

## WITH GRATITUDE

This started out as a typical quarterly commentary, outlining which assets performed, which markets were weak or strong, and so forth. But given the distressing circumstances, I scrapped it to discuss the human element involved in investment advisory instead. Dealing with a person's wealth and financial well-being may be one of the more intimate relationships a professional has with a client. The COVID-19 crisis has forced everyone to look inwards – to managing stress, navigating the dynamic of daily human interaction (or lack thereof), adjusting to a remote workplace, parenting *and* educating kids, safeguarding our own health and the health of our loved ones – all while the economy and financial markets endure a meltdown of historic proportions. This is not hyperbole.

When we sent our note, "*A Time to Be Defensive*," in mid-January, we outlined the reasons why we thought markets were due for a pullback. We also lowered equity exposure for almost every client. But we could never have anticipated such a complicated and challenging scenario.

## MONEY MANAGEMENT VS. INVESTMENT ADVISORY

Napatree Capital is somewhat unique. As a boutique investment firm, we are both an active money manager and an investment advisor. We pick out the groceries and prepare the meal with almost complete discretion. We then become the dietician and advise that the diet we designed for you is the optimal one for your long-term health.

As advisors, we work tirelessly to share our thoughts and keep you on the right path. Having lived through the internet bubble of 2001, the Great Recession of 2008-09, and now COVID-19, I can say that what's happening now is unequivocally the worst of those. We rely on good data to make reasonable assumptions and guide our advice to you. What we experienced, though, and continue to experience, has been largely unquantifiable due to the nature of a pandemic. You depend on us to keep you focused on long-term objectives. Knowing the details of your life, like your financial condition, or that you have a child in college or one on the way, or you've recently retired, enhances our ability to provide guidance, but also enhances the *humanness* of investment advisory.

At the same time, we are investors. That requires discipline to continue to invest, despite markets that fall apart with no end in sight. Our responsibility as portfolio managers is to make sure we are investing in appropriate assets for the long term. It also requires us to take advantage of market crashes to rebalance portfolios and perform tasks such as tax-loss harvesting (yes! a powerful portfolio management tool to sell losers and rotate into better investments to build a bank of losses that offsets future gains). As you saw in your statements, we did not just sit and watch a market meltdown. We used it to our advantage and we firmly believe it will pay off in the long run.

Still, we're human. We are invested alongside you, in the same strategies. My intention is not to seek empathy from my clients; we are professionals, and you pay us to lose sleep at night, so you don't have to. But the emotional aspect of advisory – text messages at 9:30 pm or 7 am, emails, phone calls – from

clients, yes, but human beings with complex lives, dealing with a mountain of uncertainty and this new way we live, has made me acutely aware of the deeply personal nature of this job.

#### SILVER LININGS

If you've known me for some time, you know that I am an optimist by nature (thanks, Dad). I also force myself to think like a contrarian, and both attributes have been beneficial during this crisis. While the pandemic gained momentum in late February, I found myself thinking about how we live and interact. Business models will be changed forever. The way we educate, which has long been ripe for disruption, will likely never be the same. Most significantly, though our civic values – the way we interact, the value we place on relationships, our responsibilities to our kin and our communities – have never been more meaningful. It is so uplifting to see the country, and the wider world, come together as a community to battle a single foe. My hope is it mends some of the inequities and division that have been on the rise in recent years. There is always the risk that those rifts widen, but the optimist in me believes we will appreciate that, above all else, we are humans.

#### A NOTE OF THANKS

Albert Schweitzer wrote, "Often, too, our own light goes out, and is rekindled by some experience we go through with a fellow man. Thus, we have each of us cause to think with deep gratitude of those who have lighted the flames within us."

In late February and into the middle of March, I would regularly wake in the middle of the night to check the futures and overseas markets, worried about further loss of value to client portfolios. I felt as though the darkness was unending. But the following morning I would inevitably have conversations with clients, which became a light that would alleviate the anxiety. I'm thankful for the trust you have placed in us. I'm thankful for your ability to listen to and heed our advice. I'm thankful that we have built our own community at Napatree Capital that is truly fulfilling on a personal level. Thank you for being that light.

Stay safe. Be well. And let's look to brighter days ahead.

A handwritten signature in blue ink, appearing to read "Jeff".

Jeff