

# Mackenzie Call Series

## Calming perspectives in uncertain markets

### Economic updates and Global Market perspectives

On March 17, Mackenzie held a conference call featuring economic and market updates from **Todd Mattina** (Senior Vice President, Chief Economist, Co-Lead of the Mackenzie Multi-Asset Strategies Team) and **Darren McKiernan** (Senior Vice President, Portfolio Manager, Head of the Mackenzie Global Equity & Income Team).

#### Conference call highlights

##### Macro perspective

- COVID-19 continues to have a significant impact on markets. We have seen more signs of stress and extreme volatility in key markets. The VIX index reached a record high on March 16, which reflects deteriorating investor sentiment.
- Virus containment efforts (e.g., quarantines, business slowdowns/closures, border closings) will likely come at a high economic cost. Proactive fiscal and monetary policies by governments are critical to support the economy, backstop liquidity and mitigate credit risks for individuals and businesses. We've been seeing such actions taking place worldwide.
- Following COVID-19's peak in China, weak economic data was released for January-February. Industrial production, retail sales and business investment have declined sharply, while the unemployment rate has spiked higher. All of these data points indicate a large economic contraction in China in the first quarter and may portend what will happen in other countries. Of note, the stock markets in China rebounded after its initial sell-off in January as measures to contain the outbreak appeared to cap its spread.
- As a result of efforts to "flatten the curve" and curb the progression of COVID-19 over time, we're more likely to see a longer U-shaped economic recovery instead of a sharper V-shaped recovery.
- Consider rebalancing multi-asset portfolios on a regular basis during this volatile period (e.g., bringing overweight or underweight equity positions closer to neutral). The sharp decline in yields as the result of a flight to quality/safety may lead to duration risk in multi-asset portfolios, so rebalancing is important to bring both equity and bond exposures back to their long-term targets. It may also be prudent to maintain reasonable liquidity in the portfolio in order to execute on asset mix changes.

##### Update on Mackenzie's dividend funds

- In this time of great uncertainty, the portfolio management team continues with their fiduciary responsibilities by working diligently to quantify the impact that COVID-19 may have on the companies they hold. As the team continues to assess this near-term impact, it is also ensuring that their long-term investment cases remain intact.
- The team is focused on attractive valuations, strong balance sheets and healthy cash flow generation. They have been upgrading the portfolio with compelling, high-quality companies that are dividend payers whose prices are well below the team's estimate of intrinsic value over the medium to long term. With regards to their "Dream Team" companies, the team is either buying superior names with similar discounts or buying names of similar quality with deeper discounts.
- Over the past three weeks, the team has turned over roughly 23% of the portfolio, consolidating the portfolio while also upgrading the quality of their holdings. They remain almost fully invested – even as the market situation continues to be highly fluid – as the team stays true to their investment discipline.
- Despite the negative impact of COVID-19, the team believes that long-term fundamentals of strong companies are still intact. In general, valuations have been overly discounted, so rather than panic-selling or staying on the sidelines, this is actually a time to take advantage of more attractive stock prices for outstanding businesses, given that the market rebound – whenever it may occur – will likely be dramatic.

**Check out the conference call**

Listen to our archived conference call on our website [here](#), or dial-in to our instant replay number below to learn more about what's going on in the global economy and markets.

Toll-free: 1-800-408-3053

Passcode: 9767798

Please note that the dial-in number will only be available for 30 days after the event and will expire on April 17, 2020.

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