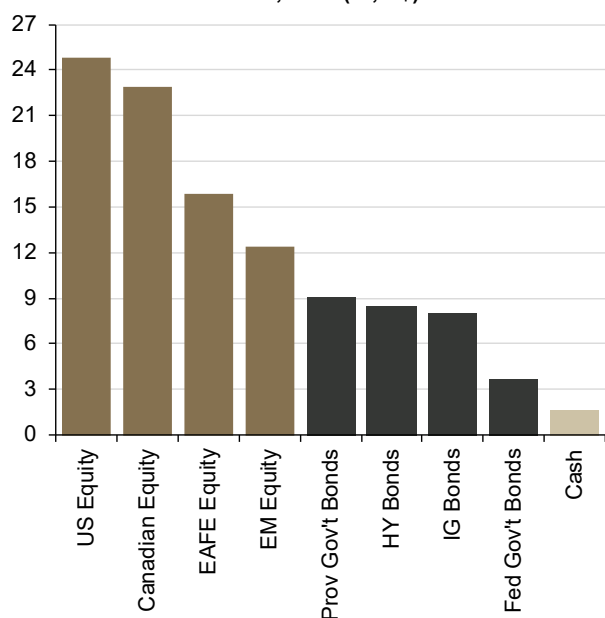


March 2020

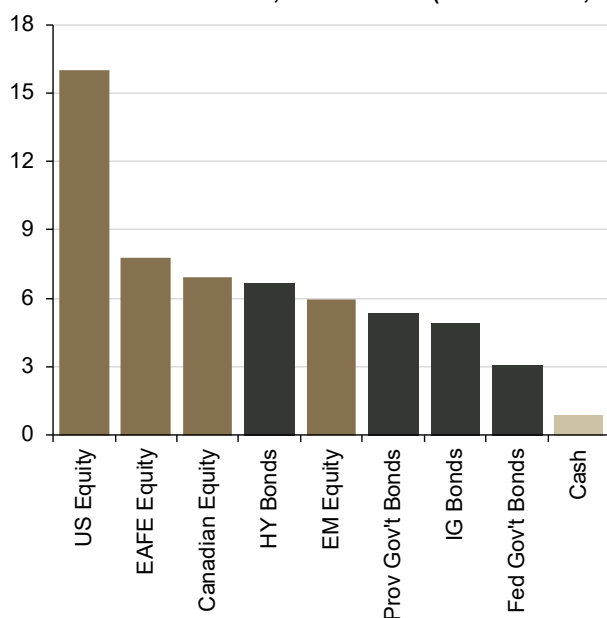
Stay calm and...diversify

After a year like 2019, in which all asset classes generated positive performance, investors can easily overlook the benefits of holding a well-diversified portfolio. Indeed, if all assets seemingly rise together, you could forgive investors for thinking it makes sense to own only those assets that generate the best performance. In this case, that would mean equities given that they recorded strong gains in every geographic region and industry sector in 2019 — the performance over the last decade would support this approach as well.

Asset Class Total Return, 2019 (% , C\$)



Asset Class Total Return, Last 10 Years (annualized % , C\$)



Source: Guardian Capital; Canadian Equity=S&P/TSX; US Equity=S&P 500; EAFE Equity=MSCI EAFE; EM Equity=MSCI Emerging Markets; Gov't Bonds=ICE BAML Canada Government; HY bonds=FTSE Canada High Yield Overall; IG bonds=FTSE Canada All Corporate; Prov Gov't bonds=FTSE Canada Provincial Bond; Fed Gov't bond=FTSE Canada Federal Bond; Cash=FTSE Canada 91 Day T-Bill

Moreover, the parting of the main clouds that darkened the outlook in recent years (namely, the ebbing of the US/China trade war and increased clarity on Brexit) at the close of last year provided plenty of cause for optimism that would further support this move toward a more risk-skewed and less-diverse portfolio to start the new decade.

The first few months of 2020, however, have clearly reinforced the benefit of spreading the wealth.

Major risks on the radar at the outset of the year have not intensified. The tensions between the US and Iran have come off the boil; trade tensions have not re-escalated; the uncertainty over the US election has yet to materially shift, as Trump's competitor is still to be determined—as such, markets are once again showing the need to be prepared for the unexpected. After all, how many analysts were factoring in the negative impact of a potential pandemic into their forecasts this year?

The growing fear of the many unknowns related to the novel coronavirus has caused an emotional response among investors, with funds flowing out of the riskier parts of the financial market and into safe havens. Accordingly, any investors that eschewed balancing out their portfolios following last year's fantastic performance are feeling some pain, which in turn can spur on further ill-timed decisions to sell in an effort to protect capital in these uncertain times.

March 2020

History has shown time and time again, that allowing emotion to drive the investment decision making process is bad for investors' wealth as short-sighted and undisciplined reactions can carry significant (negative) implications for long-term portfolio performance.

It is always better to remain unemotional with respect to managing finances, instead taking a disciplined and long-term approach to asset mix decisions with strategic portfolio allocations serving as a tether to rein in impulses. It may be the case that a well-diversified portfolio lags in a rising market environment (such as in 2019), but it will do a better job at preserving capital when markets turn for the worse. A balanced portfolio will never be the top performer, but it also will never be the worst – indeed, the last decade shows a balanced portfolio's performance remaining comparatively stable and solidly middle of the pack despite the wide variation and shifting among the winners and losers over the last decade.

Calendar Year Asset Class Total Returns (% , C\$)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Canadian Equity 17.6	Prov Gov't Bonds 13.2	EM Equity 15.7	US Equity 41.5	US Equity 24.0	US Equity 21.0	Canadian Equity 21.1	EM Equity 28.0	US Equity 4.3	US Equity 24.8
HY Bonds 15.2	Fed Gov't Bonds 8.4	EAFE Equity 14.8	EAFE Equity 31.3	Prov Gov't Bonds 12.2	EAFE Equity 18.3	HY Bonds 16.9	EAFE Equity 16.6	Fed Gov't Bonds 2.4	Canadian Equity 22.9
EM Equity 13.0	IG Bonds 8.2	HY Bonds 14.7	Canadian Equity 13.0	Canadian Equity 10.6	Balanced 4.3	US Equity 8.6	US Equity 13.6	HY Bonds 2.1	EAFE Equity 15.8
US Equity 9.3	US Equity 4.4	US Equity 13.5	Balanced 12.2	Balanced 10.3	Prov Gov't Bonds 4.1	EM Equity 7.9	HY Bonds 9.9	Cash 1.38	Balanced 14.6
Balanced 9.2	Cash 1.00	Balanced 7.4	HY Bonds 5.4	IG Bonds 7.6	Fed Gov't Bonds 3.7	Balanced 7.4	Canadian Equity 9.1	IG Bonds 1.1	EM Equity 12.4
Prov Gov't Bonds 8.6	Balanced 0.2	Canadian Equity 7.2	EM Equity 4.1	Fed Gov't Bonds 6.9	IG Bonds 2.7	IG Bonds 3.7	Balanced 8.0	Prov Gov't Bonds 0.7	Prov Gov't Bonds 9.1
IG Bonds 7.3	HY Bonds -2.3	IG Bonds 6.2	Cash 1.01	EM Equity 6.7	EM Equity 1.5	Prov Gov't Bonds 1.8	Prov Gov't Bonds 4.3	Balanced -1.9	HY Bonds 8.5
Fed Gov't Bonds 5.4	Canadian Equity -8.7	Prov Gov't Bonds 3.4	IG Bonds 0.8	EAFE Equity 3.7	Cash 0.63	Cash 0.51	IG Bonds 3.4	EAFE Equity -5.9	IG Bonds 8.1
EAFE Equity 2.4	EAFE Equity -10.2	Fed Gov't Bonds 2.1	Fed Gov't Bonds -1.5	HY Bonds 2.5	HY Bonds -3.8	Fed Gov't Bonds 0.0	Cash 0.56	EM Equity -6.8	Fed Gov't Bonds 3.7
Cash 0.54	EM Equity -16.6	Cash 1.01	Prov Gov't Bonds -2.7	Cash 0.91	Canadian Equity -8.3	EAFE Equity -2.0	Fed Gov't Bonds 0.1	Canadian Equity -8.9	Cash 1.61

Source: Guardian Capital; Canadian Equity=S&P/TSX; US Equity=S&P 500; EAFE Equity=MSCI EAFE; EM Equity=MSCI Emerging Markets; Gov't Bonds=ICE BAML Canada Government; HY bonds=FTSE Canada High Yield Overall; IG bonds=FTSE Canada All Corporate; Prov Gov't bonds=F-TSE Canada Provincial Bond; Fed Gov't bond=FTSE Canada Federal Bond; Cash=FTSE Canada 91 Day T-Bill; Balanced=25% S&P/TSX, 30% MSCI All-Country World, 40% FTSE Canada Universe, 5% FTSE Canada 91 Day T-Bill

Previous instances of viral contagions would suggest that this too should pass, with the outbreak eventually being contained, and any economic pain being only temporary before the underlying macroeconomic trends once again regain control of the steering wheel of the markets. Until that time, however, markets are likely to remain volatile.

In this environment, investors need to fight the urge to sell risk assets (which are now looking comparatively inexpensive relative to a month ago) and dive full board into safe havens (which are now arguably priced richly) in an effort to quarantine their wealth from ill markets. Instead, investors with a long time horizon will find that maintaining a disciplined and long-term focus in their investment process is the best medicine to keep portfolios healthy for years to come.

This document includes information and commentary concerning financial markets that was developed at a particular point in time. This information and commentary are subject to change at any time, without notice, and without update. This commentary may also include forward looking statements concerning anticipated results, circumstances, and expectations regarding future events. Forward-looking statements require assumptions to be made and are, therefore, subject to inherent risks and uncertainties. There is significant risk that predictions and other forward looking statements will not prove to be accurate. Investing involves risk. Equity markets are volatile and will increase and decrease in response to economic, political, regulatory and other developments. The risks and potential rewards are usually greater for small companies and companies located in emerging markets. Bond markets and fixed-income securities are sensitive to interest rate movements. Inflation, credit and default risks are also associated with fixed income securities. Diversification may not protect against market risk and loss of principal may result. This commentary is provided for educational purposes only. It is not offered as investment advice and does not account for individual investment objectives, risk tolerance, financial situation or the timing of any transaction in any specific security or asset class. Certain information contained in this document has been obtained from external parties which we believe to be reliable, however we cannot guarantee its accuracy. Guardian Capital Advisors LP provides private client investment services and is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange.