The TANDEM Report

Volume XXI, Issue 2, April 2020

"It requires a great deal of boldness and a great deal of caution to make a great fortune, and when you have it, it requires ten times as much skill to keep it."

~ Ralph Waldo Emerson

Dear Clients,

Tandem is committed to the preservation of your wealth by minimizing risk while adding value through consistent and superior investment performance over time. This issue of The TANDEM Report provides a summary of our views pertaining to the investment landscape and subjects that influence our decision making. More information about our firm, including our investment style and process, is available at www.tandemadvisors.com or upon request. We hope you find this report useful.

Respectfully,

John B. Carew
President

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Market Commentary: The Bull is Dead. Long Live the New Bull!

What was perhaps the most unloved bull market of all time has come to an end. Fueled by bailouts, buybacks and Federal Reserve largesse, the bull never really seemed to gain the conviction of individual investors. As a result, the euphoria present at the end of most bull markets never quite materialized. There was some panic selling at the end, but little panic buying preceding the fall. Now that bailouts and Fed largesse are back in play, has the next bull market already begun?

Before we go there, let us first pay homage to the longest running bull on record. From its inception, which was the 3/9/2009 closing low during the Financial Crisis, the S&P 500 advanced 400.52% to its ultimate peak on 2/19/2020. While not a record advance, it was still impressive and rewarding. And then it was over in the blink of an eye.

We entered the new year on quite a run. The S&P was up over 30% in 2019, and began 2020 by extending its record streak. After hitting its final all-time high on February 19th, COVID-19 brought everything to a crashing halt. By March 23rd, just more than a

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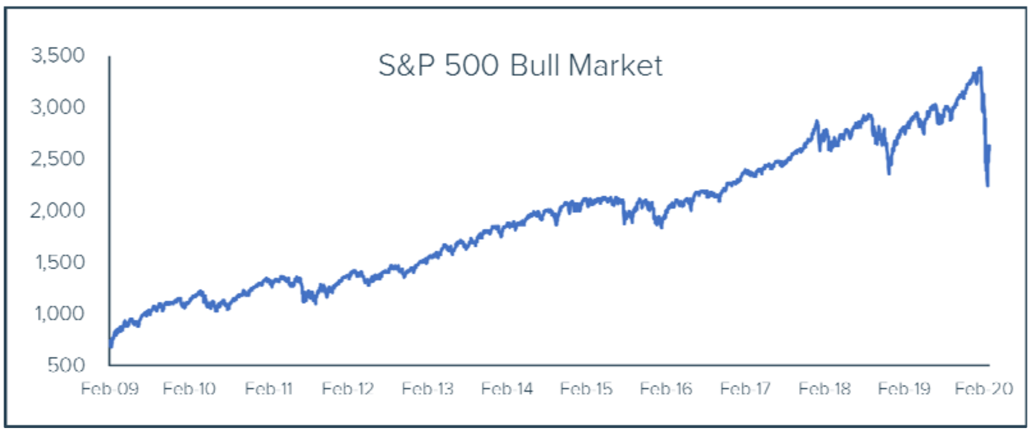

Commentary: This Too Shall Pass

Sometimes words are hard to come by. This isn't one of those times. There is much to say about what is going on in the world.

Our hearts go out to all those that have had their lives turned upside down by COVID-19. When we wrote to you last (in January), the economy was strong, unemployment was at record lows, the stock market was at record highs, and we were preaching the importance of staying invested. That almost seems a lifetime ago.

For the luckiest among us, not much has changed. But for most, we are working from home, if we still have a job; we are homeschooling children (heaven help them and their parents); we are frightened for our health and our savings; and we are praying for this thing to hurry up and end.

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The Financial Crisis was terrifying. 9/11 was appalling, yet unifying. COVID-19 is different. This is a virus for which we have no cure, and whose only known prevention to date is something we now know as social distancing. And it seems unduly cruel to the most senior and fragile among us. Where's the bright side? Wait for it. It's coming.

Winston Churchill once said *"you can always count on Americans to do the right thing after they have tried everything else",* Plato is credited with "*…necessity is the mother of invention. A need or problem encourages creative efforts to meet the need or solve the problem",* and many a patriot has said that America is the greatest nation on Earth. All three of these sayings have never been more true.

Our brightest minds are hard at work, not only for profit, but for societal good as well, to construct much-needed gowns and masks, to create and distribute accurate and rapid testing, to develop treatments and cures, and to vaccinate against this virus. Some things will happen sooner than others. But if history can be our guide, they will all happen. This is America.

One day, perhaps sooner than we think or dare to hope, we will awake to the news that there is a treatment. With that, fear will begin to subside because even if we can't prevent the illness yet, we can treat it. We will also be able to more accurately identify the most vulnerable among us and take appropriate precautions while the rest get back to the business of living.

The world we knew will not come back overnight, but the wheels will start turning quickly for sure. Some say the world we knew will never come back. That's just not true. We will be smarter, but we will be who we always were. We will hug loved ones and go out to dinner again. We will still see movies in theaters and shop in stores. And maybe airlines will get rid of the middle seat so we won't have to do that! The world will again be familiar to us. It is not a question of if. It is only a matter of when. This is a virus. It's time with us is finite.

Until then, Congress, in spite of itself, has managed to provide aid to employers and the newly unemployed much faster than it did during the Financial Crisis. The Federal Reserve once again has rescued the financial markets by putting more liquidity into the marketplace than many a sober person could ever have dared to imagine. The goal of these fiscal and monetary programs is to simply get us to the other side. This is a very deep ravine we must cross, but life on the other side should feel normal to us when we get there. These programs aim to be a bridge to the other side.

As we learned from the Fed's actions during the Financial Crisis, the measures they take are fuel to the stock market. So it is likely that whenever the market believes it can see light at the end of the tunnel, stocks will soar. Those that decided they needed to sell their stocks will likely miss out on the market's rapid recovery. This is partly why we opined last time about the importance of staying invested. So congratulate yourself for doing so! You have already benefitted from the market's rapid ascent off it's lows.

Unfortunately, not all will benefit to the same extent that you likely will. Those among us that do not own financial assets like stocks will once again be left behind as a result of government response. By providing liquidity and a financial lifeline to industry, many businesses will survive despite mismanagement. They will be given a reprieve and shareholders will not be wiped out. Airlines have spent nearly all of their free cash flow on share repurchases for the last decade. They built no nest egg, as you and I are expected to do. And they will survive in spite of themselves. But their employees may have their nest eggs wiped out. Government needs to stop backstopping managements that otherwise would fail. It creates lasting inequality and resentment. Government needs to stop preventing failure. Capitalism requires creative destruction. Instead, government should be helping the individuals that, through no fault of their own, suffer from these failures. Instead, government forces society to incur the cost of failure while privatizing the profit of success. It is almost as if there is no longer any consequence to risk. But we digress.

Now off the soap box, let us return to the matter immediately at hand. From an investment perspective, all the Fed money that has flooded the system will ultimately fuel the next bull market. Some say the new bull has already begun. As we observed after the Financial Crisis, what the Fed giveth, the Fed does not readily taketh away. This excess liquidity will no doubt benefit the asset-owning among us disproportionately. Fed policy largely fueled the bull run that just ended. It will likely fuel the next as well. Staying invested is of paramount importance.

As far as your portfolio is concerned, please remember that you are not invested in "*the market*". You are invested in companies that historically have managed to consistently grow through any economic environment. In your Tandem portfolio you do not own any hotel or airline stocks. You do not own any of the large banks either. Some of your companies will no doubt take a hit during this economic seizure, but we expect them to recover and resume where they left off. Other companies in your portfolio are thriving, as they provide products or services suddenly more necessary than we could have imagined. We have a high degree of confidence in the companies you own. We hope you do as well.

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COMMENTARY (CONTINUED)

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And we do not invest simply to be invested. We buy companies at prices we think are reasonable to pay and we sell them when they no longer meet our criteria, or take some profit when prices are unsustainably high. We have the discipline to wait, even if it means holding cash in your portfolio. This is the only way we know to buy low and sell high. We have a system that relies upon math, not emotion. We think it is a common sense investment approach.

Hopefully Tandem has done what we told you we would do, and your portfolio has behaved as you expected. We did the hard work proactively by selling when prices were high. Because of that we had the good fortune to have cash in your portfolio before the market collapsed. In February and March, we found value and put cash to work. As of this writing you have a good deal less cash than you did two months ago because we bought when prices were low. That's the way it is supposed to work. With any luck we have been able to limit the volatility of your portfolio to a level that affords you comfort. You have certainly experienced meaningfully less volatility than the market.

No one can say when this will end, but it will. It is a virus. The market likely will not rise in a straight line from this point forward. There will be bumps. We will do our best to navigate them and keep you invested. It is the best thing to do. Until then, please stay safe, be kind and keep a sense of humor. Please.

MARKET COMMENTARY (CONTINUED)

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month after topping, the S&P had fallen 33.92% - a steep decline in a short period of time. Over a period of only 13 days in March, the market fell by more than 30%. The speed of the descent, combined with the collapse in the price of crude oil, as well as economic and health uncertainties created by the virus, left many frightened.

Crude's steep decline compounded economic concerns. Hit by the double whammy of increased supply caused by Saudi Arabia and Russia (presumably to break the backs of U.S. shale producers) and the near-complete disappearance of demand, a barrel of oil declined from around $64 in early January to nearly $21 by the end of March. Increased supply and decreased demand is a deadly combination for price, and trading of crude reflected this.

No asset class was spared. Even cash had a moment of liquidity concern, as panic temporarily increased demand for cash far beyond available supply. For the first time, albeit briefly, negative interest rates were visited upon the U.S. Once again, the Federal Reserve came to the rescue. Learning from the Financial Crisis, the Fed moved exceedingly quickly to backstop cash and fixed income markets. In a reasonably short period of time, the markets have been calmed and the S&P has gained back some lost ground.

For the quarter, the S&P declined 20%. To most it felt worse. Chaos ruled the market for much of March, and the word "unprecedented" became the most overused word in the English language. The S&P saw its worst two days since 1987 (-11.98% and -9.51%), while also experiencing two up days in excess of 9%. The standard measure of volatility in the market, the VIX, surpassed its most extreme levels recorded during the Financial Crisis. And worse, financial "professionals" took to the airwaves in full panic mode. It has been reported that one hedge fund manager used CNBC's air to create a panic selloff that netted him in profit excess of $2 Billion. If true, he must be prosecuted. For the rest of them, whether their panic was real or self-serving, they are not experts in science, medicine or data-modeling. They should not be given airtime to share their views on a pandemic any more than Ellen should be given airtime to discuss quantum physics.

Happily, Tandem's clients experienced a more muted sequence of events, and nearly all of you stayed the course. Congratulations! Since bottoming (at least for now) in March, the S&P has mostly rallied, rising 15.52% by the end of the month. If your portfolio has been with us for at least a few months, you most likely did not experience nearly as dramatic a downturn, nor did you experience the same snapback rally. Your path was a little more boring than the market's, even if it didn't feel like it at the time.

You may recall that we were largely net sellers of stocks in 2019, if you were with us throughout the year. We continued to sell more than we bought in early 2020. By the time the market peaked, we held a meaningful amount of cash - the byproduct of selling overvalued securities and not immediately redeploying the capital. As a result, we had cash to use as prices collapsed. Initially this may have made you nervous, but this is what we told you we would try to do - buy low and sell high. Selling high means selling when things seem good and others want to buy. Buying low often means buying when fear is so rampant that others want to sell. In both times, we tend to be contrarian. It can make us look foolish in the moment, but buying low and selling high without emotion is what we are supposed to do.

As for what lies ahead, your guess is probably as good as ours. We are not forecasters or prognostica-

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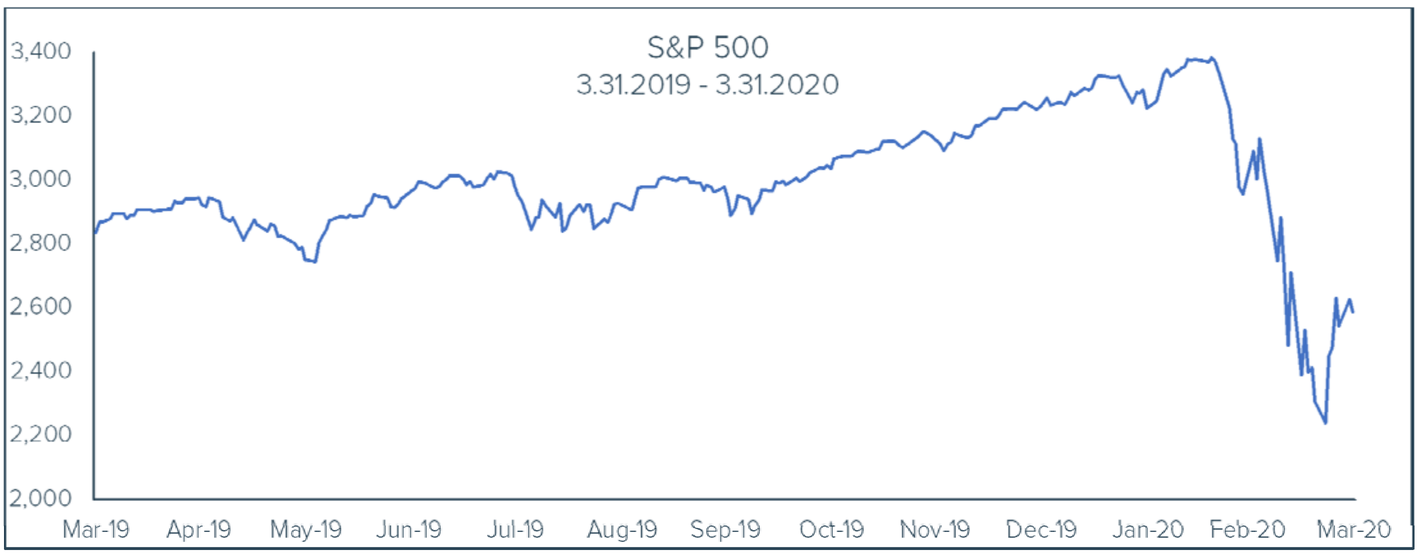
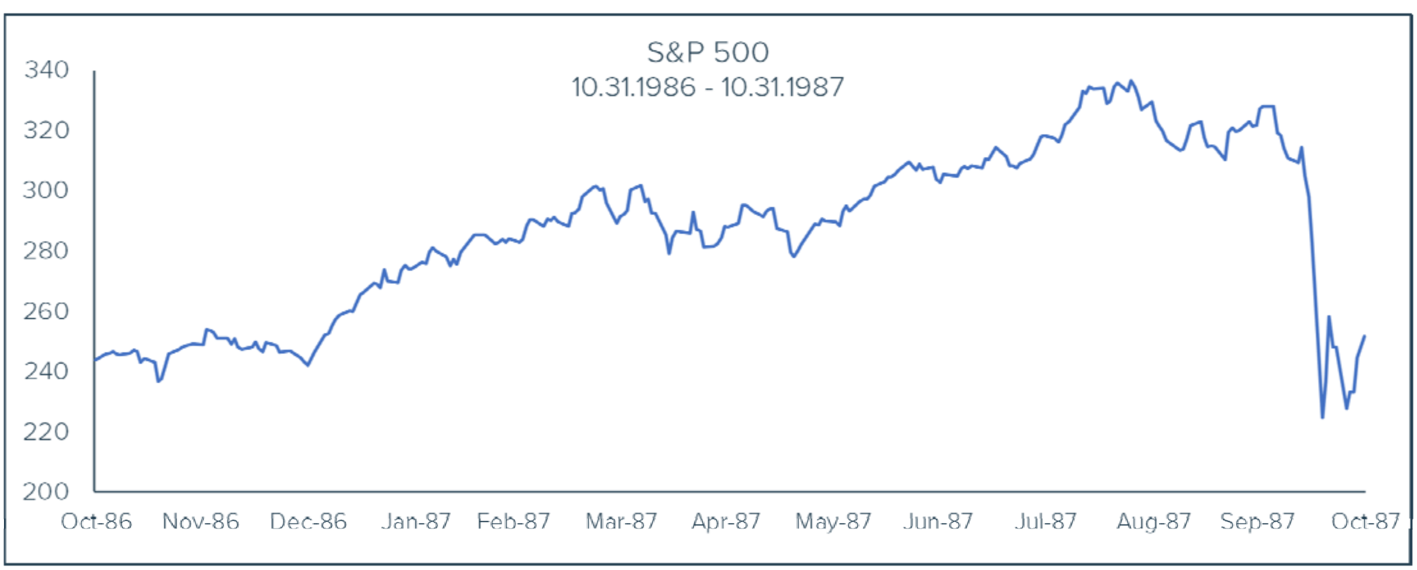
tors. The market's movements have nothing to do with how we manage your portfolio. We make our decisions on individual companies, not market swings. What we have learned from past experience is that in a zero interest rate world, the Fed has the capacity to lift markets.

During the Financial Crisis, through multiple layers of Quantitative Easing, or QE, lasting a number of years, the Fed created about $4 Tillion to backstop markets. Today they have done nearly that amount in less than two months. They mean business. And Congress is throwing money into the ring as well.

Our Federal Government has committed trillions *(with a T)* of dollars to build a bridge to the return of economic activity. Markets managed to recover quickly from a similar decline in 1987 without all this assistance. Once the virus is safely behind us and life seems normal again, this money is likely to find its way into markets, just as it did the last time. Until then, there will probably be more volatility, and we will do our best to use that to our advantage. Believe it or not, some companies we own have done quite well during this turbulence and have reached prices we believe to be unsustainable. We hope to take some profit in these at the appropriate price and time. Other businesses have done less well in the short run, although we still admire their ongoing prospects. We will try to buy, or buy more of, these companies if their prices fall lower again.

We strive to limit the volatility of your portfolio in order to give you peace of mind and help you to stay invested. At the same time, we try to take advantage of extreme volatility in the marketplace by buying low and selling high as opportunities permit. We invested approximately 2/3 of your cash reserve when prices were low in late February and early March. We then took some profit at higher prices and replenished some of your cash. It is now roughly half the level a seasoned Tandem portfolio held at the beginning of February. We have no idea when it will come, but the seeds of a new bull market are being sown, and your portfolio will be ready for it. Thank you for your trust.





TANDEM NOTES

In our last issue we foretold of some big news. In light of what has happened in the world with the coronavirus pandemic, this almost feels like old news, but still very exciting news to be sure.

On February 22nd, at 5:30 in the evening at The Gibbes Museum of Art in Charleston, SC, Elaine Natoli and Ben Carew were wed. The service was officiated by Billy Little and John Carew served as Best Man. It was a beautiful event and a true Tandem affair. Congratulations to the couple!

After a brief trip to Jamaica post-wedding, they came back just in time for the market's collapse, long hours at the office and social distancing! While their official honeymoon has been postponed by COVID-19, hopefully they will be on their way to France and Italy soon. I am sure you join me in wishing them well.

5 Year Annualized Dividend Growth for Tandem's Holdings by Strategy
from Q1 2015 to Q1 2020

Tandem's average dividend-paying holding has increased it's dividend by 10.22% on an annualized basis for the last 5 years. This growth is the result of strong and growing earnings, cash flow and revenue.

Large Cap Core 5Yr. Annualized Dividend Growth

Company	Dividend Growth
Abbott Laboratories	8.45%
AbbVie, Inc.	18.27%
Accenture Plc	9.42%
Automatic Data Processing	13.18%
Becton, Dickinson	5.66%
BlackRock	10.74%
Brown & Brown	9.10%
Brown-Forman Cl B	6.70%
CBOE Global Markets	10.60%
C. H. Robinson Worldwide	6.06%
Comcast	12.97%
Costco	12.86%
Dollar General	NA
Dominion Energy	7.74%
Ecolab Inc.	7.33%
Essential Utilities	7.26%
Expeditors International	9.34%
FactSet Research	13.05%
Hormel Foods	13.21%
Intercontinental Exchange	18.20%
J.M. Smucker	6.58%
Johnson & Johnson	6.30%
Microsoft	10.47%
National Retail Properties	4.16%
NextEra Energy	12.70%
Republic Services	7.66%
ResMed	6.85%
Ross Stores	19.39%
Signature Bank NY	NA
Stryker	10.76%
T. Rowe Price Group	11.60%
TJX Companies Inc	21.32%
United Technologies	2.81%
Walgreens Boots Alliance	6.27%
Walt Disney Company	8.88%
Waste Connections	16.29%
Average	10.36%

Companies not paying a dividend on 03.31.2015 are NA. All companies in Large Cap Core currently pay a dividend.

Equity 5 Yr. Annualized Dividend Growth

Company	Dividend Growth
Abbott Laboratories	8.45%
AbbVie, Inc.	18.27%
Accenture Plc	9.42%
Becton, Dickinson	5.66%
BlackRock	10.74%
Brown & Brown	9.10%
Brown-Forman Cl B	6.70%
C. H. Robinson Worldwide	6.06%
Check Point Software Tech	NA
Comcast	12.97%
Costco	12.86%
Dollar General	NA
Dollar Tree	NA
Dominion Energy	7.74%
eBay	NA
Ecolab Inc.	7.33%
Euronet Worldwide	NA
Expeditors International	9.34%
FactSet Research	13.05%
Fiserv	NA
Henry Schein	NA
Hormel Foods	13.21%
Intercontinental Exchange	18.20%
J.M. Smucker	6.58%
Johnson & Johnson	6.30%
Laboratory Corp of America	NA
Microsoft	10.47%
NextEra Energy	12.70%
O'Reilly Automotive	NA
PayPal Holdings	NA
Republic Services	7.66%
ResMed	6.85%
Signature Bank NY	NA
Stryker	10.76%
T. Rowe Price Group	11.60%
TJX Companies Inc	21.32%
Tyler Technologies	NA
United Technologies	2.81%
Verisk Analytics	NA
Walgreens Boots Alliance	6.27%
Waste Connections	16.29%
Average	10.26%

Mid Cap Core 5 Yr. Annualized Dividend Growth

Company	Dividend Growth
Becton, Dickinson	5.66%
Brown & Brown	9.10%
Brown-Forman Cl B	6.70%
C. H. Robinson Worldwide	6.06%
CBOE Global Markets	10.60%
Check Point Software Tech	NA
Dollar Tree	NA
Ecolab Inc.	7.33%
Essential Utilities	7.26%
Euronet Worldwide	NA
ExlService Holdings	NA
Expeditors International	9.34%
FactSet Research	13.05%
Fiserv	NA
Henry Schein	NA
Hormel Foods	13.21%
J.M. Smucker	6.58%
Laboratory Corp of America	NA
National Retail Properties	4.16%
NV5 Global Inc.	NA
O'Reilly Automotive	NA
Republic Services	7.66%
ResMed	6.85%
Ross Stores	19.39%
Signature Bank NY	NA
Stryker	10.76%
T. Rowe Price Group	11.60%
Tyler Technologies	NA
UMB Financial Corp	5.70%
Verisk Analytics	NA
Waste Connections	16.29%
Yum! Brands, Inc.	NA
Average	9.00%

The list of holdings above for Tandem's 3 strategies are as of 03.31.2020. These lists do not constitute investment advice, nor do they represent performance of any Tandem investment product. FactSet is the data source for the above calculations.

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Past performance is no guarantee of future results. Indices are unmanaged and not available for direct investment. They are shown or referred to for illustrative purposes only and do not represent the performance of any specific investment.

Yield table			
	Current	3 months ago	1 year ago
3-month Treasury Bill	0.30%	1.57%	2.45%
2-year Treasury Note	0.45%	1.61%	2.41%
5-year Treasury Note	0.59%	1.68%	2.37%
10-year Treasury Bond	0.87%	1.86%	2.57%
30-year Treasury Bond	1.46%	2.30%	2.98%
Prime Rate	3.81%	4.75%	5.50%
Federal Funds Rate	0.65%	1.55%	2.41%
Discount Rate	1.02%	2.25%	3.00%

The data used to compile the above tables come from publicly available sources. Tandem believes it to be reliable, but makes no such assertions. Such data is not meant to imply past or future performance for Tandem or any securities market.

Key Market Data				
	3/31/2020 Close	% Change 1 Year	% Change 3 Years	% Change 5 Years
S&P 500	2,584.59	-8.81%	9.39%	24.99%
Dow Jones Industrial	21,917.16	-15.47%	6.07%	23.30%
NASDAQ	7,700.10	-0.38%	30.25%	57.12%
Russell 2000	1,153.10	-24.61%	-16.80%	-7.96%
German Xetra DAX	9,935.84	-13.80%	-19.31%	-16.97%
London FTSE 100	5,671.96	-22.08%	-22.55%	-16.26%
Shanghai Composite	2,750.30	-13.21%	-14.65%	-26.62%
Crude Oil	$20.48	-65.95%	-59.53%	-56.97%
Gold	$1,592.10	20.36%	27.64%	34.57%
CRB Index	121.79	-33.72%	-34.48%	-42.51%
U.S. Dollar Index	99.09	2.32%	-1.12%	0.44%
Euro/Dollar*	1.1026	-10.53%	3.51%	2.75%

** Negative return represents dollar strength, positive return represents dollar weakness. Returns are cumulative, not annualized.*

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