BESSEMER TRUST

MARC D. STERN
CHIEF EXECUTIVE OFFICER

Dear Clients, Shareholders and Employees,

We are living through a historic time. The coronavirus brings serious health risks, declining global economies, and dramatic market upheavals. All of us worry about the health of a family member, the viability of neighborhood businesses, and when normalcy will return.

Our paramount priority is the health and safety of our clients and employees. We know clients are counting on us, and it's a responsibility we feel deeply. Bessemer is only as good as our 1,050 talented experts, and we have enabled our professionals to serve clients from anywhere. Our investment team, led by Chief Investment Officer Holly MacDonald, is keeping a level head and taking a longer view to adjust asset weightings, generate tax savings, and upgrade portfolio holdings.

So what's coming next? Beyond direct human hardship from the coronavirus are difficult follow-on effects:

- *We all need to gird ourselves for breathtaking contractions in reported employment, corporate and personal income, and gross domestic product.* The first and second quarters of 2020 will reflect economic data unimaginable at the start of the year.
- *Small businesses will be especially hard hit.* Recent surveys suggest less than half of small firms can operate with workers in remote locations, and barely more than half expect to survive a three-month shutdown if it occurs.
- *A huge unwinding of leverage is underway.* Near-zero interest rates created speculative buildup, including easy money for unproven companies. Wall Street banks quenched investors' thirst for yield with products like Credit Suisse X-Links Monthly Pay 2xLeveraged Alerian MLP Index ETN (yes, that's a single security), which fell 95% before ceasing trading this month. Margin calls have decimated over-levered "investors" forced to sell securities with little regard to price.

At the same time, we are convinced current headlines are missing key context and perspective:

- *Far-reaching policymaker actions can support recovery.* When economies and markets seize up, only government has the clout and resources to stabilize with words and actions. Chances of success rise if it's both fiscal and monetary policy, backed by bipartisan support and coordinated across geographies. Without stimulus packages, asset repurchases, and credit backstops, a depression is highly likely; with them, a sharp recovery could resurface when the virus is controlled, businesses reopen, and consumers' latent demand resurfaces.
- *Most well-capitalized companies can survive.* Consider a hypothetical corporation originally expected to provide shareholders with cash flow of $100 this year, growing 4% annually for 20 years. A standard financial model could suggest a value of $1,450. If first-year earnings are wiped out by a global shock but future earnings persist, the current value drops to $1,300 – a meaningful fall, but not 35% or 50%.

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- *Wrenching downturns can lead to resurgent growth.* Clearing out excesses paved the way for new opportunities following bear markets in 1973-74, 1987, 2000-02, and 2008-09. While every cycle is different, time-tested principles provide a broad roadmap. We believe the current shock will be resolved, in time, with four steps: First, people come together as they develop a common understanding of the problem; second, bold actions facilitate long-term benefits; third, investors move from emotional trading to fundamental analysis; and finally, capital inflows drive growth. Eventually, another disruption restarts this process.
- *Human ingenuity and innovation are powerful forces.* Think of the innovations of the last century: personal computer, air travel, antibiotics, microwave, pacemaker, internet, rocketry and satellites, polio vaccine, mobile phone, and more. Medical advances will limit the current threat, innovative companies will develop new products and services, and human progress will continue.

We aren't forecasting an immediate rebound. Indeed, the landscape will likely worsen before it gets better, and the human toll may be enormous. But history tells us market prices won't wait for everything to be back on track before moving higher; we expect selling to diminish and buyers to move in long before anyone sounds an "all clear" message. We are managing the firm and portfolios accordingly.

When we began preparing our 2019 annual report last year, it was trade wars, climate change, and political elections on our minds. "Social distancing" and "flattening the curve" had yet to emerge. Some might question our sending this report now, especially since it isn't required for us as a private company.

But we see it differently. In good times, your wealth manager's structure, ownership, and balance sheet are rarely top of mind. In tougher periods, our attributes can make all the difference. Our 2019 annual report reflects who we are as a firm, why our service culture is distinct, and how strong our financial footing is. These foundational elements provide the wherewithal to serve you effectively, ride out tough times, and prepare for better ones.

In closing, I would like to express my gratitude. For my colleagues, who are working tirelessly to do right by clients every day. And for our clients, to whom I say a heartfelt thank you for your confidence and trust. I hope this letter finds you and your family safe and well.

Warmly,

Marc