
SECOND QUARTER 2020

Time to Take Shelter

It's been a wild ride in the first half of 2020. The market was incredibly resilient in Q2. We maintain our position that the market could see a sudden steep decline in the second half. Our expectation is that another extreme decline like the one in Q1 will not be followed by the kind of rebound we saw in Q2.

We are focusing on the long term effects that the pandemic will have on the U.S. economy. There will be a tremendous strain on the Federal budget as well as long term damage to consumer spending. A speedy economic recovery is extremely unlikely in our view. We will continue to avoid the US dollar as well as US fixed income.

Going into 2020 we felt the markets were overvalued. With the bounce in the markets in Q2 the valuations are back to those levels. But now revenues at restaurants, brick and mortar retail and malls are a fraction of what they were. Small businesses are unable to pay rent. The extended unemployment benefits are set to expire at the end of July. As the year progresses it will become impossible to ignore these changes.

Now is not the time for extended valuations based on optimism. We are realists - there has been deep damage to the foundation of the American economy with no end in sight. Now is the time to take steps to protect portfolios.

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Portfolio Analysis

The Triboro Alternative strategy had an outstanding start to the year. The strategy was +9.11% YTD (gross of fees) while the S&P 500 declined by -3.08%.

During the worst 10 days for the S&P 500 year to date the index was down -47.27%. Over those 10 days the Triboro Alternative Strategy was up +38.73%.

Our short S&P 500 position and our exposure to volatility hurt the performance of the portfolio in Q2. We greatly underestimated the strength and duration of the market recovery following the decline in Q1.

Executive Summary

- The strategy uses asset classes not correlated to the US markets to manage the risk in sharp downturns.
- The portfolio is positioned to protect against the possibility of continued underperformance in US equities and treasuries in the second half of 2020 and beyond.

During this unprecedented time we are always available to assist you with any questions and to help you in any way we can.

Regards,

Philip Mendelsohn, CFA
Portfolio Manager