Dear clients and friends of RZH:

The outbreak of a new strain of coronavirus in China has created much anxiety and uncertainty around the world. Last week the financial markets reacted noticeably as well. I wanted to reach out and provide some perspective during this nervous time as I know many of you are worried.

On Friday, January 17th, after a spectacular 40% run-up that started the day after Christmas 2018, the Standard & Poor's 500-Stock Index closed at 3,329.

Two weeks later to the day, last Friday, January 31st, the Index closed a little over 3% lower, at 3,225. (More than half that damage was done on just Friday.)

We have been invited by financial media to suspect that the blended value of 500 of the largest, best financed, most profitable businesses in America and the world has "lost" three percent - with more "losses" to come - due to the outbreak.

I would like to suggest that you, as goal-focused long-term investors, join me in rejecting this notion. As we know from past market downturns, the value of these companies has not been "lost."

None of us can know for certain the impact of this outbreak. However, I'm reasonably certain that many (or perhaps most) of the world's leading virologists and epidemiologists are working on it, and I believe that their efforts will ultimately succeed. If the long history of similar outbreaks in this century is any guide, this would seem to be a reasonable hypothesis:

- SARS in 2003-04, also originating in China
- The bird flu epidemic in 2005-2006
- In 2009, a new strain of swine flu
- MERS outbreak in 2012
- The Ebola outbreak in the autumn of 2014
- The Zika virus outbreak in 2016-17

Without belaboring the point: the spreader of SARS (a fish seller) checked into a hospital in Guangzhou China on January 31, 2003, basically infecting the whole staff. The epidemic exploded from there.

On that first day of the litany of epidemics cited above, the S&P 500 closed at 855. Exactly seventeen years and seven epidemics later (including the current one), this past Friday the Index closed at 3,225, fairly close to four times higher. I'm confident that you see where I'm going with this and I expect to include it on my list of annual market "crisis" events.

And, not to sound like a broken record - but once again our mantra of "you can't predict the future, you can only plan for it" presents itself front and center. A hallmark of our planning is to maintain two years' worth of required cash flow in money markets and short-term bonds with an additional four to five years' worth in high quality bonds. This important financial control is what allows our clients to weather these periods of uncertainty.

We completely understand that historical facts and figures don't necessarily ease your concerns. As always, we are here to discuss this situation and elaborate on how your plan and portfolio are designed to protect you through this period of market volatility. Also, please let us know if there have been any changes in your life which we should be aware of since our last conversation.

Best regards,