

March 12, 2020

Dear valued shareholders, clients, and friends,

We have seen incredible market volatility during the past couple of weeks with the stock markets experiencing rampant unpredictability and yields on Treasuries at unprecedented lows. We believe the following factors have contributed greatly to the instability:

- **Federal Reserve Response:** On March 3rd, the Fed announced a non-meeting emergency 50 basis point (0.50%) cut in the overnight lending rate to 1.0%. We feel this signaled panic and fear to an already fragile market. This led to the yield on the 10-year to drop to a low of 0.54% (from 1.88% at the beginning of 2020) and equities sold off in one of the more dramatic trading days in history. At one point, the entire Treasury yield curve was below 1% for the first time ever.
- **Supply and Demand Issues:**
  - Russia said it was unwilling to cut oil production any further and decided to go against OPEC and begin increasing output. Saudi Arabia is following suit causing a massive amount of supply of oil relative to demand causing oil prices to drop significantly (under normal circumstances, this may not have caused such a large-scale drop in oil prices, but virus fears are exacerbating the impact).
  - The COVID-19 virus is disrupting supply chains and limiting demand from massive amounts of the global population due to the illness, quarantines, and travel restrictions.

We anticipate continued volatility for the next 1-4 months as the number of confirmed cases of COVID-19 in the U.S. rise and media attention to cancelled events and “social distancing” abound. First quarter earnings concerns are also weighing heavily on the markets. Comparisons are naturally being made to the financial crisis of 2008 and the probability of a recession is increasing. While we are not able to forecast a recession yet, we do anticipate a temporary decline in GDP growth.

Our investment philosophy and process remain unchanged regardless of short-term disruptions in the markets. Our flagship fixed income strategy – which comprises approximately 90% of CCM’s assets – has been fossil fuel free for 20 years and we have been able to avoid exposure to the energy names that have been hard hit by the recent turmoil. Elsewhere in our holdings, we are invested in companies with strong ESG ratings and track records that we think are equipped to come out of this period stronger than ever.

Thank you for the opportunity to be a part of your/your client’s investment portfolios. Please do not hesitate to reach out with any questions.

The CCM Team



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