



## DEFENSE IS THE BEST OFFENSE

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Since February 21<sup>st</sup>, investors have been gripped by the fear of the Coronavirus spreading globally and causing the next recession. Unfortunately, given the digital age we live in, fear, bad news and fake news all spread faster than good news. As of Friday February 28<sup>th</sup>, global stock markets are now in official correction (down 10% or more from their peak) territory. Over the last 40 years, intra-year market corrections for the U.S. market (S&P 500 Index) have averaged 13.8%, close to the decline of 12.7% since its February 19<sup>th</sup> peak. Despite these intra-year corrections, the U.S. market has been positive for 30 of the last 40 years (75% of the time) on a calendar basis.

As we mentioned at our Outlook 2020 event on January 29<sup>th</sup>, our Matco funds remain defensively positioned and focused on high yielding dividend paying companies, with low exposure to the more economic cyclical sectors such as energy, basic materials, autos and industrials. Our systematic M-Factor investment process moved our equity portfolios to a defensive position in December. Our defensive positioning has paid off over the last week since the majority of our equity funds have outperformed their benchmarks during this market correction. During market routs, high valuation and low-quality companies typically get sold off the hardest as investors move to cash or defensive companies. On the eventual market rally, investors then commonly buy high quality companies which outperform low quality companies.

Although the market may continue to decline, we can look at past market shocks as a guide. As experienced money managers, we have seen this movie before; the one where fear grips the market, resulting in steep parabolic declines. Over the decades we have lived through these sharp market selloffs numerous times.

### Major Market Shocks

1. 1990 - the first Gulf War
2. 1998 - Asian currency crisis, Russian debt default, the collapse of hedge fund Long Term Capital Management
3. 2001 - the 9/11 terrorist attacks, bankruptcy of WorldCom and Enron
4. 2002 - the start of Gulf War II
5. 2008 - Global Financial Debt Crisis
6. 2010 - European Debt Crisis
7. 2012 - risk of U.S. debt downgrade
8. 2016 - Greece Referendum Vote
9. Fall 2018 - U.S. Recession Fears

As we mentioned in our commentary last Monday, we expect global central banks to support the economy by proactively cutting interest rates and further quantitative easing (pumping money into the financial system). As a result, we believe investors should maintain their long-term asset mix and look to upgrade to high quality dividend paying companies where needed. We believe that our Matco funds are well positioned to take advantage of the eventual market recovery given their focus on high quality dividend paying companies.



## Business Continuity Plan

Matco has a business continuity plan in place that outlines how we respond to events that significantly disrupt our business. This plan is set up to ensure that Matco could continue to operate, that clients would have access to their account information and be able to contact their portfolio manager to address any concerns.

If you would like further information about Matco's Business Continuity Plan, please call our office at 403-539-5740.

**ANIL TAHILIANI, MBA, CFA**

Vice President, Portfolio Manager

[atahilian@matcofinancial.ca](mailto:atahilian@matcofinancial.ca)

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## **MATCO FINANCIAL INC.**

Founded in 2006 to manage and service seven family offices, today Matco offers the benefits of our extensive investment management experience to individual investors, foundations, endowments, condominium corporations, trusts, corporations and not-for-profit organizations.

Our mission is to simplify the investment world for our clients by understanding their needs and providing exceptional investment solutions that preserve and grow capital.

For more information please visit [www.matcofinancialinc.com](http://www.matcofinancialinc.com)

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**Our mailing address is:**

400, 407 - 8th Avenue SW  
Calgary, AB T2P 1E5  
Phone: 403.539.5740  
Fax: 403.539.5744

[www.matcofinancialinc.com](http://www.matcofinancialinc.com)