



Benchmark Investment Consulting

Portfolio Strategy Update at March 24, 2020

Dear clients,

For your information, we initiated yesterday a sell-down of portfolios' exposure in the equity markets to an overall underweight position and this across all accounts.

The rationale is based on the following:

1. Markets reacted quite positively during Q4/2019 to an upward revision of the 2020 Global Economic outlook, with an overwhelming of investment houses sharing the same view of a higher growth rate than in 2019, thereby putting off once again any sign of a recession. As the attached collection of base case summaries show, the overwhelming majority of the major investment houses all shared the same positive view at the start of 2020. Presumably this then positioned investors with the same pro-equity bet at least this is what an unexpected 8% jump (Oct. 1 to yesterday) in the global equity markets might suggest. Polarized views are always a very good reason to be more cautious or sometimes in the worst of time, optimistic. In fact it is the first time since early 2009 (markets were at their most negative at that time) that we have observed investor sentiment to have the same polarized view and hence why we did not hesitate to sell down, just as the Coronavirus issue might well be the catalyst to change this sentiment.
2. In fact, China's Coronavirus will clearly render the 2020 global economic growth outlook no longer attainable and therefore downward revisions are now inevitable.
3. The extent of the Coronavirus spread in China also remains unknown and that uncertainty will also exacerbate concerns.

In general term, we sold 10% of portfolios' value in equities, with three quarter of the proceeds going into the Great West Life Real Estate Fund and the remainder in the Fiera Canadian Equity Fund, where the manager has his portfolio well aligned with a down market.

How long a down market will last is difficult to predict but best to be cautious at this juncture. The 2% drop in US stocks today reflects this nervousness has arrived and we are at the beginning of revisions.

All the best,

Marc

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