



Staying Calm in Difficult Times

Since our March 2nd update, the global stock markets have continued to be extremely volatile. Major market indices have experienced 5% and 10% daily swings, yet we have seen more down days than up.

We know that the markets do not like uncertainty, and as a result, we expect continued volatility in the near term. Yet in times like these, the best investment advice that we can give is stay calm and stay the course.

Longer term investors have seen many downturns of 10%, 15% and 20+% in stocks, that are difficult at the time, yet fade away in the overall upward trend over longer time frames. For example, the following bar graph shows that in the long history of the U.S. stock markets, that these sharp downturns have been followed by positive average annualized returns over the subsequent 1, 3 and 5 year periods.

We note that U.S. stock indices, including the Dow Jones, S&P 500 and Nasdaq, were down more than 20% from their mid February highs, thereby signaling an official bear market in stocks.

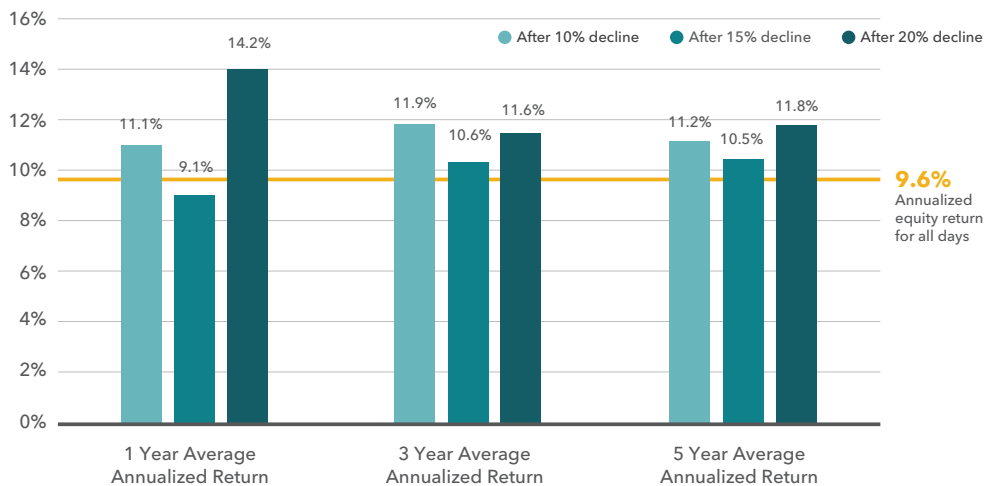
We had been in the longest bull market in history, one that lasted for 11 years. While no one expected something called COVID-19 (Coronavirus) to trigger the fastest bear market in history, we believe that as some of the uncertainty surrounding the economic impact of the virus becomes more clear, that more rational behavior will prevail, and this difficult time will pass.

While the Coronavirus officially became a pandemic as it spread further in the U.S. and globally, the situation in China has actually improved, with a decrease in the number of cases being reported and an increase in the number of people that

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Following Downturns, Stock Returns Have Been Positive

Fama/French Total U.S. Market Index
July 1926 to January 2020



Past performance is no guarantee of future results. Short term performance results should be considered in connection with longer term performance results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Periods in which cumulative return from peak is -10%, -15%, or -20% or lower and where a recovery of 10%, 15%, or 20% from trough has not yet occurred are considered downturns. The bar chart shows the average returns for the 1, 3, and 5 year period following market declines. Peaks and troughs are patterns that are developed by the price action experienced by all securities. Peak is the highest point prior to a drawdown, and trough is the lowest point after the peak.

Fama/French Total U.S. Market Index: Provided by Fama/French from CRSP securities data. Includes all U.S. operating companies trading on the NYSE, AMEX or Nasdaq NMS. Excludes ADRs, Investment Companies, Tracking Stocks, non-US incorporated companies, Closed-end funds, Certificates, Shares of Beneficial Interests and Berkshire Hathaway Inc. Source: Dimensional Fund Advisors



have recovered. Unfortunately, some of the preventive actions that are taken by governments that actually help contain the virus, like the countrywide quarantine in Italy, seem so draconian that they unintentionally increase anxiety.

On March 12th, the New York Federal Reserve announced plans to supply at least \$1.5 trillion to the financial system. In addition, we are close to a U.S. fiscal package that will stimulate the economy and provide a buffer to the negative effects of changes in work schedules and other disruptive events that have been put in place in an effort to stop the spread of the virus. All of this should help to ease investor anxiety moving forward.

We will continue to carefully monitor these developments and the markets, and will adjust client portfolios as circumstances dictate. Many of our client portfolios hold a higher than normal cash position, and we will be prudent in reinvesting this cash.

As always, we are here to answer any questions you may have.

Contact us with any questions or comments

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