



## 2nd Qtr. 2020 Investment Counsel Report

### Market Summary

Stock prices recovered strongly in the second quarter of 2020. The Large stocks of the S&P 500 Index gained 20.5% over the past 3 months, largely recovering from the first quarter decline to rest at -3.1% for the Year to Date. Smaller stocks had a better recovery, but still lagged for the full year- the Russell 2000 Index was +25.4% for the quarter, but was -13% YTD. As evidence of the global nature of the pandemic and other issues, foreign stocks of the EAFE Index were +15% for the 2nd quarter, and stood at -11% for the year thus far.

Wide gaps in performance exist between Small Cap stocks and Large, and between Value stocks and Growth stocks. While there has been some correlation in the general direction of stock prices, the variance between these groupings is still high. With over 10 percentage points separating large stocks from small in the US, these differences are important in explaining results and context.

### Aurora Outlook

While trite at this point, Year 2020 has begun as an unusual and challenging period on many levels. As investors, we had the initial impact and subsequent concerns reflected in a sharp drop in stock prices reflecting the uncertainty. Whether in response to greater certainty, higher reliance on hope and virus medicines/vaccines, or in response to adjustments that created a pathway to recovery- we have also observed a recovery in equity prices in large part. As long time investors, it is not uncommon for short term behavioral issues to dictate short term ebbs and flows consistent with what we have witnessed.

It would also seem to bear mentioning that in addition to the somewhat anomalous Covid issues presented this year, there are also the more regular concerns to be considered. Changes in the government budgets in response to Covid, changes in OPEC and oil industry dynamics, European Union consternation, US social and political election pivots, geopolitical tensions amidst ascendant world powers- all of which can be considered "normal" exogenous issues. Longtime Aurora clients have understood that our investment management discipline attempts to focus on more long term and company specific financial considerations. Yet, with the shrill of these issues hard to distinguish between long term and temporal, we acknowledge the potential for unsettled investor responses.

All this is to say, that we are on guard for the impacts of all these issues on what matters to our clients' portfolios and their Investment Policy guidelines. Our job in delivering adequate returns consistent with measured risk, remains the same.



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Our methods in deploying our Growth At a Reasonable Price (GARP) discipline are in place and we are working diligently and vigilantly to stay focused on the fundamentals and earnings of the companies we invest with. With a wary eye for changes that “make things different this time”, Aurora also is maintaining our stated and fundamental course.

Without comment on the exogenous issues that present themselves daily, we acknowledge that there is judgement that must be applied as investment managers. Over time, our experience and learning has helped to find balance between the discipline and the subjective. Over time, our reliance on the discipline and the continued commitment to long term policies and goals has been of the biggest benefit to our clients. We remain very much attuned to the things that are observable and within our control, and are vigilant for any adaptations that are consistent with our clients’ best interests in the pursuit of their long term objectives.

**David J. Yucius, Jr., CFA**