MORSE ASSET MANAGEMENT, INC.

805 Third Avenue, Suite 1120, New York, NY 10022

2020 Q1 Investment Outlook-

The harrowing volatility and market declines experienced in the first quarter were unprecedented. The waterfall like selloff was driven by two major events, a global economic shutdown due to the Covid-19 virus and the Saudi-Russia oil price war. Between February 19 and March 23, the value of the S&P 500 decreased by over 34% and has since rallied back over 25%. As of April 20, the index remains down about 12% for the year. We are now amid a recession, with unemployment heading above 15%. This puts us at the crossroads of a secular bull and bear market.

This has been a frustrating and tricky time for investment portfolios. We have reacted by reduced exposure to obviously impacted areas like energy, travel and leisure, and retail. We are focusing on durable businesses, high quality balance sheets and secular tailwinds (work from home, mobile and digital economy, enterprise software, etc…), which are likely to accelerate as a result of the crisis. We continue to raise cash and/or rebalance portfolios when timely. The damage done has created pronounced opportunities, and an appropriate balance of both offense and defense is important. Therefore, we remain flexible.

How the next few months play out will shape the next year for the market and the economy. If this recession can endure for as brief a time as its sudden onset, the recovery should be rapid and robust because the world's stock of human, physical, and financial capital will not have permanent impact (Chart 1).

The Fed and Congress have both stepped up to do their part and provide record monetary and fiscal relief. The Fed preemptively acted to stabilize credit markets, and they have made a clear statement they will do whatever it takes. The federal government has also approved over $2.5 trillion in stimulus funds for US businesses, unemployed individuals, low income households, and the healthcare system. Total authorized stimulus is now close to $7 trillion, an unprecedented amount of support for risky assets and the real economy. This will ease the damage to the economy from the recession and provide a bridge until lockdowns are lifted.

There is too much uncertainty and too wide a range of outcomes to have strong conviction in the direction of the current market. The recent rally has been strong by historical standards (Chart 2), an indication of a favorable response to preemptive government interventions as the worst-case scenarios are now being revised in an upward trend. Flexibility will be key as both bullish and bearish market outcomes are possible.

We are reminding clients to stay focused on the long term. This is an event-driven crisis, primarily self-inflicted, and not the result of a decaying economy. We were on good footing going into the event, so it is reasonable to anticipate that we will be poised to come out of it stronger. The world will be different so we will need to adapt, but changes present opportunity. Ultimately, time will tell, but we are optimistic and believe in the resilience of the economy.

We are disciplined; focused on the facts, fundamentals, and long-term trends most relevant to your investments.

Morse Asset Management Investment Team

Robert B. Morse, Jian Wang, James Cushing

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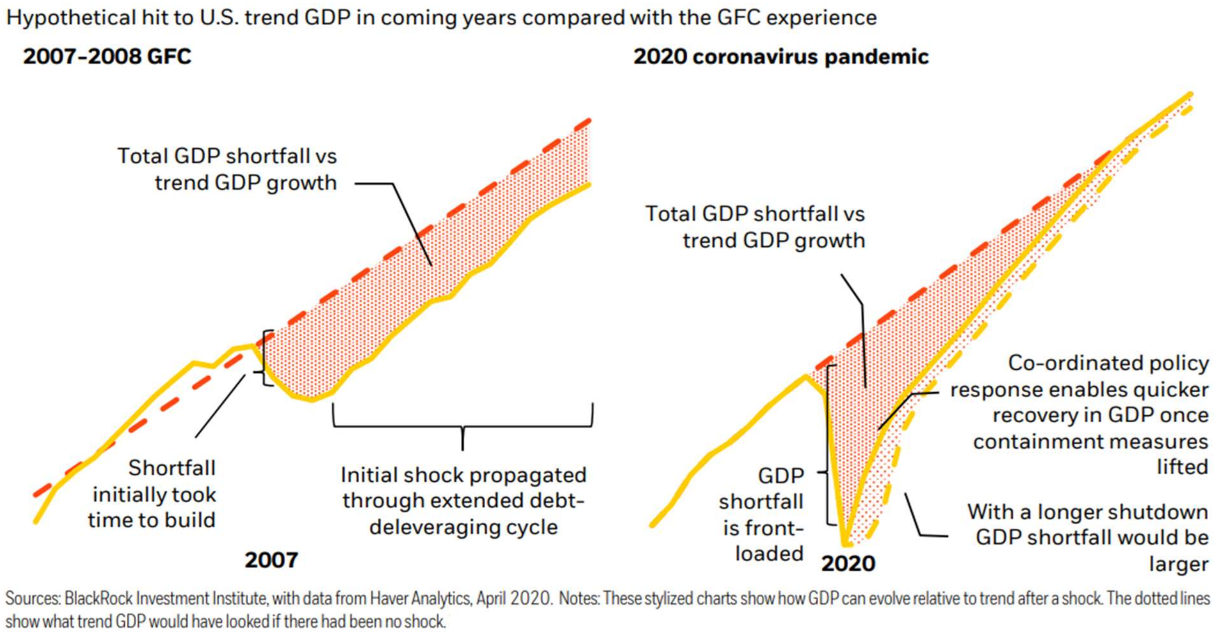
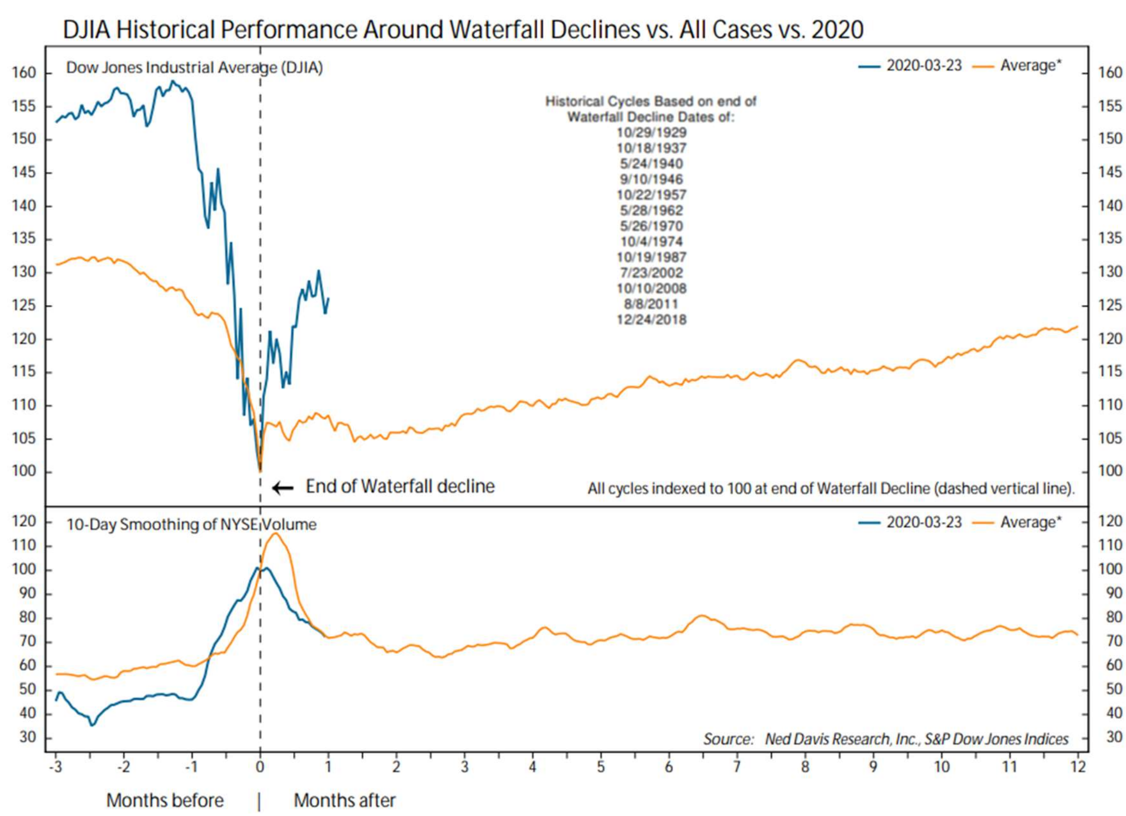
1. Hypothetical GDP Paths: Current Coronavirus vs the Great Financial Crisis of 2007.



Source: Blackrock Investment Institute, Haver Analytics

2. Current Waterfall Selloff and Rebound vs Average of Historical Cases.



Source: Ned Davis Research Inc.