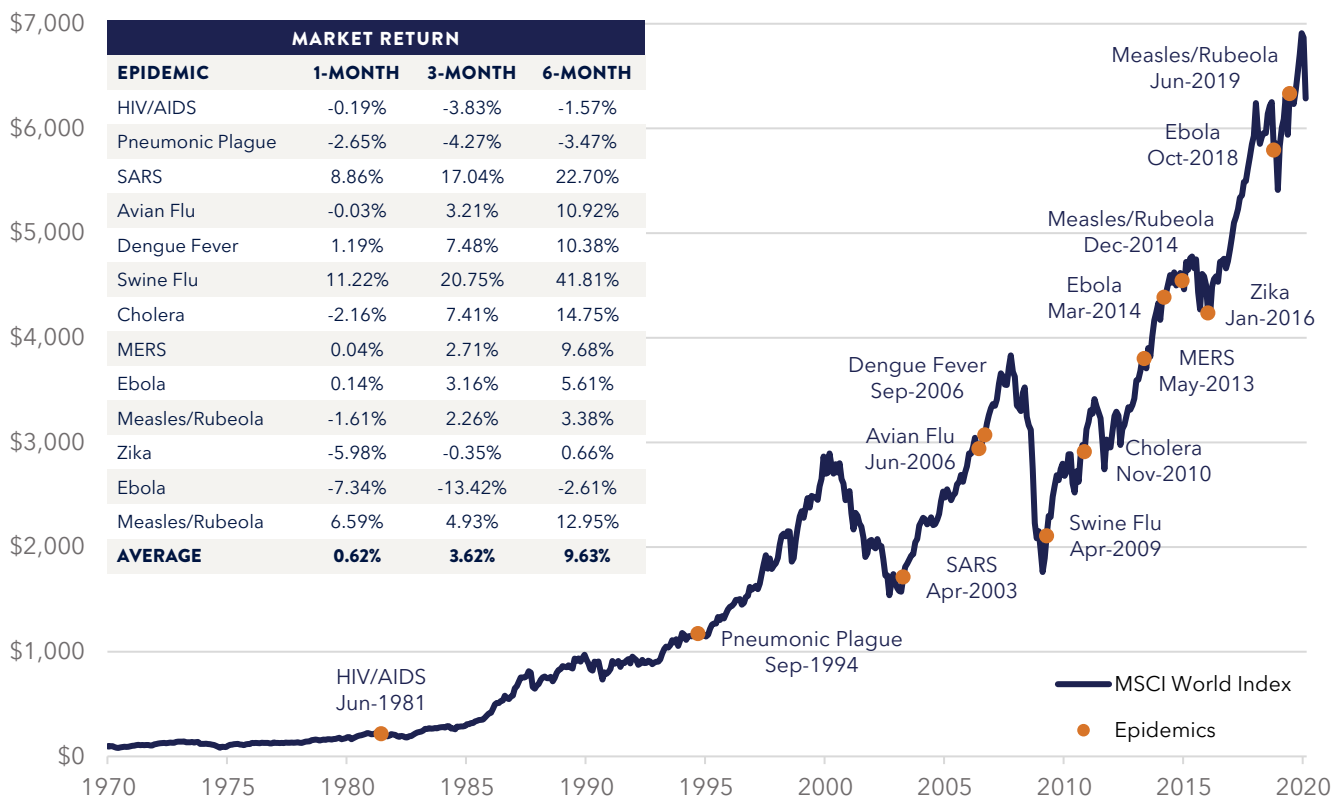




The media coverage around the coronavirus disease (COVID-19) has been extensive and the uncertainty surrounding this event has created elevated levels of volatility in the stock market. While it can be unsettling to say the least, it is important to note that such volatility is inevitable and altogether normal in a functioning market. This is not the first, nor will it be the last time the market has experienced such a severe correction. We would like to highlight that viral outbreaks (and their associated volatility) have been a relatively frequent occurrence in modern times. The following chart provides a history of some of these outbreaks and corresponding equity market reactions.

**GLOBAL STOCK MARKET PERFORMANCE VS. WORLD EPIDEMICS:
GROWTH OF \$100**



While these events consistently create short-term periods of higher volatility, history provides us no discernable pattern of how these outbreaks influence stock market returns. Whether we look at 1-, 3- or 6-month returns post the onset of these outbreaks, we find a broad range of global stock market outcomes indicating little correlation between viral outbreaks and market returns. Certainly, there have been periods of losses, but over the long-term the market has trended upward.

Ultimately, we expect that the turmoil will end, and markets will rebound as has happened with past market disrupting events. These events reaffirm why it is important for investors to properly align their investment horizon with the level of risk in their portfolios. Those with long-term investment horizons should avoid getting overly reactive to short-term market events. Investors with shorter investment horizons should be invested in diversified portfolios designed to minimize the impact of these naturally volatile events.

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