We are very well aware that you are going through a very difficult and unpredictable time right now as news of Coronavirus spread has intensified in the past week. It appears negative sentiment has set in and is here to stay for some time. When such events unfold for some people to remain calm and level headed is difficult, especially on the back of news of global stock markets falling and big industry funds' balances declining. You will remember we have experienced these events in the past, as markets can fluctuate wildly, with the most recent sharp fall happening during December 2018, where markets declined quite a bit. It was equally unnerving during that time too. We comforted you in that difficult time and helped you stay the course with the investment strategy we had in place. Since then markets have recovered considerably. Now is no different to then.

As a result of the Coronavirus taking hold coupled with other market events over the past weeks, I have been keeping up with the developing situation with various fund managers and research houses to help us understand this rapidly developing situation and the potential ramifications to help us determine an appropriate course of action. As you can imagine we ignore headlines and tabloids and rely on credible information from a variety of respected research and information content providers we trust. As the coronavirus outbreak is not being successfully controlled right now markets have been declining, and as the situation gets under control things will begin to improve. Our firm beliefs are underpinned by history that investment sentiment eventually turns around, of course no one can predict when and how. We summarise our position based on available information:

Retirement portfolios

During times of rapid declines our primary concern is retirement portfolios as these get affected the most by declining markets with no incoming cash to prop up portfolios. We plan for market moves and are comfortable though that most of our retirement portfolios contain sufficient levels of cash that are able to fund up to 2 years of pension payments without having to sell out of growth investments. This strategy provides a buffer to help the growth portion of the portfolio to recover and reduces the probability of us having to sell growth investments at low levels to fund pension payments.

Accumulation portfolios

Whilst your balance may be reduced, you benefit because you are still making payments (contributions) into your super fund and effectively buying additional units at much lower prices. In many cases we expect your balances to rebound and assets bought at lower prices to appreciate in future years. For you to cash in these growth assets at this point as the market is exhibiting this drop in prices would not make sense given that you do not need access to the capital right now. That is unless this volatility is causing you significant anxiety, in which case we may need to rethink the entire strategy as these events are all part of the market cycle.

Our view and position

It appears now the coronavirus is expected to impact global economic growth which might lead to a global recession or a recession in some countries therefore the probability is that it may get worse before it gets better. Having said that, there is no way of knowing with certainty how much lower the market may fall, if indeed it will fall further and how long it will take to rebound. If you cash in your portfolio now, it will be difficult to time the market recovery and you may not recover losses. Everyone is equally impacted from the smallest of portfolios to the largest industry super funds.

In my final thoughts, to help you put things in perspective, I attach a few very good articles from Vanguard investment house on how markets move and how quickly recoveries can follow. Please call me if you want to discuss this or have questions or concerns. We will continue to update you on the situation.

It is at a time like this that I can offer my greatest value to you as your adviser. I am here to help you understand all of this, put this into perspective, provide you with more information, answer your questions, address your concerns and ensure you stay the course to meet you long term, life long goals and objectives.

Vanguard

Beat the short-term market jitters

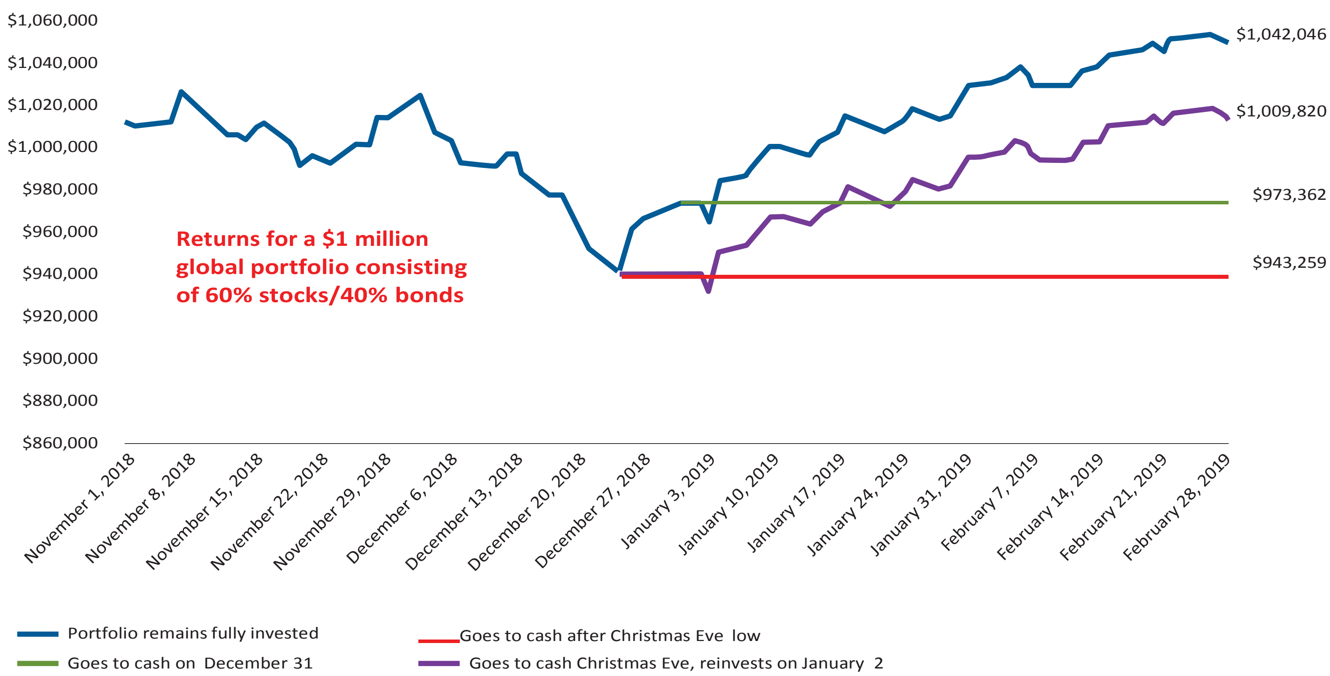
When the financial markets are in turmoil and account balances start to fall, there is a strong temptation to ask your financial advisor to “do something” to stem any perceived losses. Yet it is often the case that staying the course—or doing nothing—proves to be the better path.

Here is one recent example: A hypothetical 60% stock/40% bond portfolio that stood at $1 million on the morning of November 1, 2018, would have lost 5.7% of its value by Christmas Eve. Yet selling the portfolio at that time and fleeing the markets, even if briefly, would have cost an investor tens of thousands of dollars in two months, versus the alternative of staying invested.

When faced with a similar situation, consider how you might feel if markets rebounded and you could have recouped all your money, and more. That’s why it’s best to stick to the long-term plan you and your advisor have built. Any changes should be made because of changes in your life, not changes in the markets. If you have questions about making portfolio moves, remember to talk to your financial advisor before acting.

Staying the course can pay off; abandoning course can be costly

The global stock market drop in late 2018 offered a lesson in investor behavior



Sources: Vanguard calculations, based on data from FactSet, as of February 28, 2019.

Notes: U.S. stocks represented by CRSP US Total Market Index. U.S. bonds represented by Bloomberg Barclays U.S. Aggregate Float Adjusted Index. Global stocks represented by FTSE Global All Cap ex US Index. Global bonds represented by Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index. The performance of an index is not an exact representation of any particular investment, as you cannot directly invest in an index.

Understanding market downturns

For prepared investors, market downturns can represent great opportunity

Nearly everywhere you turn, from friends and colleagues to cable news shows, you can find someone with a strong opinion about the financial markets. People will often use specific terms such as correction or bear market to render judgments about the direction of markets, especially when market performance is choppy or trending down.

Is it worth getting concerned when markets stop or even reverse their upward advance?

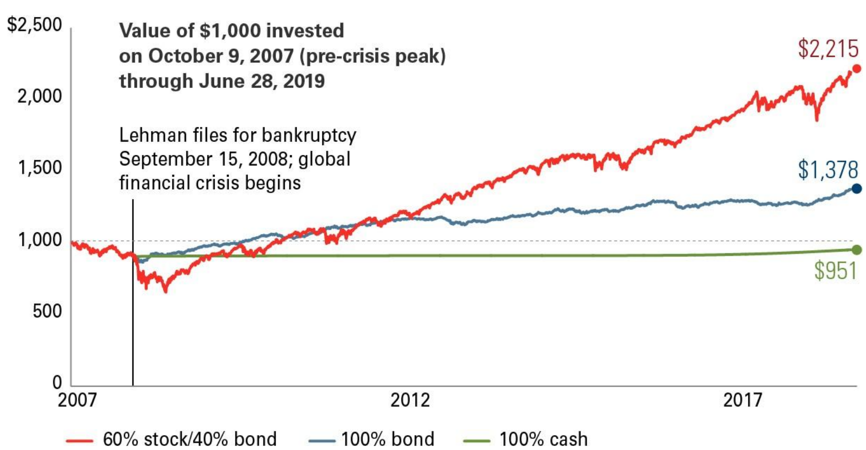
To answer that, it's important to realize that downturns are not rare events: Typical investors, in all markets, endure many of them during their lifetimes.

Even knowing this, it can be unsettling to witness the decline of your portfolio during one of these events. After all, that account balance is more than a number—it represents very important personal goals, such as the ability to retire comfortably or to provide a quality education for family members. When market conditions place those goals in jeopardy, you may feel compelled to do something, such as sell most or all of your investments. You may assume that converting to cash will give you a better long-term result than staying invested.

But such action would shut you out of the strong recoveries that have historically followed market downturns. The answer is to come up with a game plan before the next market pullback, so you're well-positioned to try to take advantage of the opportunities that follow. What's more, you'll probably know what to expect as markets cycle through their phases, so you can tune out messages that don't help your strategy.

It's worth noting that not all financial declines are the same in length or severity—for example, historically speaking, the global financial crisis and Great Recession of 2008– 2009 was an extreme anomaly. As challenging as that event was, it was followed by the longest stock market recovery in U.S. history.[1]

Riding out a rough period



Sources: Vanguard calculations, using data from FactSet. All data as of June 28, 2019.

Notes: This is a hypothetical illustration. Balanced portfolio is represented by 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index; bonds are represented by Bloomberg Barclays U.S. Aggregate Bond Index; and cash is represented by Bloomberg Barclays U.S. 3-Month Treasury Bellwether Index.
Past performance is no guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

1 Lu Wang, "The Bull Market Almost No One Saw Coming," Bloomberg Businessweek, December 15, 2019, https://www.bloomberg.com/news/articles/2019-12-15/the-bull-market-almost-no-one-saw-coming, accessed on December 19, 2019.

Since 1980 there have been:

12 Corrections
Declines of 10% or more

8 Bear markets
Declines of 20% or more, at least two months long

5 Recessions
Declines in economic conditions for two or more successive quarters (refers to declines in the broad economy rather than the financial markets, though the two can be linked).

Source: Vanguard.

Best defense: Making a plan and sticking to it

We can develop a plan now that prepares you and your portfolio for financial system shocks, whenever they happen to occur. That means focusing on the factors of your investing strategy we can control (including things such as asset allocation and costs) and not worrying about those things out of our control, such as downturns in the markets and economy.

In the meantime, remember that bearish market conditions—while inevitable— don't last forever. As a savvy investor, you can ignore short-term pullbacks of the market (and any commentary that might cause you to veer off course) and remain committed to achieving your long-term vision.

Downturns come and go. The results of a well-designed and faithfully followed plan, on the other hand, can serve you the rest of your life.

Incomingupwiththebestplanforyou,itishelpfulforyouto think about thefollowing:

- How do you feel about risk? Are you OK with a greater amount of up-and-down movement in your portfolio if it means potentially higher returns? Or, alternatively, would you rather have more stability in your portfolio even if it means forgoing higher returns?
- Where are you along your investing journey? Depending on how close you are to retirement or other financial goals, we can adjust your portfolio's risk profile to a level appropriate for your personal risk-comfort level and investing objectives.

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