

INVESTOR'S EDGE

# It's time to review your portfolio

**The market downturn won't  
last; consider these options**

*"When one admits that nothing is certain one must, I think, also add that some things are more nearly certain than others."*

— Bertrand Russell



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Well, I've always heard that change is certain! Just a few weeks ago, who could have imagined that the World Health Organization would declare a global pandemic and a week later our country would shut down as we all band together to stem the tide of this deadly coronavirus?

Frightening, indeed.

As you know, for most of March, stocks experienced a rapid and violent decline into bear market territory, and at one point the Dow Jones Industrial Average was down more than 37% from its mid-February high. Hopefully, by the time you are reading this article, that statement is no longer true, as the market is staging a nice rally as I write this.

Approximately four weeks into this global pandemic, it is clear that the economy is going to severely weaken, and stocks have been pricing that in. What I do believe, however, is that looking out a year from now, stock markets will likely be higher — perhaps by a large amount — than they are today. While no one knows when the bottom in equities will be reached, it is a high probability that stock prices will rebound well before the coronavirus peaks here in the United States.

Furthermore, historically, recoveries from big market drops tend to be sharp, powerful, and unpredictable.

Here is a fact: In any decade, if you miss the 10 best trading days of market performance, your return will be paltry. And

almost always, these 10 best days are right off the market's worst days.

Seth Klarman, widely considered to be one of the greatest investors of all time, stated it clearly — “The single greatest edge an investor can have is a long-term orientation.” With the Dow Jones Industrial Average down well over 30% already in just four weeks, this is perhaps the most important time to maintain a long-term orientation.

So, what can local investors do right now to enhance their long-term wealth?

First, forget, for the time being, how much you are down from the peak reached in February. This is, quite frankly, a meaningless and discouraging exercise. Instead, carefully review your portfolio, focusing on your holdings, individual stocks, mutual funds, bonds/bond funds, and cash levels. Are there stocks or funds that are small positions making little impact on your portfolio? Is your portfolio in need of rebalancing — especially considering the recent decline in equity prices? Do you need to reevaluate my long-term investment goals?

Additionally, people talk a lot about the adage “buy low, sell high.” In times like these, too often investors do the opposite, selling their holdings at or near the lows, and then waiting for the market to recover to buy back in.

I strongly advise you to resist this urge. It might make you

feel good at the moment, but you will likely end up missing out on significant returns in equities over the long term.

Briefly, here are three quality, brand-name stocks of local interest that have been hammered on coronavirus news that probably offer investors great value over the long term.

**Starbucks (ticker symbol SBUX):** Starbucks, at the time of this writing, is down well over 30% from its all-time high. The company has a great balance sheet, has been consistently raising its dividend by double digit rates, and is one of the most valuable brands worldwide. Now is the time to take a sip and become a part-owner in the company.

**McDonald's (ticker symbol MCD):** Currently a three-year treasury bond offers a negative return. McDonald's on the other hand, offers a roughly 3% dividend backed by a fortress-like balance sheet. Another iconic brand name, McDonald's looks quite tasty at these levels. Buy it.

**Zoetis (ticker symbol ZTS):** Zoetis is the worldwide leader in animal health. Their products, in many ways, are recession resistant as they not only serve domestic pets, but also livestock and cattle. I recommended this back in August of 2018, and even after the market's recent decline, Zoetis has been a winner. Cushion your vet bill by stepping in and buying some shares.

Hey, let's be honest — this is tough for all of us. However, as the above quote from Bertrand Russell implies: “there are things that we can be more certain of.” And this we can be more certain of: The coronavirus will eventually end, life will gradually move back to normal, and high-quality stocks will resume their place as the greatest wealth creating vehicle known to mankind.

This too shall pass.

*Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at [jburns@jwburns.com](mailto:jburns@jwburns.com).*

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