEREST RATE FLUCTUATIONS, AND THE IMPACT OF VARIED ECONOMIC CONDITIONS.

TREASURY INFLATION-PROTECTED SECURITIES (TIPS): TIPS ARE SUBJECT TO INTEREST RATE RISK, ESPECIALLY WHEN REAL INTEREST RATES RISE. THIS MAY CAUSE THE UNDERLYING VALUE OF THE BOND TO FLUCTUATE MORE THAN OTHER FIXED-INCOME SECURITIES.



Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex - U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index - Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Definitions:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.



Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Global macro strategies trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

Merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Relative Value Strategies maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.



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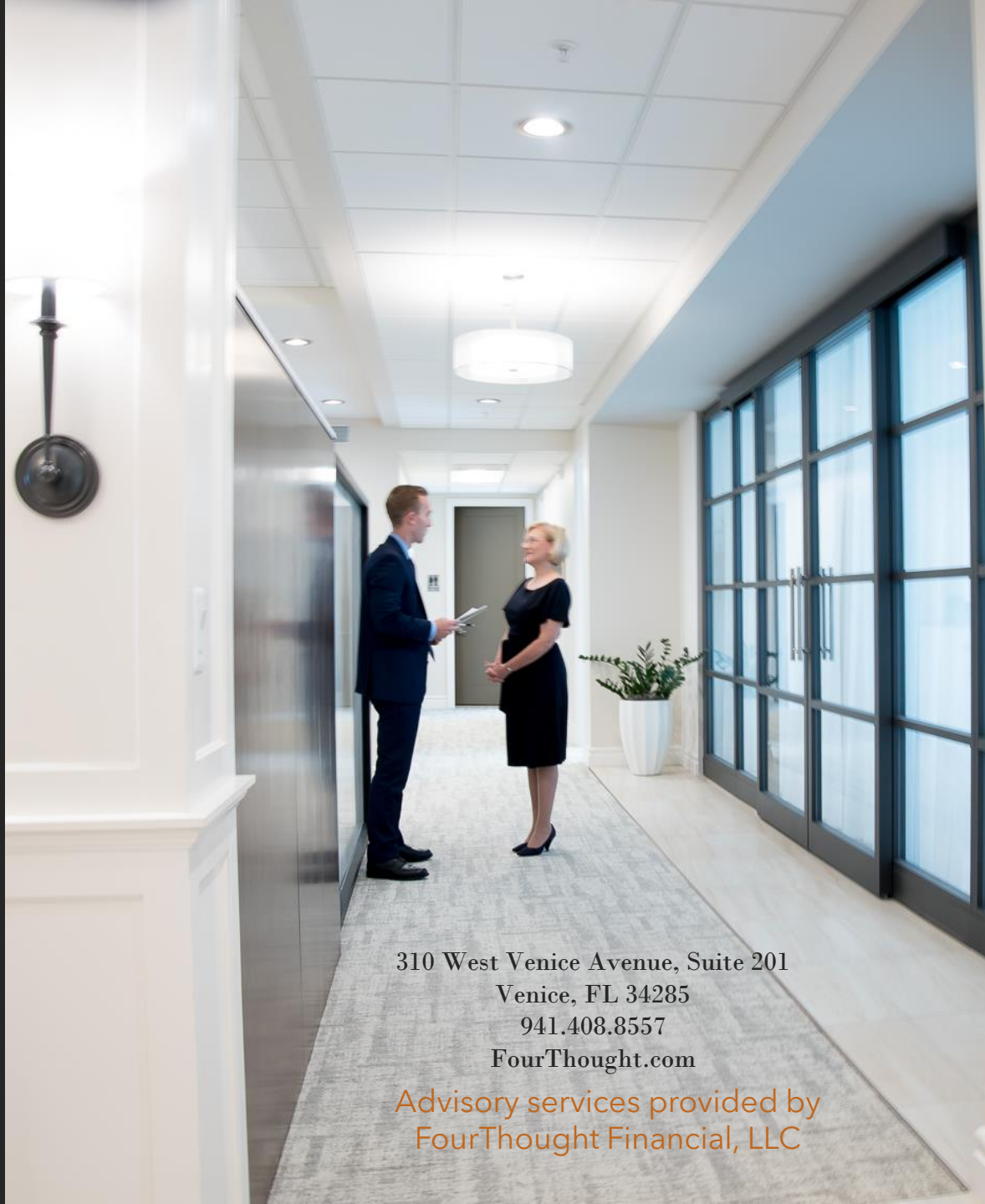
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