Vancity Investment Management

# A MESSAGE TO OUR CLIENTS

Watching the news coming from health authorities, stock exchanges, and governments likely has you worried. A lot of other investors are worried, too, and they are rushing to cut their losses by selling off their stocks at losing prices.

At VCIM, we don't believe you should be one of these investors. Here's why.

We have an economy that's built on people interacting with each other and spending money. Steps like staying home and reducing contact with other people are bound to slow the economy down, and that will affect the short-term bottom line of most businesses. That typically sends stock-prices down, and when this happens with many companies at the same time, investors can get emotional and make knee-jerk decisions about their portfolio.

The Coronavirus pandemic is dramatic and its effect on the economy is quite unique. The market declines we're seeing as a result are similarly dramatic. But such market corrections are not something new. In fact, following years of strong growth stock markets commonly drop, often drastically, only to bounce back. We've seen it happen at multiple times before.

Experience shows that these market corrections are not the time for emotional decisions. In fact, market corrections are often great buying opportunities over the long term.

Of course, some companies are more vulnerable than others to the impacts of this pandemic. However, VCIM always invests in companies with strong health and safety practices, governance and employee relations. Our investment decisions consider whether a company prioritizes the health and safety of employees, how it manages risks related to customers, supply chain workers and community members, and how well positioned it is to handle supply chain constraints on health and sanitation products. We believe this makes companies that pass our investment tests well positioned to weather the COVID-19 situation in the long-term.

Moreover, we view the current market volatility as an opportunity to focus our analysis on stocks in businesses that pass our investment tests but were previously too expensive. Historically, market bottoms when a lot of investors are selling provide an opportunity to take advantage of strong bounces that can drastically affect portfolio returns over time.

Nonetheless, it is important that your portfolio is well diversified. While stock markets are facing volatility, bond markets have been benefiting from lower interest rates, central bank support, and investor flight to safety. Bonds have therefore been helping to stabilize our well diversified portfolios.

However dramatic recent volatility has been, we remain firm in our conviction that what's best for the long-term health of our clients' portfolios is a measured approach that makes selling and buying decisions based on strong analysis.