Roffman Miller
Wealth Management

The COVID 19 virus is dominating the headlines and rightfully so.

For All Those Who Can't Shelter in Place

I've read hundreds of expert reports and the only thing I know for certain is that no one knows when this pandemic will end. I've read optimistic reports from the CDC (Centers for Disease Control) indicating an end to the virus come July. I've also read worst-case scenarios from the WHO (World Health Organization) where this could last the entire year and continue to be a problem until a vaccine is widely distributed. This pandemic is a real problem and eventually it will end but unfortunately we don't know when.

The stock market has had a severe reaction to this pandemic. If we look back throughout history, bear markets develop on average over the course of 8 months. This bear market took place in under a month, making it the fastest bear market in history. In recent newsletters, I've written about how fast the world is moving today. I can't compare today's automated trading, hedge funds and market access to earlier periods. The world is simply different and it's moving at breakneck speeds. According to Jeffrey Kleintop who is the Chief Global Investment Strategist for Charles Schwab, "The fastest bear market ever seems to have been driven by short-term traders, rather than long-term individual investors." Eventually, short-term traders run out of capital and once there are more buyers than sellers a market bottom is formed. This market bottom may be forming now, or it may be in the near or distant future. I know the market will find its bottom, but I have no idea when.

Bob Hofmann
President

Most of our clients have stayed committed to their current plans. We've identified an asset allocation knowing the equity component was designed for the long-term. Moreover, the equity allocation is constructed of high-quality companies. By design, we've eschewed the riskiest parts of the market having virtually no exposure to junk bonds, hedge funds, alternative investments, non-publicly traded investments, commodities, commercial mortgage-backed securities and emerging markets. Our investment portfolio differs greatly from the crowd. The investment strategy of choice for most firms over the last 30 years has been a global asset allocation model. This global strategy invested in everything under the sun. At Roffman Miller, we chose to invest in only high-quality companies that in the short run can go down in value but over time they tend to perform very well. In times of stress, low-quality investments can, and sometimes do, go away forever.

Our fixed income strategy is also built upon very conservative principles. Our bond ladders provide us with certainties in uncertain times. Bonds also provide us with a structured source of capital as they mature each year. The bonds we own also provide us with added liquidity. Our bonds are very liquid and can be sold prior to maturity if unforeseen circumstances create the need for access to additional capital. In addition to owning high-quality, investment-grade bonds we always hold some cash for your immediate needs.

Although it doesn't feel good now, we've all been here before. Bear markets are an unfortunate part of investing. They are always painful and typically short-lived. In a previous newsletter I provided this chart which highlights a historical context of previous poor first quarters in the stock market:

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S&P 500 CHANGE (%)

QUARTER	MAX DECLINE	MAX GAIN	REST OF YEAR
Q1 1932	-18.6%	19.7%	-5.34%
Q1 1933	-24.7%	25.3%	70.43%
Q1 1934	-11.8%	21.1%	-10.55%
Q1 1938	-28.9%	13.6%	54.59%
Q1 1939	-17%	13.6%	13.48%
Q1 1980	-17.1%	12.6%	32.98%
Q1 2003	-14.1%	11.9%	31.09%
Q1 2009	-27.6%	23.1%	39.76%
Q1 2016	-10.5%	12.2%	11.8%

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As you can see from the chart above just because a year starts poorly doesn't necessarily mean that's the way the year will end. Warren Buffet once said: "If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes." To be a successful investor you need to avoid the negative emotions and the noise and stay committed to your long-term plan. An article by BMO titled "Why Calling A Market Bottom Doesn't Matter" produced the following statistics from our most recent bull market: "Since the start of this bull market, the S&P 500 has generated a 15.5% annualized price return. Excluding the five best days each year through 2019 would reduce that return to just 1.1%. History shows that most of the worst days tend to occur unexpectedly, making them nearly impossible to predict, and many of the best days occur soon after the worst days."

This is just one of many statistics that point to the futility of market timing. Timing the market is virtually impossible to do and although long-term investing can be frustrating in times like this, I still believe it's the prudent approach.

In previous newsletters, we've talked about owning businesses, not stocks. Many of the businesses we own are doing extraordinary things to help during this crisis. One example is 3M. 3M doubled their capacity for the critical N95 respirators. They're now producing 100 million per month. In this challenging time, 3M has over 50,000 employees in its factories and distribution centers coming to work every day to make this critical product. This is simply one of many stories of unsung heroes working behind the scenes in order to fight this pandemic. Americans coming together in a time of crisis, all focused on a common mission, is one of the best attributes of our great nation.

Personally, I have family who are healthcare providers. We also have many clients working on the front line in the healthcare industry. To those who can't shelter in place, all of us at Roffman Miller would like to extend our sincere gratitude and respect to all healthcare workers and the industries that support them. Their bravery in the face of this crisis is unparalleled. As always, our dedicated team at Roffman Miller is here to help if you have any questions or if you'd like to review your goals, investments or financial plan.

Bob Hofmann, President

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