CORONAVIRUS UPDATE

The recent news about coronavirus, its human impact and the potential knock-on effects on the global economy are unsettling. Markets have become more volatile and many investors feel understandably anxious. This is normal; however, it is how we act on our emotions that could have a major impact on eventual investment outcomes.

The Rede team are here to guide you through this and ensure that your focus remains on what is important to you: your goals and plans.

Below are some **key messages** from discussions we've been having with clients:

Volatility is normal and is factored into our investment modelling and planning. As investors, we are rewarded for accepting volatility. If your long-term plans have not changed then, while you naturally feel you should be doing something, you shouldn't - just "keep calm and carry on".

Diversification, or not having all your eggs in one basket, **is your greatest protection** in times like this. Your portfolio is spread across various asset classes (cash, fixed interest, shares, property) as well as hundreds and thousands of companies, industries and countries. Fixed interest investments have risen in recent weeks with interest rates dropping.

Media = entertainment, not fact. What you see or read in the news media is unlikely to be what you are experiencing. While the media's role is to provide information, this is generally sensationalised and plays with our emotions. Not everything that is reported is fact, and especially the so-called 'expert' predictions – they are simply guesses or opinions about the future.

Investment markets look forward and price in all available information. They also price in uncertainty and guesses about what may happen in the future. These guesses can change as new information becomes available, and this is reflected in increased volatility.

Central banks and governments around the world are **focused on minimising the impact** of COVID-19, both from a medical / personal perspective and from an economic / financial perspective. While it may not seem it now, from a medium to long-term perspective, this globally coordinated effort will limit and contain COVID-19.

What is your investment timeframe? If your investment is in KiwiSaver, for retirement or to meet your needs over the next 10, 20 or 30 years, these short-term market movements will only impact you if you panic and crystalise any negative movements. With interest rates dropping and now staying lower for longer, there will be **some buying opportunities** which could be positive for medium-to-long term investment returns.

Be aware of biases that can affect our thinking as investors:

- Confirmation bias - giving more weight to trends you already believe in.
- Availability bias – giving more weight to recent events.
- Framing effect - letting the presentation of information affect your interpretation of it.

WHAT CAN YOU DO?

1. **Stay calm**, keep your emotions in check, and stick to your plan.
2. **Ignore the financial media** – their 'expert' predictions are simply guesses (media = entertainment, not fact).
3. **Take common sense health precautions** – wash your hands, stay home if you are sick and keep healthy.
4. **Don't stockpile toilet paper**!

We are always here to help, and especially now, to ensure you are comfortable and your actions are rational based on your plans and facts, not emotions. **If you are in any doubt, please call us.**

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