March 13, 2020

In our last communication on February 28, we discussed how the markets had moved into “correction” territory with a 10% decline in the Dow Jones Industrial Average and S&P 500 Index from their recent highs. The cause of the decline was attributed to investor angst over a slowdown in global growth as the novel coronavirus has impacted production, supply chains, travel & leisure, and daily work and school routines on every continent. In the last two weeks the World Health Organization has confirmed that the number of COVID-19 cases has grown from 83,652 to 125,048 while the number of affected countries has increased exponentially from 52 to 118. Stock markets around the globe have gyrated wildly, driven by incremental news on the severity of the outbreak and alternatively bolstered by announcements of fiscal and monetary steps designed to mitigate the personal and economic toll. Volatility has been elevated as the Dow Jones Industrial Average (DJIA) has registered eight days with moves of 1,000 points or more in the past two weeks. Over the same two-week period the market has registered four days with moves greater than ±5%, a level of volatility not seen since 2008. With the negative -1,464.94 point drop in the DJIA on Wednesday, March 11, the eleven-year bull market that started in March 2009 officially came to an end as the market posted a -20% decline since its recent time high on February 19.

Those who invest with Friends Fiduciary are familiar with our dedication and commitment to offering thoughtfully balanced and diversified investment solutions. We believe that over the long-term, fully diversified portfolios will provide the highest risk-adjusted returns. Since 2012, the Quaker Growth & Income Fund (QGI) has undergone significant changes with a modified asset mix and new asset classes designed to moderate inherent volatility and take advantage of opportunities in the capital markets and new investment managers. Including the recent stock market decline, we estimate that the fund has delivered an annualized net of fee return of +6.1% for the past ten years compared to +5.7% for the benchmark1; and while recent coronavirus-induced market volatility has impacted the fund, we are pleased that QGI continues to perform well against its benchmark. Through Thursday, March 12, our preliminary year-to-date estimate shows a decline of -17.6% for the fund compared to the benchmark return of -20.6%. Recent changes made to the asset mix of the Quaker Green Fund in December are benefitting performance; we estimate that the fund is outperforming its benchmark year-to-date, while the Quaker Index Fund is benefitting from its underweight in energy and industrial stocks. During this period, we have been in communication with our external managers and take comfort in knowing that there is no panic or hastiness in the management of our portfolios – across the board we are confident in their capabilities.

We remain vigilant in our time-tested practice of maintaining asset class balance and significant diversification in our funds. This approach has proven to moderate inevitable swings in the markets, particularly during volatile periods like we find ourselves in today. Thank you for your continued confidence in Friends Fiduciary.

1 QGI Benchmark: 28% S&P 500, 9% Russell Mid-Cap, 8% Russell 2000, 25% MSCI ACWI ex-US, 5% FTSE NAREIT and 18% Bloomberg Barclays Aggregate, 7% Bloomberg Barclays Global Aggregate.