

The Market

Paul's Perspective Q1, 2020

Covid-19 Crisis

Life has changed considerably at home and around the globe. The spread of the virus in major centers in Europe and the US have gripped our attention as we prepare to battle this health crisis. We are being told over and over to wash our hands and keep our distance from others. Concerns for those who are seniors or have health issues must come first, as everyone needs to make change and isolate if at all possible. For sure, life has changed, but this will pass and we will overcome (see chart below of other viruses).



Epidemic	Month End	6-month % change of S&P	12-month % change of S&P
HIV/AIDS	June 1981	-0.3	-16.5
Pneumonic plague	September 1994	8.2	26.3
SARS	April 2003	14.59	20.76
Avian flu	June 2006	11.66	18.36
Dengue Fever	September 2006	6.36	14.29
Swine flu	April 2009	18.72	35.96
Cholera	November 2010	13.95	5.63
MERS	May 2013	10.74	17.96
Ebola	March 2014	5.34	10.44
Measles/Rubeola	December 2014	0.20	-0.73
Zika	January 2016	12.03	17.45
Measles/Rubeola	June 2019	9.82%	N/A

- Source: Dow Jones Market Data

At these times, focus changes and so many things that normally occupy my mind are fading away. What I do for a living is manage and protect clients' wealth - this has not faded from my mind - and I will attempt to write a few observations in the moment (the speed of change is intense).

How we are navigating through this...

The charts have rapidly moved from favouring stocks to flashing major warning signals. As you can imagine, the volatility and speed at which this bear market came in has been extreme. Most top hedge fund managers weren't able to see or react to the swift sell off. As you know, we have moved over 80% of our stock positions to cash since March 13th. In addition, we have sold the options strategy in portfolios as it was exhibiting higher levels of risk than we budgeted for. With this said, our clients have approximately 10% exposure to stocks in our balanced portfolios and 12% in growth portfolios. We will continue to analyze our current holdings to make sure they are appropriate through this extremely difficult trading period. We will also be

watching the charts for signals that it is safe to reinvest in stocks again. Like most bear markets, recoveries can be significant and fast. Our process is not designed to time the bottom of the markets but to react when there is sufficient data to determine the likelihood that a sustained recovery is underway.

Invested like a pension...

As we reported out to you earlier, we have continued to increase holdings in private investments through the Forsyth Private Real Estate Fund and the Rockridge Private Debt Fund. This has effectively reduced your exposure to the public markets by 30% in the past year. Private Debt and Private Real Estate make up a significant portion of many pension funds and provide stability to ensure they can meet their pension obligations. This move is a large reason why the portfolios have only declined by about 1/3 of the major stock market indexes this year.

Having private investments helps you earn a reasonable return but does not expose you to the whipsaw nature of the stock and bond market. More stability in your portfolio without reducing your expected return is what we have accomplished since moving to Harbourfront. Individual investors do not have access to these types of investments due to restrictive regulations and an industry focus on working with large pools of capital which mainly excludes individuals.

Through product innovation at Harbourfront Wealth, we have been able to access these unique investments for our individual clients. In addition, we are Portfolio Managers and have discretion over the accounts, allowing us to qualify on your behalf to meet the accredited investor rule. As always, we will continue to explore other investment options to protect and grow your wealth through these ever-challenging times.

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