

# Tactical Investment Update



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## Coronavirus – An Exogenous Event Requiring a Disciplined Tactical Response

The Coronavirus threat has destabilized global stock markets. I want to let you know what Thornmark has done to protect our clients' investments.

### NOVEL CORONAVIRUS - GLOBAL SPREAD

Initially, investors ignored the potential economic impact of the novel Coronavirus, an exogenous and global biological threat now known as COVID-19. After spreading beyond China and around the northern hemisphere, news over the weekend of a spike in cases in Italy, Iran and South Korea compounded worries.

### ECONOMIC IMPACT CLOSING

With evidence that draconian containment efforts are failing to limit the spread from China, investors are reacting. With the virus now resident on every continent, it's unlikely less centrally controlled economies, like the U.S., will be able to implement forced quarantines, 7-day hospital builds, and movement restrictions like China. While the opportunity to limit the spread outside of China has passed, the window to mitigate long-term economic impacts remains open. However, it is closing quickly. As a result, the likelihood of a pandemic is rising.

### CORONAVIRUS INSURANCE

At Thornmark, since early February, we have been implementing tactical strategies designed to immunize portfolios from pandemic uncertainty. We have a combination of defensive positions and hedge strategies (insurance called put options) deployed in all the Thornmark Investment Funds. These tactical strategies reduce overall portfolio risk. Put options go up in value when the stock market falls. Like fire or other types of insurance, we purchase put options for protection that pays out after an insured event occurs. We are insured to help protect against a stock market drop. While the short-term stock market outcome is uncertain, insurance helps

to safeguard wealth without eliminating the opportunity to grow wealth.

### WE'VE SEEN THIS BEFORE – DON'T PANIC

As in past events, the world will be essentially the same after COVID-19 as it was before. In the meantime, while we're working to manage an opportunity out of the Coronavirus uncertainty, we remain available. If you have any questions or would like more information about Thornmark's tactical strategies to grow and protect your wealth, please reach out to us. We'd be pleased to speak with you.

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