Prospero Wealth: Q1 2020

Before we get into any financial reporting and analysis, we'd like to check in on whether you and your families are doing alright. If there is any way that Marcus or I can be of assistance to your families, let us know. We got into the advisory business to help people become less financially fragile and to assist when extraordinary events interfere with best-laid plans. Do not let financial considerations keep you from asking for help or support—we want to hear from you.

So about that last quarter… how about them Sounders? Uh, Seahawks? How are things at your kids' school? Argh!

Let's cut to the chase. Markets have been pretty ***not-great*** so far this year, what with the global pandemic and all. That being said, Prospero Wealth continues to chug along, building agile plans for our clients, and ensuring they stick to them when the chips are down. I'm proud to say that all of you are coming through this crazy spell about as well as can be. Some of you spooked yourselves into not taking action that you probably should have, but everybody has avoided the larger mistake of pulling funds at the worst possible time.

We've seen more than a 27% bounce off of recent market bottoms due to unprecedented Fed intervention and the country starting to acknowledge that there may be a day, sooner rather than later, that we get back to business. All that being said, we're about to enter earnings season and things are going to get real ugly for some businesses. Markets are likely to continue their volatility as every investor tries to find a pattern in data that will be a mess.

If you have new money to put to work, we strongly recommend not putting it off. Set yourself a timetable for getting invested, whether over 3, 6, or X months, and then do what you said you would do, no matter what is happening in the markets. The biggest error you can make from here is trying to wait for things to return to "normal." There is no such thing as "normal," only "complacency" and "fear." Most people volley between the two states at the worst possible times, sacrificing returns.

Asset Management

IMPORTANT NOTE: All performance numbers quoted in this Asset Management section are Time Weighted Returns based on taxable accounts held by Eric Franklin, one of the Portfolio Managers, at Interactive Brokers. These performance stats include brokerage fees but are gross of management fees.

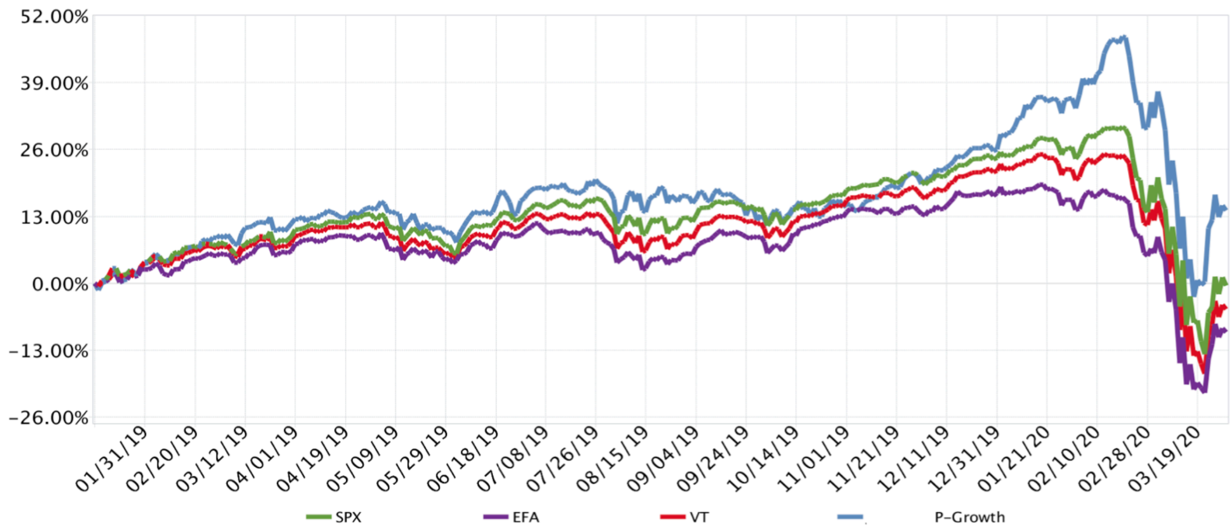
Prospero Wealth manages 2 Actively-managed strategies for our clients: Growth and Long-Short we really need to come up with some snappier names). Most of our clients are invested in one or more of the strategies (although we are also seeing new clients gravitate towards our fully indexed offering at Betterment using Dimensional Funds).

Our **Growth strategy** finished the quarter about 58% allocated to US equities and 42% allocated International. It's a Go-Anywhere tech-heavy strategy seeking the highest possible returns we can get. We recommend a $25k minimum allocation to invest in this strategy.

Our **Long-Short strategy** is much more US-centric than Growth, with ~83% allocation inside the US, 9% in CA, and 7% outside of North America. The Long-Short fund typically maintains one or more short positions, sometimes up to 30% or more of the portfolio. We require a $100k minimum allocation to invest in this strategy.

Prospero Wealth Strategy	Q1 2020	Since Inception (1/14/19 - 3/31/20)
Growth	-9.46%	14.13%
Long-Short	-5.44%	23.98%
Benchmark Indices		
SPXTR (S&P 500 Total Return)	-19.60%	-0.45%
EFA (iShares MSCI EAFE Index Fund - Developed Markets)	-23.01%	-9.52%
VT (Vanguard Total World Stock Index)	-22.15%	-5.07%

Q1 2020: Growth Strategy

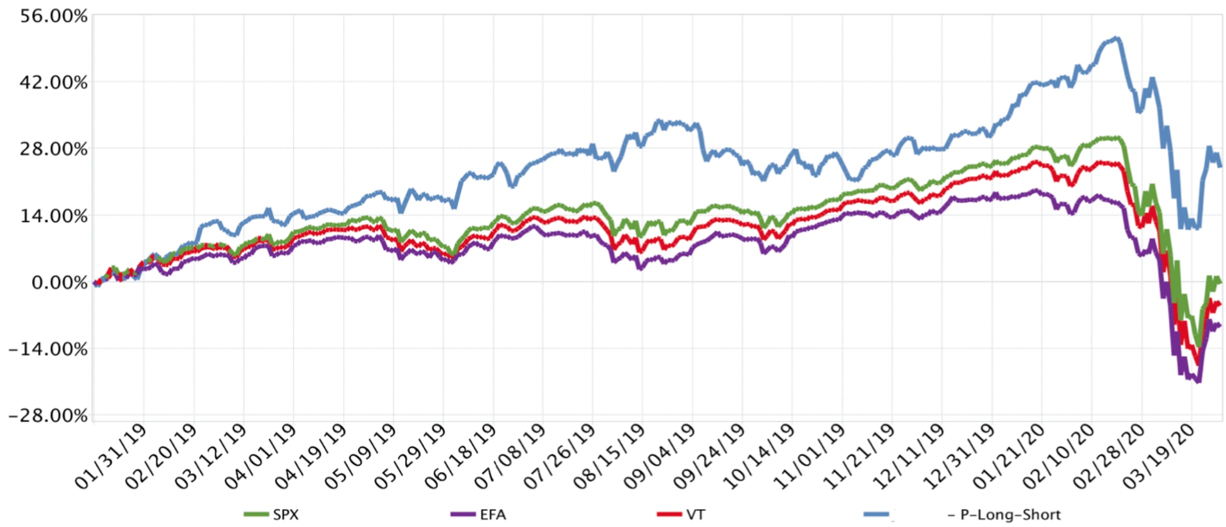


As you can see, we were down more than 9% in Q1, but had strong relative performance to our tracking indices. I'm excited to report that our top contributor to the performance in the quarter came from capitalizing on all of this fear in the markets. We purchased **Ryman Hospitality Properties (RHP)**, late in the quarter, on March 18th for $14.95/share (the stock had hit a high of $91.57 a month earlier in February). Ryman is a real estate investment trust that invests in large-scale destination resorts and entertainment properties; they own the Grand Ole Opry, for example. While hospitality and entertainment industries are currently hit hard by the coronavirus in 2020 (and will continue to have issues), Ryman owns unique assets that we believe will prove more resilient when these industries recover. It didn't take a genius to see that the market probably over-reacted to the downside. If you could just believe that RHP could recover to its former price within 10 years, then you were looking at a 6 bag return. As of this writing on April 14th, RHP is trading at $31.37. We've more than doubled our money already and there's still a long time for the rest of our thesis to play out. We already have a similar bottom-fishing pick that might end up being our Q2 story.

All in all, we're excited about the way Growth has played out so far, and with how we are positioning it for a "global tech-platform" future. We think this sort of strategy makes sense in a lot of portfolios.

Q1 2020: Long-Short Strategy

Long-Short has been a wild ride, more wild than the "shock absorber" approach to investing that it is supposed to provide. Like most of the world, we led with our chin in Q1 but we still managed to beat our indexed benchmarks handily. To take advantage of market opportunities, we had to say good-bye to some solid performers in our portfolio and sold off our AAPL position for $250.50 on March 18th and trimmed some of our largest winner, SHOP, on February 20th, at $483.20. As I write this, AAPL is now trading at $286.87, a 14.52% improvement on where we sold; and SHOP is trading at $499.94, a 3.46% improvement on where we sold. Good thing then, that we used those proceeds to buy AMZN, PINS and HHC over the next few days, up 25.94%, 35.91%, and 28.59% respectively (at time of writing).



The largest challenge on the Long-Short strategy has been the "short" part of the strategy. We're currently short about 15% of the portfolio, but the day-to-day swings are cray-cray (that's a technical term for crazy). We also bought August puts for DDS (the equivalent of another short position), Dillard's Department Stores, in the quarter, and we're going to see how that plays out. We're going to be patient and let this not-so-good business report earnings in mid-May. If all goes well, we can hope for a success story to tell you in the Q2 report.

In Closing…

Stay the course. Be awesome. Let us know if you have questions or concerns.

Best regards,