



301 NW 36th Street ▪ Oklahoma City, OK 73118 ▪ 405.525.6530 ▪ 888.525.6530 ▪ www.okdfd.org

March 18, 2020

To our partners in ministry:

Many churches, individuals and institutions have placed their money and trust with the Oklahoma Disciples Foundation. Many of you may be very afraid of what is happening in the United States and in the Markets. You are not alone. The present panic is real whether or not the COVID-19 virus spreads or is controlled. Our most vulnerable are in danger of severe sickness or death. We face a known killer with an unknown course. Everyone fears the unknown. We fear the unknown particularly when it can be deadly for us or our loved ones. People of faith rise to face the unknown in times like these. I am confident we will get through this together.

In the meantime, we must deal with the financial consequences. Markets react poorly to uncertainty and the unknown. The purpose of this letter is to hopefully give you some perspective on the situation.

We are experiencing what future economists will categorize as a “Black Swan” event. Until they were discovered in Australia there were no Black Swans. Up to that time all swans were white. A Black Swan event is one that is extreme and totally unpredicted and unexpected. No one could have predicted the entire US economy would be shut down in order to fight the spread of a virus. It is a Black Swan. This Black Swan has created a Bear market in stocks. As of Tuesday’s close the Dow Jones Industrial Average stock market index was down 25.58%

Last year the Foundation had one of its best years ever with returns on our funds of over 20%. This year preliminary estimates of performance through Tuesday's close of markets:

ODF-NAMED ENDWMNTS-CUST-PERPETUAL: -17.3%

ODF-NAMED ENDWMNTS-CUST-GENERAL INV: -14.6%

ODF-NAMED ENDWMNTS-CUST-INC W GROWTH: -12.6%

It is highly likely the pain is not over. The markets are trying to price in the cost of the damage to the economy. Each day brings 5% to 10% swings in the stock market based on what has happened overnight. This volatility stands in marked contrast to typical pre-virus market movements of 1% to 2% swings.

Prior to February of this year, banks were healthy, markets were healthy, consumers had historically high savings and low debt levels. By and large these conditions still exist. There are dozens more economic indicators pointed toward national economic health and future expansion. The current crisis is not a financial crisis (yet). We will have a pause in economic activity over the next few weeks that will likely lead to a sharp decline in estimated second quarter (April 1 to June 30) gross domestic product (GDP). This is causing current stock market losses and general

Mission Statement

The mission of the foundation is to sustain an enduring financial basis for Christ’s ministry through the prudent investment of funds to ensure a legacy of Christian principles and institutions.



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volatility. Losses are not a result of financial market failures or financial institution failures like in 2008.

While we go through this problem the markets will likely be volatile and it is very likely they will go lower than they are today. This likelihood along with the fear of the unknown often results in investors deciding to sell and either never get back in the market or get back in when the market bottoms out. The problem with this is two-fold. First, it is very poor stewardship to hide in cash for long periods of time and second, no one will know, except in hindsight, when a bottom is reached.

Since 1950, whether or not a recession occurred, the average market correction has been about 25%. Within twelve months of the bottom, markets have averaged positive returns of more than 28%. Total market returns since 1950 have been above 5,000% (around 12% per year), so it is important to remain invested during these volatile times. Investors can't reap the upside rewards of living through the downside and volatility if they are sitting on the sidelines in cash.

As to investing at the bottom, investors have a better chance of being struck by lightning twice in their lifetime than they do of correctly calling a "market bottom." Since bottoms can only be called with hindsight, it makes sense to remain invested according to long-term, strategic targets determined through conversations about required rates of return, risk tolerances, time horizons, and any special or unique circumstances. While this may be a good time to review and discuss these items, market corrections are rarely good times to make changes to long-term, strategic allocations.

Please know that we will all get through this together and fear and worry about "the unknown" are more dangerous than either the virus itself or its impact on global economies.

"Therefore do not worry about tomorrow, for tomorrow will worry about itself. Each day has enough trouble of its own." Matthew 6:3.

A handwritten signature in blue ink that reads "Eric S. Gray".

Eric S. Gray, Executive Director
Oklahoma Disciples Foundation, Inc.

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