

Investors, Friends and Family,

I trust that the first investor letter highlighting the first quarter of 2020 from Standard Wealth finds you healthy and well. All of the words to follow mean very little if you or your family has been exposed to this virus. We must all come together to help those in need during these times of turmoil and I have been impressed with the dedicated effort of people in my community that have self-isolated. Together we can flatten the curve to try to limit transmission.

Currently the markets have been very fragile due to many uncertainties:

What is the timing surrounding a cure or vaccine for the coronavirus? It could be tomorrow, in a few weeks or for quite awhile longer. The uncertainty surrounding this solution is what has given the market pause and thrown many seemingly rational investors into a selling panic.

What is the economic impact of the virus? Quantifying how much damage is being done to the economy with the closing of borders, lockdowns, curfews, and putting a halt to the economy is near impossible. The upcoming earnings calls will be absolutely horrifying!

The oil price crash has added even more uncertainties to the equation. How long will the oil crash last and will there be a structural change to oil producers in the USA and Canada? What are the implications on the U.S. and Canadian economies? Nobody knows, but Standard Wealth has a plan to take advantage of the panicked selling.

Liquidity risk: The financial markets are facing a severe liquidity crunch due to relentless fund redemptions while investors are dashing for cash and selling their investments at nearly any price. Luckily, the Federal Reserve and central banks around the world have been accommodating and providing relief to the markets in a timely manner. Rents and interest obligations that are coming due will be under pressure and will create an imbalance in the credit markets. Some tenants and borrowers simply will be unable to pay without some sort of relief. I believe that a compromise between the public and private sector will ultimately be hashed out.

The coming together of nationalities to find a cure or vaccine for the coronavirus will send the markets soaring like we have never seen before. Our strategy of being fully invested will allow us to participate when we get a rebound. The ideal solution would be to find a drug that can either cure or reduce the severity of COVID-19. Positive news surrounding an effective treatment indicates that this solution is getting closer day by day.

Because we are long-term investors, this pullback provides an generational buying opportunity to increase investments at attractive prices. Companies with great businesses that previously were too expensive to include in the Standard Wealth portfolio have seen their share prices drop, which will allow us to be opportunistic in including these securities in the portfolio if they hit our target levels. As we monitor the market and wait patiently for our opportunities, rest assured that we will be collecting dividends on a quarterly or monthly basis.

Today we have central banks that have strongly indicated to the market that they will be supportive of stock markets around the world. With interest rates at or near zero we are almost guaranteed to see markets climb higher once a vaccine or effective treatment for the coronavirus is found. The yield from the fixed income market is as low as it has ever been without an investor taking excessive risk. For many, the fixed income asset allocation has been turned into “fixed capital” with no income.

The fear of the unknown is giving us an incredible opportunity for the patient and defensive investor to buy mature, dividend paying companies at very attractive valuations. For example, the Standard Wealth strategy now yields [x]% with a price-to-earnings ratio of [y].

The Accelerate team is working remotely from home and the systems and procedures set up well before the crisis are performing well. Rest assured that we are still fully focused on providing daily insights into what is moving the markets through our research, insights, social media, blog posts and podcasts. I would encourage you to hear Julian, Mike and special guests during our weekly [Absolute Return Podcast](#).

I wish you all the best of health and security during these unique times. Be safe.

Fred H Mannix