

KACHKOVSKY & FISHER

REGISTERED INVESTMENT ADVISOR

Spring 2020

We would like to send heartfelt gratitude to all those on the frontlines of essential services, those selfless individuals taking care of the sick, feeding us, stocking grocery shelves, and the countless volunteers who are working tirelessly on our behalf. To say that a lot has changed this year is the understatement of the year or a lifetime. It is natural to have feelings of apprehension during this time of uncertainty. These past few months have been challenging for even the most pragmatic among us. We understand the concerns and anxiety that arise as we attempt to decipher what the spread of COVID-19 will mean for our families, ourselves, the economy and our portfolios.

Let's take a look at the numbers.

	(As of 4/30/20)
Dow Jones Industrials	- 15.67 %
S&P 500 Index	- 10.60 %
NASDAQ Composite	- 2.23 %
Russell 2000	- 20.45 %
MSCI EAFE Index	- 17.84 %
MSCI Emerging Markets	- 16.55 %
Major Bond Indexes	(As of 4/30/20)
Barclays U.S. Aggregate Intermediate-Term	+ 4.98 %
Barclays Global Aggregate Government	+ 2.25 %

Source: The Wall Street Journal and Barron's

*Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

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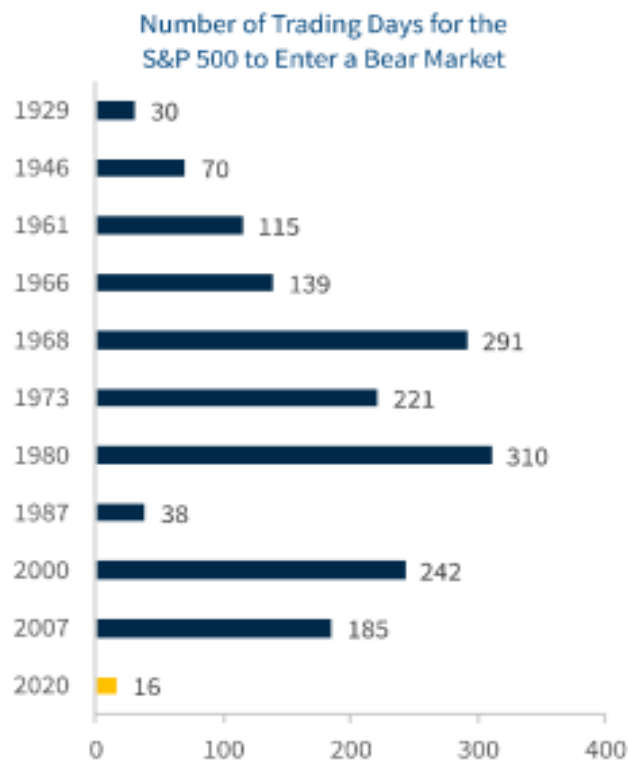
FINANCIAL AND INVESTMENT PLANNING

“Sometimes the light's all shinin' on me. Other times, I can barely see. Lately, it occurs to me. What a long, strange trip it's been”

- Jerome J. Garcia, Philip Lesh, Robert Hall Weir, Robert C. Christie Hunter

The markets are playing a weak supporting role to the worst healthcare challenge in our generation, as well as the worst economic problem since 2008. The total number of new unemployment claims during the pandemic now exceeds 40 million. The good news is that policymakers are unleashing all the tools at their disposal in an unprecedented way to essentially “buy time” for the economy while we await medical solutions, explains Raymond James Chief Investment Officer Larry Adam. In response to the COVID-19 pandemic, we've seen the Federal Reserve (the Fed) announce two cuts to the overnight lending rate target range, now between 0% and 0.25%, and we've seen the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, both intended to provide some economic relief during the global quarantine. Adding the relief packages from Congress and the Treasury Department, the combination of monetary and fiscal stimulus has reached more than 26% of expected 2020 GDP. “The combination of aggressive monetary policy and substantial fiscal stimulus should deter the worst-case scenarios from occurring,” shares Adam.

The speed with which the U.S. stock market went from all-time highs to deep bear market territory broke all historical records.



In times of volatility, a disciplined investment strategy should help as markets tend to overreact on both the downside and upside as headlines drive fear and over-optimism. One of the most important decisions in allocating capital is time horizon and the potential for loss. Higher returns are traditionally accompanied with higher risk and the potential for substantial declines are more frequent. A mitigating factor is time horizon. Longer time periods can substantially reduce the probability of loss. Recently, Larry Adam, Raymond James Chief Investment Officer, said “Historically, the S&P 500 has been positive 79% of the time on a rolling twelve-month basis; and over a rolling three-year period is positive 82% of the time. For bonds, the Bloomberg/Barclays Aggregate Bond Index has been positive 92% of the time on a rolling twelve-month basis; however, over a rolling three-year basis it has been positive 100% of the time. A 60% equity / 40%

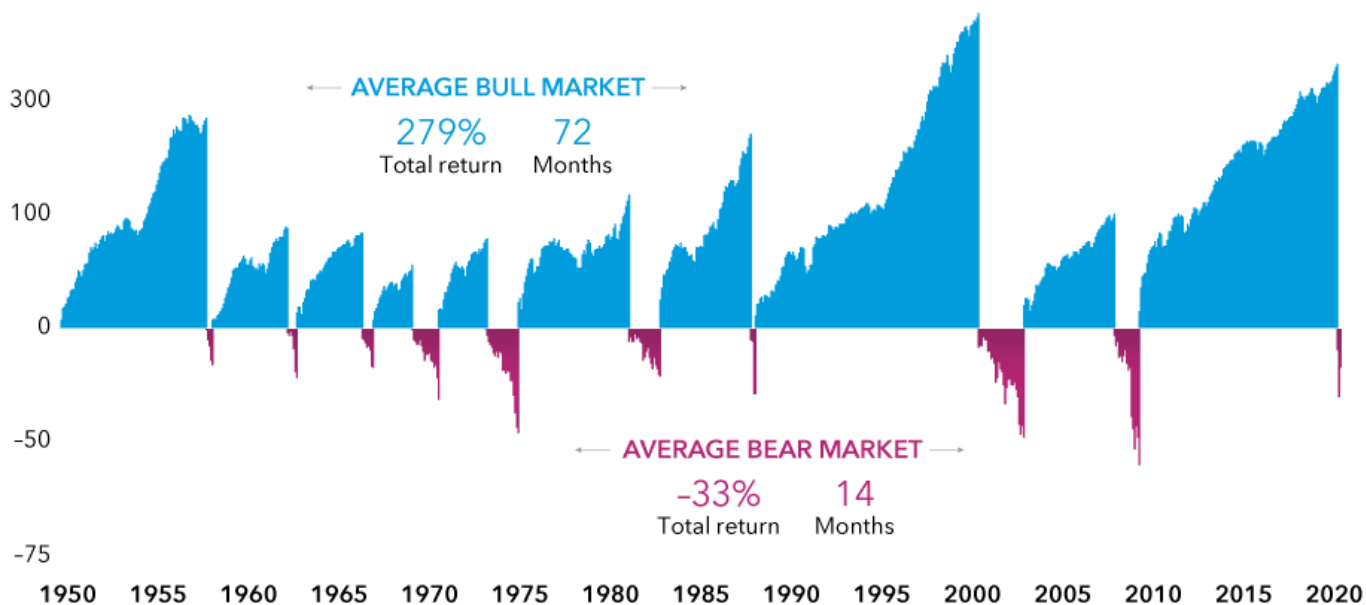
bond allocation has been positive 82% of the time annually and over a three-year period, it has been positive 88% of the time. Proper asset allocation and time horizon are critical in weathering periods of increased volatility that we are experiencing now.

Our leaders understandably are struggling with keeping us safe while keeping the economy afloat. And, for good reason. The U.S. economy is built and sustained on the backs of small businesses. Interestingly enough, 52% of 375 small businesses owners (with 2 to 500 employees) interviewed in mid-April 2020 fear they would be out-of-business in 6 months or less if the societal restrictions imposed nationwide due to COVID-19 continued for 6 more months (source: Society for Human Resource: Management).

When thinking about the stock market, it is important to understand that stock prices depend on long-term earnings. Simply put, what makes a company/stock valuable is its earnings over time. Those earnings benefit investors through dividends, stock buybacks and capital appreciation of the stock. For example, if the S&P 500 had a P/E ratio of 20, then this year's earnings account for 1/20 of its value. Assuming a positive discount rate, next year's earnings would account for a little less than 1/20th of its value. The rest of the companies' value does not depend on the next two years – that is to say that roughly 90% of its value depends on earnings beyond 2020 and 2021. So, if COVID-19 were to wipe out all the S&P 500 earnings over the next two years, it would justify a roughly 10% decline in the value of the index (assuming earnings normalized in 2022 and beyond).

Going forward, we expect volatility to remain high in both positive and negative directions. It wouldn't be a surprise if markets experienced a period of weakness ahead, but we're optimistic over the longer term. Vanguard recently said they expect growth in the U.S. and Europe to contract in the second quarter at the steepest pace since at least the 1930s. However, they do anticipate the global recession to be short, with global growth turning positive in the second half of 2020. Moreover, they expect the recovery to proceed in two stages; a bounce-back in growth as supply constraints recede, but a longer wait for demand to strengthen. The speed of the damage being done to our economy is unlike anything we have seen in our lifetimes. We need to keep in mind that it won't last forever and we will get through this.

700 Cumulative price return for each bull and bear market (%)



Sources: Capital Group, RIMES, Standard & Poor's. As of 4/30/20. The 2020 bear market is considered current as of 4/30/20 and is not included in the "average bear market" calculations. In all other periods, bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale. Returns are in USD.

This year has brought a dizzying amount of changes to all things financial. That includes the impact of the SECURE Act, the IRS temporarily moving the federal tax filing deadline to July 15, and the CARES Act, which waived required minimum distributions among a host of other relief measures.

So, as we approach the midpoint of this year, let's take a moment for a financial plan checkup. Your plan requires regular maintenance to ensure it's on track, especially in a rapidly changing financial landscape.

Here are a few key things to consider for next conversation:

- Have you filed your federal income taxes, or will you need an extension to October 15? Note that an extension to file is not an extension to pay taxes.
- Have your retirement lifestyle plans – travel, volunteering, part-time work or something completely new – changed? Has your expected retirement date changed?
- Let's review if the CARES Act suspension of payments on federal student loans affected your financial plan?
- With the SECURE Act eliminating “stretch” IRAs, it's a good idea to review your estate plan to ensure your trust(s) align with the new rules?
- Do your designated beneficiaries need to be updated due to the birth of a child, adoption or divorce?
- Has there been a marital change that affects your assets and/or income?
- Are you expecting a significant promotion or job change?
- Are there large expenses coming up, such as a wedding, business opportunity or college tuition, that weren't initially part of your plan?

While this is just a snapshot of what to think about when giving your financial plan a checkup, it offers a great place to start. Everyone has personal goals for their finances and a vision of their retirement, and often these goals change as life does. Your financial plan should, too.

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PERSONAL

The Kachkovsky family was looking forward to spending quality time with Garry's parents in Florida. Excited conversations of Disneyworld were heard throughout the house late into January. But, as for many of you, trips, outings and vacations have been put on an indefinite hold.



It's amazing how quickly we adapt to changing landscapes - mask and gloves before entering a store, shoes off at the door, air hugs for friends and neighbors. Kids also fall in line with extra precautions, washing hands, keeping fingers away from the face and virtually hanging out with friends via Roblox and Star Stable. The family is figuring out creative ways of being entertained. Daily walks, hikes or bike rides are a welcome change of pace. Backyard lizard hunting is a daily ritual for Elle, who recently turned five. She is our animal whisperer - claiming moths, potato bugs, butterflies and reptiles as pets. She is excited to start kindergarten in the fall, in whatever form instruction will come. In between Zoom classroom meetings, Ava is gnawing away at perfecting a handstand. Walking across the room on her upper limbs is almost second nature. Gymnastics classes can't re-start soon enough. Ava is doing her best to stay motivated in this new learning environment

and is yearning for those school days when we physically went to school. Emily has taken on the role of home schooler and is doing a great job.

Like families around the country, the Fisher family learned to adjust to stay at home orders. Macy and Kora were quick to adapt to remote learning from home. This was made possible by the great work of their mom and teachers. Angie did an incredible job keeping the girls focused on their school activities. One of the perks during the past two months was daily recess with mom and dad. Over their lunch hour, the family would often hike together or snowshoe (if conditions were right). Macy and Kora are best friends, so being home 24/7 wasn't difficult for the sisters. However, they did miss their teachers and friends at school. The girls look forward to starting 3rd and 4th grade in the fall.

In May, Kris lost his stepdad, Dan Mitola, to COVID-19. He was part of the family for more than 30 years and had an instrumental role in Kris' and his brothers lives. Dan had a remarkable life. He graduated from Notre Dame, where he played football for the Fighting Irish. After college, he joined the U.S. Army and was a Special Agent in the Counter Intelligence Corps. He later joined John Hopkins Applied Physics Lab (APL) in the Submarine Technology Division. His work for APL included time on Jacques Cousteau's *Calypto*. In his spare time, he sailed in numerous Bermuda Races and ran many Boston Marathons (with a personal best of 2:45). Dan and Kris' mom, Martha, moved to the Florida Keys, where they owned and operated a marina., and later relocated to Evergreen, CO. Dan was an amazing storyteller. The family laughed a lot. He had fun and found adventure in everything he did. In memory of Dan, remember it's never too early or late to live life!



“Life should not be a journey to the grave with the intention of arriving safely in a pretty and well-preserved body, but rather to skid in broadside in a cloud of smoke, thoroughly used up, totally worn out, and loudly proclaiming "Wow! What a Ride!"

— Hunter S. Thompson

Thank you for your trust, confidence and friendship.



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