

# MARKET COMMENTARY

While known more for his fists than his pithy phrases, Mike Tyson is famous for his saying, “Everybody has a plan until they get punched in the mouth.” Well, from February 19th thru March 23rd, investors got punched in the mouth. During this short time period, the S&P 500 fell 34%. Other indices fell by a substantially large margin as well.

We believe good fighters take their blows, regroup, assess current conditions and anticipate successive rounds, and proceed from there. Good investors do the same. In that regard, it made sense to us to take advantage of the financial situation we recently confronted by rebalancing portfolios and engaging in tax-loss harvesting where appropriate. We also sought to upgrade our portfolios during this period based on the new reality that lies ahead of us. So, while we acknowledge that most investors are still at a loss thru mid-year, it is a welcomed sight to see how far equity prices have improved since mid-March.

Benchmark Returns	Q1 2020	Q2 2020
<b><u>Domestic Equities</u></b>		
S&P 500 Large Cap	-19.60%	20.54%
S&P 400 Mid Cap	-29.70%	24.07%
S&P 600 Small Cap	-32.64%	21.94%
<b><u>International Equities</u></b>		
MSCI EAFE Developed Int'l	-22.83%	14.88%
MSCI Emerging Markets	-23.60%	18.08%
<b><u>Bonds</u></b>		
Barclays U.S. Aggregate Bond	3.15%	2.90%

We would be remiss if we failed to comment on the substantial divergence of investment returns across the indexes that we track above. Over the long term, the investment returns of these indexes tend to coalesce around a common average. However, in the last three months, the differences among major equity indices surprised even us. It would be easy during times like these to gravitate to “what is working”. Some would characterize this behavior as “FOMO”, aka “Fear of Missing Out”. Yet, we have learned over the decades, this strategy oftentimes leads to buying high and selling low, resulting in disappointing returns over the long run. Instead, we continue to rely on our tried and tested methodologies of building solid investment portfolios that compensate investors appropriately for the investment risk taken.

History is filled with many Black Swan events which have changed the way in which we live. The attack on Pearl Harbor in 1945 and the 9/11 attack on the World Trade Center are but two examples. The COVID-19 pandemic story is still being written but clearly, it too will have a material impact on how we live our lives going forward. Adding to this uncertainty is growing social unrest both in the U.S. and abroad, as well as the upcoming U.S. presidential election which is likely to be nasty and divisive.

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interactive creative local independent personal  
knowledgeable thoughtful ethical experienced

We need to be cognizant of unique investment objectives and sensitive to the “punch in the mouth” risks highlighted above. Moreover, we need to be attentive to seemingly more benign risks that can prove to be equally disruptive such as inflation, likely increase in taxes and growing budget deficit, to name a few.

We pray that you are in good health and we welcome your questions and comments.

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Disclosure: The views in this publication are for informational purposes only and do not represent any recommendation of any particular security or strategy and should not be considered investment advice.

**Please remember to contact Sigma Investment Counselors if there are any changes in your financial situation or investment objectives**