

Good day,

Well, is it a good day? In the investment business sometimes it's difficult to tell. The selloff in markets that began late last week intensified Monday and Tuesday. Yesterday the S&P 500 plunged about 3%, with the TSX dropping 1.8%. The 10 year US Treasury yield also dropped to its lowest historical level as investors shifted out of risk on assets and into safe haven trades.

Will we see more of the same today? Or will we see a massive rebound as the market recovers from its overreaction? No one knows. And no one can know.

The relative impact to your portfolio values has been mitigated by the diversification strategies that we employ. If you've reviewed your portfolio over the past few days, you may have noted the relative degree to which market volatility impacted your values. I am pleased to share with you that that is no accident. I appreciate your confidence as we may continue to be impacted by these negative market events linked to the Coronavirus and fears about an expanding pandemic.

As always, I review as much information as I can to establish both big picture perspectives and to inform any tactical decisions on how we manage money. I found a great article produced by NEI Investments in their February 2020 Monthly Market Monitor. It's a pretty precise description of a broadly held view on the Coronavirus outbreak, and I have included it below for your review:

NEI Monthly Market Monitor February 2020

"It is too early to estimate the full economic impact, but there are reasons investors shouldn't panic. First, we are seeing much more of a global coordinated effort this time in terms of dealing with the outbreak. Second, the mortality rate so far is only about 2%, compared to 10% for SARS and over 50% for Ebola. Last and most importantly, epidemics typically don't have a prolonged market impact, as shown in the chart below."

Global epidemics v.s. MSCI World Index



Source: Bloomberg. Data as of January 31, 2020.

As the chart located above illustrates, pandemics are scary and they do have an impact, but is rarely a lasting impact. No one is going to benefit of selling their investments because of a few rough days, and I want to compliment you all as we have not received one

request to do so. It may be scary while you're in the middle of it, but history demonstrates that global disease outbreaks have very little effect on the market, certainly over a medium or long-term.

In this instance, the appropriate course of action is to stick to our plan, maintain a well diversified portfolio and focus on the long-term objective.

As I've mentioned in the past, my investment process could be considered slightly boring. It is during events like this that we are rewarded for our "boring" investment stance. It is true that fear has been injected into the investment process this week and that investors are probably more anxious than they were last week, but in fact nothing has changed with respect to our investment stance.

As always, I will reach out if there is a need to adjust anything in your portfolio, and you are welcome to reach out to me with any questions or concerns at your convenience. I look forward to our next conversation.

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