



*"Everyone has a plan until they get punched in the mouth."*

Mike Tyson

*"The one thing that I know is that by the time that you know this is over you aren't going to be buying stocks super cheaply any more."*

Steve Johnson, Forager Funds, 25 March 2020

The first thing we need to acknowledge when thinking about the current COVID-19 pandemic is the awful human cost of this event. As I sit here today two million people have tested positive for the virus and 125,000 have died. Sadly these will not be the final tolls for this disease.

Pandemics have existed since the beginning of time. The Bible, the Torah and the Koran all refer to the ten plagues of Egypt. In the fourteenth century the Black Death killed between 75 million and 200 million people across Eurasia. Cholera epidemics were rampant throughout the nineteenth century. More recently the Spanish flu infected almost a third of the world's population over 1918 and 1919, of whom around one in ten died. The Hong Kong flu, various outbreaks of Ebola, as well as SARS and MERS have all ravaged large parts of the globe.

Over the course of the past three months, what started as a "China problem" has swiftly become a problem for all of us. Every business will face a more difficult environment because of the arrival of COVID-19. This will be partly ameliorated by government efforts to provide support for consumers and businesses. How this iterative process plays out over time remains uncertain. What is also uncertain is the extent to which it could lead to structural shifts in the global economy.

There are many unknowns about our current situation. How long will isolation last? Will there be a second wave of the disease when it is lifted (as there was with the Spanish flu)? How quickly will people resume their old habits? But there remains one "known" of which we can be certain. This situation will be temporary and we will get to the other side of it.

As investors how should we respond to this crisis? We need to try to stick to our plan. It might feel that our portfolios are copping a Tyson-like beating. But we have prepared for this. Every retired client has enough cash to live on for the foreseeable future. There's no need for any knee-jerk reactions. The plan remains to invest in sound businesses that are available at a good price. There are many more good prices available today than there were a few months ago. We should look to add to these investments over coming months, whilst keeping enough dry powder in case even better prices appear. And we should regularly and thoroughly wash our hands.

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