

April 3, 2020

Dear client,

There is a deluge of articles about COVID-19 which tells me that nobody really knows how things will play out this year and the years ahead. I am pretty sure that the volatility and disruption to our daily lives will continue until the spread of the virus abates. One thing for certain is that the world is facing a huge economic impact. Could it be a repeat of the 1930's? After spending hours of research looking at my graduate school notes and re-reading financial history, I have concluded probably not. I re-read Murray Rothbard's, *America's Great Depression*, which is an unbiased view of the economic times during the periods between 1921 and 1937. I have come to the conclusion, which I shared on our last conference call, that this economic downturn will most likely not be like the 1930's. The reason for this is the following:

- The global central banks are flooding the economy with massive amounts of liquidity
- The real cost of money is negative
- Fiscal policy is kicked into high gear

The massive spending and central bank easy monetary policies won't stop long after this pandemic is over. It likely will stay hyperactive for a long time.

We are continuing to be cautious in any purchases, but we are nibbling here and there. We purchased Colgate-Palmolive because everybody needs soap and toothpaste. We also purchased Jazz Pharmaceuticals because it was selling at a super attractive price, according to our valuation models. I have been watching Jazz for a couple of years and it came down to the price where I think the stock is a real bargain.

If you haven't heard about Luckin Coffee, I have some bad news to report. Luckin Coffee apparently was "cooking the books" and has some accounting irregularities. The stock nosedived from \$27 to \$7. Unfortunately, we bought it back a week or so ago and have since sold it. However, all the news is not bad. Originally, we bought about a 1% position in Luckin and sold it when it became a 2% position. When you combine the first purchase and sale with the second purchase and sale, we still made a profit.¹

At the moment, we are keeping our stock allocation at the levels where they are now, but as I read further, analyze, and keep apprised of the current COVID-19 pandemic, I may change course. However, I will keep you informed.

I encourage you to call me with any concerns or questions.

Stay Safe and Wash Your hands,

Steven Yamshon
Managing Partner

1. *Each account will vary due to different client investment objectives and strategies. We carefully manage your account based on your investment objective.*

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