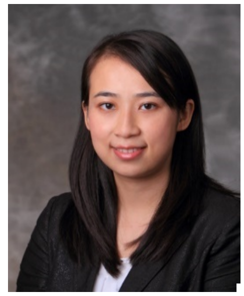
May Barnhard Investments, LLC
Wealth Management

Alex Seleznev
MBA, CFP®, CFA
Senior Investment Advisor/COO



Jenny (Zhen) Wang
CFP®, CFA
Senior Investment Analyst

Debora E. May
CPA, CFP®
Chief Investment Officer

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MBI Quarterly Commentary 2020 Q1

"When the rollercoaster breaks down, the only one that gets hurt is the one who jumped off." - Unknown

We hope all is well with you and your family and that you are staying safe and healthy. The world, our nation and global equity markets are experiencing a truly historic time. The market volatility we experienced last quarter was unprecedented. The U.S. stock market declined more than -20% in the first quarter of the year. Domestic "growth" stocks have outperformed their "value" counterparts by a significant margin. This came as a surprise to many as more mature, dividend paying companies are commonly expected to perform better than growth oriented holdings in times of market volatility.

The table below summarizes the performance of various domestic equity categories over the past 3-month, 12-month and 3-year periods.

3 Month Return % as of 3-31-2020

	Value	Core	Growth	
Large Cap	-25.10%	-20.21%	-11.51%	-17.86%
Mid Cap	-35.52%	-26.62%	-17.00%	-26.42%
Small Cap	-39.68%	-33.12%	-21.45%	-31.61%
	-28.43%	-22.42%	-11.50%	-20.57% US Market

12 Month Return % as of 3-31-2020

	Value	Core	Growth	
Large Cap	-14.66%	-5.95%	2.29%	-4.37%
Mid Cap	-28.61%	-17.06%	-6.73%	-17.50%
Small Cap	-35.66%	-24.42%	-16.07%	-25.41%
	-19.29%	-9.30%	1.45%	-8.64% US Market

3 Yr. Annualized Return % as of 3-31-2020

	Value	Core	Growth	
Large Cap	-0.18%	3.54%	13.56%	6.47%
Mid Cap	-7.66%	-1.03%	8.52%	-0.01%
Small Cap	-13.61%	-6.10%	3.43%	-5.48%
	-2.67%	2.12%	12.80%	4.31% US Market

Source: Morningstar

Tel: (240) 781 6214
Fax: (301) 986 0432

7910 Woodmont Avenue, Suite 500
Bethesda, MD 20814-3048

www.maybarnhardinvestments.com
aseleznev@cbmcpa.com

The U.S. equity market remains one of the strongest performers even in times of unprecedented uncertainty, with one notable exception. Developed markets, as measured by the MSCI EAFE Index, were down -22.86% for the quarter. Emerging markets as a group were down -24.55% for the same time period (FTSE Emerging Markets Index). Shares of some of the most prominent Chinese companies declined "only" -10.36% for the quarter as measured by the MSCI China Index. This reminds us about how connected with are and also gives us some hope on the potential outcome in the U.S. and other countries if strong actions are taken to fight the spread of the virus.

It is important to note that year 2019 was particularly good for most industries and many companies were able to significantly increase their cash reserves and liquid investments. As a result, they are well prepared to "weather the storm" and return to normal operations once the crisis is over. This specifically applies to so-called "dividend aristocrat" companies that have a history of strong dividend payments. They may not increase their payments this year, but their existing dividends remain safe for the foreseeable future. Many of these companies are domiciled in the U.S. which is one of the reasons we believe that domestic companies are safer than emerging and even developed international markets for those who are seeking higher levels of stability in their portfolios.

The chart below summarizes the cash and liquid investment positions for some of the largest U.S. companies:

Microsoft	$136.6B
Berkshire Hathaway	$128.2B
Alphabet (Google)	$121.2B
Apple	$100.6B
Facebook	$52.3B
Amazon	$43.7B
Oracle	$35.7B
Cisco	$33.4B
Bristol-Myers	$32.5B

Source: Morningstar

The investment returns on domestic bonds require more attention than we would usually include in our quarterly commentary. The Barclays Aggregate Bond Index, one of the most common measures for the performance of domestic bonds, increased +3.06% for the quarter. This number hardly tells the whole story as the performance of each fixed income category was significantly different. The performance was also affected by how the bonds were held: individually, in exchange traded funds (ETF) or mutual funds.

The performance of domestic bonds was affected by their maturity with long-term credit (+6.32%) outperforming intermediate-term (+3.07%) and short-term (+2.18%) bonds of approximately the same quality (as measured by the Barclays indices for each maturity range). Investment grade and high yield corporate bonds were down -3.24% and -11.89% for the quarter, respectively. As with most panic driven liquidations, the market participants paid no particular attention to the quality of securities they were selling. For close to a week in the beginning on March, high yield bonds performed better than investment grade credit. One explanation is that for a short time there were not enough buyers for the heightened volume of lower quality bonds that became available over such a short period of time.

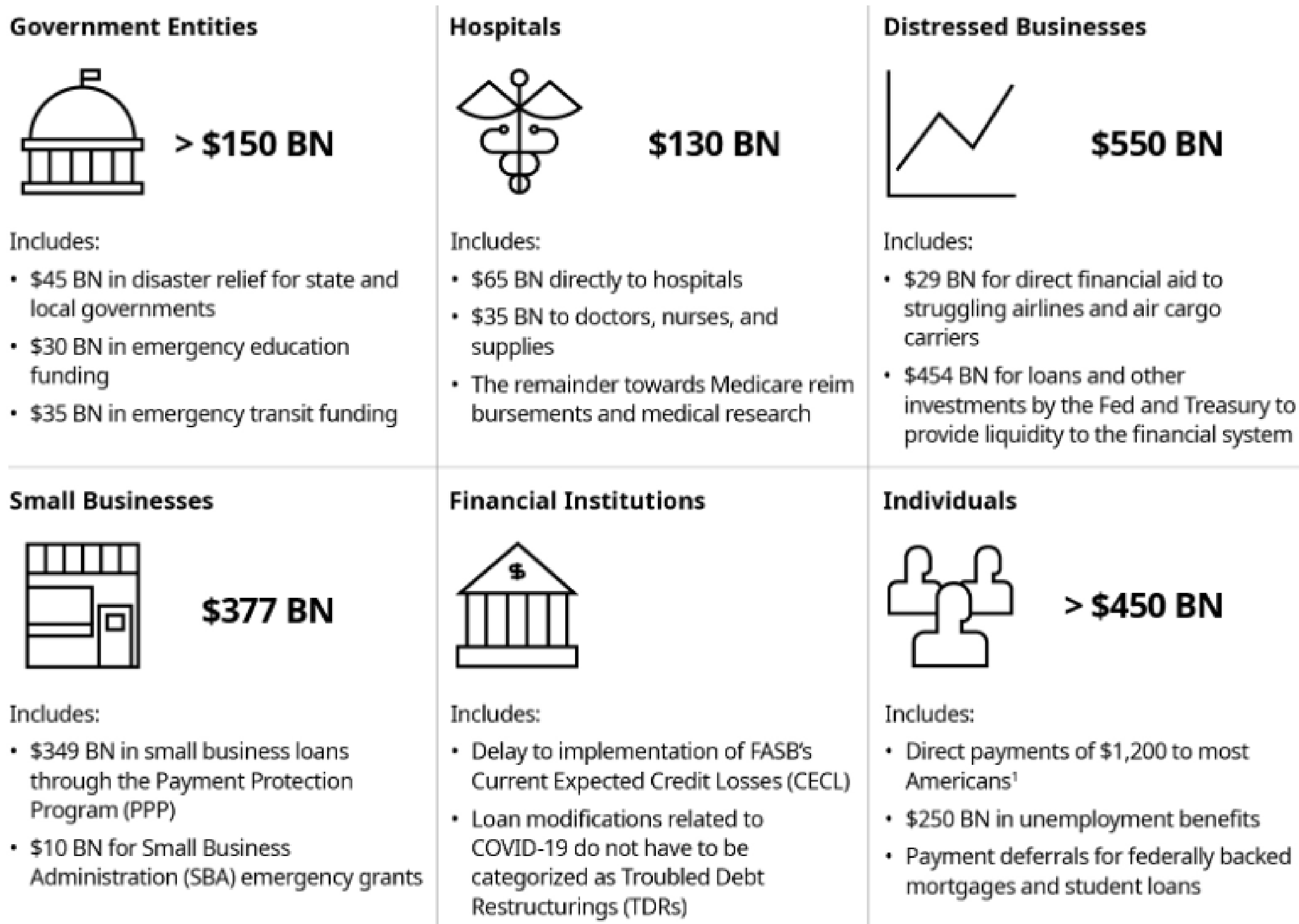
What's next? This is the most common question we have received from our clients over the past several weeks. Perhaps the most reliable (or at least the most believable) indicator is the point when the number of new daily coronavirus cases reaches the point of when it is below the number of people who have recovered. The market participants will also be watching the "curves" published by the Centers for Disease Control and Prevention (CDC) and other media outlets for the eventual slowdown in the number of new cases. The rest of the commentary will outline our thoughts, but the reality is that the virus is in the driver's seat for now.

The Federal Reserve (the Fed) was the first to act and with unprecedented speed and aggressiveness in their actions. On March 3rd, the Fed funds rate was reduced by 0.50%. This decision was anticipated by most of the marker participants. However, the fact that it was made prior to the scheduled session left some of the investors worried about what they did not know at the time. On March 15th, less than two weeks after the first announcement, the Fed funds rate was lowered to essentially zero percent. A new round of quantitative easing (QE) was also announced on the same day indicating that the Fed would purchase at least $700 billion of Treasury and agency mortgage-backed securities. As noted by one of the prominent market analysts “The Fed took the kitchen sink and threw it at the market”. The message was clear: the Fed is willing to provide unlimited liquidity to the market to restore and maintain confidence in the financial system.

On March 27th, the President signed into legislation the Coronavirus Aid, Relief and Economy Security (CARES) Act. This historic $2.2 trillion stimulus package is designed to help individuals, small and large businesses, governments, municipalities and health care providers. The chart on the following page summarizes the main aspects of the CARES Act. (Please reach out to us if you would like to discuss how the Act affects you and/or your business).

The CARES Act is meant to be a form of “bridge” financing to help businesses and individuals stay solvent as we are fighting the spread of the virus. The main idea behind this program is for businesses to re-open and individuals to go back to work once it becomes safe to do so. The President also expressed his willingness to do even more if it becomes necessary. Time will tell, and we expect the number of virus related news updates to remain at elevated levels for a while.

As we mentioned in our prior letters, we are working on identifying strategies that would help our clients take advantage of the market volatility. As a reminder, for those of our clients who are in retirement, nearing retirement or require ongoing portfolio distributions, our approach has been to keep approximately seven (7) years of portfolio distributions in relatively liquid investments (i.e. buffer). In many cases we adjust this figure to ensure it meets your specific circumstances and cash needs. This “buffer” approach is of extreme importance in times of market volatility and we stay on top of it by rebalancing our portfolios at least semi-annually.



Source: OliverWyman.com

The market volatility also created many opportunities for us to harvest capital losses for tax purposes. The harvested losses can be used to offset your future capital gains. The savings can be as high as 25 cents in saved taxes on each harvested dollar of capital losses. These losses can also be accumulated for future years. Furthermore, up to $3,000 of your cumulative loss can be used to reduce your other income in years when you do not have any realized capital gains.

This may also be a great time to convert a portion of your Traditional IRA into the Roth IRA. This strategy may be of particular interest for those who already made some non-deductible IRA contributions in the past. ***The required minimum distributions (RMD) were waived for 2020***. The RMD waiver makes the conversion strategy even more beneficial to those who have limited income and mostly rely on their retirement account distributions.

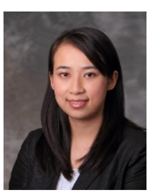
As part of our semi-annual investment reviews, we have been identifying holdings for gradual liquidation. Some of these investments have high internal costs or have been underperforming when compared to their peers and/or benchmarks. Under normal circumstances, we would usually recommend that you liquidate such holdings over a period of two to three years to minimize the tax impact. The market volatility has allowed us to liquidate these earmarked investments with only limited tax consequences. As a result, you are able to bring your overall investment allocation closer to your desired investment mix much faster.

Finally, perhaps the most important idea at this time is to patiently wait and prepare for the eventual market recovery. This may be a good time to analyze your accounts to determine what percentage of your fixed income (bond) portfolio can be safely used to purchase equities at lower prices. Once we determine this amount, we would usually recommend gradually investing in the market based on your specific risk tolerance and time horizon.

The entrepreneurial spirit of our nation is alive and well. Many of us are adapting to the new reality and finding creative ways to remain engaged and productive. It is important to take a long-term view even in times of grim short-term outlook. We remain convinced that we as a nation will be even stronger when the crisis is over.

Stay well and healthy and feel free to reach out to us if you have any questions.

Aleksandr S. Seleznev, MBA, CFP®, CFA
Mr. Seleznev is a co-founder of May Barnhard Investments, LLC (MBI) and the Chief Operating Officer and Senior Investment Advisor. Mr. Seleznev has been managing investment portfolios for more than a decade. He directs the identification, development and implementation of strategies to enhance the investment performance and processes of the firm.



Jenny Wang, CFP®, CFA
Ms. Wang is an Investment Analyst specializing in securities research and comprehensive financial planning services. Her areas of expertise include analysis of individual stocks, mutual funds and exchange-traded funds (ETF).

Debora E. May, CPA, CFP®, CDFA™
Ms. May is a co-founder of May Barnhard Investments, LLC (MBI) and the Chief Investment Officer. Ms. May has over 25 years of experience providing comprehensive financial planning and over 20 years providing investment advisory services.