



Flash Memorandum

To: Taiber Kosmala & Associates Clients
Date: March 9, 2020
Re: Coronavirus, Oil, and Market Volatility

As your strategic partner with respect to your investment program, a key aspect of our fiduciary responsibility is keeping informed as to our current thinking. As you know, each client of Taiber Kosmala maintains a unique investment policy with specific risk characteristics, performance objectives, and overall parameters. While we are confident that our regularly scheduled meetings, written commentaries, and weekly market briefs keep our clients exceptionally well informed as to our thinking regarding market conditions and investment considerations, there are occasional instances where we feel prevailing market conditions warrant a formal intra-quarter client communication.

These communications come two ways. First, we share research and perspective in the form of Flash Market Memorandums or topical research presentations with no specific actionable considerations. Alternatively, we conduct real-time evaluations of client investment portfolios to determine whether there are any Program specific actionable considerations we feel prudent.

That said, recent financial market volatility stemming from global health concerns and oil market volatility have led to a swift correction across global equity markets and unprecedented valuations in fixed income. **Our research resources are clearly acknowledging prevailing risks posed by CoVid-19 and a sudden crash in oil prices. The ultimate economic impact however is a complete unknown. Financial markets are increasingly pricing these shocks as a global economic recession scenario. The risk of recession has indeed risen due to expected containment measures and modification of behaviors (consumer & corporate decision making). Furthermore, energy sector capex compression and balance sheet stress are likely given the sudden drop in oil prices. At this time, we do not view the coronavirus outbreak or the oil price shock as systematic risks and are advising clients to rebalance portfolios in light of the sharp rally in fixed income and drawdown in equity markets. Our guidance is a partial re-risk based on policy/benchmark parameters.**

Longer term, we believe that UST yields below 1% (free money), \$30 oil (consumer gas and industrial fuel tax cut equivalent), global fiscal stimulus, and global ZIRP will translate to a stabilization and recovery in risk markets. Additionally, we feel that political risk to U.S. markets has fallen notably in the past week. We have attached a topical slide deck which illustrates several key points as we monitor economic risks of the coronavirus outbreak and oil price collapse. While we expect continued volatility, we do see logic to the argument that risks are being overpriced in both equity and bond market terms, when viewed over an appropriate time frame.

Recent markets have triggered the internal process where we evaluate real-time client portfolios and policies to determine whether an intra-quarter investment consideration (rebalancing, tactical allocations, etc..) may be in order with respect to your investment portfolio(s).

If you would like to coordinate a call as soon as practical, please reach out to your primary consultant. Alternately, your consultant will be in contact shortly to share conclusions and guidance with respect to the review of your portfolio(s).

Of course, feel free to reach out as we welcome any questions you have may at any time.