

The Markets and the Coronavirus

February 28, 2020

The last few days we have witnessed some significant short-term declines in the markets. After the markets were making all-time highs just last week, the news in Asian, European and Middle Eastern countries about the continued spread of the coronavirus made investors very nervous. And we believe rightly so.

We do not, nor will not, pretend to be experts on the science of new viruses. What we will do is focus our attention very closely on the impact news events are having on the markets and the potential future impact on the companies we own.

Over the years we have written and talked with many of you about how the short-term market is a voting machine, it moves based on the emotions of investors. However, in the longer term, the market is a weighing machine. The performance of a stock will be directly correlated to that company's ability to make a profit and the growth rate of those profits.

The fear of this virus will cause some short-term impacts in the market. To what degree? We have no idea, we won't until it's over, and nor does anyone else. People can guess, and some will guess right. But that is just luck. We will do what we always do; use data to make the best decisions that we can and let our disciplined approach guide our investing.

We are already using data to build defensive plays in most of our stock portfolios. We hold cash, and over the last year, we have added gold and silver to the portfolio to help cushion against potential volatility such as this recent reaction to the coronavirus. If the data suggests that the markets could get worse, we plan to get more defensive.

We will not act emotionally, we will let data, math and analysis guide our decisions. It is when emotions take over that most mistakes happen.

Please know that we are applying a long-standing analytical process to the management of your money, one that has worked well over the years through more

pervasive and deeper market corrections. If you want to discuss what we are doing or talk about our current views, please give us a call. We'd love to talk with you.

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