



A VIRAL MARKET UPDATE: BACK TO BASICS

Glimmers of light?

Another week, more volatility...

- Déjà vu? My first post on this blog was on September 17, 2008, a week into the 2008 crisis, and I expected that after a few posts, that crisis would be behind us, and that we could go back to our lives. That of course turned out not to be the case, as the crisis not only extended for months, but left its imprint for the next decade
- An up week: Unlike my four previous updates, this one will describe a week of market recovery, at least in sum, but like the previous weeks, the increase in market values came with wide swings and continued uncertainty and volatility.
- Bailouts & Buybacks: Governments around the world rushed to pass rescue packages designed to get both individuals and businesses through a period where the global economic machine has been shut down. These bailouts, in addition to being many times larger than prior bailouts, have also reignited debates about what governments should be demanding in return

Price vs Value

Tools for intrinsic analysis

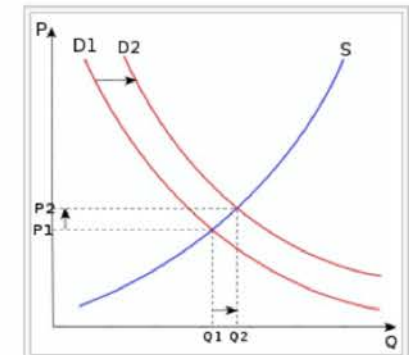
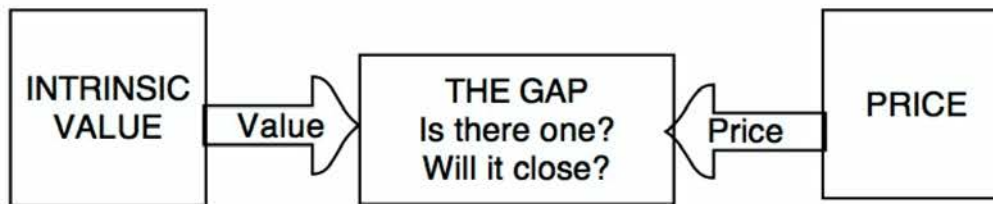
- Discounted Cashflow Valuation (DCF)
- Intrinsic multiples
- Book value based approaches
- Excess Return Models

Tools for "the gap"

- Behavioral finance
- Price catalysts

Tools for pricing

- Multiples and comparables
- Charting and technical indicators
- Pseudo DCF



Drivers of intrinsic value

- Cashflows from existing assets
- Growth in cash flows
- Quality of Growth

Drivers of "the gap"

- Information
- Liquidity
- Corporate governance

Drivers of price

- Market moods & momentum
- Surface stories about fundamentals

1. Upper and Lower Bounds

- Since price is determined by demand and supply, and there is nothing that requires that those buying and selling in markets have to be constrained, at least in the near term, by fundamentals, it follows that there is no upper or lower bound to prices.
- Value on the other hand has both upper and lower bounds, with both bounds being set by expected cash flows, growth and risk. The upper bound is set by those who are more optimistic about a stock and the lower bound by those who are most pessimistic about that same stock, in terms of future expectations or liquidation value.
 - It is possible, for some stocks, especially early in the life cycle and with substantial uncertainty about the future, for the lower bound on value to be zero,
 - Stocks collectively cannot have that lower bound. For equities collectively to be worth nothing, you would require an apocalyptic scenario, one in which there is little point thinking about investments anyway.

2. Price is reactive, value is proactive

- Incremental Information versus Fundamental Information: Pricing forces can take information that, at least at first sight, seems insignificant to long term value and cause price changes that are disproportional. Thus, when the mood is upbeat, small pieces of good news can result in big jumps in stock prices, but if that mood turns sour, small pieces of bad news can cause large drops in stock prices.
- Reactive versus Proactive: Traders react to the incremental information to adjust the price and put little thought into whether the starting price itself has a basis to it. Value is driven by expectations of cash flows, growth and risk, and information has to be used to reassess those expectations, a more difficult task, but one that forces you to separate the wheat from the chaff.

3. Price may never converge on value...

- ❑ Old time value investors live by the adage that the price can go up and down, with little relationship to value, but that it will eventually converge to value.
- ❑ Absent a catalyst causing the convergence, price will not only diverge from value in the short term, but it could do so in the long term. Keynes was close to the truth when he said that the "market can stay irrational longer than you and I can stay solvent".
- ❑ So what is it that keeps investors toiling at the fundamentals, hoping to get rewarded? The answer is faith, faith that they can estimate value and faith that the price will adjust to value. It is faith because I can offer you no proof for either proposition, and it is faith, because its strength will be tested by markets like this one.

Macro Review: Equity Indices

	Index	Country/Region	Level on 3/27	% Change	
				3/13-3/20	Last Month
<i>Americas</i>	S&P 500	US	2541	11.83%	-19.04%
	NASDAQ	US	7588	7.27%	-15.34%
	TSX	Canada	12688	7.05%	-21.98%
	IPC Mexico	Mexico	33799	-1.37%	-18.21%
	Bovespa	Brazil	73429	9.48%	-29.51%
<i>Europe</i>	FTSE 100	UK	5510	6.16%	-16.26%
	DAX	Germany	9633	7.88%	-18.99%
	CAC 40	France	4328	6.91%	-18.48%
	S&P Euro 350	Europe	1253	6.17%	-16.91%
<i>Asia</i>	Nikkei 225	Japan	19389	14.81%	-8.29%
	Shanghai 50	China	2701	2.78%	-4.24%
	Hang Seng	Hong Kong	23484	2.98%	-10.13%
	BSE	India	29816	-0.34%	-22.15%
<i>Australia & NZ</i>	ASX 200	Australia	4842	0.54%	-24.82%
	NZX 50	New Zealand	9418	13.65%	-12.24%
<i>Africa</i>	FTSE JSE top 40	South Africa	39172	7.91%	-14.57%
	NSE All-Share	Nigeria	21862	-1.52%	-16.61%

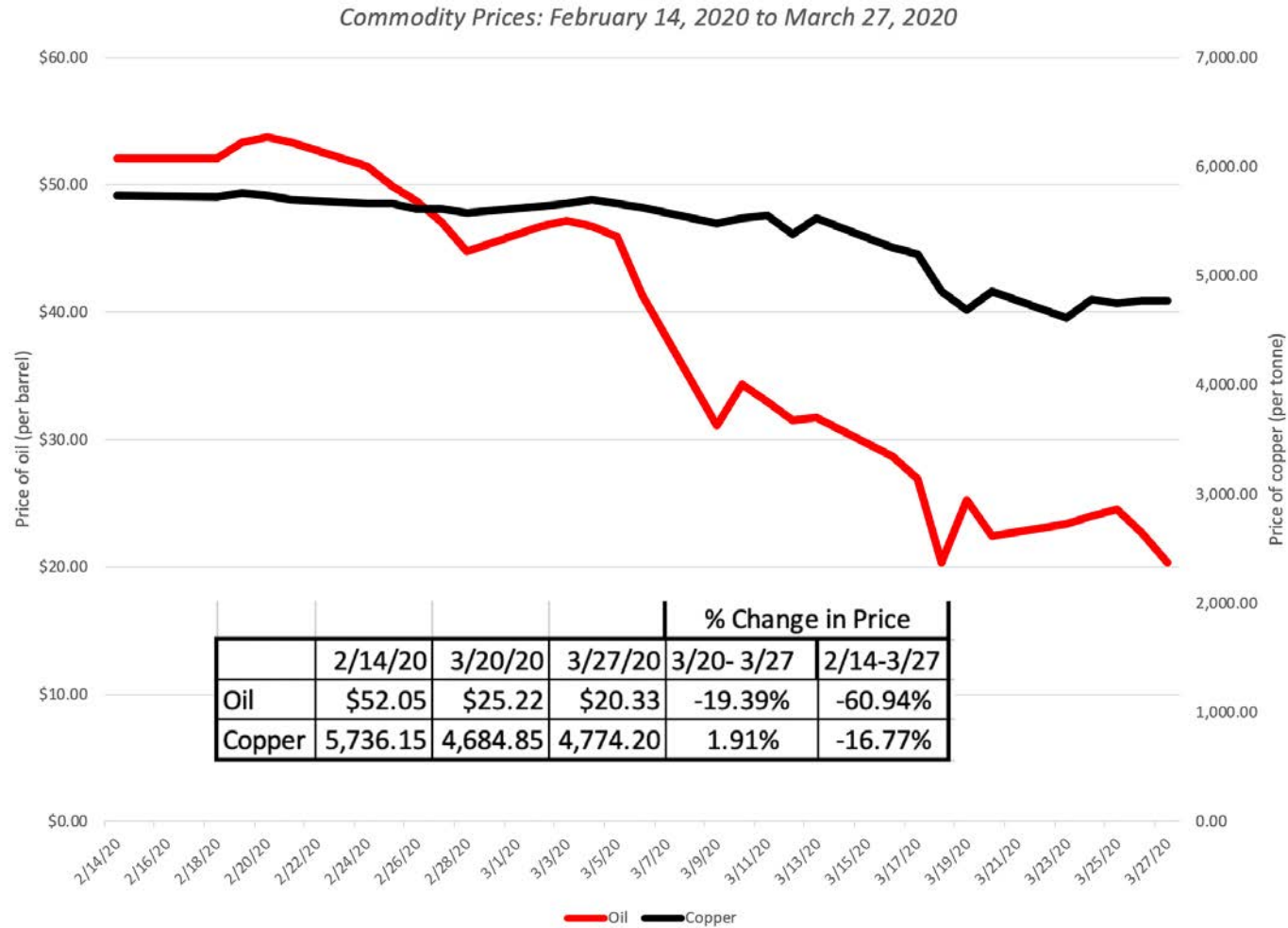
Macro Review: US Treasuries

	Yields on US Treasuries		
Maturity	2/14/20	3/20/20	3/27/20
3 month	1.58%	0.05%	0.03%
2 year	1.42%	0.37%	0.25%
5 year	1.42%	0.52%	0.41%
10 year	1.59%	0.92%	0.72%
20 year	1.89%	1.35%	1.09%
30 year	2.04%	1.55%	1.29%
	Yield curve slope		
2 yr - 3 month	-0.16%	0.32%	0.22%
10 yr - 2 yr	0.17%	0.55%	0.47%
30 yr - 10 yr	0.45%	0.63%	0.57%

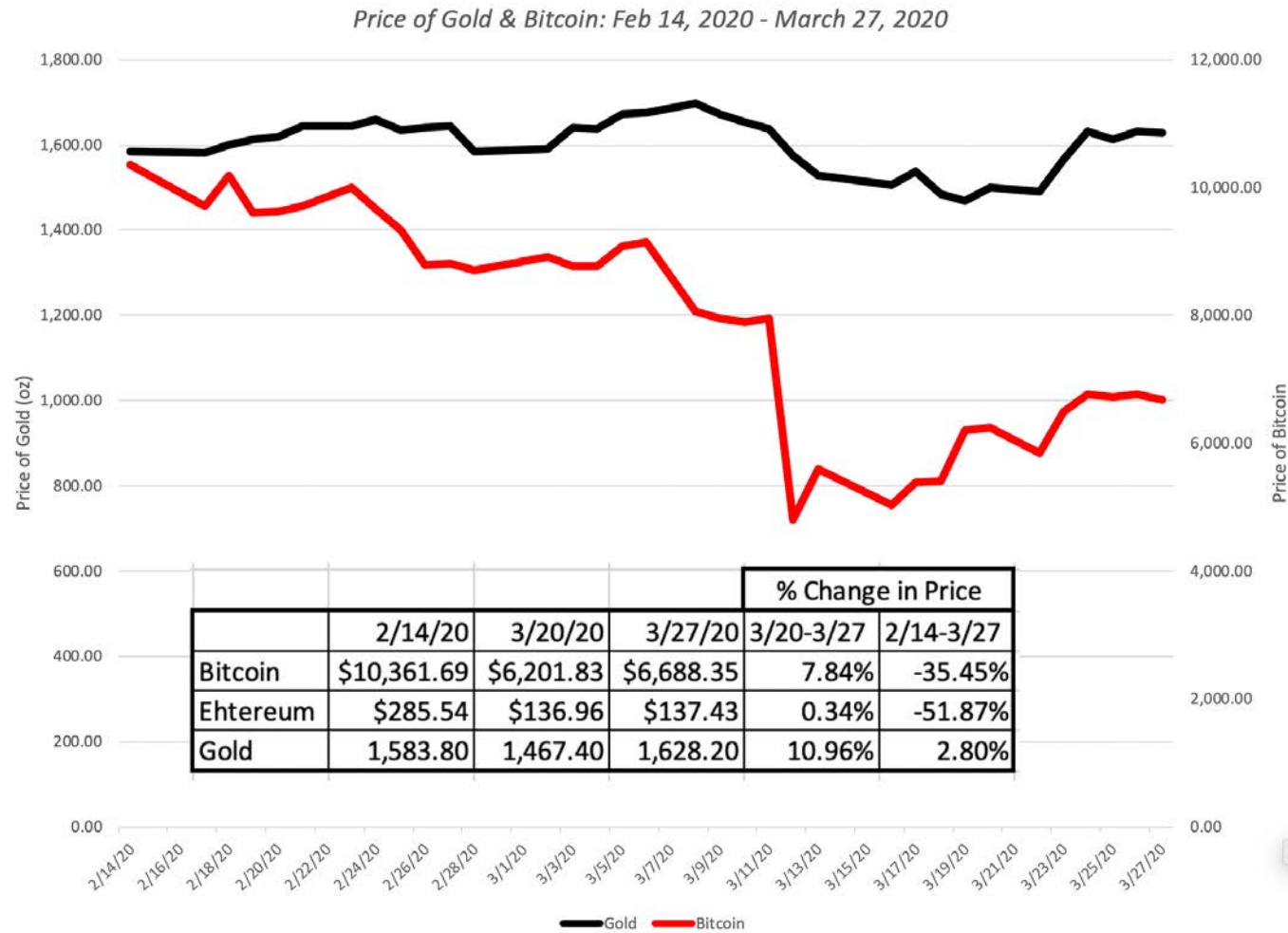
Macro Review: Corporate Bonds

S&P Bond Rating	Yields and Spreads on Corporates					
	<i>Spread over 10-yr Treasury</i>			<i>Yield on Bond</i>		
	2/14/20	3/20/20	3/25/20	2/14/20	3/20/20	3/26/20
AAA	0.69%	2.44%	1.67%	2.28%	3.36%	2.39%
AA	0.72%	2.64%	2.01%	2.31%	3.56%	2.73%
A	0.80%	3.15%	2.83%	2.39%	4.07%	3.55%
BBB	1.33%	4.56%	4.22%	2.92%	5.48%	4.94%
BB	1.93%	7.45%	6.79%	3.52%	8.37%	7.51%
B	3.40%	10.59%	9.92%	4.99%	11.51%	10.64%
CCC or lower	9.65%	18.25%	17.68%	11.24%	19.17%	18.40%

Macro Review: Oil & Copper



Macro Review: Gold & Bitcoin



Global Equities: By Region

Sub Region	Number of firms	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	3/20-3/27		2/14 - 3/27	
					\$ Change	% Change	\$ Change	% Change
Africa	675	\$ 578,375	\$ 369,967	\$ 374,094	\$ 4,126	1.12%	\$ (204,282)	-35.32%
Australia & NZ	1,249	\$ 1,616,339	\$ 952,755	\$ 1,015,907	\$ 63,152	6.63%	\$ (600,432)	-37.15%
Canada	1,409	\$ 2,277,237	\$ 1,394,464	\$ 1,533,131	\$ 138,667	9.94%	\$ (744,107)	-32.68%
China	6,224	\$ 14,032,160	\$ 12,478,002	\$ 12,715,886	\$ 237,884	1.91%	\$ (1,316,273)	-9.38%
EU & Environs	4,733	\$ 13,678,403	\$ 9,318,277	\$ 10,185,643	\$ 867,366	9.31%	\$ (3,492,760)	-25.53%
Eastern Europe & Russia	454	\$ 821,119	\$ 507,559	\$ 522,177	\$ 14,619	2.88%	\$ (298,942)	-36.41%
India	1,801	\$ 2,206,738	\$ 1,531,385	\$ 1,483,669	\$ (47,716)	-3.12%	\$ (723,069)	-32.77%
Japan	3,846	\$ 6,053,505	\$ 4,483,001	\$ 5,246,020	\$ 763,020	17.02%	\$ (807,484)	-13.34%
Latin America & Caribbean	948	\$ 2,385,060	\$ 1,387,064	\$ 1,492,640	\$ 105,576	7.61%	\$ (892,420)	-37.42%
Middle East	1,255	\$ 3,098,813	\$ 2,595,889	\$ 2,617,944	\$ 22,056	0.85%	\$ (480,869)	-15.52%
Small Asia	8,150	\$ 5,100,550	\$ 3,590,027	\$ 3,823,233	\$ 233,206	6.50%	\$ (1,277,317)	-25.04%
UK	1,060	\$ 3,071,282	\$ 1,927,825	\$ 2,153,536	\$ 225,711	11.71%	\$ (917,746)	-29.88%
United States	5,123	\$ 35,745,667	\$ 23,982,151	\$ 26,497,102	\$ 2,514,951	10.49%	\$ (9,248,565)	-25.87%
Global	36,927	\$ 90,665,248	\$ 64,518,366	\$ 69,660,983	\$ 5,142,617	7.97%	\$ (21,004,265)	-23.17%

Global Equities: By Sector

Primary Sector	count	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	3/20-3/27		2/14 - 3/27	
					\$ Change	% Change	\$ Change	% Change
Communication Services	1,690	\$ 7,387,502	\$ 5,537,870	\$ 5,886,839	\$ 348,969	6.30%	\$ (1,500,663)	-20.31%
Consumer Discretionary	5,035	\$ 10,166,952	\$ 7,097,378	\$ 7,761,299	\$ 663,921	9.35%	\$ (2,405,654)	-23.66%
Consumer Staples	2,367	\$ 7,131,368	\$ 5,724,181	\$ 6,039,758	\$ 315,576	5.51%	\$ (1,091,610)	-15.31%
Energy	1,264	\$ 5,936,152	\$ 3,858,930	\$ 4,083,346	\$ 224,416	5.82%	\$ (1,852,805)	-31.21%
Financials	4,202	\$ 14,988,413	\$ 10,022,185	\$ 10,720,990	\$ 698,805	6.97%	\$ (4,267,423)	-28.47%
Health Care	3,431	\$ 8,982,036	\$ 6,928,530	\$ 7,516,458	\$ 587,928	8.49%	\$ (1,465,579)	-16.32%
Industrials	6,582	\$ 10,185,908	\$ 6,947,947	\$ 7,631,432	\$ 683,485	9.84%	\$ (2,554,477)	-25.08%
Information Technology	4,795	\$ 13,635,871	\$ 9,786,447	\$ 10,669,541	\$ 883,094	9.02%	\$ (2,966,330)	-21.75%
Materials	4,309	\$ 4,993,223	\$ 3,538,495	\$ 3,784,285	\$ 245,790	6.95%	\$ (1,208,938)	-24.21%
Real Estate	2,392	\$ 4,048,706	\$ 2,714,809	\$ 2,992,718	\$ 277,908	10.24%	\$ (1,055,988)	-26.08%
Utilities	841	\$ 3,208,044	\$ 2,335,098	\$ 2,549,335	\$ 214,237	9.17%	\$ (658,709)	-20.53%

Global Equities: Industry Winners & Losers

	Worst Performing Industries: 2/14- 3/27						
				3/20-3/27		2/14 - 3/27	
<i>Industry</i>	<i>Market Cap (2/14/20)</i>	<i>Market Cap (3/20/20)</i>	<i>Market Cap (3/27/20)</i>	<i>\$ Change</i>	<i>% Change</i>	<i>\$ Change</i>	<i>% Change</i>
Oil/Gas (Production and Exploration)	\$ 692,337	\$ 318,467	\$ 342,645	\$ 24,178	7.59%	\$(349,692)	-50.51%
Oil/Gas Distribution	\$ 653,558	\$ 361,359	\$ 375,362	\$ 14,003	3.88%	\$(278,196)	-42.57%
Hotel/Gaming	\$ 717,026	\$ 397,218	\$ 430,694	\$ 33,476	8.43%	\$(286,332)	-39.93%
Oilfield Svcs/Equip.	\$ 743,252	\$ 419,308	\$ 447,056	\$ 27,748	6.62%	\$(296,195)	-39.85%
Homebuilding	\$ 247,355	\$ 127,623	\$ 150,684	\$ 23,060	18.07%	\$ (96,671)	-39.08%
Air Transport	\$ 559,010	\$ 316,420	\$ 341,572	\$ 25,153	7.95%	\$(217,438)	-38.90%
Broadcasting	\$ 164,676	\$ 94,207	\$ 100,672	\$ 6,465	6.86%	\$ (64,004)	-38.87%
Reinsurance	\$ 180,565	\$ 98,214	\$ 114,858	\$ 16,644	16.95%	\$ (65,706)	-36.39%
Aerospace/Defense	\$1,280,583	\$ 708,411	\$ 844,062	\$135,651	19.15%	\$(436,521)	-34.09%
Food Wholesalers	\$ 93,312	\$ 50,262	\$ 61,765	\$ 11,503	22.89%	\$ (31,547)	-33.81%
	Best Performing Industries: 2/14- 3/27						
<i>Industry</i>	<i>Market Cap (2/14/20)</i>	<i>Market Cap (3/20/20)</i>	<i>Market Cap (3/27/20)</i>	<i>\$ Change</i>	<i>% Change</i>	<i>\$ Change</i>	<i>% Change</i>
Food Processing	\$1,794,078	\$1,508,894	\$1,586,790	\$ 77,896	5.16%	\$(207,288)	-11.55%
Household Products	\$1,463,387	\$1,196,683	\$1,269,125	\$ 72,441	6.05%	\$(194,263)	-13.27%
Drugs (Biotechnology)	\$1,414,870	\$1,145,721	\$1,225,453	\$ 79,733	6.96%	\$(189,417)	-13.39%
Retail (Grocery and Food)	\$ 479,895	\$ 398,124	\$ 415,280	\$ 17,157	4.31%	\$ (64,615)	-13.46%
Telecom (Wireless)	\$1,084,938	\$ 856,771	\$ 928,767	\$ 71,996	8.40%	\$(156,171)	-14.39%
Retail (Online)	\$2,458,187	\$1,992,079	\$2,099,013	\$106,933	5.37%	\$(359,174)	-14.61%
Telecom. Equipment	\$ 554,013	\$ 452,441	\$ 472,017	\$ 19,576	4.33%	\$ (81,996)	-14.80%
Drugs (Pharmaceutical)	\$3,630,720	\$2,895,935	\$3,093,246	\$197,310	6.81%	\$(537,474)	-14.80%
Coal & Related Energy	\$ 167,718	\$ 139,035	\$ 142,580	\$ 3,545	2.55%	\$ (25,138)	-14.99%
Utility (Water)	\$ 144,293	\$ 113,037	\$ 122,329	\$ 9,292	8.22%	\$ (21,964)	-15.22%

Looking for explanations?

- As this crisis has unfolded, you have had to deal with the bubblers, who have been telling us that stocks have been over valued since 2012, and feel vindicated.
- In the process, they have latched on to the argument that this is well-deserved punishment for those who invested in high flying companies and on momentum.

PE and Market Damage

decile(Trailing PE)	count	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	3/20-3/27		2/14 - 3/27	
					\$ Change	% Change	\$ Change	% Change
Bottom decile	2,547	\$ 2,543,016	\$ 1,998,141	\$ 2,081,556	\$ 83,415	4.17%	\$ (461,460)	-18.15%
2nd decile	2,548	\$ 5,384,902	\$ 3,696,214	\$ 3,965,689	\$ 269,474	7.29%	\$ (1,419,213)	-26.36%
3rd decile	2,548	\$ 5,935,462	\$ 3,815,960	\$ 4,159,254	\$ 343,294	9.00%	\$ (1,776,207)	-29.93%
4th decile	2,548	\$ 7,417,811	\$ 4,970,811	\$ 5,388,340	\$ 417,529	8.40%	\$ (2,029,471)	-27.36%
5th decile	2,548	\$ 6,874,322	\$ 4,742,372	\$ 5,141,670	\$ 399,298	8.42%	\$ (1,732,652)	-25.20%
6th decile	2,548	\$ 11,296,677	\$ 8,250,752	\$ 8,807,171	\$ 556,419	6.74%	\$ (2,489,506)	-22.04%
7th decile	2,548	\$ 13,364,183	\$ 9,727,673	\$ 10,508,371	\$ 780,697	8.03%	\$ (2,855,812)	-21.37%
8th decile	2,548	\$ 14,932,187	\$ 10,709,226	\$ 11,660,964	\$ 951,739	8.89%	\$ (3,271,223)	-21.91%
9th decile	2,548	\$ 9,836,386	\$ 7,328,625	\$ 7,951,539	\$ 622,914	8.50%	\$ (1,884,847)	-19.16%
Top decile	2,548	\$ 6,644,885	\$ 5,030,400	\$ 5,369,195	\$ 338,795	6.73%	\$ (1,275,690)	-19.20%
EBITDA Negative	11,448	\$ 6,435,418	\$ 4,248,191	\$ 4,627,234	\$ 379,042	8.92%	\$ (1,808,184)	-28.10%

Momentum and Damage

Price Change (2/14/15-2/14/20)	count	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	3/20-3/27		2/14 - 3/27	
					\$ Change	% Change	\$ Change	% Change
Bottom decile	2,717	\$ 656,634	\$ 450,089	\$ 455,899	\$ 5,810	1.29%	\$ (200,735)	-30.57%
2nd decile	2,717	\$ 2,352,416	\$ 1,578,420	\$ 1,652,404	\$ 73,985	4.69%	\$ (700,012)	-29.76%
3rd decile	2,717	\$ 4,355,768	\$ 3,021,816	\$ 3,183,383	\$ 161,567	5.35%	\$ (1,172,385)	-26.92%
4th decile	2,717	\$ 5,841,629	\$ 3,959,391	\$ 4,229,300	\$ 269,909	6.82%	\$ (1,612,329)	-27.60%
5th decile	2,717	\$ 8,975,099	\$ 6,166,966	\$ 6,693,894	\$ 526,929	8.54%	\$ (2,281,205)	-25.42%
6th decile	2,717	\$ 8,447,541	\$ 5,978,503	\$ 6,404,231	\$ 425,727	7.12%	\$ (2,043,310)	-24.19%
7th decile	2,717	\$ 12,375,892	\$ 8,764,273	\$ 9,572,297	\$ 808,023	9.22%	\$ (2,803,595)	-22.65%
8th decile	2,717	\$ 13,115,371	\$ 8,836,448	\$ 9,802,549	\$ 966,101	10.93%	\$ (3,312,823)	-25.26%
9th decile	2,717	\$ 14,252,234	\$ 10,296,990	\$ 11,142,346	\$ 845,356	8.21%	\$ (3,109,888)	-21.82%
Top decile	2,717	\$ 9,748,676	\$ 7,113,917	\$ 7,791,440	\$ 677,523	9.52%	\$ (1,957,236)	-20.08%

Debt Burden and Damage

decile(Net Debt/EBITDA)	count	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	3/20-3/27		2/14 - 3/27	
					\$ Change	% Change	\$ Change	% Change
Bottom decile	2,573	\$ 2,526,086	\$ 1,979,060	\$ 2,096,432	\$ 117,373	5.93%	\$ (429,653)	-17.01%
2nd decile	2,573	\$ 4,864,654	\$ 3,723,889	\$ 4,044,081	\$ 320,192	8.60%	\$ (820,573)	-16.87%
3rd decile	2,573	\$ 8,054,426	\$ 6,138,929	\$ 6,575,328	\$ 436,399	7.11%	\$ (1,479,097)	-18.36%
4th decile	2,574	\$ 8,847,339	\$ 6,864,298	\$ 7,268,724	\$ 404,427	5.89%	\$ (1,578,615)	-17.84%
5th decile	2,573	\$ 13,075,927	\$ 9,466,813	\$ 10,269,081	\$ 802,268	8.47%	\$ (2,806,847)	-21.47%
6th decile	2,573	\$ 11,041,259	\$ 7,616,560	\$ 8,338,939	\$ 722,378	9.48%	\$ (2,702,320)	-24.47%
7th decile	2,574	\$ 11,057,512	\$ 7,739,123	\$ 8,322,761	\$ 583,637	7.54%	\$ (2,734,752)	-24.73%
8th decile	2,573	\$ 8,262,955	\$ 5,586,711	\$ 6,087,906	\$ 501,195	8.97%	\$ (2,175,049)	-26.32%
9th decile	2,573	\$ 6,987,978	\$ 4,524,775	\$ 5,041,515	\$ 516,740	11.42%	\$ (1,946,463)	-27.85%
Top decile	2,574	\$ 2,630,141	\$ 1,649,472	\$ 1,848,267	\$ 198,795	12.05%	\$ (781,874)	-29.73%
EBITDA Negative	11,194	\$ 13,316,971	\$ 9,228,736	\$ 9,767,949	\$ 539,213	5.84%	\$ (3,549,023)	-26.65%

Bailouts & Buybacks: The Questions

- In this week's update, I focus on a variable that people have pointed to, often with nothing more than anecdotal evidence, as a potential culprit in the crisis, and that is stock buybacks.
- Their argument is that companies that have bought back stock, often with borrowed money, are the ones that have led us to the precipice, and that the viral shock to the economy is just a tipping point for these companies.
- The solution that they offer is a familiar one. Companies should be barred or restricted severely from buying back their own stock.

A Test: Buybacks vs No Buybacks

Sub Region	[Buybacks/Market Cap = 0.00%]	count	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	3/20-3/27		2/14 - 3/27	
						\$ Change	% Change	\$ Change	% Change
Africa	Buybacks	131	\$ 184,573	\$ 104,839	\$ 104,697	\$ (142)	-0.14%	\$ (79,876)	-43.28%
	No Buybacks	518	\$ 393,802	\$ 258,553	\$ 263,368	\$ 4,814	1.86%	\$ (130,435)	-33.12%
Australia & NZ	Buybacks	198	\$ 918,106	\$ 524,059	\$ 548,057	\$ 23,998	4.58%	\$ (370,049)	-40.31%
	No Buybacks	1,025	\$ 698,233	\$ 428,103	\$ 466,865	\$ 38,762	9.05%	\$ (231,368)	-33.14%
Canada	Buybacks	311	\$ 1,329,530	\$ 811,789	\$ 882,146	\$ 70,357	8.67%	\$ (447,385)	-33.65%
	No Buybacks	1,072	\$ 947,707	\$ 577,118	\$ 645,859	\$ 68,741	11.91%	\$ (301,848)	-31.85%
China	Buybacks	517	\$ 3,079,745	\$ 2,644,924	\$ 2,737,579	\$ 92,655	3.50%	\$ (342,167)	-11.11%
	No Buybacks	5,638	\$ 10,952,414	\$ 9,786,548	\$ 9,933,086	\$ 146,538	1.50%	\$ (1,019,328)	-9.31%
EU & Environs	Buybacks	981	\$ 7,410,273	\$ 5,109,535	\$ 5,608,557	\$ 499,021	9.77%	\$ (1,801,717)	-24.31%
	No Buybacks	3,667	\$ 6,268,130	\$ 4,197,365	\$ 4,564,530	\$ 367,166	8.75%	\$ (1,703,600)	-27.18%
Eastern Europe &	Buybacks	72	\$ 273,054	\$ 169,736	\$ 171,615	\$ 1,879	1.11%	\$ (101,439)	-37.15%
	No Buybacks	344	\$ 548,064	\$ 327,937	\$ 349,479	\$ 21,541	6.57%	\$ (198,585)	-36.23%
India	Buybacks	10	\$ 87,380	\$ 64,478	\$ 63,050	\$ (1,428)	-2.22%	\$ (24,330)	-27.84%
	No Buybacks	1,751	\$ 2,119,358	\$ 1,456,768	\$ 1,411,620	\$ (45,148)	-3.10%	\$ (707,738)	-33.39%
Japan	Buybacks	404	\$ 2,581,570	\$ 1,926,472	\$ 2,253,688	\$ 327,215	16.99%	\$ (327,882)	-12.70%
	No Buybacks	3,410	\$ 3,471,934	\$ 2,554,470	\$ 2,989,679	\$ 435,209	17.04%	\$ (482,256)	-13.89%
Latin America &	Buybacks	197	\$ 721,055	\$ 428,766	\$ 449,556	\$ 20,790	4.85%	\$ (271,499)	-37.65%
	No Buybacks	719	\$ 1,664,005	\$ 953,425	\$ 1,040,531	\$ 87,106	9.14%	\$ (623,474)	-37.47%
Middle East	Buybacks	111	\$ 1,971,311	\$ 1,705,871	\$ 1,742,222	\$ 36,352	2.13%	\$ (229,089)	-11.62%
	No Buybacks	1,119	\$ 1,127,502	\$ 873,355	\$ 867,243	\$ (6,112)	-0.70%	\$ (260,259)	-23.08%
Small Asia	Buybacks	1,051	\$ 883,172	\$ 615,416	\$ 662,409	\$ 46,993	7.64%	\$ (220,763)	-25.00%
	No Buybacks	6,915	\$ 4,217,379	\$ 2,961,812	\$ 3,147,994	\$ 186,182	6.29%	\$ (1,069,385)	-25.36%
UK	Buybacks	324	\$ 2,140,244	\$ 1,317,339	\$ 1,479,924	\$ 162,585	12.34%	\$ (660,321)	-30.85%
	No Buybacks	730	\$ 931,038	\$ 610,024	\$ 673,132	\$ 63,108	10.35%	\$ (257,906)	-27.70%
United States	Buybacks	2,473	\$ 29,219,828	\$ 19,388,811	\$ 21,458,076	\$ 2,069,265	10.67%	\$ (7,761,752)	-26.56%
	No Buybacks	2,410	\$ 6,525,839	\$ 4,564,903	\$ 5,007,885	\$ 442,981	9.70%	\$ (1,517,955)	-23.26%
Global	Buybacks	6,780	\$ 50,799,843	\$ 34,812,035	\$ 38,161,575	\$ 3,349,539	9.62%	\$ (12,638,269)	-24.88%
	No Buybacks	29,318	\$ 39,865,405	\$ 29,550,382	\$ 31,361,270	\$ 1,810,888	6.13%	\$ (8,504,135)	-21.33%

A follow up with dividends

Sub Region	Dividends/No Dividends	Number of firms	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	3/20-3/27		2/14 - 3/27	
						\$ Change	% Change	\$ Change	% Change
Africa	Dividends	423	\$ 493,780	\$ 309,056	\$ 314,105	\$ 5,049	1.63%	\$ (179,674)	-36.39%
	No Dividends	226	\$ 84,596	\$ 54,336	\$ 53,959	\$ (377)	-0.69%	\$ (30,637)	-36.22%
Australia & NZ	Dividends	484	\$ 1,466,946	\$ 858,434	\$ 910,963	\$ 52,529	6.12%	\$ (555,983)	-37.90%
	No Dividends	739	\$ 149,392	\$ 93,729	\$ 103,959	\$ 10,230	10.91%	\$ (45,434)	-30.41%
Canada	Dividends	353	\$ 1,895,037	\$ 1,165,017	\$ 1,273,298	\$ 108,281	9.29%	\$ (621,739)	-32.81%
	No Dividends	1,030	\$ 382,200	\$ 223,889	\$ 254,707	\$ 30,817	13.76%	\$ (127,494)	-33.36%
China	Dividends	2,722	\$ 8,334,400	\$ 7,453,374	\$ 7,611,312	\$ 157,937	2.12%	\$ (723,088)	-8.68%
	No Dividends	3,433	\$ 5,697,760	\$ 4,978,097	\$ 5,059,353	\$ 81,256	1.63%	\$ (638,407)	-11.20%
EU & Environs	Dividends	2,171	\$ 12,114,913	\$ 8,254,640	\$ 9,023,901	\$ 769,261	9.32%	\$ (3,091,012)	-25.51%
	No Dividends	2,477	\$ 1,563,490	\$ 1,052,260	\$ 1,149,186	\$ 96,926	9.21%	\$ (414,304)	-26.50%
Eastern Europe &	Dividends	224	\$ 769,403	\$ 463,851	\$ 486,066	\$ 22,215	4.79%	\$ (283,337)	-36.83%
	No Dividends	192	\$ 51,716	\$ 33,823	\$ 35,028	\$ 1,206	3.56%	\$ (16,688)	-32.27%
India	Dividends	77	\$ 312,782	\$ 234,560	\$ 233,311	\$ (1,249)	-0.53%	\$ (79,471)	-25.41%
	No Dividends	1,684	\$ 1,893,956	\$ 1,286,686	\$ 1,241,359	\$ (45,327)	-3.52%	\$ (652,597)	-34.46%
Japan	Dividends	1,041	\$ 3,300,131	\$ 2,457,886	\$ 2,868,630	\$ 410,744	16.71%	\$ (431,501)	-13.08%
	No Dividends	2,773	\$ 2,753,374	\$ 2,023,056	\$ 2,374,737	\$ 351,681	17.38%	\$ (378,637)	-13.75%
Latin America &	Dividends	601	\$ 2,071,329	\$ 1,208,609	\$ 1,299,495	\$ 90,886	7.52%	\$ (771,834)	-37.26%
	No Dividends	315	\$ 313,731	\$ 173,582	\$ 190,592	\$ 17,010	9.80%	\$ (123,139)	-39.25%
Middle East	Dividends	646	\$ 2,835,427	\$ 2,387,214	\$ 2,415,628	\$ 28,414	1.19%	\$ (419,799)	-14.81%
	No Dividends	584	\$ 263,386	\$ 192,011	\$ 193,837	\$ 1,826	0.95%	\$ (69,549)	-26.41%
Small Asia	Dividends	4,811	\$ 4,549,653	\$ 3,195,934	\$ 3,400,169	\$ 204,235	6.39%	\$ (1,149,484)	-25.27%
	No Dividends	3,155	\$ 550,897	\$ 381,293	\$ 410,233	\$ 28,940	7.59%	\$ (140,664)	-25.53%
UK	Dividends	630	\$ 2,864,840	\$ 1,799,235	\$ 2,013,193	\$ 213,958	11.89%	\$ (851,646)	-29.73%
	No Dividends	424	\$ 206,442	\$ 128,128	\$ 139,862	\$ 11,734	9.16%	\$ (66,580)	-32.25%
United States	Dividends	1,866	\$ 26,070,398	\$ 17,167,148	\$ 19,062,133	\$ 1,894,985	11.04%	\$ (7,008,264)	-26.88%
	No Dividends	3,017	\$ 9,675,270	\$ 6,786,567	\$ 7,403,828	\$ 617,261	9.10%	\$ (2,271,442)	-23.48%
Global	Dividends	16,049	\$ 67,079,036	\$ 46,954,959	\$ 50,912,204	\$ 3,957,245	8.43%	\$ (16,166,832)	-24.10%
	No Dividends	20,049	\$ 23,586,212	\$ 17,407,458	\$ 18,610,640	\$ 1,203,182	6.91%	\$ (4,975,572)	-21.10%

The Debt/ Buyback Interaction: US stocks

						3/20-3/27		2/14 - 3/27	
Net Debt/EBITDA	Buybacks/No Buybacks	Number of firms	Market Cap (2/14/20)	Market Cap (3/20/20)	Market Cap (3/27/20)	\$ Change	% Change	\$ Change	% Change
Lowest	Buybacks	324	\$ 5,468,354	\$ 3,736,451	\$ 4,061,653	\$ 325,202	8.70%	\$ (1,406,701)	-25.72%
	No Buybacks	490	\$ 539,365	\$ 410,504	\$ 452,808	\$ 42,305	10.31%	\$ (86,556)	-16.05%
2nd Quintile	Buybacks	321	\$ 2,682,300	\$ 1,837,388	\$ 2,044,752	\$ 207,364	11.29%	\$ (637,548)	-23.77%
	No Buybacks	201	\$ 444,118	\$ 314,678	\$ 344,179	\$ 29,501	9.37%	\$ (99,938)	-22.50%
3rd Quintile	Buybacks	431	\$ 6,920,349	\$ 4,748,821	\$ 5,181,974	\$ 433,152	9.12%	\$ (1,738,375)	-25.12%
	No Buybacks	281	\$ 1,602,639	\$ 1,290,341	\$ 1,366,086	\$ 75,745	5.87%	\$ (236,554)	-14.76%
4th Quintile	Buybacks	615	\$ 6,957,648	\$ 4,528,436	\$ 5,076,972	\$ 548,536	12.11%	\$ (1,880,676)	-27.03%
	No Buybacks	266	\$ 972,579	\$ 602,767	\$ 677,986	\$ 75,219	12.48%	\$ (294,593)	-30.29%
Highest	Buybacks	742	\$ 7,158,779	\$ 4,518,549	\$ 5,070,329	\$ 551,780	12.21%	\$ (2,088,449)	-29.17%
	No Buybacks	562	\$ 2,844,512	\$ 1,852,854	\$ 2,073,457	\$ 220,603	11.91%	\$ (771,055)	-27.11%
Negative EBITDA	Buybacks	40	\$ 32,399	\$ 19,166	\$ 22,396	\$ 3,230	16.86%	\$ (10,002)	-30.87%
	No Buybacks	610	\$ 122,627	\$ 93,759	\$ 93,369	\$ (391)	-0.42%	\$ (29,258)	-23.86%
All US	Buybacks	2,473	\$ 29,219,828	\$ 19,388,811	\$ 21,458,076	\$ 2,069,265	10.67%	\$ (7,761,752)	-26.56%
	No Buybacks	2,410	\$ 6,525,839	\$ 4,564,903	\$ 5,007,885	\$ 442,981	9.70%	\$ (1,517,955)	-23.26%

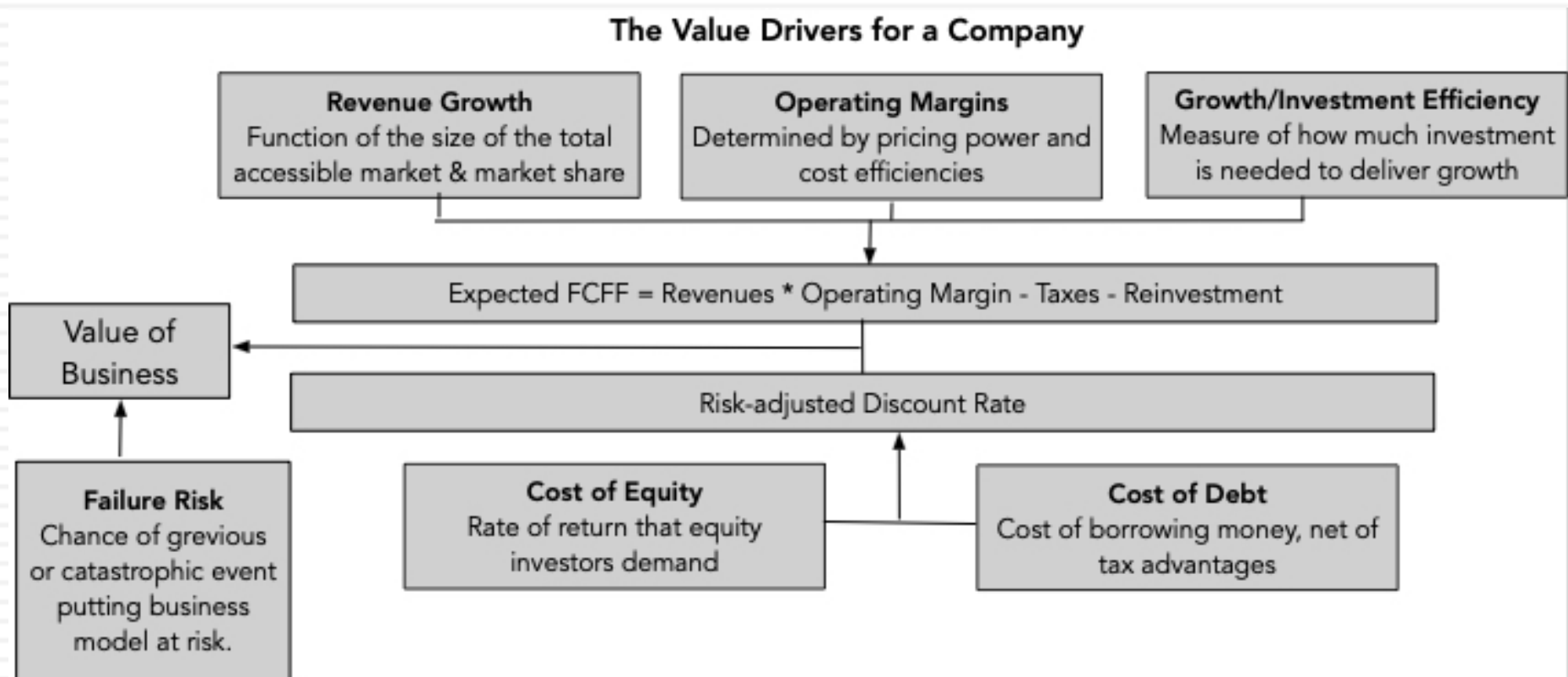
There is uncertainty...

- Historical data may be recent, but it is already dated: The most recent financial statements are only a few weeks ago but the revenues and earnings numbers reported in those recent financial statements seem almost useless, a reflection of a different economic setting. The same can be said about equity risk premiums and default spreads.
- This year will deliver bad news: There is almost no doubt that 2020 will be a bad year for all companies, with the key questions being how much of a drop in revenues companies will see this year and how this will translate into earnings shocks.
- Survival has become a central question: The magnitude of the shock to corporate bottom lines and the speed with which it has happened will put companies at risk, leaving debt-burdened and young companies exposed to default and distress.
- The post-virus economy will be different from the pre-crisis version: Every major crisis creates changes in business environment, regulations and business models that reshapes the economy and resets competitive games, setting the stage for new winners and losers.

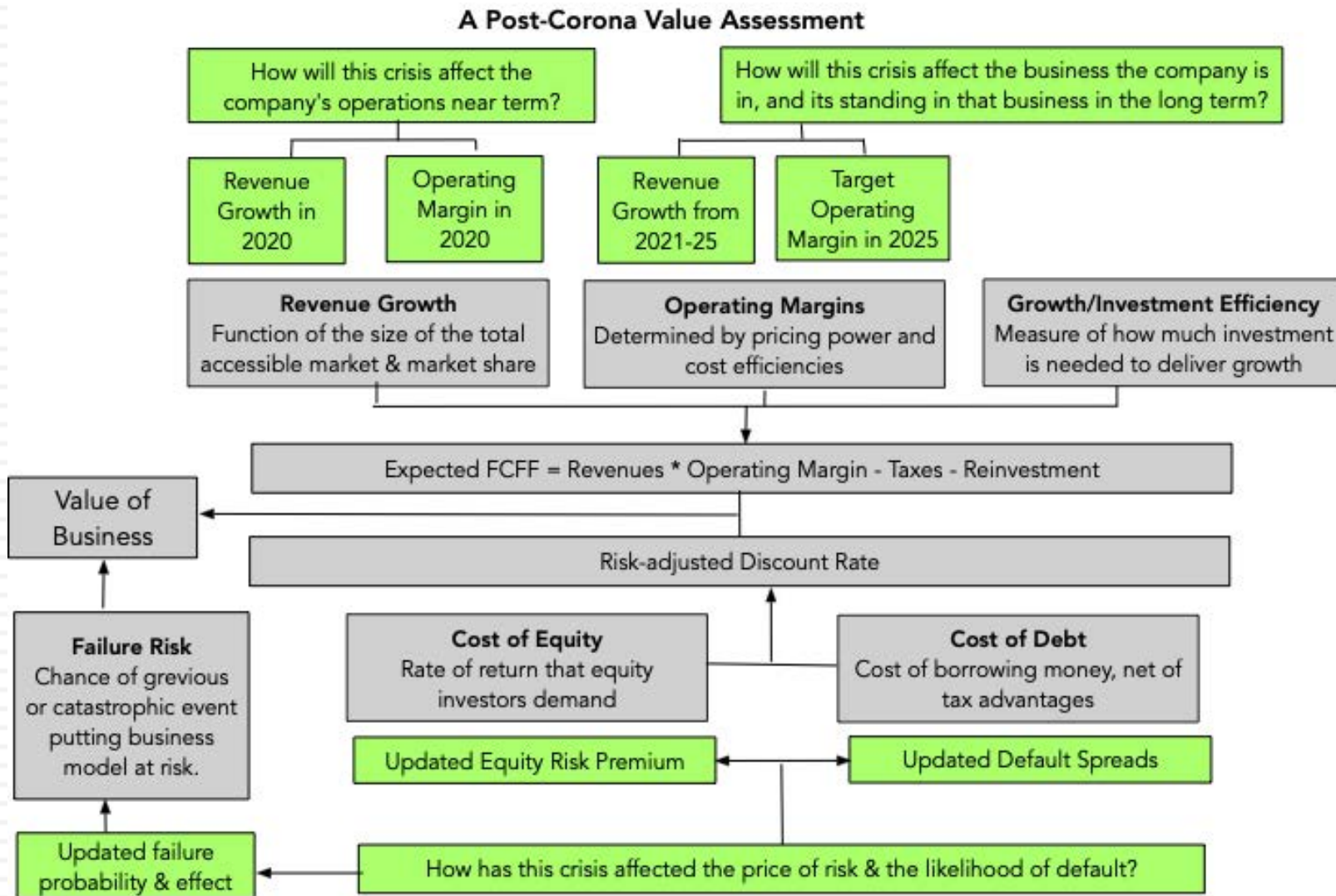
And the dark side beckons...

- if your concept of valuation is downloading last year's financials for a company into a spread sheet and then using historical growth rates, with some mean reversion thrown in, to forecast future numbers, you are probably feeling lost right now, and with good reason.
- It is also not a time to wring our hands, complain that there is too much uncertainty and argue that the fundamentals don't matter.
 - If you do so, you will be drawn to the dark side of investing, where fundamentals don't matter (paradigm shifts, anyone?), new pricing metrics get invented and you are at the mercy of mood and momentum.
- Ironically, it is precisely at times like these that you need to go back to basics.

The Basics of Value

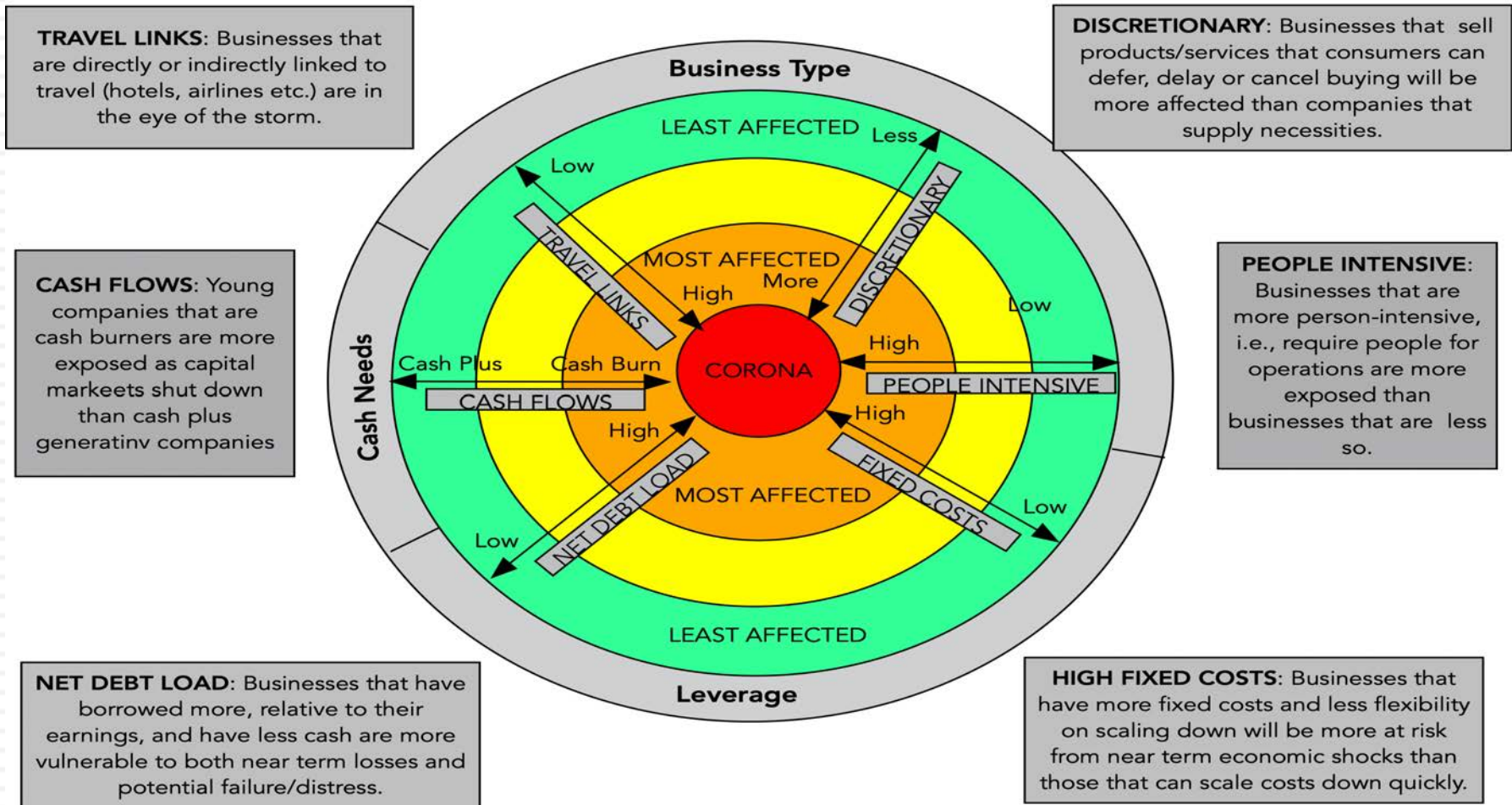


A Post-Corona Version



Individual Stocks

CIRCLES OF INFECTION: CORONA'S EFFECT ON BUSINESSES



Looking past the crisis

- As you get deeper and deeper into the specifics of the crisis and the data, you will find yourself not only getting bogged down but in despair.
- I have had moments in the last few weeks, when I have had to force myself to step back from the abyss and think about a post-virus world and to reclaim the initiative as an investor.
- If you are a pessimist, you may view this as being in denial about what you see as an economic catastrophe that is about to unfold, but I am a natural optimist, and I believe that this too shall pass!

Start with your views on the economy!

- There is no disagreement that the virus will cause the economy to go into a deep recession, since commerce is effectively shut down for at least a few weeks to come.
- During that period, economic indicators such as unemployment claims & measures of economic activity will hit levels perhaps never seen before, given how big and broadly based the shock to the economy has been.
- There are two questions, though, where there can be disagreement.
 - How quickly will the global economy come back from the shut down, and when it does how completely will it recover?
 - How much permanent change will be created by this crisis in terms of both consumer (and investor) behavior and economic structure?

Investment strategies for those more optimistic about economic comeback..

- Bargain Basement: In this strategy, you focus on stocks that have been pounded in the last few weeks, losing 40%, 50% or more of market value, but which have the ingredients that you believe will allow them to survive (large market cap, low net debt), perhaps stronger, in the post-virus economy.
- Distressed Equity: There is a more risky strategy you can adopt, where you also look for stocks that have seen a significant loss in value over the last five weeks, but focus on the most endangered of these, with high net debt and fixed costs.
 - You are effectively buying options, with some already out of the money, and as with any strategy built around doing that, you will see a significant number of your investments go to zero.
 - Government bailouts, which are a mixed blessing, since they allow companies to survive, while wiping out or severely constraining equity claims in these companies.

And for those who are less optimistic about the turnaround

- Safety at a Reasonable Price (SARP): Here, you focus on companies that are best positioned to not just survive a long downturn but have the ammunition to make it work to their advantage. Large market cap firms with low debt ratios and high cash balances, that had high growth and profit margins in the pre-virus economy, would be good candidates.
- Change Agents: This is as much a bet on changes in consumer behavior and economic structure as it is on individual companies. Thus, if you believe that this crisis will make people more comfortable with delivery services for a wider range of goods and online interaction (in business and education), you could seek out lower profile companies that are innovators in these spaces.

A Composite Picture

