From the Desk of **Michael Craig**

Michael Craig is the **Managing Director & Head of Asset Allocation and Derivatives** at TD Asset Management (TDAM).

Michael is also a member of the **TD Wealth Asset Allocation Committee (WAAC),** which provides broad asset allocation guidance to all of TD Wealth.

In his note below, Michael provides his latest insights on events affecting the markets and his asset allocation outlook.

It is difficult to add much to what has recently evolved throughout the world. As I write this from my basement, in our third of potentially many weeks to come working from home, I'm grasping for words to write.

I want to emphasize that this is first and foremost, a natural disaster, an act of God and an event that has led to immense human suffering. Many will be affected; healthcare workers will be worked to exhaustion and the economic well-being of millions of people is highly uncertain at best and downright terrifying at worst. Society will change in many ways permanently once this virus is under control.

As your fiduciaries, we must look past the pain that many are feeling and ignore the constant media stories and social media posts. We must remain focused on decisions that will help ensure your investments weather this storm and participate in the forthcoming investment cycle that we expect to emerge later this year. When I started out my career 20 years ago, a legendary investor I was fortunate to work for once said that the best decisions he ever made were the ones that made him shake as he wrote the trade tickets. My team and I now find ourselves in that very position.

While estimating the date that life returns to normal is difficult, empirical information from Asia as well as infection rates in Europe and North America lead us to expect that much of the global economy should restart in 4-8 weeks. Q2 growth will be shockingly bad, but Q3 could be the mirror image, absent the minus sign. Equities have discounted a tremendous amount and while the short term should remain volatile, on a 12-month horizon we expect that returns will be positive. For those who have been biding their time and holding cash—— this could be your opportunity. The last time equities were as discounted as they are now was 2009, so please keep that in mind.

We believe that coming out of this recession, quality and secular growth companies will be the winners. Those with strong balance sheets, strong corporate governance and excellent business models should thrive. We've begun moving capital out of fixed income and into investment strategies that meet these criteria.

As of March 31, 2020

The next few months will be bumpy, and we know this is going to create stress for investors. It is also in periods like this where the investment teams at TDAM strive to really make a difference in the lives of investors. Thank you for trusting us to manage your wealth.

Should you have any questions related to your portfolio, please reach out to your Advisor or Financial Planner.

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