



Wait until you see the whites of their eyes

As we indicated in our previous market update, Brookmont believes that the current coronavirus induced volatility will represent a good re-entry point for long-term investors.

In times of extreme market volatility with a dearth of fundamental data it is important not to get drawn into the panic selling or buying. At Brookmont our investment decisions are based on fundamentals, and at this point in the virus' life cycle it is still unclear as to the severity, depth, or breath the virus' impact will have on the global population. Once that is better understood we anticipate having more clarity as to the ensuing economic impact along with how the global fiscal stimulus will be implemented. Until we have greater transparency it is difficult to deploy a strategic longer-term investment strategy; trading in the market until then is little more than speculation.

As mentioned in our last update we held approximately 8% cash in the portfolio at the beginning of 2020. We are taking a disciplined, three-phased approach to capital deployment in this time of uncertainty. **Phase 1:** We are opportunistically buying new securities in the strategy that represent strong longer-term businesses which have been disproportionately impacted by the selling. This is ongoing

	Announced/Proposed
US	<ul style="list-style-type: none"> Passed \$8.3 Bn bill Proposed \$1.2 trillion economic stimulus for virus response Passes Bill To Allow For Paid Leave, Testing & Tax Credits
UK	<ul style="list-style-type: none"> Announced a £30 billion emergency stimulus package Sick pay Business tax suspension for SME; Hardship Fund; tax rebates; ease loans
EURO AREA	<ul style="list-style-type: none"> EC approved € 37 billion Spain: €200 billion allocated to fight the virus Germany: about to give up balanced budget France: €45 Bn; proposed €300 Bn bank loans guarantees for small firms Italy: raised to €25 Bn now from € 7.5Bn
JAPAN	<ul style="list-style-type: none"> Second package: Announced ¥ 430.8 Bn Second package: ¥ 1.1 Tn for cheap loans First Package: ¥ 500 Bn for loans for firms with financial difficulty
CANADA	<ul style="list-style-type: none"> Additional stimulus package to come (CAD 20 Bn) Announced CAD 1.1 Bn
AUSTRALIA	<ul style="list-style-type: none"> Announced AUD 17 Bn
NEW ZEALAND	<ul style="list-style-type: none"> Announced NZD 10.3 Bn
SWEDEN	<ul style="list-style-type: none"> Announced US\$31 Bn emergency package
NORWAY	<ul style="list-style-type: none"> Announced NKR 100bn
SWITZERLAND	<ul style="list-style-type: none"> Announced CHF 10 Bn
KOREA	<ul style="list-style-type: none"> Announced a stimulus package of KRW 11.7 Tn

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environment, stocks are typically the best performing asset class.

Most prognosticators believe that the first half of this year will experience significant economic retraction, followed by a sharp increase in the second half of the year. We believe financial markets will recover well before the economic fundamentals. Further, there are several bullish scenarios in which the market may recover sooner than expected, including: The discovery that many coronavirus cases are either asymptomatic or mild resulting in much of the workforce returning sooner rather than later. One or more of the proposed treatment options show efficacy. Social distancing and containment efforts are successful, and warmer weather stifles the virus.

The Brookmont philosophy of investing in companies with strong balance sheets, well-covered dividends, and disciplined management provides an attractive allocation for strategic investors in the equity market.

The team at Brookmont are happy to share additional thoughts on the markets and our portfolios.

and is anticipated to account for roughly 4% of the cash on hand. **Phase 2:** We are rebalancing the portfolio to deploy the remaining cash position in securities we believe will outperform exiting the drawdown. **Phase 3:** We are making additional changes to the model which include adjusting weightings to reflect best ideas given the intermediate term effects of the lingering economic slowdown and upcoming fiscal stimulus. We are looking for sectors and businesses that have strong underlying fundamentals and balance sheets which position them to flourish during and after this storm.

Risk to the Upside

The United States' \$1 Trillion fiscal stimulus package is comparable to other developed countries' stimulus packages, which exceed three trillion globally. These packages are designed to stimulate consumption not business bailouts (with possibly exceptions of retail, restaurants, hotels, airlines and energy). This level of spending, similar to previous world wars, has led to inflation. In an inflationary or reflationary