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Cambrian
Chartered Financial Planners

<u>Cambrian's Actions following the COVID 19 Pandemic</u>

Is Cambrian continuing to function in the current climate?

- Yes, although most staff will be working from home with remote access to emails, content management systems and client files. Direct phone numbers will be redirected to the appropriate individual's mobile.
- The Office will be manned 9-5, Monday to Friday with skeleton staff working on a rota.
- Reception will be functioning to deal with calls & visitors
- Advisers' phones will be forwarded to their mobiles so they will always be available.
- If you have an appointment booked, you will be asked whether you want to proceed face to face of whether telephone/Skype/Facetime chats would be preferable.
- Income instructions, withdrawals and regular contributions will continue to be implemented in the timely manner as previously instructed and experienced.
- We'll continue to implement your instructions, using Royal Mail or a collection service where necessary

Should I be concerned in relation financial markets?

- Concern is inevitable, but it should not lead to panic.
- What goes down will inevitably go up again. Within Cambrian all advisors have experience of significant corrections, some have experience of nearly half a century covering many significant corrections: The Miners' Strike 1973; 1970s Hyperinflation; Black Monday 1987; Leaving the ERM 1992; the crash after the dot com boom 2000/03; the Banking Crisis 2008. They all saw a downturn followed by a recovery. Indeed, the time will come where an investment opportunity will arise for those with cash and foresight.
- Whilst precipitous falls are shocking and unpleasant, they are not the norm. Since the Oil crisis of the 1970s, there have been 4 significant Bull markets (defined as a gain of greater than 20%) of note and 3 Bear Markets of note (defined as a loss of 20%). The breakdown is as follows;

Market Type	Duration (Years)	Date	Triggering Event	Gain/Loss
Bull Market	10.9	1976 - 1987		1675%
Bear Market	0.1	1987	Black Monday	-34%
Bull Market	12.8	1987 - 2000		571%
Bear Market	2.4	2000 - 2003	Tech Bubble	-43%
Bull Market	4.8	2003 - 2007		135%
Bear Market	1.3	2007 - 2009	Financial Crisis	-41%
Bull Market	9.8	2009 - 2020		183%

(All figures based on FTSE ALL Share (GBP Total Return)).

How Does Active Management Benefit me and my portfolio?

- Asset allocation and diversification will mean that within any unit of risk, a portfolio is not simply dependent on 1 geographical sector, 1 asset type or any single management style. Diversification endeavours to mitigate risk, and individual fund managers have the flexibility to manage underlying assets and take lower risk positions as deemed appropriate.
- Clearly short term losses are being experienced, however, risk profile dependent, with Indices showing losses of 30 – 35%, portfolios have reduced losses of 10 – 20% over the calendar year, but significantly less, single digit over a discrete 12 months, and no loss over a longer period.

Should I switch into cash or take any other action?

Switching to cash may be tempting but there are good reasons why one should not:

1. You'll turn a paper loss into a cash loss.
2. When do you reinvest? Markets will swing back, although no one can reliably say when that would be. The worst financial mistake that can be made is to be exposed to a falling market on the downside and miss some or all of the recovery when this happens.
3. With the Bank Base Rate at 0.25%, a Cash Fund would *guarantee* that your cash would lose value when tracked against inflation.
4. Actions that can be considered, particularly in relation to income, whether in the form of pension income via drawdown or investment income, are to reduce income. This avoids unit encashment where units are at a lower value than previously held. This is not essential but will benefit the fund in the long term and through the subsequent recovery.

What is happening, why is it happening and when will markets stop falling?

- Financial markets have separately and simultaneously had to contend with an oil price war that has contributed in no small way to a highly unstable and uncertain backdrop. It is quite clear that we are now moving into a new phase of uncertainty.
- In additional to Oil, an outbreak of Covid 19 has led to countries closing borders, ordering curfews and isolation and this is hurting production, supply and demand.
- Significant steps are being taken by central banks to oil the wheels and improve liquidity within the banking and wider financial system. Over the weekend the US Federal Reserve made an unexpected cut of 1% in its headline interest rate and followed this up by reintroducing quantitative easing to the tune of $700bn. Other central banks, including the Bank of England, are also unleashing significant liquidity programmes to provide support to businesses being impeded by the escalating coronavirus situation.
- The sharpest of the declines are being seen within those sectors considered to be most obviously impacted by European travel restrictions and social distancing, whilst supermarket chains and economically less-sensitive sectors are faring much better.
- We can expect further unprecedented measures to be announced by central banks and governments in the coming days and weeks aimed at preventing the likely recession from turning into a full-blown financial crisis and economic depression.

- Markets will turn when all or combination of the following are achieved;
  - The spread of the Virus is seen to be contained, whether through social distancing, a vaccine or a lag in viability.
  - Manufacturing and services PMI data for March is released showing the impact on economic activity
  - The impact of Central Banks' actions is felt throughout the economy.