



CORONAVIRUS: THE RECOVERY PLAN

Welcome to the first newsletter from VZD Capital Management, LLC. for the year 2020. How many of you were enjoying that euphoric feeling stemming from the Kansas City Chiefs winning the Super Bowl after 50 years? Perhaps, you were tuning out or growing accustomed to the political noise, and the "rise and fall" of the impeachment hearing for President Donald Trump? After receiving your December 2019 statement, were you in sheer amazement that the stock market delivered more than 28 percent for the year? However, last year had its moments of fear, disruptive trade tariffs and wars with China, and misinterpreted Federal Reserve. After courting a bear market (on and off throughout the year), we ended with the most significant gains from the stock market since 2008.

As many of you know, I am a music connoisseur, and 2020 started with Paul McCartney singing, "Yesterday, all my troubles seem so far away." The week after my birthday, February 10 (the year escapes me), is when the S&P 500 and the NASDAQ set record-breaking highs. The S&P 500 advanced to 3,357.75, and at that time, the Federal Reserve Chairman Jerome Powell said the central bank is monitoring the impact of the novel virus, the disease caused by a new strain of coronavirus that emerged in Wuhan, China in late 2019. Unfortunately, when the virus stretched beyond China, so did the capital markets. In less than ten days, we experienced a sudden and dramatic drop in the market that evaporated 11 percent from the S&P 500 in one week. The United States stock market finished Friday with its steepest weekly losses since 2008. The World Health Organization has not officially declared the viral infection a pandemic, but most people are scared that this is a global health tsunami. The virus has virtually crippled the manufacturing community in China, the world's

second-largest economy and the country is a big buyer of products and services from other countries. The turn of events has significantly impacted United States technology, consumer discretionary, manufacturing, and travel sectors due to global restrictions.

VZD believes in rebalancing immediately by locking in long-term profits, selling companies that are co-dependent on China's economy, increasing cash reserves, and dollar-cost averaging into new companies that will benefit from such global uncertainty. Many analysts are predicting that there will be no earnings growth for the 2020 calendar year. It has been my experience that no one has a crystal ball and that the market is often unpredictable, which is the rationale for diversified portfolios. Plus, the uncertainty surrounding the U.S. presidential election speculation is also weighing on Wall Street. Many believe that if Senator Bernie Sanders wins the Democratic presidential nomination and the presidency that an independent socialist will negatively impact stocks. Professionally speaking, I think all the political rhetoric falls under the category of editorials or fake news.

Given how much this pandemic is genuinely a new event, we can expect the volatility to increase as we wait for more news and deaths to come. I do not believe the virus is going to sink the American economy, but cash is always king when the market is presenting buying opportunities, especially after significant sell-offs. Due to the prediction that the Federal Reserve might cut interest rates one more time, we are not purchasing corporate bonds but look for investment-grade preferred stocks selling at a discount. **VZD** believes in long-term investing, but, in periods of extreme turbulence, we believe in sheltering our clients' gains and minimizing losses by transitioning into sectors such as consumer staples, gold, biotechnology, pharmaceutical dispensers, and media companies. Past performance or history indicates that the market reactions to recent epidemics have been short-term, which presents buying opportunities along the way. No one can adequately predict the direction of the market, but many attempts to during turbulent seasons. As a veteran portfolio manager, I have gone through the market crash of 1987, the dot-com bubble, the financial crisis of 2007-2008, and the recent recession, which means – **DO NOT PANIC AND BE PATIENT** and this too shall pass. I am an optimistic contrarian who finds the silver lining during economic downturns or potential recession. I have faith in our healthcare professionals within and outside the U.S. will eventually contain the virus and find a vaccination to irradiate this from our state of mind.

In other news, the Five Star Professionals selected me as one of their recipients of 2020 Five Star Wealth Managers of the Greater Kansas City Community. The Motley Fools, a prestigious financial resource, has a secondary publication, The Ascent, which recently wrote an article about me and appeared on their various websites. Here is a link to the article as it appeared on multiple sites

<https://www.fool.com/the-ascent/buying-stocks/articles/financial-advice-from-money-management-pioneer/>

As always, I appreciate the trust and confidence that you have placed in me. For those of you who have had the pleasure of meeting Nikisha L. Johnson, she is doing a fantastic job in the VZD Executive Mentoring Program. The purpose of the program is to mentor potential candidates for future executive roles within the firm. Nikisha (aka Ki Ki) has been accommodating me to learn the "in's and out's of the business from the ground floor. She is currently studying to acquire the Series 65 securities license to serve as an investment advisor in the U.S. We presently have four divisions including – fee-based investment management services with a minimum of \$200,000, hourly consulting for those who want to invest but does not have the on-going minimum, business consulting for start-up and entrepreneurs, qualified retirement participants who can hire private investment managers and customized seminars, workshops and speaking engagements.

Michelle Boyd-Giffin, my youngest child, is graduating with her Master's Degree in Education from Pittsburg University. I am looking for summer interns who desire to learn more about the investment arena and gain hands-on experience by working on special projects related to the financial industry. If you know someone who might wish to learn more, please feel free to provide my contact information ethel@vzdcap.com or telephone number (816) 726-7066.

Thank you again for the trust and confidence you have placed in me. We are accepting new clients with a minimum of investable assets of \$200,000 or might benefit from our on-going consulting services if they do not meet the requirements for our fee-based investment management services. Please keep in mind; the business hours are Monday through Friday from 8:30 am to 4:30 pm or by appointment, if approved.

With Gratitude,

Ethel J. Davis, Nikisha Johnson and Michelle-Boyd Griffin