

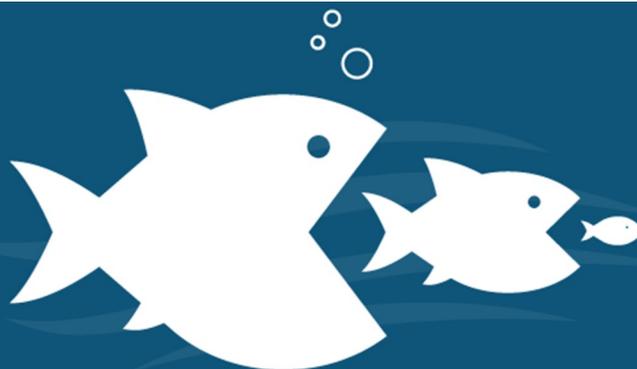


# Market Musings

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The coronavirus has had a devastating effect on many companies while offering others the opportunity to capitalize on a new social and business environment. Companies capable of weathering the COVID-19 storm will come out stronger and on top of those that failed to change.



**“The growth of large business is merely survival of the fittest”**

*J.D. Rockefeller Jr.*

## Market Commentary

Equity markets experienced May flowers as stocks continued to rally off the market collapse in March. The S&P 500 index rose 4.76% reducing the year-to-date loss to 4.97%. Small-cap stocks as measured by the Russell 2000 were up 6.51% although the index is still down 15.95% for the year. The star performer was the Nasdaq Composite that rose, bringing its year-to-date gain to 6.22%. The strong showing for the Russell 2000 may also be a result of the annual Russell US Indexes reconstitution that begins on June 6th. Equity market gains for the month of May demonstrated a broadening among all sectors indicating higher prices ahead. During May, government bonds traded sideways with interest rates near record lows while high yield bonds rallied off their lows.

## Survival of the Fittest

The term "survival of the fittest" was first used by the Victorian naturalist Herbert Spencer as a metaphor and led to the concept of natural selection, the central element of Charles Darwin's revolutionary theory of evolutionary change. First published in 1859, Darwin's *Origin of Species by Means of Natural Selection* became the most widely accepted and influential theory explaining evolution. As an example of Darwin's concept consider a habitat where there are red bugs and green bugs; if birds prefer the taste of the red bugs, soon there are many green bugs and few red bugs. The green bugs are then able to thrive and reproduce, making green bugs prominent and eventually leading to the extinction of red bugs.

Relating that to the corporate world: a brand or business that adapts well to its environment has a greater chance of survival. Conversely, businesses that fail to fit into the market will not survive. Companies that find a way of turning capabilities into money (whether they make things, sell things, deliver services or do it all themselves or in collaboration with other companies) will survive. Although many firms fail to adjust their businesses to meet changing consumer expectations, some move with the times and even adapt to disruption in their market. Take Nokia, one-time rubber boots and paper products manufacturer turned smartphones giant. Or IBM, which has embraced the electric tabulating machine, electronic typewriter, mainframe computer, personal computing revolution and the advent of the internet in its long history. Or once niche PC firm Apple, which morphed into a producer of iPhones, iPads and Apple Watches to become the biggest public company by market value in the world.

Dominant franchises and well-respected brands deliver quality products and services and create an environment of corporate success. When confronted with a difficult environment or new competition, these entities always come back with achievements that keep them on the top. During difficult times, those companies that adapt will survive and make the best long-term investment.

**45% of American workers expect to work past age 65. Thirty years ago, just 18% of American workers anticipated working past age 65**  
(source: *Employee Benefit Research Institute 2019*).