

Special Report: Prior Epidemic Statistics and CIO Thoughts

Before we delve into prior epidemic statistics, here is a message from Astoria's CIO.

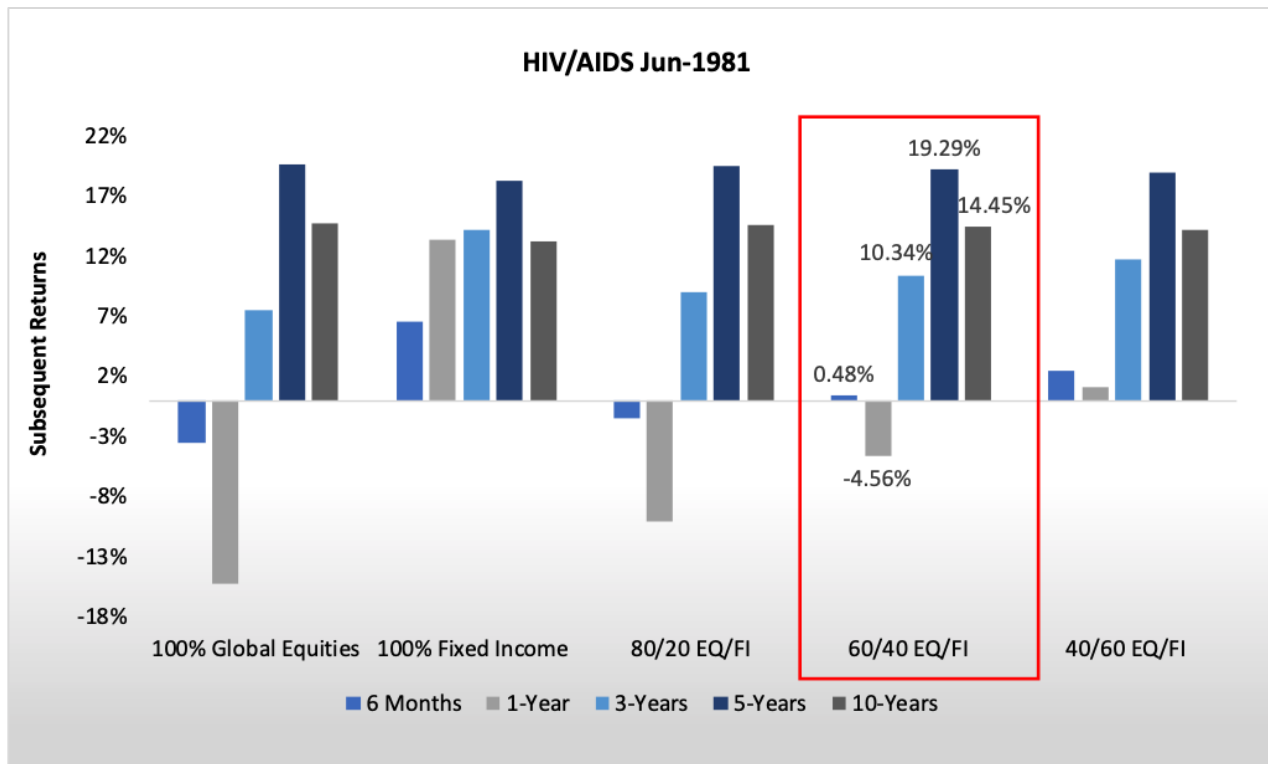
- Currently, the stock market is **NOT trading based on fundamentals**. Fear and emotions are the **overriding** components that are driving investment decisions.
- Because of the heightened volatility in markets, liquidity is **terrible** and the moves we are seeing in the marketplace are being **exacerbated**. The nature of investing has changed dramatically in the past decade. Discretionary fund managers who make decisions based on fundamentals have been overtaken by momentum and algorithms where the price is the sole determinant to invest.
- In the past 2 weeks, we have seen several days where there was a **breakdown** in correlations (stocks, bonds, and gold underperform on the same day). This shows us that the current marketplace is **fragile**.
- Astoria believes that strategically in 12-18 months, we will look back at this as an attractive opportunity to purchase **high-quality** stocks at favorable prices. Most of our equity positions are stocks that have high-quality risk characteristics.
- Warren Buffet's recent interview with CNBC where he discussed investing, Coronavirus, and market volatility is must-watch TV (click [here](#)). Also, we believe Warren's op-ed piece from 2008 is worth reading (click [here](#)).
- Finally, Astoria has **shifted** our ETF portfolios to be **more defensive** in recent years via our factor tilts, our **overweight towards higher-quality stocks & bonds**, along with our **allocation towards alternatives**. Specifically, our alternatives have been chosen because they've demonstrated the ability to be **negatively correlated to stocks**. These tenets have helped our portfolios (on a relative basis) during the Coronavirus outbreak. We will continue to monitor developments in the market and keep you informed.

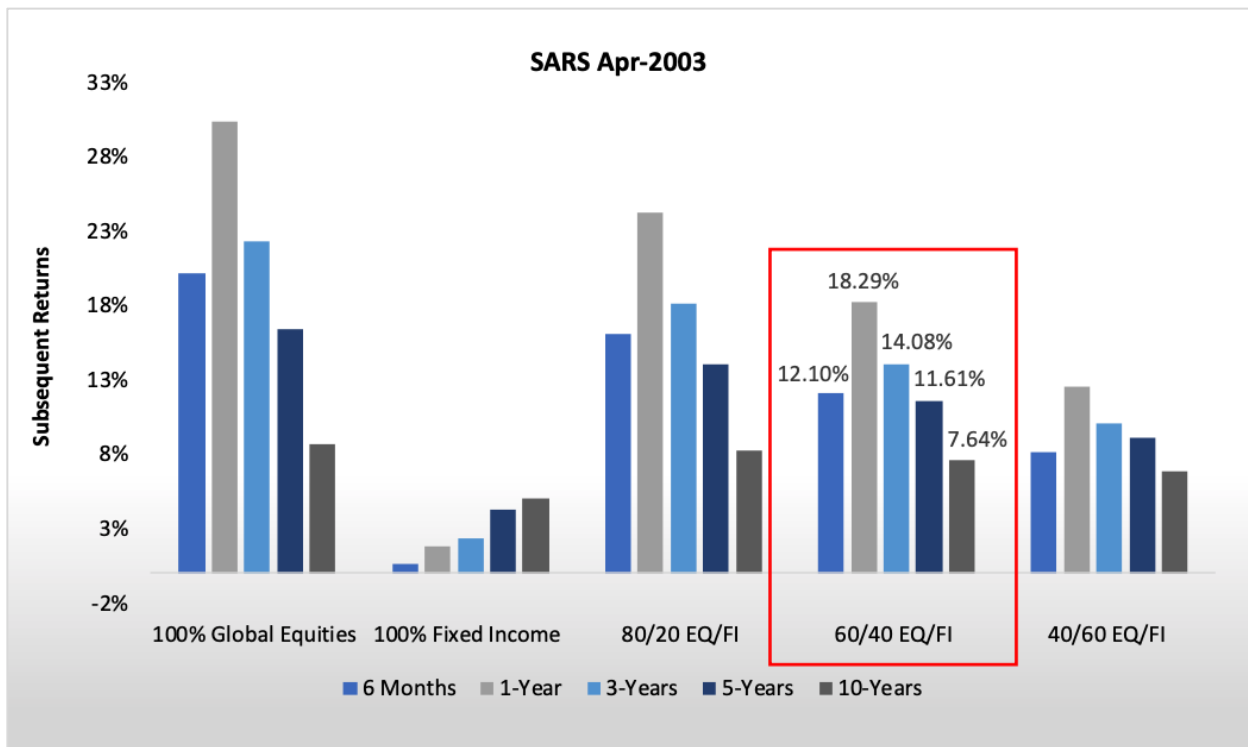
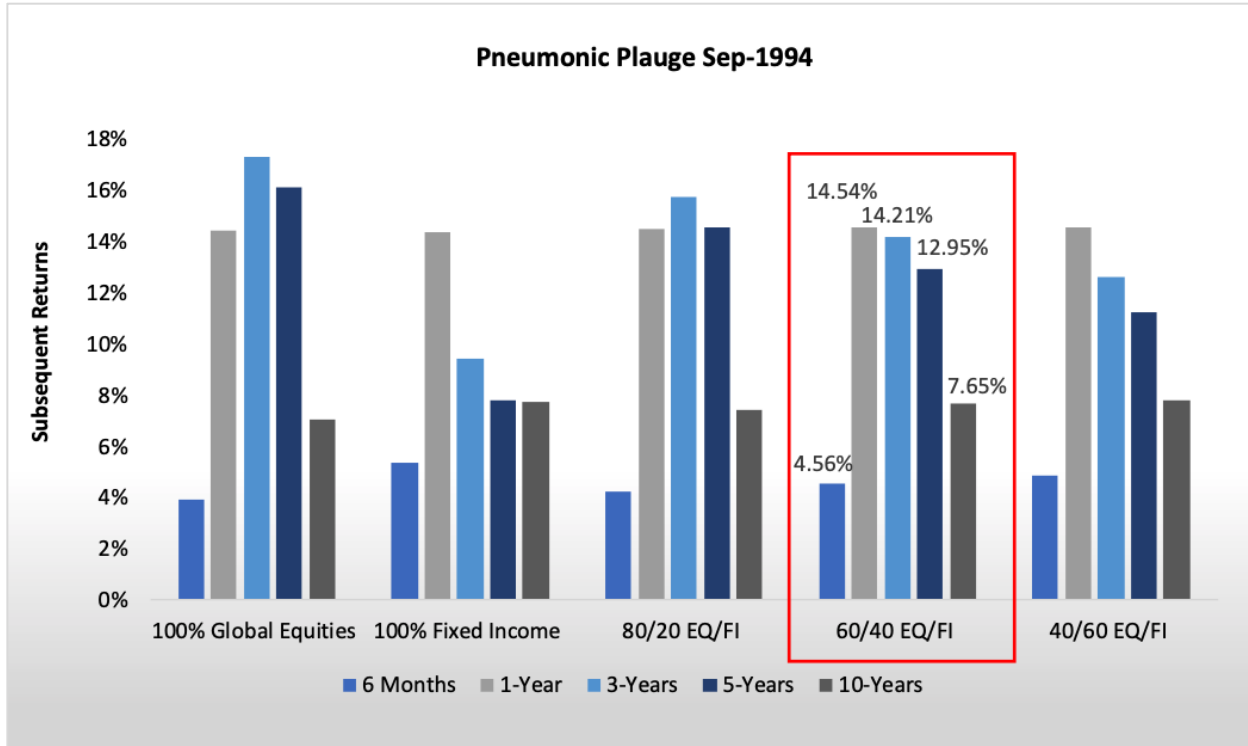
Best,
Astoria Portfolio Advisors

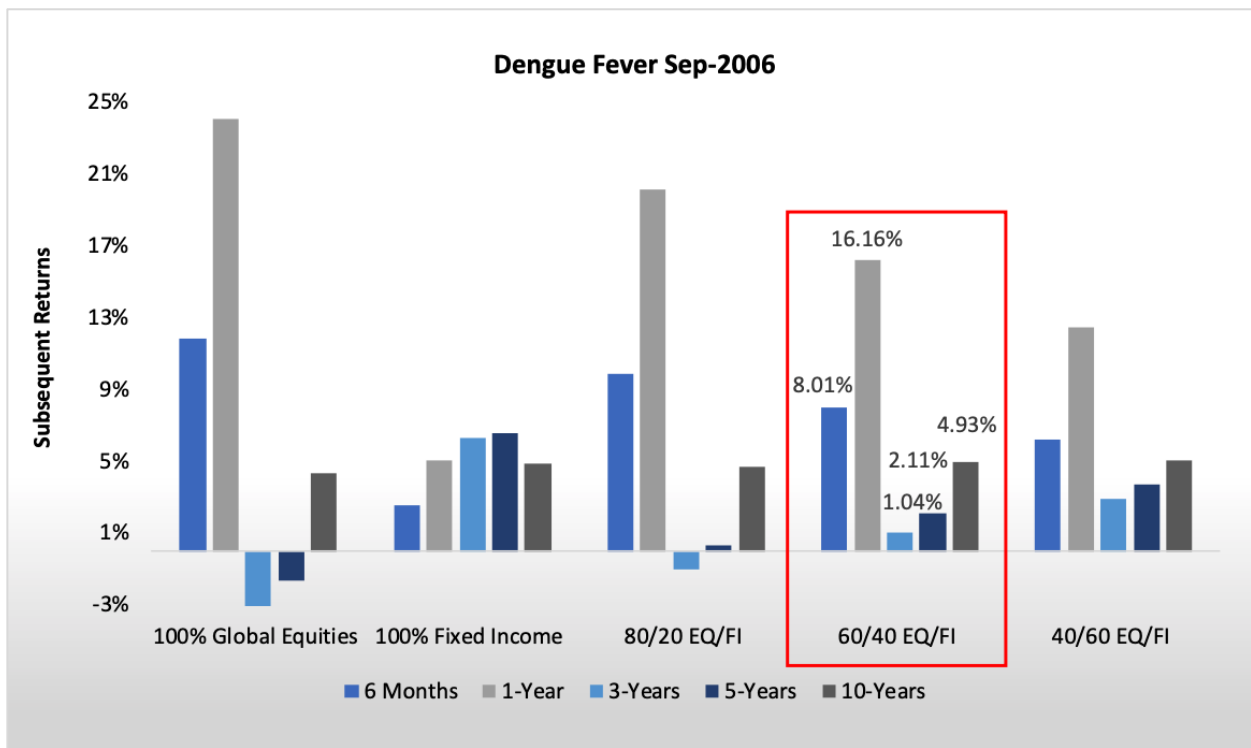
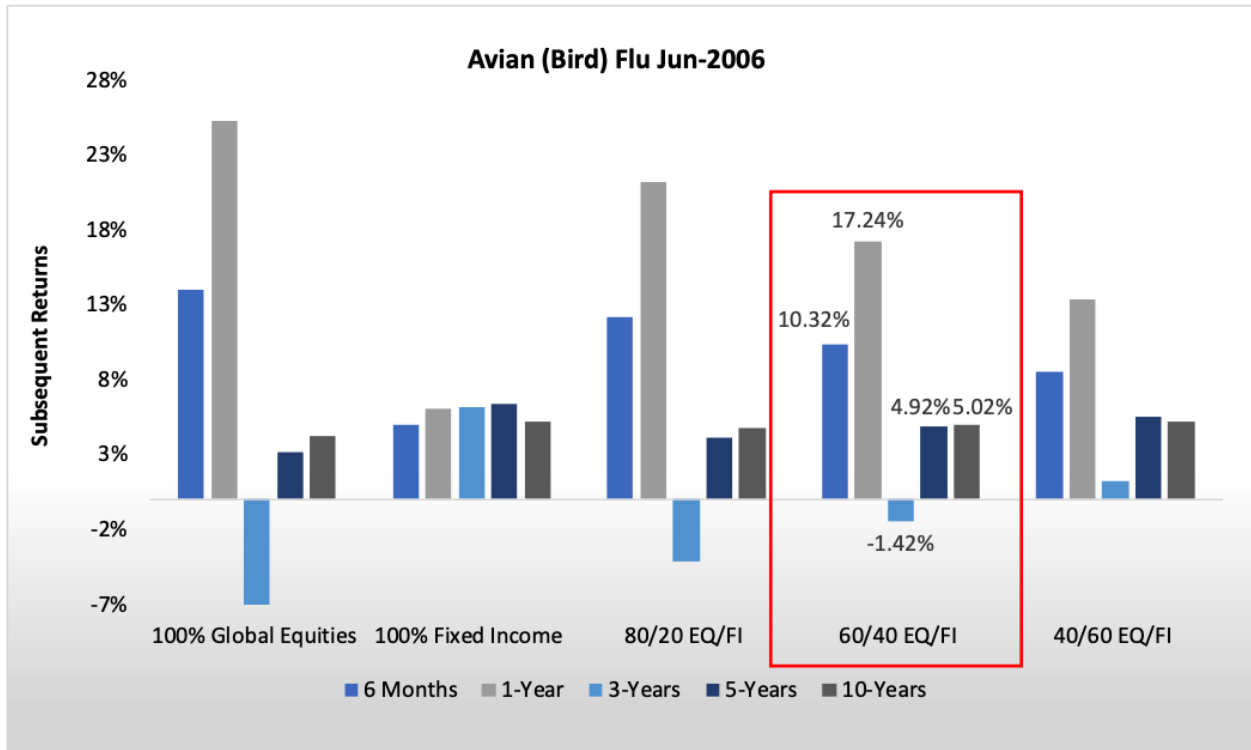
Prior Epidemic Statistics

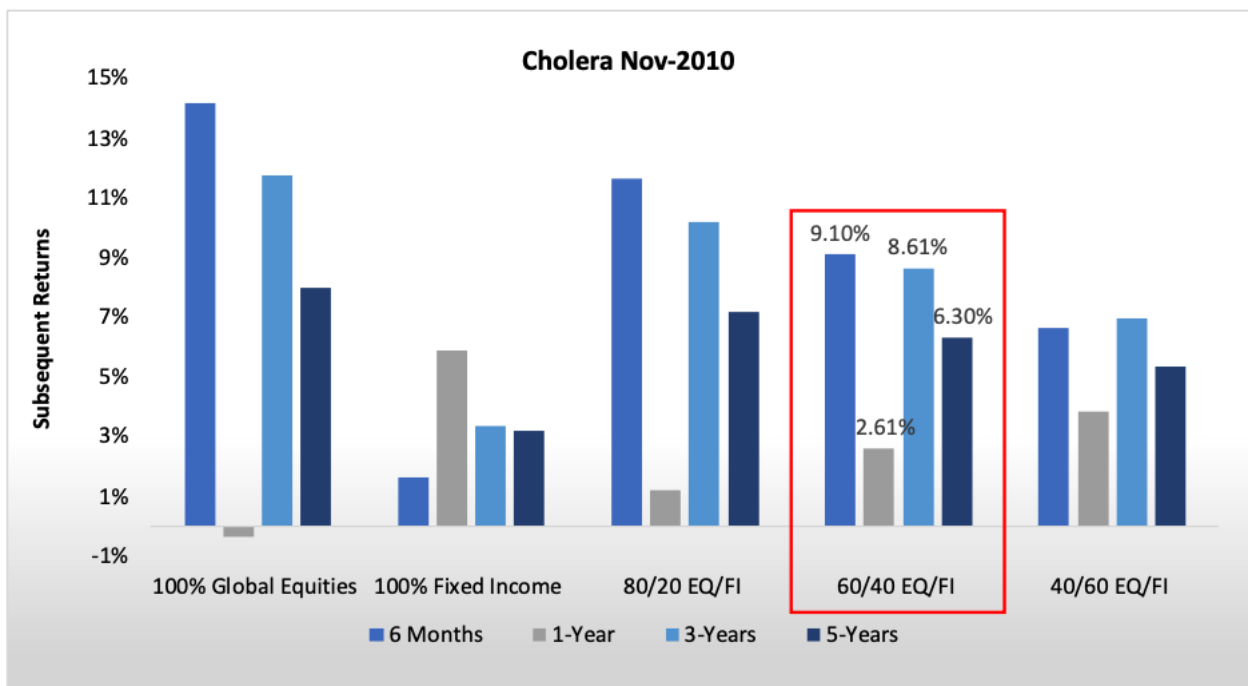
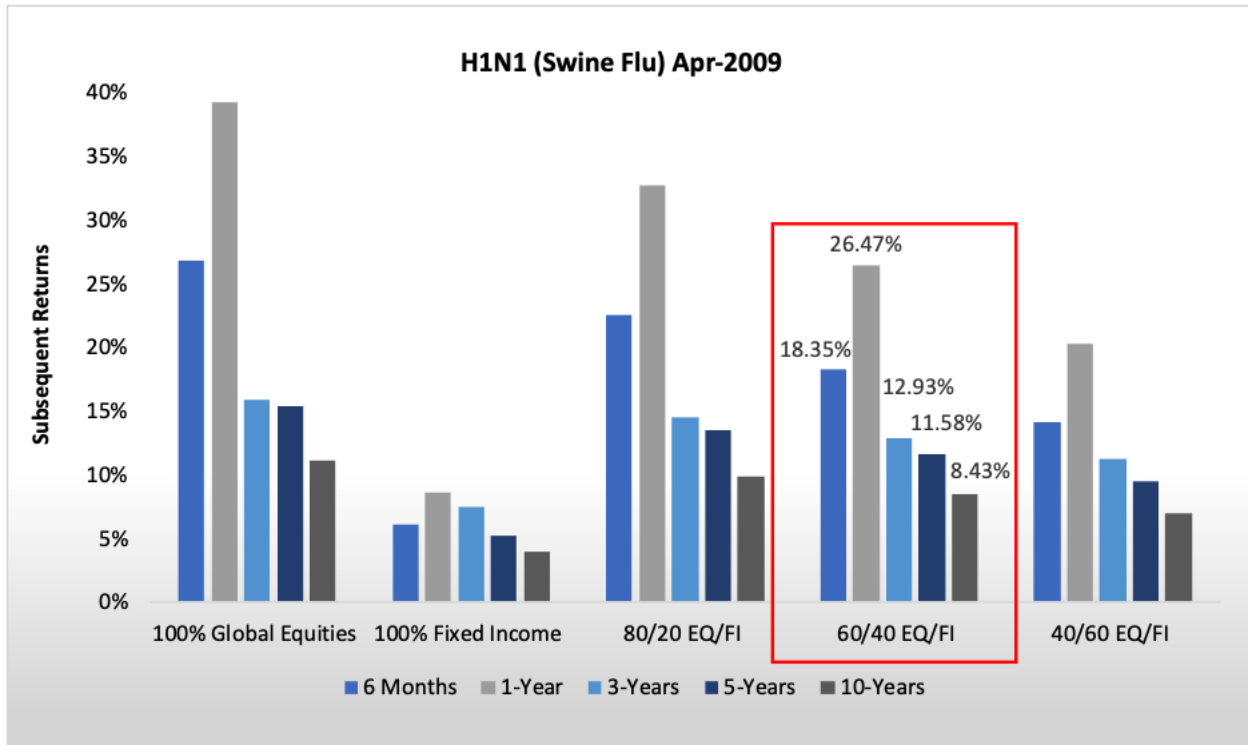
- Since 1981, there have been **11 major epidemics** for which we have a 3-year track record of measuring how a 60/40 portfolio would have done over the subsequent 3-year period when the epidemic struck.
- In only **1 instance**, did a 60/40 portfolio produce a **subsequent negative 3-year total return** (-142bps for the Bird Flu virus in 2006).
- Of the 11 epidemics, there has been only **2 instances** where the **subsequent 1-year return was negative for a 60/40 portfolio** (-458bps for HIV in 1981 and -112bps for Measles in 2014).
- Principally, Astoria believes in globally diversified portfolios including stocks, bonds, and alternatives. These principles have guided Astoria well thus far (on a relative basis) particularly in volatile markets.

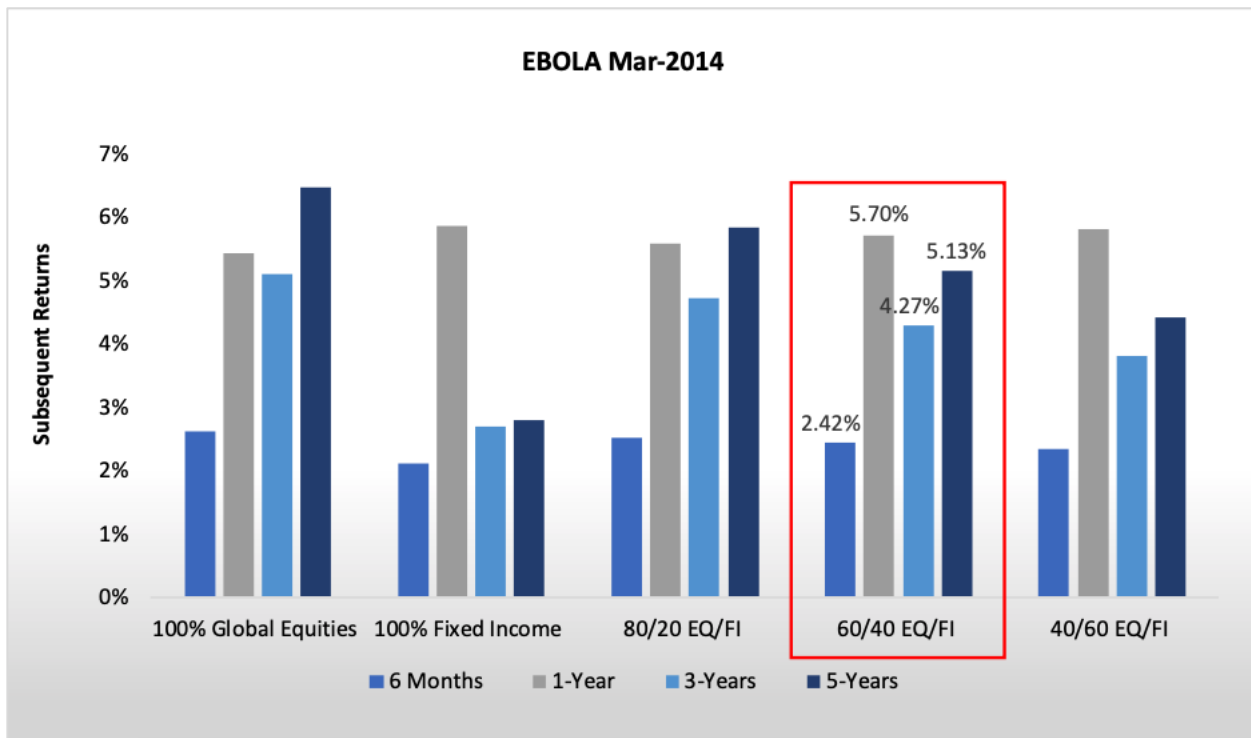
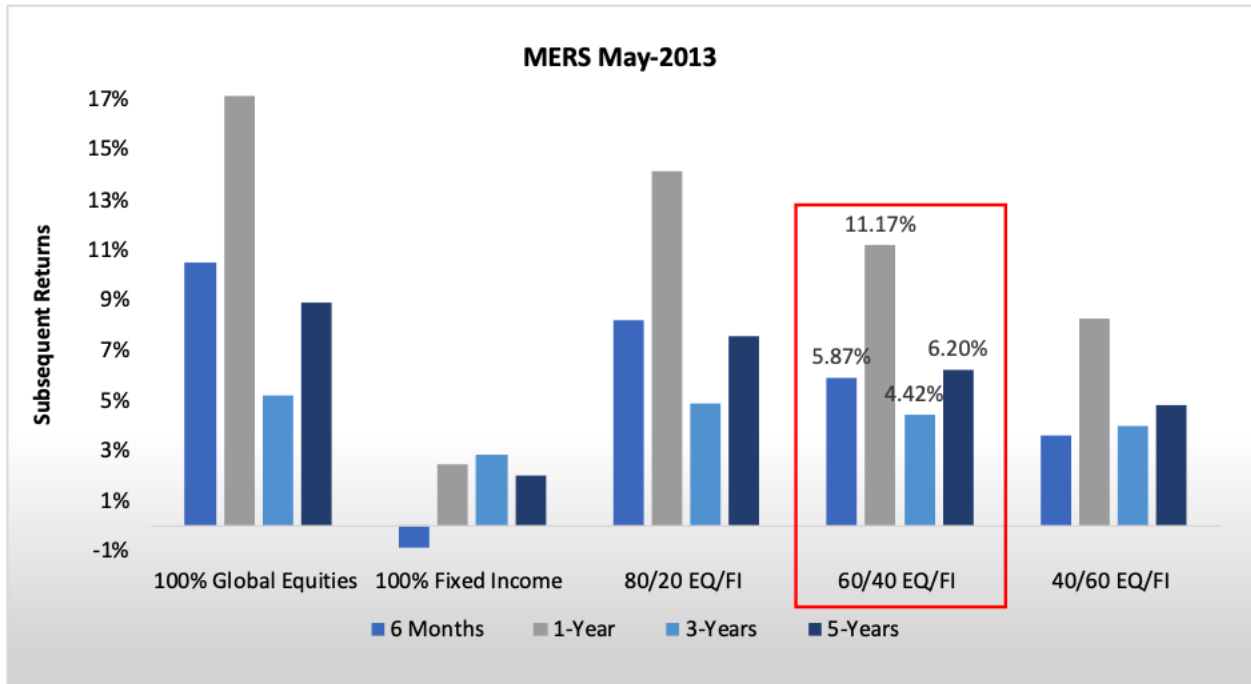
Subsequent Performance of Global Equities, Fixed Income, and Risk-Based Blends Following Major Epidemics (July 1981-January 2020)

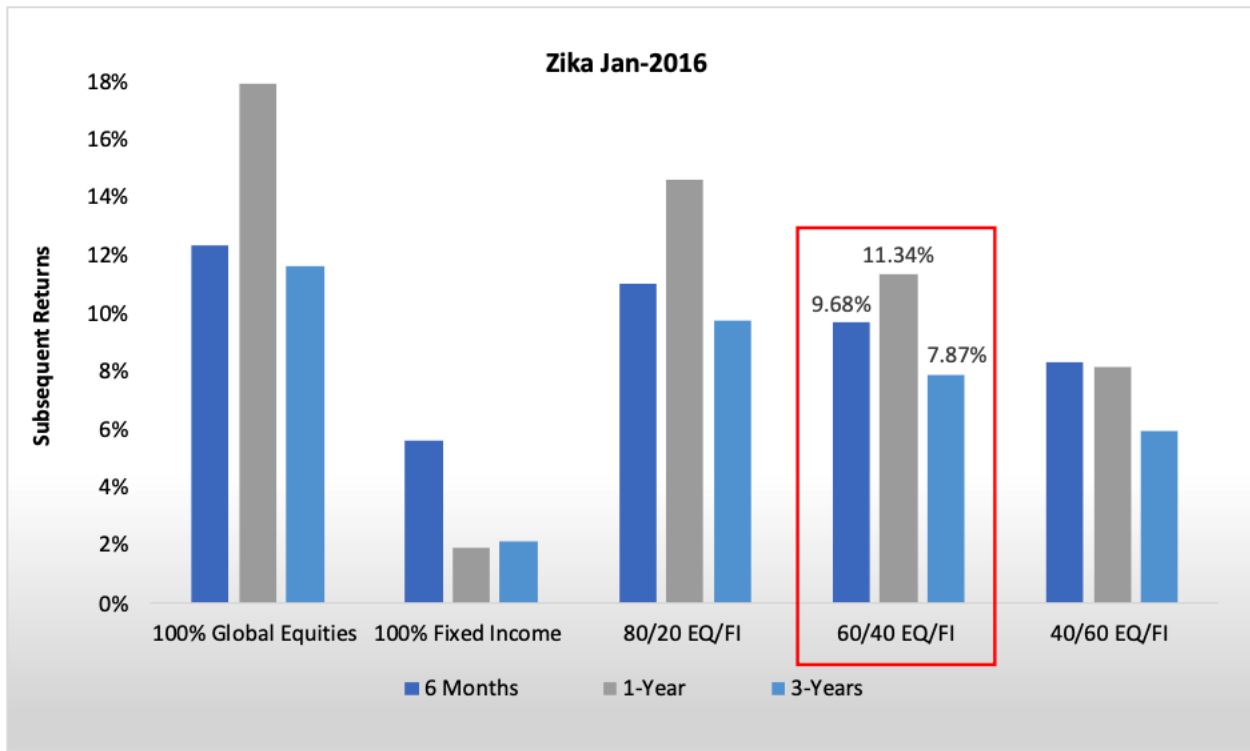
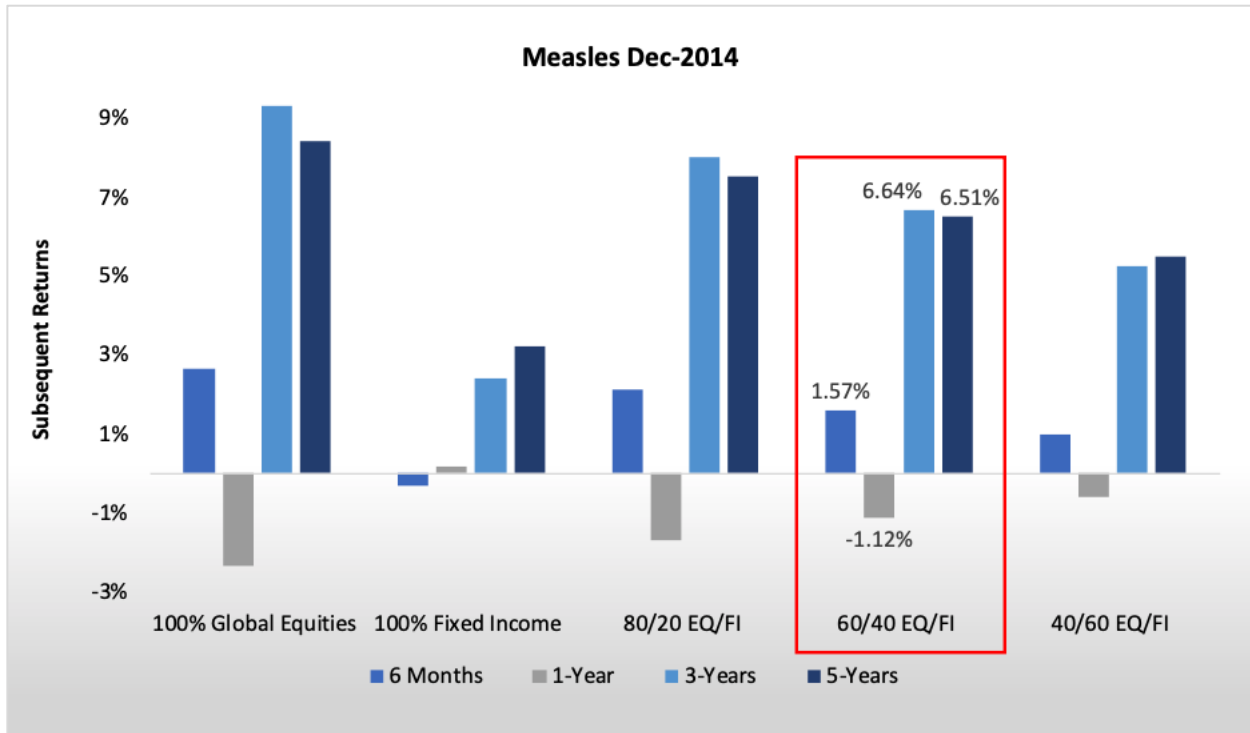


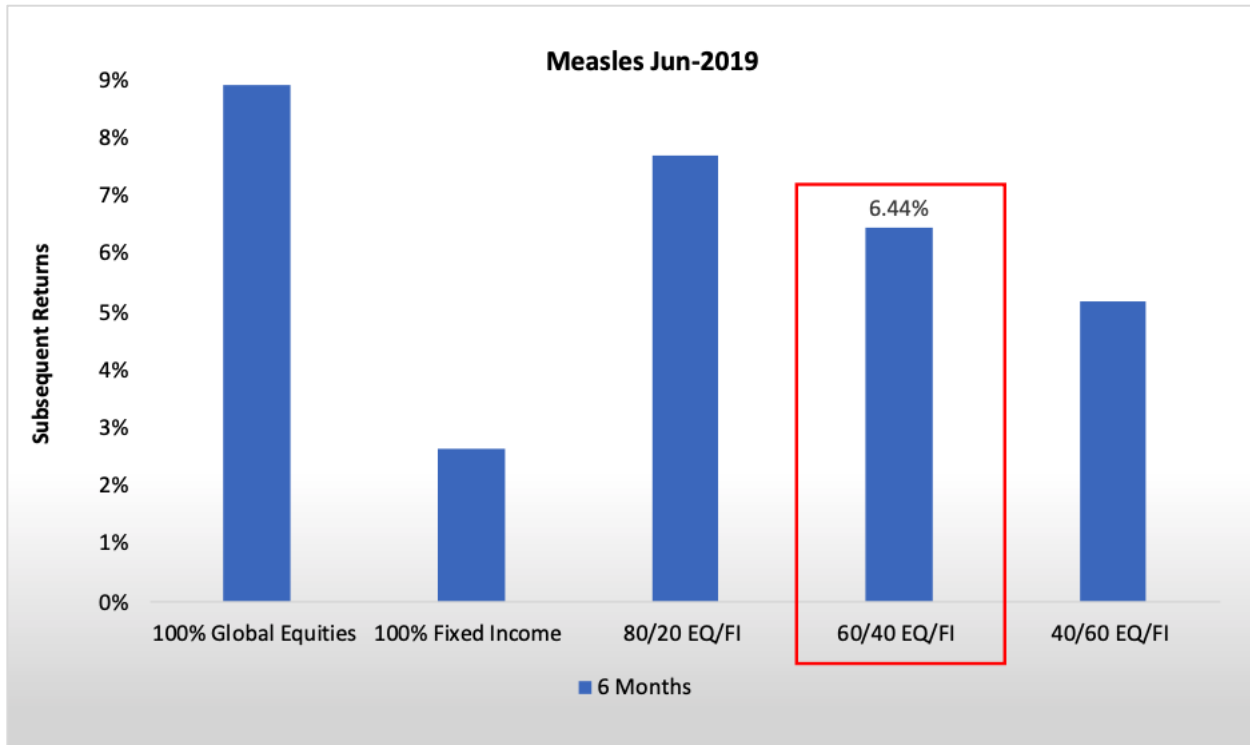












Index Construction and Epidemic Identification/Time-Stamps Disclosures: Data source: Dimensional Web Returns; Table Source: 3D Asset Management. All data as of 1/31/2020 unless specified otherwise. 100% Global Equities: MSCI World Index from 6/30/1981 through 11/30/1999 and MSCI All-Country World Index thereafter through 1/31/2020.

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