



Broadleaf Partners, LLC

Bear Market Territory

March 15, 2020

Wow, what a crazy week it has been.

Schools have been shutdown, the NBA season and March Madness cancelled, and baseball season delayed. Senior Proms have been called off.

The country is in virtual lockdown as people learn “social distancing” which, it is hoped, will delay and reduce the spread of disease and with it, the burdens on our nation’s hospitals and health care staffs. Nothing seems too shocking anymore, including news, just in, that all restaurants in Ohio will be shut down after 9pm tonight. Take-out and delivery service, only.

Rumors are presently circulating that a two-week, nationwide quarantine will soon be put into effect which may indeed be the case by the time this update is published. I would count on it.

Trying times to be sure.

While the health of Americans may be the most serious issue surrounding the Coronavirus pandemic, my particular area of expertise lies with the economy and the long term financial objectives of clients.

I take this role seriously.

In just a week’s time, the markets went from a ten percent correction to twenty percent bear market territory. And while they enjoyed a nice record setting, nine percent bounce in the final two hours of trading on Friday, that came after a nine percent drubbing the prior day. The markets, to say the least, are not functioning normally and may be unlikely to do so for some time. Please consider the long term costs of selling into a dysfunctional market, if you must do so.

In times like these, I often get asked if my phone is ringing off the hook from stressed out clients. And with the exception of many visits to institutional clients following the bear market tech wreck twenty years ago, the answer is far fewer than most might expect. This has been the case throughout my thirty-year career.

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To be sure, there are always a few curious, wanting to know more and sometimes anxious clients, but most of the pressure, I find, is self-induced. Trust me, I'm with you. I am fully invested along-side you, armed with years of experience and awaiting a better tomorrow.

Shortly after the tech wreck twenty years ago, 9/11 came and shocked the nation into a new and unflinching resolve. In the face of that generation-defining tragedy, we set politics aside and united as a nation. We rallied together, as the *United States of America*. Warren Buffet has said before that it hasn't paid to bet against the United States when conflict arises, and we'd stick with the Oracle of Omaha's prophetic words.

Bear markets are a reality. No matter the flavor or the cause, they are never much fun. I've lived through two gut-wrenching times. They are bred and exist to make it seem like the end is near. It is tempting to succumb to the ravages of fear during times like these. Real as they are, history also shows that when confronted with existential fear, we rise to the call, adjust as necessary, and settle in to a new normal where the sun still shines.

At the beginning of last week, I reviewed the daily statistics on the performance of our portfolio following historical declines. Following the housing and banking crisis twelve years ago, I recall sitting in the local middle school stadium watching pee-wee football games and discussing the situation with other beleaguered fans absent-mindedly watching the game and wondering about the possibility of a second Great Depression. It was mildly comforting to know that we, fans at the game from all occupations, were in this together, wondering what the future might hold.

The market decline had many periodic mid-single digit percentage moves to the downside for what seemed like a near eternity, but also had moments of reprieve when it would violently skyrocket upwards in similar fashion. When all was said and done and much pain and fear endured, it took about nine months for the markets to hit a final low, from which an ensuing 400% bull market would be born.

By my calculations, it took just shy of three years for the highs that had been achieved prior to that downturn to be regained by our portfolio. Had one continued to invest throughout the downturn by taking seemingly irresponsible shots at a shifting basket hoop far in the distance, the period to breakeven could have been shortened yet further.

So, what does one do when it comes to their portfolio at times like these?

Hunker down. Invest more if you are able. Maintain a selling discipline. Think long term, even when the world around you is writhing in fear. The Lord, I believe, gave me these historical experiences for such times as today. Raise cash if you must, but not to the extent it will derail you from reaching your long term financial goals.

It's easy and fashionable to poke fun at those depleting the toilet paper shelves of the local Costco. Consider the idea that this might be you when toying with the idea of selling your portfolio to go all in on cash. You may feel a brief sense of relief, but with the passage of time, you may begin to wonder if you made the right call stockpiling "paper" beyond the needs of your present reality.

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Certainly, you may need some liquidity to meet the actual needs you confront, but for most, it may prove less urgent than what we witness at our local Costco. For the more affluent, now is the time to tip more generously and pay attention to neighbors in need. Many will be hurting.

Our children will remember this period in time in the distant future, just as we remembered the Space Shuttle disaster, 9/11, and the housing crisis. Now is the time to acknowledge that such fears exist and are real, but to consider the very real precedent that this period, too, shall likely pass.

I intend to follow my selling discipline, but without sacrificing the ability to participate in an eventual upturn. I will be piloting our plane in sober and realistic fashion, to the best of my ability. I look forward to the distant future, to better days ahead, knowing that faith is being sure of what we hope for and certain of what we cannot see.

Please, do not hesitate to call if you need to chat.

In the meantime, brothers and sisters, remember that it's all about family, loved ones and neighbors. Be together and talk with your little ones, if you have them, because it matters. The world will always have its uncertainties, as every generation has, and this will be our chance to rise up to the occasion and embrace it humanely and with grace, for history's sake and the future textbooks that will undoubtedly come.

Kindest Regards,

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