MATCO FINANCIAL

Q1 2020

QUARTERLY MACRO OVERVIEW

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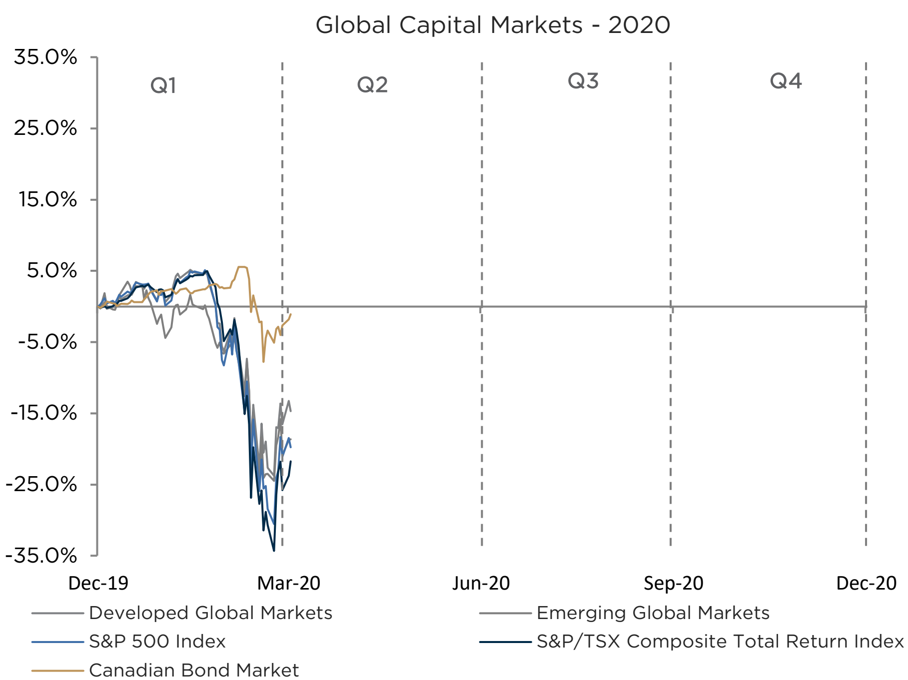
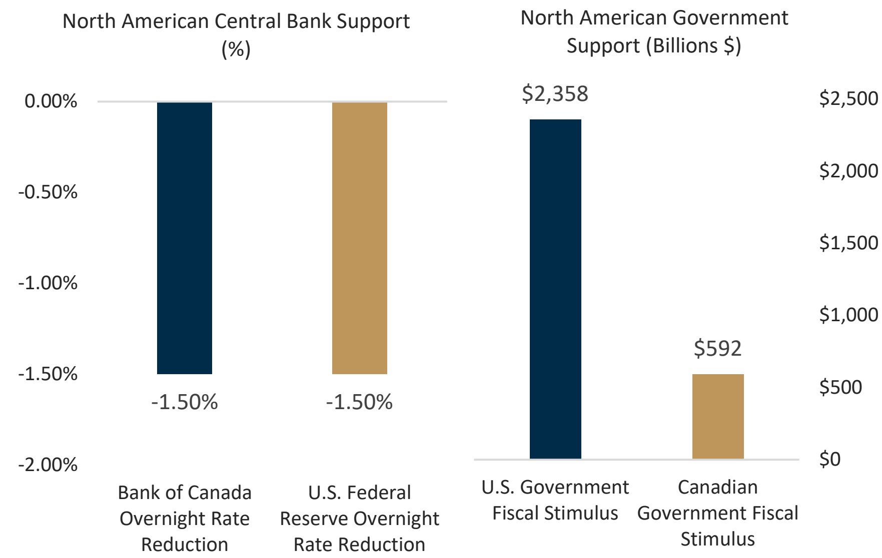
Over the last year and half, there has been a great deal of debate surrounding the current economic expansion and whether it can sustain itself for a longer period. What is unanimous is that recent global developments represent a material threat to the economy going forward. Two events have drastically re-shaped the economic outlook, both of which occurred in the first quarter of 2020. In its early stages, the COVID-19 virus was widely viewed as a minor medical and sociological threat. However, it has since been declared a pandemic by the World Health Organization and is significantly altering consumer behavior. Societal activity involving the congregation of individuals is being impacted and, in many cases, postponed indefinitely. Health authorities are working to contain the virus. The collateral economic damage will be directly related to the length of time before the virus is contained and the world can return to a state of business as usual. Further exacerbating market volatility has been the significant drop in oil prices. This was caused by the initiation of a price war between Saudi Arabia and Russia, which pushed down the price of oil by approximately 25%. These developments are likely to lead to an economic recession, which has caused investment markets to re-price risk assets while pushing global stock markets down approximately 30% year to date.



Source: Bloomberg



Source: Bloomberg, Investopedia, Government of Canada

Although these two issues are causing material economic revisions, governments and global central banks have responded swiftly to curb the negative shocks. The Bank of Canada and the Federal Reserve have responded by reducing their overnight interest rates and utilizing alternative measures to inject further liquidity into the financial system. Other central banks have taken similar action, while governments around the world respond with aggressive fiscal stimulus packages to minimize the economic damage caused by the global pandemic. While the economy typically evolves gradually over time, we find ourselves in an uncharacteristic environment. This begs the question of whereto from here, and the reality that no one really knows. What we do know is that global economic growth will slow in the interim, the resilience of businesses around the world will be tested and economic stimulus to offset these impacts will be plentiful. Whether these measures will be enough to keep the economy on track is unknown. What we do know is that predicting how the COVID-19 developments will play out and whether capital markets will shrug them off is not an exercise we're interested in. The assignment we remain focused on is executing our investment process and building resilient portfolios. This involves analyzing fundamental data and investing in companies that can carry on their business through both calm days and rougher waters. It might not sound like an exciting task, but it's one we're passionate about.

Here's a few things we've done over the last twelve months:

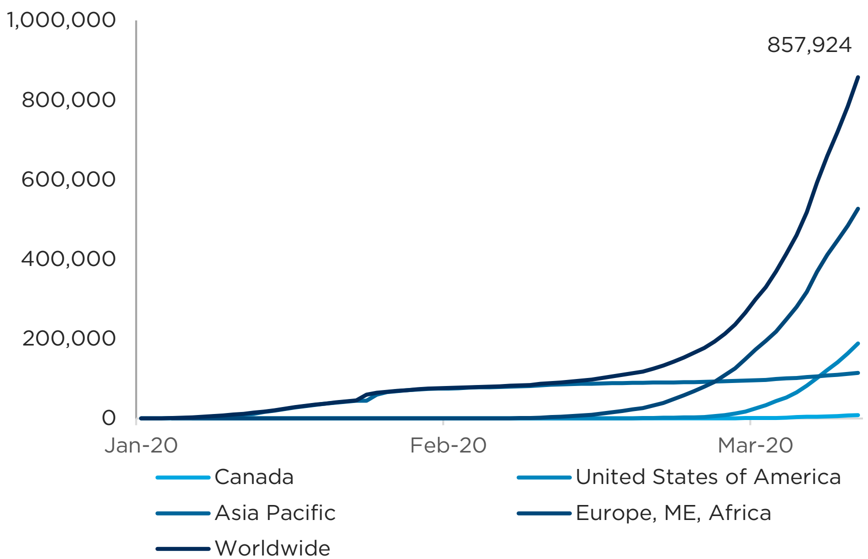
• In multi-asset class portfolios, we shifted our asset allocation more conservative to provide greater portfolio protection

• In our equity portfolios, we have focused on investing in companies that are less expensive than the broader market and consistently provide income, as they tend to navigate volatility more smoothly

• In our bond portfolio, we reduced our allocation to corporate bonds, as bonds with greater credit exposure are more susceptible to underperformance in a slowing economic environment

No one can say for sure how long it will take to contain the spread of the COVID-19 virus, how long it will take for the economy to fully absorb the negative impacts, and when exactly the stock market will bottom. What we do know is that there are some great businesses that investors are now able to invest in at much more attractive prices. We would encourage individuals to begin shifting their thinking away from all the negative what-if scenarios, and to begin seeing the opportunity that lies before them.

COVID-19: Confirmed Cases By Region



Source: Bloomberg

In order to do so, we've laid out a nautical map to help navigate the waters ahead:

Phase 1: Clouds roll in
- Reported number of COVID-19 cases will continue to rise
- A recession will officially be declared
- Fiscal and monetary stimulus has been deployed
- Investment market volatility will remain elevated

Phase 2: Fog begins to lifts
- COVID-19 risks have peaked
- Global economic data continues to be weak
- Investment market volatility begins to dissipate

Phase 3: Waters calm
- COVID-19 risks have peaked
- Economic data begins levelling off
- Countries begin reducing their social constraints
- Consumers begin to re-engage
- Labor market begins to recover, albeit very gradually
- Investment markets begin discounting a sustainable recovery

Phase 4: Economic tail wilds re-engage the sail
- COVID-19 risks begin to abate
- Global fiscal and monetary stimulus flows through to consumers and corporations, dampening the negative impact on GDP growth
- Investment markets regain stability; a new investment cycle begins leaving investors with a long runway for strong investment returns

History has taught us that the economy is resilient. Trying to determine the time frames associated with the above nautical map would be a trivial exercise. However, recognizing the that economy will work through its current challenges allows us to remain focused on executing our investment process with discipline. We would like to highlight that the world of investing can tug on one's emotional strings. We encourage investors to lean on our expertise and experience to help mitigate the emotional aspect so you can remain consistently focused on your long-term financial objectives. Continue to save, stay invested, contribute to your investment accounts regularly and if possible, to a greater extent now. We are here to keep your ship sailing smoothly, even if it means protecting the mast when storm winds gust a little stronger than usual.