

OUR STRAIGHTFORWARD THOUGHTS ON THE CURRENT ENVIRONMENT

The rapid spread of COVID-19 throughout the world has ignited market volatility that has been met or exceeded by only the most infamous periods in investment history. While proactive measures to close business and cancel events will likely help slow the spread of COVID-19 throughout the United States, the resulting economic impact makes economic recession look all but certain.

As our clients and business partners continue to navigate this highly uncertain and challenging environment, you can rest assured our high-quality approach to fixed income is designed to deliver reliable downside protection. Additionally, we have taken proactive steps throughout the prior year to increase quality across our fixed income strategies. As we improved quality, we reduced our credit allocation and shortened its duration, even as we modestly lengthened duration of the overall portfolio with governments. While predicting the onset of a global pandemic would have been impossible, we did believe the economy was growing increasingly vulnerable to structural risk. The supply of labor had grown increasingly tight, Fed policy acted to flatten the yield curve, and hawkish trade policy was restraining domestic manufacturing activity. At the same time, credit spreads were approaching their tightest levels in decades. Simply put, the risk/reward tradeoff had tilted in favor of risk. By sticking to our discipline and allowing this framework to guide our decision making, we have been well positioned to weather this period of extreme market volatility.

As we begin to look forward, the days and weeks to come are likely to be difficult ones. Our daily lives are evolving quickly, and the market is likely to remain volatile. As always, we continue to be focused on providing stability in an otherwise unstable world. Should you have any questions or want to discuss our thoughts on the current environment in more detail, please feel free to reach out to a member of the Johnson Asset Management Team.

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