

Date: March 16, 2020
Subject: COVID-19 Update

Dear Clients, Consultants and related Professionals:

The global and U.S. financial markets have been experiencing sharp volatility and are getting hit hard due to uncertainty related to the coronavirus and exacerbated by Saudi Arabia's decision to slash oil prices. Concerns are considerable and the recent selloff has been widespread, affecting fixed income securities in every sector and across all credit qualities.

While we do not presume to forecast the exact extent or length of the virus' impact or of the current widening of credit spreads, we do not believe that the issues currently confronting U.S. financial markets are irreparable. In the 30+ years that we have been managing fixed income portfolios, there have been several periods of sizeable interest rate moves and significant changes in credit spreads. These violent moves are always unsettling, particularly because of the unique nature and unprecedented circumstances influencing market liquidity and credit spreads. In every case, however, as reality overcomes fear, the U.S. financial markets have stabilized and recovered.

Risks that present themselves over a very short time frame require a fundamentally different type of mitigation, and risk management strategy, than those that manifest themselves over a much longer period of time like the coronavirus. As the country gets a better handle around the health crisis, we expect our fixed income portfolios, which are made up of high-quality issuers with good balance sheets and attractive earnings, to continue to provide strong risk-adjust excess returns.

Though these are challenging times, we will continue to assess developments related to the outbreak and carefully monitor the markets and your portfolio. Smith Graham has a strong Business Continuity Plan which allows us to manage the portfolios remotely should that be necessary. Please be assured that our top priorities will be ensuring that we continue to manage the assets you have entrusted to us as well as the safety of our employees and their families.

We wish you all well. Please contact us with any questions or if we can assist you in anyway.

Sincerely,

Gerald B. Smith
Chairman and CEO

Lorenzo Newsome, Jr., CFA, FRM, PRM
Managing Director, Chief Investment Officer

HOUSTON
6900 JPMorgan Chase Tower
600 Travis Street
Houston, TX 77002

NEW YORK
140 Broadway
45th Floor
New York, NY 10005

