



March 2nd, 2020 Communique Coronavirus

The Coronavirus might get worse and spread through the world like Wuhan, or it might not.

Nobody knows for sure but here are some recent data points:

- The number of new cases and rate of the spread is diminishing in China
- Factories that were closed in China are starting to reopen. Case in point, Magna has begun opening its auto parts factories
- Restaurant chains in China are starting to reopen. Case in point, Starbucks has reopened 85% of its closed restaurants
- The virus is spreading to many more countries, but the rate of infection is better contained, especially in first world countries
- The virus will continue to spread but North America and most of the world are better prepared than China was at the onset of the breakout
- The regular flu has already led to many more deaths in North America than COVID-19 has globally
- The skill and expertise of the health care industry will eventually find a cure or therapy that will substantially diminish the danger of the virus

Much has been written in the press and discussed at length through social media, both downplaying as well as sensationalizing the virus.

While it is reasonable to be concerned about the long-term economic impact of the virus, it is also reasonable to recognize that the virus may have little to no economic impact beyond 2020. At this exact moment in time, after such a sharp drop in the stock market averages over the past few days, it may be hard to see far enough to realize this might all fade in economic importance over time. If we draw on past epidemics, the adverse economic effects were minimal after short periods of time. This was true with: Ebola, Bird Flu, West Nile, SARS, and the list goes on. While we believe this will eventually be the case with Coronavirus, we cannot be 100% certain. This is why we, at Baker Financial Group, focus on owning investments in businesses with sustainable business models, strong balance sheets and long-term growing revenues, cash flows and earnings that can weather unforeseeable and uncertain events.

There have always been and will always be risks and unforecastable events in the investment markets. When we conveyed similar sentiments in early 2019, we presented you with evidence that on average over the past 40 years the markets have dropped by 14% at some point during each respective year. Despite this average yearly draw down, the overall markets have yielded excellent long-term results. It is also notable that markets can easily fall by 20% or more in a selloff, which leads to excellent investment opportunities, like in the fall of 2018.

Unfortunately, selloffs are impossible to predict, and the tops and bottoms are even more difficult to predict. That is why we stay focused on our investment process and principles. Over the long term, they help us immensely in periods of time when either greed (FOMO fear of missing out) or fear tend to prevail in the marketplace. We remain cognizant of the fact that bear markets have always created excellent buying opportunities. It is our best guess that COVID-19 will be in the rear-view mirror over the next number of months and by then something new will be capturing our attention.

As always, we advise our clients to stay focused on their long-term objectives and stay disciplined. We are principal believers in that “it is time in the market, not timing the market”. This is what will build and protect wealth over the long term.

If you are at all worried about your investment portfolios, or are uncomfortable with the volatility in the markets, please reach out to us to discuss.

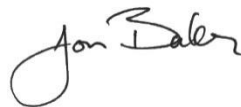
On behalf of Baker Financial group, CIBC Wood Gundy, we continue to work hard every day to be worthy of your trust.

Most sincerely,

CIBC Wood Gundy
Baker Financial Group



Bryan Baker



Jonathan Baker