

Market Update

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Dear Client,

We hope this letter finds you well. We understand that market gyrations can be unsettling and a cause for concern, so we wanted to update you on how we view recent developments in the market, along with opportunities that we see and the actions we are taking to safeguard your portfolio.

We are not medical professionals, but we are operating under the assumption that COVID-19, "Coronavirus", will eventually be solved. With medical professionals worldwide working on a solution, we have confidence that this challenge is temporary. However, COVID-19 is different than previous epidemics, as it has created economic disruptions in parts of the world, such as mandatory lockdowns/quarantines. While these actions cause temporary economic pain, they are the responsible course to keep the virus from spreading more broadly.

At this volatile time in the markets, we are focused on analyzing what companies will be the long-term winners and losers from this episode, in order that we can position your portfolio accordingly. Here is a brief summation of our thoughts:

- Travel-related stocks will be slowest to recover. As a result, we have divested three stocks: Las Vegas Sands (LVS), Boeing (BA), and Carnival Cruise (CCL). We will keep the proceeds of these sales in cash until we determine suitable replacements.
- Corporations will likely accelerate their digital transformations, which have been underway for the past few years. Companies that facilitate remote work environments through online security, video conferencing, etc., will benefit and are core to the way we position your money.
- With citizens in some countries forced to "shelter-in-place" under quarantine orders, we expect companies engaged in the delivery of most everything (groceries, entertainment, shopping, healthcare, etc.) to gain market share: think Teladoc (TDOC), Roku (ROKU), etc.
- We expect health and wellness to get a boost in the coming months, so we are looking at stocks like Beyond Meat (BYND) more closely.
- Some stocks we continue to hold should remain unaffected by COVID-19 (or have business models that may experience revenue increases): Splunk (SPLK), Alteryx (AYX), The Trade Desk (TTD), are some examples that we think will benefit in the current environment.
- We are actively updating valuation expectations for our target list of securities. Once the dust settles, we will move aggressively to position portfolios to take advantage of the recovery. Many stocks and bonds we follow have sold off arbitrarily, offering great entry points.

We don't expect a recession (typically defined: two quarters of negative GDP growth). We expect pent up demand for goods and services post-Corona. This is where we will focus when this is over!

If you would like to schedule some time with Noland or Freddy, please send us 2-3 of your best available time slots. We can send over an invite for a brief call.

Sincerely,

Noland Langford, President & CEO and Freddy Garcia , First Vice President-Investments

"Creating, Building, and Preserving Wealth"

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