



Recent Market Sell-Off

Hi All,

I am sure that most are aware of the recent very sharp sell-off on the world's equity markets. Following on our very solid past 14 months of market and portfolio strength this will make our February Portfolio statements look less attractive. After reaching new highs just two weeks ago, Canada's TSX declined almost 10% up to the end of Friday (Feb 28). The US equity markets were down more at between 13% and 14%. The first point to make is that we have not lost this amount of monies. The equity markets are down from their high levels, and have, for now, taken away some of our un-realized gains. The equity markets are, as of Friday, still trading higher than a year ago.

The primary reason/excuse given to this current sell-off is the global spread of COVID-19. This virus is indeed tragic to many impacted, but we do need to take a step back and assess its true impact on the lives of most, and the economic impact. More specifically, it is likely that the global economy will experience a slowdown. Whether this impact is for 3 months, 6 months, or longer, we do not know. What we do know is that this virus will find its peak, and will diminish its impact. Furthermore, it is expected that the global economy will recover and make up for the economic losses experienced in this short term. Fear is the dominant emotion in many parts of the world, and currently in the investment markets. As investors, we must not allow these fears to prompt us to make un-wise investment decisions. Though all global illnesses are different, we have been here before. SARS in 2003, H1N1 in 2011, Ebola in 2014. Tragic as they may be, they do pass. With COVID-19, the treatment may be the most damaging to economy. Draconian-style quarantines, border closings, etc. may assist in battling the virus, but can put a damper on economic activity. It is likely that this will bring about a rare non-recession stall in global GDP.

Recently, I heard a medical specialist in this field advise "Don-t panic - unless you get paid to panic" We are seeing many of those who get paid to panic (i.e. the media) increasing the level of fear. Nightly news programs, special alerts. Time to turn off the TV and stop reading social media fear mongering.

There are comments about COVID-19 bringing about a recession. There are currently no economic signs to support this. If the virus continues to become more serious with its global reach, it is expected that governments and central banks will provide fiscal and monetary stimulus to deal with the slowdown. The global problem is not economic, and business will rise when the health issues are dealt with.

As investors, we have seen sharp corrections before, and we will likely see them again. We will take a deep breath. Review our financial objectives to see that the long-term goals are still being met, despite these short-term negatives. If income is important, are we still collecting the dividends and interest income despite the share price pullback (the answer is “yes”). It is also important to remember that several hundred thousand people die every year globally from influenza. Business continues. No one knows when this health scare will end, and the investment markets can focus on what is important - fundamentals, but it will end. In the near-term fear and uncertainty will continue. We will remain focused on what is important in our financial and personal goals. Our timeline is 2021 and beyond. Our timeline is not April.

Please call or email me with any questions, or concerns that you may have.

As always, remain optimistic, yet cautious.

Best regards,

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