March 19, 2020

Re: PASI and COVID-19

To whom it may concern:

We are writing to review the risk management strategies we have in place at PASI, current actions we are taking in our efforts to protect your assets, and measures to prepare for anticipated near term economic conditions. One would hope for the opportunity to address issues with optimal clarity, but developments related to the coronavirus/COVID-19 pandemic, financial market reaction, and government response have unfolded so rapidly there are still many unknowns.

We can share the following with a high level of confidence:

- Our strategy to protect client assets from a dramatic stock market decline has always been to judge the optimal asset allocation (stock/bond mix) for each client based on your individual financial situation and personal risk tolerance. Our goal is to hold enough dollars in cash and high-quality bonds to provide funds for living expenses without being required to sell stocks in a depressed market, and to be able to weather even a multi-year bear market if necessary. At this time, we believe our client assets are well structured to achieve this goal.

- Bear markets don't last forever, and in time our stock prices will recover. As part of our stock selection process, we work to be sure we own not only good businesses but companies that are well financed and able to weather a severe recession. But to see asset values recover with the economy, you must hang onto those shares of stock, and your companies must survive. We have good confidence in the companies we hold, and when appropriate will add to stock positions.

Our current portfolio management activity:

- We do believe it is inevitable that the draconian measures necessary to slow the spread of coronavirus will precipitate an economic recession. The depth and rapidity of the stock market decline is virtually unprecedented, and the bond market has exhibited significant dysfunction as both businesses and worried investors seek sources of cash. Our investment committee has been meeting daily to review our stock and bond holdings, looking carefully for areas of risk which would not be a concern in a healthy economic environment.

- We are making modest adjustments to our portfolio holdings, reducing our exposure to cyclical businesses which will face greater impact from a recession, moving some of those dollars to similar companies whose stock we feel has the greatest rebound potential, and when possible, realizing tax losses in the process. Further, we are cautiously looking for companies providing needed services in a "locked down" economy. For those who have been asking us for years, we now own Amazon, a good business in any environment, but with both retail delivery and web hosting services that will be in heightened demand for weeks or months to come (and today a reasonable stock price).

There is no way to know how long the health and financial impact of COVID-19 will last. You have all been listening to the same news that we listen to, and there are so many variables including the potential benefits of the many behavioral modifications recommended, development of effective drugs and search for a vaccine, and even the expectation that viral spread will likely slow during the warm summer months. And while there is always room for criticism, we believe the current measures being taken by our government to provide support and stimulate the economy are appropriate and will help. Ask a dozen experts about the depth and breadth of the health and economic crises, and you will get twelve opinions. We don't know who is right but remember that those on either extreme are usually wrong.

A bit of advice on what you should be doing:

- For those in the asset building years, continue to add to your savings. It's hard in this environment, and as much as the markets drop, you'll always hear someone predicting things are going lower. You never know where the bottom is, but it's a simple observation that stocks are considerably cheaper than they were a few weeks ago. Recovery may take months or even a few years, but historically investors with the resources and confidence to add to investments in times of crisis look back with hindsight to find their action greatly rewarded.

- For those who are no longer working and are dependent on their savings for living expenses, a bit of caution is prudent. The financial resources of our clients vary widely, and if you have a substantial asset base relative to your needs, no changes are needed. However, if you have any concerns about your spending relative to your resources, this is a good time to consider postponing discretionary purchases. And if you currently receive scheduled monthly distributions from your investment account, let us know if you have the flexibility to reduce those distributions temporarily.

We are gratified by the supportive telephone calls and e-mail we have received from many clients, and your confidence in our management of your assets in this difficult time. Please do not hesitate to call if you wish clarification or have questions about your personal situation. Yes, we're busy, but we are never too busy to address your concerns or provide any needed service.

Sincerely,

David Jaffe, Ken Ligon III, Carol Bieber