



## ***“FOMO” FEARS DISSECTED***

Stocks have been rallying for weeks after some of the worst trading days in market history, when coronavirus fears rocked markets in March. While the decisive actions of global central bankers and fiscal policymakers have reassured markets, the virus persists, with the death toll now over 380,000 worldwide. To be sure, social distancing measures have slowed the pace of the spread, and reopening has unleashed pent-up demand after weeks of hibernation. So much so that some market prognosticators have declared a “V” for victory and a “V” for the definitive shape of the economic recovery pattern we can come to expect in the months ahead.

We remain a bit cautious about this benign outcome, as we hold seriously the long-range economic impacts of a shock like COVID-19. Besides the health crisis that remains unresolved, we recognize the financial virus that is spreading, as the unemployment spike we are facing creates a cycle of bankruptcy and default that not even the Fed and their bazooka full of stimulus can fully prevent.

And yet, we concede and hold in balance the powerful force of the “FOMO” instinct, or the fear of missing out that has seemingly taken over markets in recent weeks. As the S&P 500’s year-to-date loss shrinks to less than -4%, we are uneasy that the market is being too complacent about the impact of sustained high levels of unemployment and a new cycle of bankruptcy and default it may create. While our rooting interest is always for market increases over time, we believe in investing on fundamentals. Those are shifting, and not for the better. While still holding back on guidance, corporate management teams concede that earnings growth has slowed, financial metrics have deteriorated, and challenges have emerged related to supply chains, interest rates and financing, and regulatory risk.

With that, when it comes to companies, there is no “one size fits all,” which is the opportunity for investors like us who can remain both wary of broad macroeconomic conditions and energized by the opportunities this creates for certain market segments and industries. As we select and carefully combine the investments we choose for you, we resist the urge to indulge that “FOMO” feeling, just as we resisted the urge to give into “JOMO,” or the joy of missing out that would have meant capitulation back in the depths of market turmoil in March. Both are destructive forces for long-term investors; in fact, it is true that investors have been profoundly underinvested in stocks since 2009 in the aftermath of the Great Recession, with much more money flowing into bond than stock funds by a 5:1 margin.

As we survey the current landscape, we see opportunity in companies (U.S. and global) with enduring business models and low debt that are on the leading edge of changes in technology, communication, and healthcare. We are marrying those investments with ones primed to benefit from the great unleash of pent-up demand from consumers and businesses in the wake of the virus and in the rebound ahead, no matter what shape it may be. In both cases, valuation discipline matters, tying back to our sense that market participation without sensitivity to price does not manage the risks of an unequivocally uncertain outlook. This is careful work, but aligns with the cautious but focused tread we intend to wind through the months ahead as we invest capital on your behalf.

Thank you for your interest in our weekly investment commentary. If you would like to speak personally with a member of our team at any time, please click [here](#).

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## **A COUNTRY IN CRISIS**

This humble writer cannot possibly put the suffering our nation is facing from death and injustice into words that give meaning to our nation's pain. The coronavirus pandemic and the death of a black man in police custody show that the American dream is falling farther out of reach for the black community. Why this economic bifurcation exists and what we could do about it is critical to our ability to heal and move forward.

Click [here](#) to read more.

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