

WHAT YOU NEED TO KNOW

MARKET UPDATE

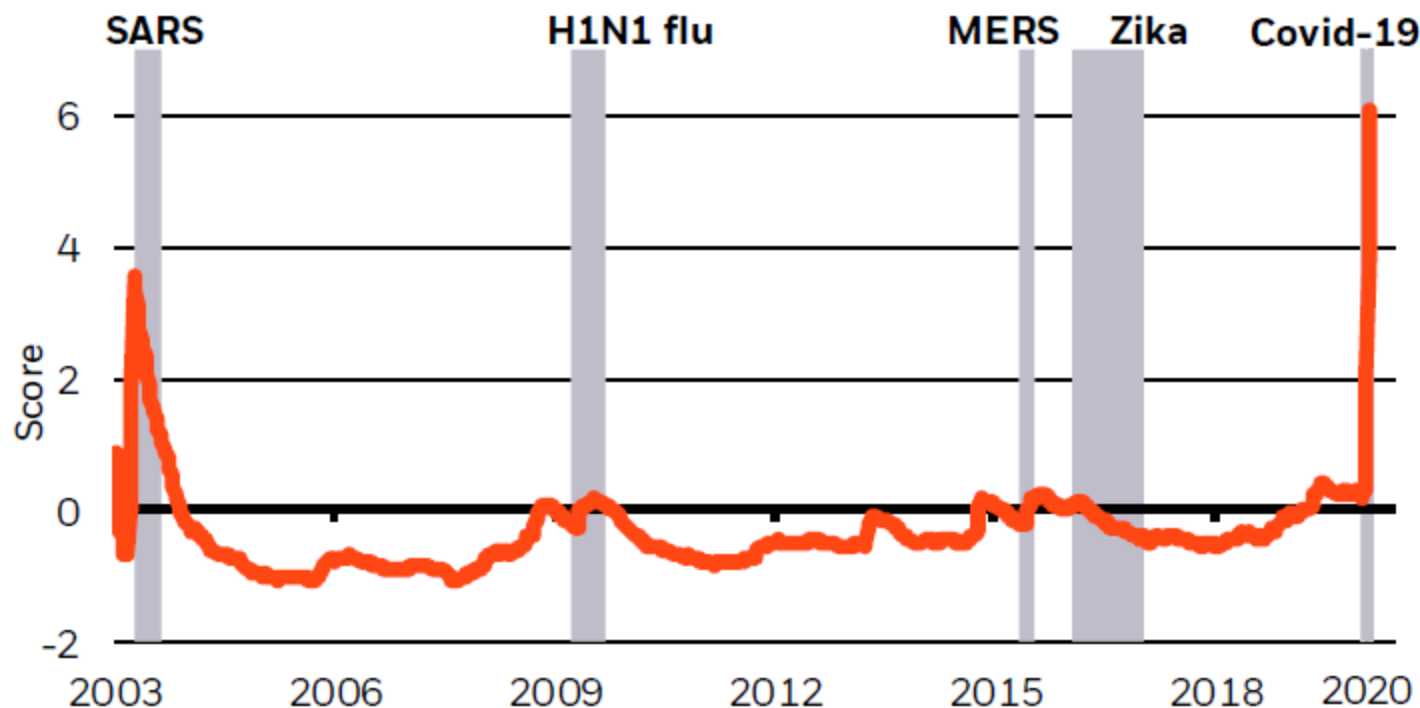
March 2020

With Aaron Izenstark, Co-Founder & Chief Investment Officer



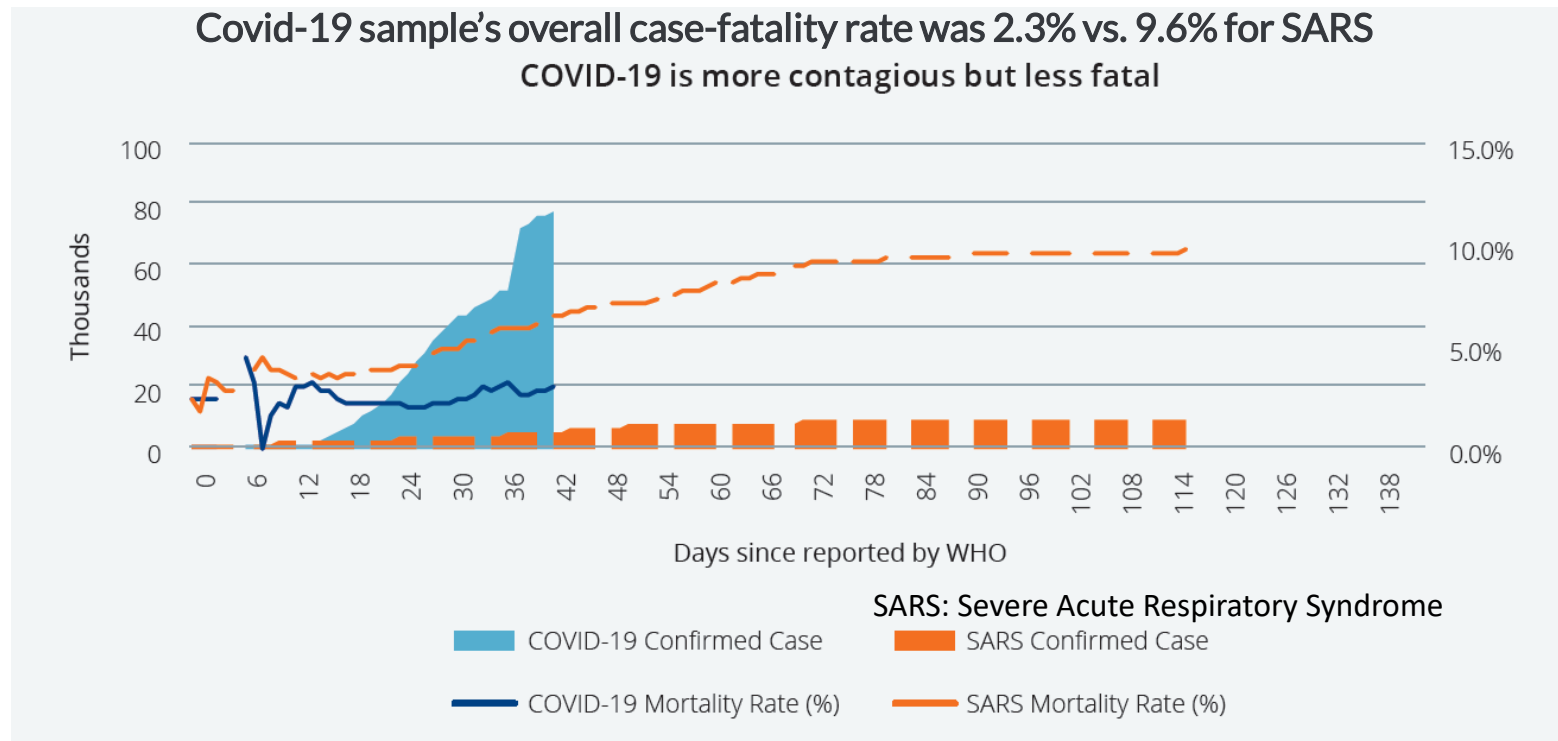
Why the panic?

Market attention to global disease outbreaks, 2003-present



Sources: BlackRock Investment Institute, with data from Refinitiv, February 2020. Notes: We identify specific words related to major disease outbreaks since 2003, then use text analysis to calculate the frequency of their appearance in the Refinitiv Broker Report and Dow Jones Global Newswire databases. We then adjust for whether the language reflects positive or negative sentiment, and assign a score. A zero score represents the average level over its history from 2003 up to that point in time. A score of one means the attention level is one standard deviation above the average. We weigh recent readings more heavily in calculating the average.

Covid-19 update



- Coronavirus fatality rates vary wildly depending on age, gender and medical history
- No deaths occurred in those aged 9 years and younger, but cases in those aged 70 to 79 years had an 8% fatality rate and those aged 80 years and older had a fatality rate of 14.8%, according to a study of Chinese coronavirus cases released this week
- The fatality rate was 49% among critical cases and worsened among those with preexisting conditions
- There were **83,861** confirmed cases of COVID-19 and **2,867** deaths, and about **36,000** people, primarily in China's Hubei Province, have recovered, according to latest figures from the Johns Hopkins Whiting School of Engineering's Centers for Systems Science and Engineering

Covid-19 update – Cov - 2

1. Total Infections, Deaths, and Fatality Rate

| | SARS | MERS | SARS-CoV-2 | H1N1 in US | Current Seasonal Flu in US ^{1, 2} |
|---------------|-------|-------|------------|------------|--|
| Total cases | 8,096 | 2,499 | 88,086 | 60,837,748 | 32mm – 45mm |
| Deaths | 774 | 861 | 2,992 | 12,469 | 18k – 46k |
| Fatality rate | 10% | 34% | 3.40% | 0.02% | 0.06-0.10% |

¹ Preliminary Burden Estimate for the Seasonal Flu by US CDC from October 1, 2019, through February 22, 2020.

² For comparison, in 2019, there were 200,000 pneumonia-related hospitalizations and 50,000 deaths in the United States.

2. Reproduction Number

| | SARS | MERS | SARS-CoV-2 | H1N1 | Seasonal Flu |
|---------------------------|-------|------|------------|------|--------------|
| R0 (reproduction number)* | 2 - 4 | <1** | 2 – 2.5*** | 1.33 | 0.9 to 2.1 |

*An epidemiologic metric used to describe the contagiousness or transmissibility of infectious agents

**Overall, the reproduction number (R0) of MERS-CoV was <1, with significant heterogeneity in specific contexts.

*** This new estimate of R0 is from a report by a WHO-China Joint Commission that to-date has conducted the most detailed study of the SARS-CoV-2 dynamics in China.

3. Incubation Period

| Incubation (in days) | SARS | MERS | SARS-CoV-2 | H1N1 | Seasonal Flu |
|----------------------|-------|--------|------------|-------|--------------|
| | 2 – 7 | 2 – 14 | 2 - 7 | 1 - 4 | |
| | (10)* | | (24)** | (7) | 1 - 4 |

Incubation period is the period between the infection of an individual by a pathogen and the manifestation of the illness or disease it causes

*WHO indicates that the incubation period of SARS is usually 2-7 days, but may be as long as 10 days.

**Current CDC estimate is 2-14; However, one Chinese study indicated it could be as long as 24 days

4. Contagious Period

| Contagious Period* | SARS | MERS | SARS-CoV-2 | H1N1 | Seasonal Flu |
|---|------|--------|------------|-------|--------------|
| Contagious beginning on day “X” of symptoms appearing | 1 | 1 | ? | -1 | -1 |
| Contagious up to “X” days after becoming sick | 14+ | Varies | ? | 5 - 7 | 5 – 7 |

*The amount of time during which an infected person can give the disease to others.

Source: WHO, CDC, NIH, DOL; Chinese Ministry of Health, Lancet, NYT, Investment Strategy Group,

Markets Reel from the Covid-19 Fears

“On the highest throne in the world, we still sit only on our own bottom.”

Michel de Montaigne, born on this day in 1533



- In the worst day of the recent downturn, the S&P 500® dropped 4.4% on Thursday, its poorest daily performance since 2011.
- The U.S. benchmarks are now 12 from their recent high over the last seven trading sessions, entering correction territory in the shortest period for a correction in over 70 years. In total, \$4T in value has been wiped out of U.S. equity markets in the last six trading sessions.
- The story was similar globally. \$6T in global equity value has been erased over the last seven sessions.
- Bond yields have dropped substantially, with yields on many sovereigns setting new all-time lows. The yield on the U.S. 10Y Treasury hit the bottom at 1.12% on Friday morning.

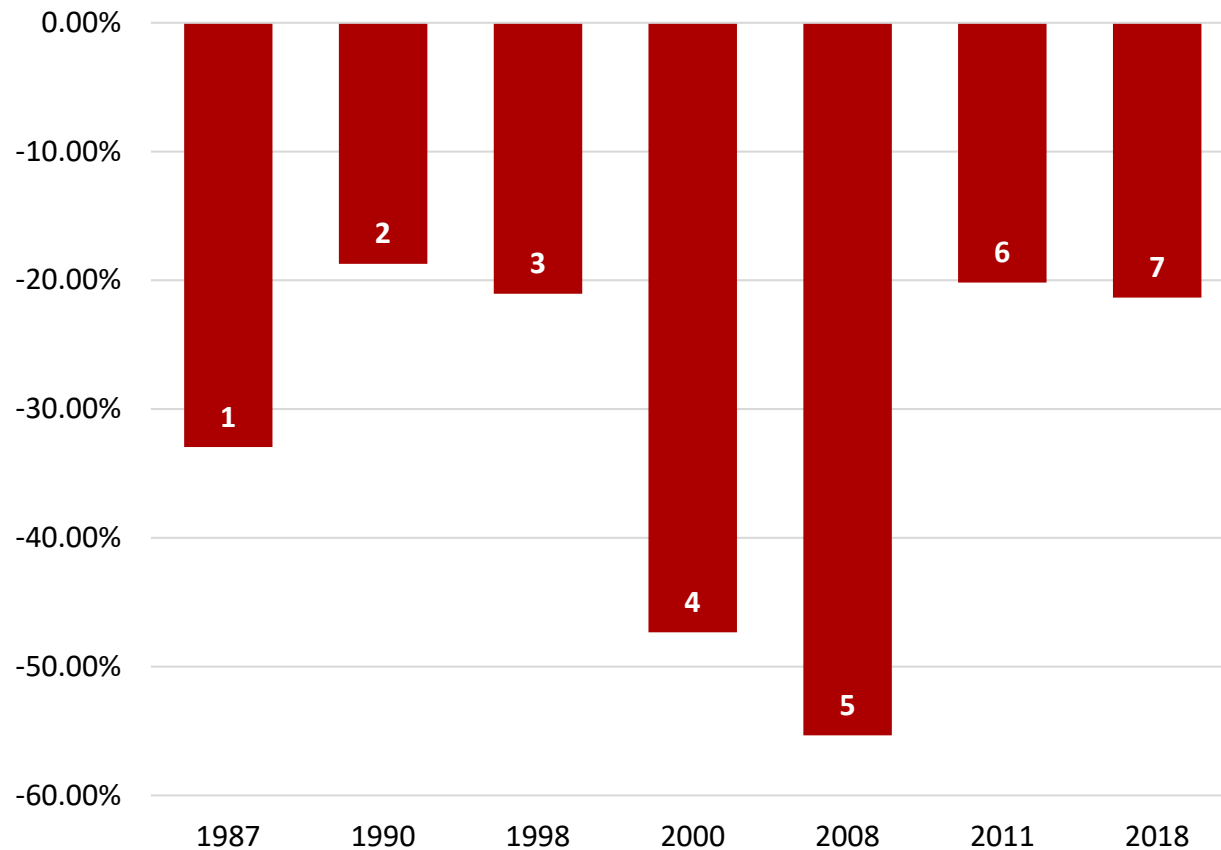
| Selected Global Equity Indices | Decline from 2020 High |
|-------------------------------------|------------------------|
| S&P Latin America 40 (USD) | -19.8% |
| S&P Merval (ARS) | -17.8% |
| S&P South Africa Composite (ZAR) | -16.0% |
| S&P SmallCap 600® (USD) | -13.5% |
| Dow Jones Industrial Average® (USD) | -12.6% |
| S&P/TOPIX 150 (JPY) | -12.3% |
| S&P MidCap 400® (USD) | -12.0% |
| S&P 500 (USD) | -12.0% |
| S&P Total Market Index (TMI) (USD) | -12.0% |
| S&P Composite 1500® (USD) | -12.0% |
| S&P/TOPIX 150 (JPY) | -11.5% |
| S&P/BVL LIMA 25 (PEN) | -11.4% |
| S&P United Kingdom (GBP) | -10.8% |
| S&P Developed BMI (USD) | -10.4% |
| S&P Germany BMI (EUR) | -10.3% |
| S&P Global 1200 (USD) | -10.3% |
| S&P Europe 350® (EUR) | -10.0% |
| S&P Global BMI (USD) | -9.9% |
| S&P/ASX 200 (AUD) | -9.8% |
| S&P France BMI (EUR) | -9.6% |
| S&P Emerging BMI (USD) | -9.5% |
| S&P/BMV IPC (MXN) | -9.3% |
| S&P/HKEX LargeCap (HKD) | -9.3% |
| S&P Developed Ex-US BMI (USD) | -9.2% |
| S&P Korea BMI (KRW) | -9.1% |
| S&P Switzerland BMI (CHF) | -9.1% |
| S&P Asia 50 (USD) | -8.3% |
| S&P Frontier BMI (USD) | -8.0% |
| S&P/NZX 50 Portfolio (NZD) | -7.5% |
| S&P/TSX Composite (CAD) | -6.7% |
| S&P BSE SENSEX (INR) | -5.2% |
| S&P China 500 (CNY) | -3.9% |

Source: S&P Dow Jones Indices. Data as of Feb. 28, 2020. Index performance based on total return.

How does the current decline compare to history?



The 7 Largest US Stock Market Drops Since 1987



1. Stock Market Crash of 1987

8/21/1987 – 12/4/1987

Total Stock Index* drops **32.95%**

2. Persian Gulf War

7/16/1990 – 9/27/1990

Total Stock Index* drops **18.72%**

3. Russian Financial Crisis

7/17/1998 – 10/8/1998

Total Stock Index* drops **21.04%**

4. Tech and Internet Bubble

3/24/2000 – 10/9/2002

Total Stock Index* drops **47.33%**

5. US Financial Meltdown

10/11/2007 – 3/9/2009

Total Stock Index* drops **55.34%**

6. European Sovereign Debt Crisis

7/7/2011 – 10/3/2011

Total Stock Index* drops **20.18%**

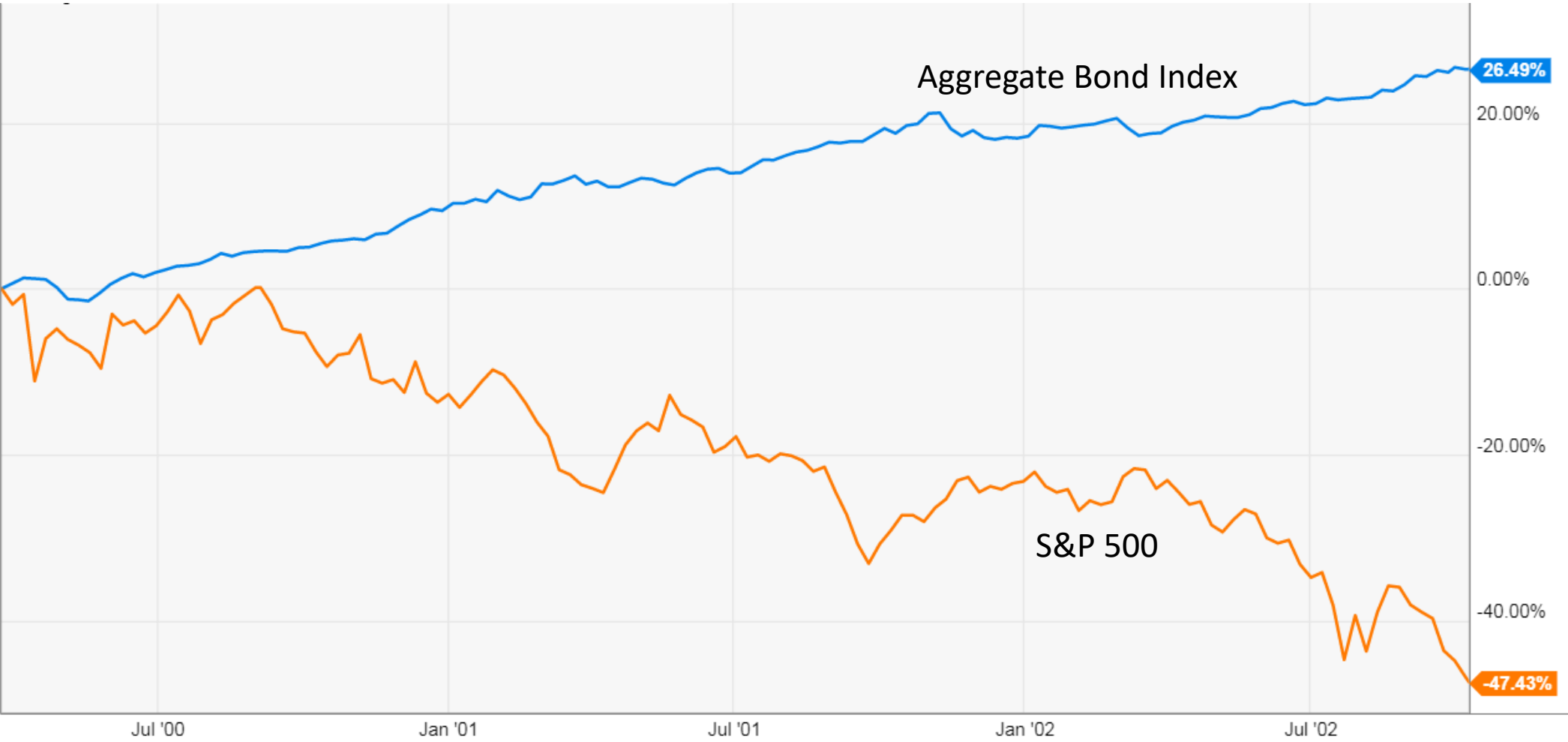
7. Tariff Wars and Government Shutdown Talks

9/21/2018 – 12/26/2018

Total Stock Index* drops **20.55%**

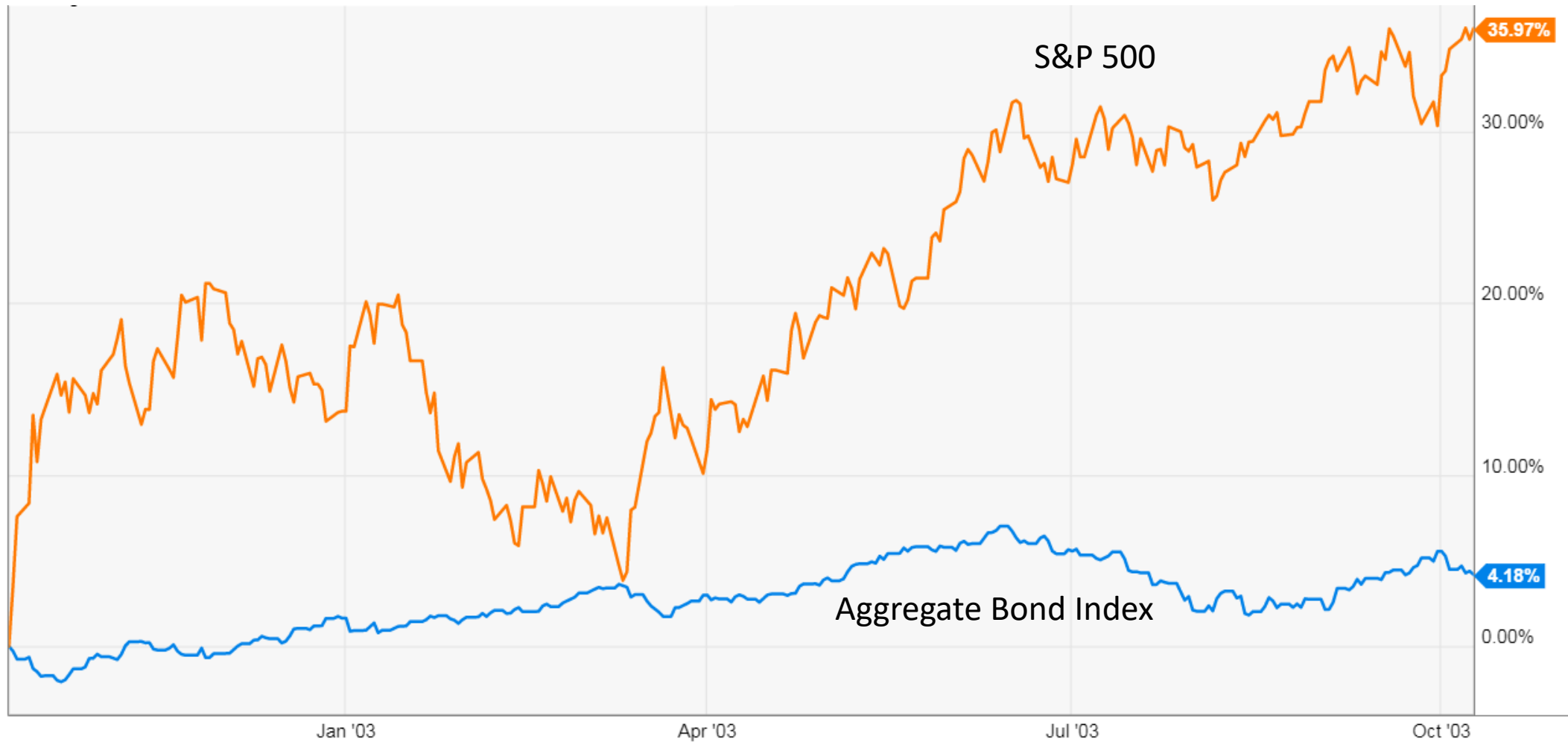
**Russell 3000 Index used to determine Total Stock Index calculations.*

Diversification does help when stocks tumble!



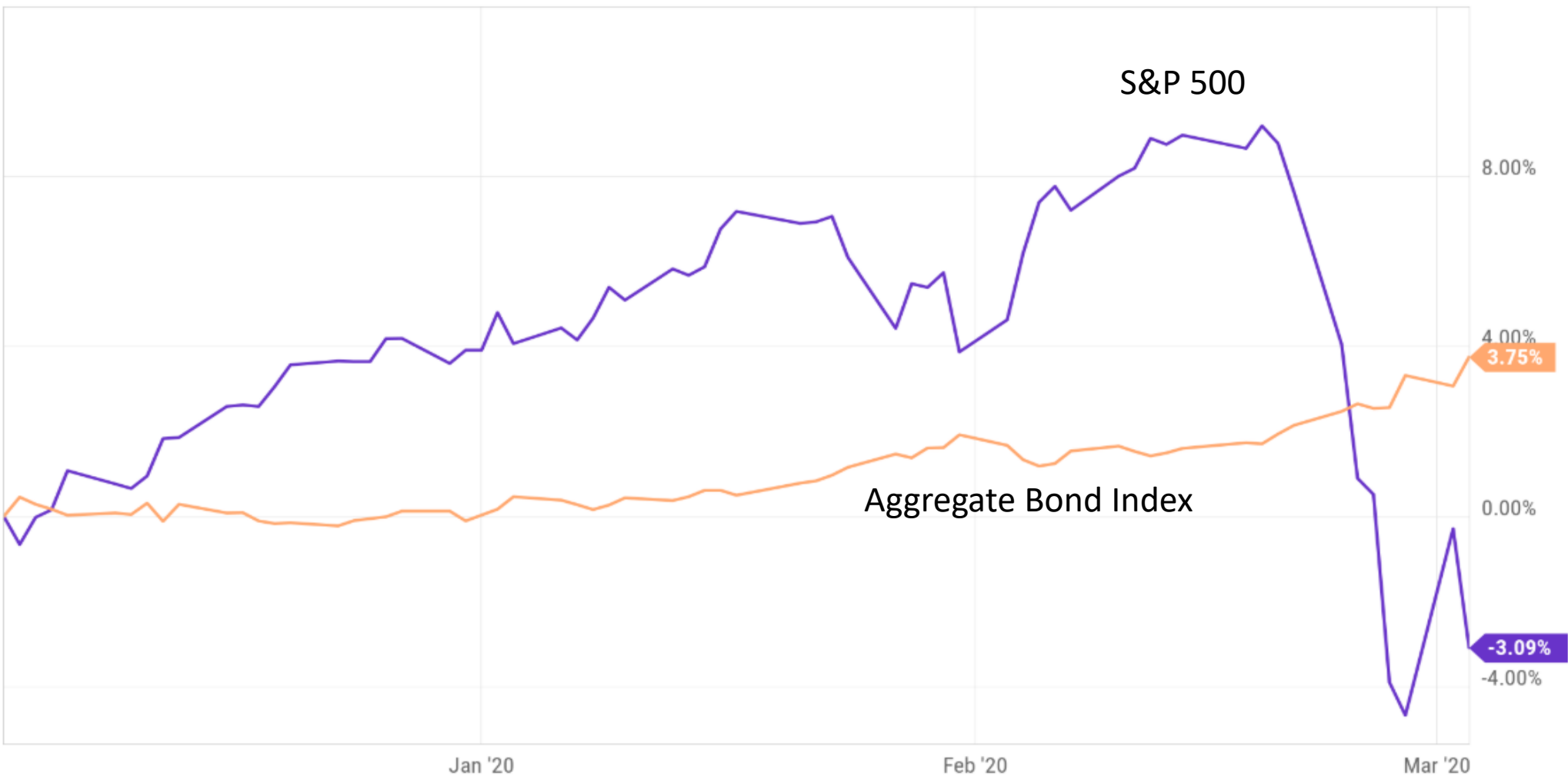
March 24, 2000 – October 09, 2002

Diversification helps when the stock market recovers!



October 09, 2002 – October 09, 2003

What about the last 3 months?



When the market drops, how long does it take to recover?

A Comparison of Potential Risks and Returns

(1/2/1987 – 12/31/2019)

| Asset Mix | Beginning of Period | Compounded Annualized Return | Maximum Drawdown | Longest Drawdown | Annualized Standard Deviation | Best Monthly Return | Worst Monthly Return |
|--|---------------------|------------------------------|------------------|------------------|-------------------------------|----------------------|-----------------------|
| 100% US Equity (US Russell 3000) | 1/2/1987 | 10.54% | -55.66% | 4.42 years | 14.98% | 12.81% on 1/30/1987 | -22.42% on 10/30/1987 |
| 100% US Small Cap | 1/2/1987 | 9.74% | -59.76% | 3.44 years | 18.97% | 18.25% on 4/30/2009 | -32.14% on 10/30/1987 |
| 100% World Equity* (80% US/20% International) | 1/2/1987 | 9.85% | -55.84% | 4.46 years | 14.65% | 12.36% on 1/30/1987 | -20.43% on 10/30/1987 |
| 100% International Equity (World, Excluding US) | 1/2/1987 | 6.27% | -60.90% | 6.47 years | 17.20% | 15.40% on 10/31/1990 | -22.66% on 10/31/2008 |
| 100% US Fixed Income (Total Aggregate US Bond Market) | 1/2/1987 | 5.56% | -13.13% | 2.02 years | 3.90% | 3.95% on 5/31/1995 | -3.96% on 4/30/1987 |
| Conservative Portfolio (20% Equity, 80% Fixed Income) | 1/2/1987 | 6.63% | -13.38% | 1.57 years | 4.41% | 4.49% on 12/31/1991 | -5.14% on 10/31/2008 |
| Moderately Conservative Portfolio (35% Equity, 65% Fixed Income) | 1/2/1987 | 7.39% | -19.10% | 1.33 years | 5.87% | 5.55% on 12/31/1991 | -7.61% on 10/30/1987 |
| Moderate Portfolio (50% Equity, 50% Fixed Income) | 1/2/1987 | 8.07% | -28.47% | 2.36 years | 7.70% | 6.59% on 12/31/1991 | -11.15% on 10/30/1987 |
| Moderately Aggressive Portfolio (65% Equity, 35% Fixed Income) | 1/2/1987 | 8.69% | -37.39% | 3.00 years | 9.69% | 8.25% on 1/30/1987 | -14.29% on 10/30/1987 |
| Aggressive Portfolio (80% Equity, 20% Fixed Income) | 1/2/1987 | 9.24% | -45.67% | 3.21 years | 11.78% | 10.01% on 1/30/1987 | -17.11% on 10/30/1987 |

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The above returns are not based on any IRON Financial portfolios.

IRON Action Items

1. Make sure your **portfolio** risk matches your personal risk tolerance.
*Don't be 100% invested in stocks if you cannot handle the drops!
2. Diversify! Make sure your portfolio has; Stocks, Bonds, REITS, etc.
3. Focus on the long term.
*Making short term investment decision usually ends up in unnecessary stress.