
Client Note

March 16, 2020

Developments in the COVID-19 outbreak are fluid and GlobeInvest, along with the rest of the financial and health community, is unable to forecast the pace of its eventual development and outcome. We are getting the necessary policy responses from central banks and governments to provide supportive measures to help citizens and businesses navigate through this difficult period.

This is a health crisis. And admittedly, the magnitude of the decline in stock markets, accentuated by the collapse in crude oil prices, over such a condensed period of time has surprised investors, including ourselves.

The COVID-19 is not a mortal disease to the general population. However, seniors (65 years and older) and people with pre-existing conditions that have weakened immune systems are relatively more susceptible to more serious outcomes. The potential consequences may seriously test the health care infrastructure in many countries.

At this juncture, we the people, have the ability to “flatten the curve” and slow the spread in Canada. This will ultimately determine the long term impact on the economy. I encourage everyone to adhere to the recommendations that the Canadian government and World Health Organization are outlining: <https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19.html>, <https://www.who.int/health-topics/coronavirus>.

The goal to all of the announced mandates is to slow the spread of the virus. The actions to accomplish this will have a significant short term negative impact on the Canadian and global economy. But its’ success will be beneficial to growth over the longer term, supported by the policy responses announced so far.

Based on prior health crises and the experiences in China and South Korea, the infection rate of COVID-19 can be dissipated, aided by strict containment policies.

From an investment perspective, you own financial sound companies that are well-equipped to withstand the economic cycle. Short term price reaction is beyond their control and our control, and is subject to extreme investor actions exacerbated by

algorithmic trading programs and passive investing flows. The unexpected and untimely crude oil price war between Saudi Arabia and Russia has reaffirmed our stance to avoid allocation of our clients' capital to energy producers. This current health situation has the potential to permanently dampen future global air travel over the longer term and warrants close monitoring.

Our goal remains to preserve and grow your capital over the long term. Nonetheless, each of you are unique with regards to your time horizon, risk tolerance level and investment objectives. We believe those were established when you joined us. Market volatility and corrections will test your fortitude. Your income stocks should continue to pay their dividends and growth companies should endure and strengthen their relative competitive positions.

As always, please contact us if you have any concerns.