

## Investment Review and Outlook

### Investing During Turbulent Times

During the past 10 years, investors have placed a high priority in achieving above average performance on their investments. Performance, for most, was measured against the Standard & Poor's 500 Index. The S&P 500 Index experienced a significant increase from its low in 2008 to its high in 2020. Investors reduced their holdings in traditional mutual funds and moved their assets to alternative investments in an effort to "beat the market". These alternatives included for example, hedge funds, private equity funds and real estate. With the COVID – 19 virus as the current concern, investors have shifted their objective from attempting to beat a stock market index to focusing on preservation of capital. The reversal of investor sentiment has been expressed in the sharp decline in stock prices and the lack of liquidity in the bond market. The declines in the stock markets have been accentuated by program trading and the fact that there are a smaller number of large capitalization stocks with fewer shares outstanding of these companies as a result of many years of mergers, acquisitions, and stock buybacks. The bond market illiquidity was driven by the fear of default and ratings downgrades during the upcoming period of a US recession.

Governments have taken actions to reduce the spread of Coronavirus. There has been some abatement of the spread of the virus noted in both China and Korea. The U.S. has acted to limit the spread of the virus as well to stabilize the economic impact on both companies and individuals. The severity of the impact on the population and the U.S. economy will be determined over the coming weeks and months.

Abner, Herrman & Brock employs a disciplined Investment Philosophy, Strategy and Process for investors seeking to achieve the objective of above average risk adjusted returns. Determined by each client's risk tolerance, an asset allocation target is managed in one of the AHB investment strategies. All AHB investment strategies specialize in the investment universe of large capitalization stocks and investment grade bonds.

The firm's Investment Process includes an in-depth fundamental analysis of each company prior to approving the stock or bond for investment. Stock portfolios are diversified across economic sectors, industries and companies. Bond portfolios are equally diversified with a ladder of maturities not exceeding 12 years with an average maturity of 4-5 years.

Today, Coronavirus is having a significant impact on both the current and future economic outlook. Client equity and balanced portfolios are invested in stocks and bonds with recurring visible revenue and profits. However, stock prices are also negatively impacted by the prevailing uncertainty which is affecting every economic sector.

We are unable to forecast the degree of negative impact or the timing of its resolution. We can only have resolve in knowing that AHB client portfolios are invested in the leading companies in industries that have long term positive future outlooks. As with other crises that the U.S. and the world has faced, this too will end. The uncertainty is when and with how much prior damage economically. We have taken actions to preserve capital by selling some holdings that we have determined will have a longer recovery period and may be more susceptible to a volatile earnings period as a result of a slower period for travel, business and consumer spending.

Wishing you and your family good health and safety in these uncertain times.

## **AHB Investment Team**

### **Abner, Herrman & Brock Asset Management**

Founded in 1981, Abner, Herrman & Brock Asset Management manages portfolios individually structured to assist each client in achieving their investment objectives. Stock portfolios are managed utilizing a Core Equity philosophy, investing in both large capitalization value and growth disciplines with an objective of long-term, after-tax appreciation and below market volatility. Portfolios are diversified across economic sectors, industries and companies. Bond portfolios are managed to provide a high rate of current income and total return. Portfolios are invested in staggered maturities of U.S. Treasury, government agency and investment-grade corporate bonds and where appropriate, investment-grade municipal bonds. Portfolio managers are available to meet with clients upon request.

Please visit our website at [www.ahbi.com](http://www.ahbi.com) for a more detailed description of our investment **Philosophy, Process and People**.