

The dramatic social, financial and economic impact of the COVID-19 virus has disrupted communities across Canada. Housing providers see and are impacted by the crisis on a daily basis. In addition to this, there are external events, such as the recent volatility of markets that are no doubt of concern to the investors in Encasa Funds. We are working closely with our team and our sub-advisors to monitor and take action where required. We are committed to being accessible and keeping our stakeholders informed as we navigate this crisis. For example, we held an Investor Conference Call in March to discuss the current condition of the global economy, impacts to financial markets and outlook for the Encasa Funds. The call recording and up to date information on the Encasa Funds are available on the Encasa website at [www.encasa.ca](http://www.encasa.ca).

### **Impact on Encasa Funds**

Financial markets across the world are experiencing bear market fluctuations at the same time as governments globally attempt to avert economic collapse. Central banks and governments, including the Canadian government, have been taking active steps to address the economic disruptions. The Canadian government responded aggressively with its fiscal stimulus program the COVID-19 Economic Response Plan. And the Province of British Columbia recently announced its COVID-19 Action Plan aimed at driving economic recovery.

Encasa Funds have not been immune to the recent volatility in capital markets. Fortunately, both the Encasa Canadian Short-Term Bond Fund and the Encasa Canadian Bond Fund have experienced positive returns from the beginning of the year to the end of March. This is notable because at the end of Q1 2020, these two funds represented approximately 79% of the funds invested with Encasa, and importantly, close to 48% of BC housing providers are invested in one or both of these Funds. Not surprisingly with the volatility in capital markets directed largely at stock markets, the Encasa Canadian Equity Fund has also endured similar declines.

### **Managing Investments in Difficult Times**

It is in these tumultuous periods that it is vital for housing providers to remember the first principles of investing:

- Ensure you have a proper investment plan in place that matches your assets (investment portfolio) and your liabilities (capital spending requirements).
- Ensure your investment portfolio is sufficiently diversified and reflects this matching of assets and liabilities.

It is important to remember that a market correction was not unexpected. Investors had lived through an 11-year bull market in stocks that began in March 2009 and ended last month. A normal market cycle is generally expected to last 4 – 6 years; at 11 years, this one was almost double in length. The speed, however, at which the market fell into bear market territory (defined as a decline of at least 20%) was unexpected. While we know there will be a recovery, it is not clear how long this will take.

It is important to remember that markets recover from bear markets as economies recover from recession. While it can be challenging, remaining invested during periods of market volatility is the prudent course of action. When markets are volatile and declining, it may seem appealing to want to take action. However, unless there is an urgent need to access funds, we would caution against selling into a declining market. Because once you have sold and locked in your losses, you have lost any ability to benefit from positive returns when the markets recover. And history tells us that markets will recover.

### **We Are Here For You**

If you are feeling uncertain, know that we are here for you. Our investors' financial well-being is our key priority. Encasa advisors and the entire investor support team are available to answer your questions and offer advice to guide you through these difficult times. We are fully operational and can respond quickly to all inquiries. There are various ways to connect with your Encasa investor support team:

**By email, phone or fax:** Encasa staff are working from home and are responding to phone calls and emails, and continuing with business virtually. They can be reached by email at [information@encasa.ca](mailto:information@encasa.ca), by phone at 604-424-8384 and by fax at 416-205-9459.

**By video chat:** Your advisor can meet with you through a video chat. Call or email your advisor for more information.

**By mail:** You can mail correspondence to 1651 Commercial Drive, #220, Vancouver, BC, V5L 3Y3. Please note there may be additional delays when using mail.

Housing sector organizations including Co-Operative Housing Federation of Canada and BC Non-Profit Housing Association are working as quickly as they can to support the needs of providers during this challenging time. They are compiling resources on financial relief initiatives, risk management tools and support for tenants. We encourage you to reach out to them to discuss your immediate needs, and stay connected with sector organizations for announcements, ongoing updates, and other valuable information.



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We have compiled the answers to a list of questions that we have received over the past several weeks, which we expect you have also received. Please review the list of Frequently Asked Questions below and feel free to circulate this document to other individuals.

As the economic and capital market situations continue to unfold, we will continue to provide you with relevant updates. We are committed to supporting you through this challenging period and extend our heartfelt wishes to you, our investors, our partners and our community for good health and safety.

## **Team Encasa**

**Questions?**

Email [information@encasa.ca](mailto:information@encasa.ca)

## Frequently Asked Questions

### **I am projecting to experience cash flow issues due to reduced rental revenue. Are there any relief measures available to providers experiencing cash flow challenges? What can I do?**

Both federal and provincial governments have initiated various financial supports for populations impacted by COVID-19, however there may be delays in providing access to funding. We recommend you reach out to sector organizations to learn about available options that may help you to bridge short-term cash flow requirements.

### **The value of my investment has dropped. What should I do?**

While investors may be anxious from the recent downswing and market uncertainty, it is important to take emotion out of investment decisions. All housing providers have a unique financial situation and this should be reflected in their investment plan. We recommend that housing providers continue to be guided by these investment plans.

This may be a good time to evaluate your portfolio. Volatile environments can provide an opportunity to reassess your portfolio and ensure that you have an investment plan and asset allocation that reflects the time frame for your spending needs. It may be that now is the time to rebalance to your target asset allocation and reassess your goals. Contact your Investment Advisor for advice about your specific situation.

### **Should I change my investment allocation or contribution amounts?**

Having a diversified investment portfolio can help reduce risk – you don't want to put all of your eggs in one basket. Your investment mix should reflect your unique financial situation. It is important to focus on your long-term investment goals. Contact your Investment Funds Advisor for advice on your asset allocation.

### **What would happen if I sell when markets are down?**

While it isn't always easy, staying invested can potentially translate into a better outcome. Historically, downturns in the market are followed by periods of recovery where asset values go back up, and in the past, have surpassed the former values. If you sell after a downturn, you will have locked in your investment losses and removed your ability to see your portfolio grow when the markets are rising.

### **How long will this disruption last? When will markets rebound?**

No one can predict when global economies and capital markets will recover from COVID-19. What we do know is that the bull market that started in March 2009 was lengthy, that markets have a bottoming phase that can last for a few months to several months and in the extreme, years. We also know that after all bear markets in the past 100 years, markets have recovered. There is no crystal ball - important thing is to know that economies and therefore, markets, will recover.