



The year 2020 began with hopes of continued economic growth. Global trade, in particular, was set to start expanding again as the phase-one trade pact with China was signed. Unfortunately, as February drew to a close, the coronavirus took over the headlines. Things obviously changed overnight and U.S. stock markets went from a bull to a bear market in just 20 days.

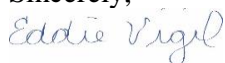
Small cap stocks of all stripes and sizes were hit particularly hard in the first quarter. As a comparison, the large cap S&P 500® Index lost about 20% while the small cap Russell 2000® Index, the bogey for our strategy, ended the quarter with an over 30% loss. Candidly, this is not too surprising, as during times of market turmoil, investors often seek safety in large cap stocks. The belief is that smaller companies likely have fewer resources available to navigate through challenging times. While there is some validity to that argument, the flip-side is true as well. Small companies are often more nimble and able to adapt to changing circumstances better than their larger counterparts. This gives the strongest small cap companies the ability to bounce back quickly after market disruptions.

As in most things in life, there is a silver-lining to current market troubles. The market pullback has provided the opportunity for our Small Cap team to add quality companies that are now selling at a discount, especially in the Health Care sector. In March, we initiated several such new positions. One of our recent purchases was Medpace Holdings, a research organization that contracts with smaller biotechnology and pharmaceutical companies to provide support in areas where they cannot easily compete. More specifically, companies such as Medpace reduce costs for companies developing new drugs by conducting feasibility studies and managing regulatory affairs, patient recruitment and clinical trials on behalf of their clients. It is an important and crucial role.

In last quarter's commentary, we noted that we had difficulty finding companies in the biotechnology space in which we have comfort investing, as a large number of companies in this group do not yet have a product to sell. Instead, they typically spend more than they earn – always a little scary - because their products are still in trials. Investors obviously have great difficulty assigning a value to such businesses, and that is why we tend to stay on the sidelines until there are traditional fundamental metrics such as earnings and cash flow to review and analyze. The investment in Medpace, however, a company with a strong balance sheet and consistent cash flow, is a move in that direction.

We have been actively pursuing lots of Medpace – type opportunities over the last few weeks as share prices have fallen. While we cannot say when the markets will stabilize, we are confident they will, and that staying the course with a patient approach will be rewarded. We have four successful equity strategies – Large Cap U.S., Small Cap U.S., Dividend Select and Mid Cap U.S. If you have questions about any of these options or know others who might have an interest in our strategies, please call us.

Sincerely,



**Eddie Vigil**  
**Portfolio Manager**