

### A NOTE FROM VITO MAIDA PORTFOLIO MANAGER OF THE VPI INCOME & FOREIGN EQUITY POOLS

## RECENT MARKET VOLATILITY...OPPORTUNITY TO BUY

Global financial markets have experienced extreme volatility due to the outbreak of the Coronavirus. The coronavirus has now infected more than 100,000 people and caused 3,400 deaths. As a result, there is widespread concern and uncertainty about the spread of the virus and its economic impact. In the short term economic activity will be impacted as travel is halted, supply chains are disrupted and consumer demand is curtailed.

Businesses that are sensitive to economic activity have seen substantial volatility. In particular the share prices of businesses in the energy sector have dropped dramatically as investors fear that the demand for oil will drop due to the impact that steps to contain the virus will have. In addition, OPEC members are having trouble coming to an agreement on production cuts to offset the impact of the coronavirus.

While we can't be certain how long and the immediate impact that the coronavirus will have, history suggests that the long term economic and financial impact of such exogenous events is not as severe as initially feared and that markets rebound relatively quickly. The 1987 stock market crash, the Russian debt crisis, the dot.com bubble, the World Trade Centre attacks, 2008 financial debt crisis and all come to mind. In addition commodity price shocks have proved to be temporary.

The businesses that we own all have long operating histories and are led by experienced and capable management teams. They have navigated and survived through past external shocks and we are confident that they will do so in the current environment.

Share price volatility is not the same as economic risk. We believe that true risk is determined by the quality of the business and the price at which the business was purchased at. We are very comfortable with the businesses that we own. They were purchased at very attractive valuations on both an absolute basis and relative to the markets. Just as importantly, all have very attractive fundamental characteristics. The portfolios have a collection of businesses that have and are:

- Industry leaders with very long operating histories
- Very strong competitive advantages
- Low cost operators
- Sound balance sheets
- Improving business fundamentals
- Strong and sustainable cash flows that support stable and growing dividends

The market volatility does not change these attractive characteristics but it does give us the opportunity to purchase additional shares in the businesses that we own and purchase new companies at attractive prices providing very high and sustainable yields. During this recent market decline we have invested more than \$53 million dollars.

Vito Maida  
Portfolio Manager, VPI Income & Foreign Equity Pools

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