Market Comment

- We view the recent re-acceleration of Covid-19 cases outside of China to be a material negative development, and we are prioritizing potential actions we might take to manage risk in our equity investment strategies.
- We were not compelled to act today, largely because of actions we have recently taken to reduce risk in these strategies, including the accumulation of a cash reserve and the right-sizing of individual stocks within the *Managed Equity Growth* strategy, and a months-long migration toward stronger balance sheets and greater dividend coverage in the *Managed Equity Dividend* strategy.
- We believe these actions have positioned our two managed equity strategies appropriately for the market volatility we have experienced thus far.
- We are also mindful of the benefits of portfolio diversification for most investors – high quality bonds are up today, for example.[1]
- Even so, we will not hesitate to act *at the margin* to lower risk further in our equity strategies if/when it seems appropriate.
- Actions we might take include: 1) Trim certain stock holdings to a lower target weight without selling outright; 2) Sell a limited number of stocks outright; 3) Exchange one or more ETFs within the Tactical strategies into an alternative (in the same asset class) with a different risk profile.
- We note as well that the *Tactical Dynamic* strategy is deliberately designed to react to changing market conditions, and we expect this strategy to reduce its risk profile systematically in the coming weeks if global equity markets remain weak.
- We also recognize that whenever the worst is over for the Covid-19 outbreak, stocks seem likely to look attractive again in comparison to safer assets whose yields remain anchored near zero.
- As we manage risk, we remain poised to take advantage of opportunities whenever they arise.

[1] Source: Bloomberg; the Bloomberg Aggregate Bond Index closed up approximately 0.3% on Feb. 24

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The **Bloomberg Barclays US Aggregate Bond Index** is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.

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