FAHNESTOCK ASSET MANAGEMENT
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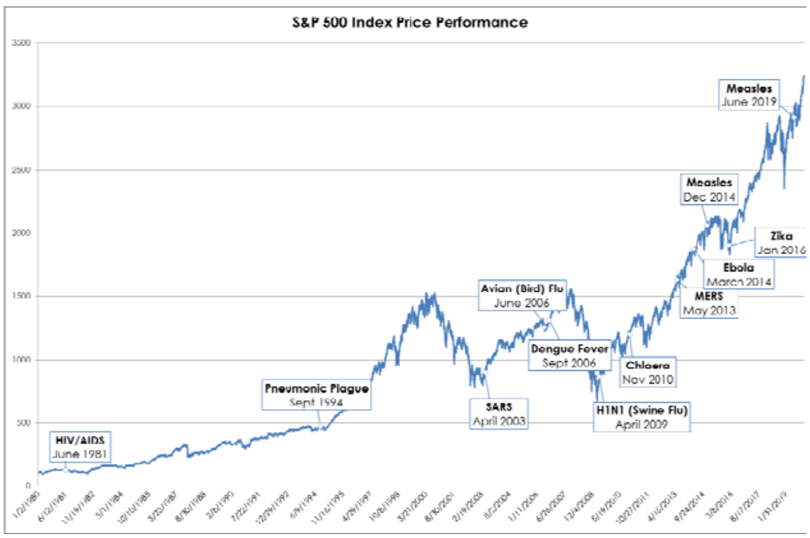
Dear Client,

Investor panic and fears surrounding COVID-19 have caused significant fluctuations in the global markets during the past few weeks. There are several different factors that contribute to why the stock market may move one way or another, but it's important to remember that markets are resilient.

The data below indicates that market movements following the start of modern epidemics, including SARS, the Avian Flu and H1N1, demonstrate resilience.



Epidemic	Date	S&P 500 6-Month % Change	S&P 500 12-Month % Change
HIVE/AIDS	June 1981	-6.6%	-16.5%
Pneumonic Plague	Sept 1994	8.2%	26.3%
SARS	April 2003	14.6%	20.8%
Avian (Bird) Flu	June 2006	11.7%	18.4%
Dengue Fever	Sept 2006	6.4%	14.3%
H1N1 (Swine Flu)	April 2009	18.7%	36.0%
Chloera	Nov 2010	13.9%	5.6%
MERS	May 2013	10.7%	18.0%
Ebola	March 2014	5.3%	10.4%
Measles	Dec 2014	0.2%	-0.7%
Zika	Jan 2016	12.0%	17.5%
Measles	June 2019	9.8%	N/A*
Average Price Return		**8.8%**	**13.6%**

*Source: Bloomberg | *12-month data is not available for June 2019 Measles*

- Looking at this evaluation, we can see that for all but one epidemic situation, the 6-month change of the S&P 500 index was positive, with an average price return of 8.8%.
- Similarly, looking at the 12-month change of the S&P 500 index following the start of an epidemic, 9 out of 11 situations were positive, with an average price return of 13.6%.

While this provides a compelling graphical perspective of the resiliency of markets, it is important to remember you do not own the S&P500 – **you own a portfolio of stocks and bonds weighted in keeping with your emotional and financial tolerance for risk and considers your long term goals and your spending needs.**

The stocks in your portfolio are individual companies each with their own management teams taking steps to address the impact the virus might have on their industry and their company. Some companies such as Campbell's Soup and Quest Diagnostics stand to benefit from the disruption and their stock prices are actually hitting 52 week highs. For the most part, the bonds in balanced investors' portfolios are high quality loans with a minimal chance of default and maturities spread over the next 1-4 years.

Their prices have barely budged. Additionally, we have long held gold and gold mining companies as a hedge against the unknown and those investments are responding exactly how we hoped they would. This diversification has not been a cure-all, but it has blunted some of the downside in your portfolio.

Markets hate uncertainty and the spread and lethality of the virus and the efficacy of a government response is a big unknown. If consumers respond to their fears of the unknown and cancel vacations, stop going to the mall, avoid restaurants, etc., there will be a real impact on company revenues and consumer spending which represents 70% of our GDP. In the near term we expect to see slower economic growth and elevated market volatility. However, we believe the challenges are ultimately surmountable and eventually intend to use this pullback as an opportunity to make investments in companies with great long term prospects at a bargain price. We will proceed cautiously and selectively with your needs and risk tolerance in mind.

We understand the news is concerning, and we recognize the public health risk is very real, but as always we urge you to not react to the media or to short term price fluctuations and to focus on our long term plan. It is a formula that has proven to be very successful in the past. If you have any concerns at all, please don't hesitate to reach out. This too shall pass.

Best Regards,

Craig

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