



# FUND MANAGER UPDATE

<b>Fund Manager:</b>	BMO Global Asset Management
<b>Fund Managed:</b>	Educators Dividend Fund and Educators Growth Fund
<b>Date:</b>	March 18, 2020

## Educators Dividend Fund

- Markets are currently down over 30% (at time of writing) from their highs in February. For context, the average decline in a bear market since 1929 has been approximately -38%.
- The response to this crisis has been equally unprecedented, with central banks and governments around the globe going *all in* with interest cuts and stimulus.
- They feel governments acted swiftly due to experience from the 2008 Financial Crisis.
- Markets are difficult to analyze given the speed and severity in which they are reacting to every piece of news and rumour.

### **Our strategy:**

- They are, a bottom-up fundamental manager, and as such, analyze the fundamentals of companies, the strength of their business models, the power of their moats, the experience of management teams, the capital allocation decisions and outcomes of those decisions. All long-term considerations that are typically unaffected by short-term uncertainty.
- In their view, long term wealth creation should be the overwhelming response to that question. Staying invested in a mandate that truly focusses on the very long term, their team builds concentrated portfolios made up of only the highest quality companies, that they feel will result in far superior outcomes. This is in contrast to a reactive approach of buying and selling/shifting portfolios based on information that is changing by the day, and sometimes by the hour.

## Educators Growth Fund

- The Educators Growth strategy invests in high-quality growth companies with strong fundamentals, attractive valuations and growing investor interest. Their disciplined investment approach combines traditional investment principles with quantitative implementation.
- Flight to safety has led investors to prefer dividend-paying blue-chip companies to smaller growth stocks that need to re-invest profits in themselves, further exacerbating the challenge for diversification and growth investing

### **Our strategy:**

- Maintaining a Growth at Reasonable Price investment approach:
  - They are long-term investors, and their data suggests growth and value are relatively inexpensive;
  - While the timing is uncertain, they are positioning for the long-term.
- Trimming areas that have suddenly become much riskier:
  - Some energy, non-gold materials, banks, etc;
  - Not eliminating exposure, but managing risk.
- Taking advantage of the selling to add names that have fallen too much:
  - Quality has been expensive;



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- Indiscriminate & overdone selling gives them opportunity to add quality names that were too expensive but are now more reasonably priced.

## In Summary:

It is difficult to tell where we are at in this cycle due to the unprecedented nature of this event:

- There's a possibility that things will get worse before they get better, but the market may have priced all/most of this in, and possibly overreacted;
- Market behavior shows some signs of rational selling (airlines, theater, casino, etc.), but there are also indications of indiscriminate / panic selling, so it's hard to decipher how much is justified.