



COVID-19 Update March 2020

We are living through unprecedented times with an absence of positive news combined with an uncertain outlook as to the extent and longevity of the pandemic. Given this backdrop we wanted to provide our valued clients with an update on some of the steps that we are taking to navigate through these uncharted waters.

Our people: The safety and wellbeing of our team is a priority and given the situation the board of FIM Capital wishes to assure all our clients and suppliers that we have a robust business continuity plan that is tested on a regular basis that will enable us to prevent disruption to our services during the Covid-19 pandemic, whilst also mitigating the spread of the virus wherever possible. At the time of writing the Isle of Man has no confirmed cases of COVID-19, however we will continue to review statements and recommendations from the Isle of Man Government and implement accordingly.

Our clients: Managing investment portfolios when markets are in such turmoil presents its own set of challenges. Volatility is pronounced and share price movements are random. In conditions such as these, we feel it is important for us to take a step back and review each of our portfolios, line by line, to ensure that companies have strong balance sheets and strong fundamentals to carry them through what we hope to be a relatively short-lived crisis. Whilst the news flow over the next few weeks is unlikely to bring an end to the uncertainty and there will inevitably be volatile times ahead, we are given comfort by our investment approach of focusing on quality companies with strong balance sheets and low debt (many sitting on cash) that we look to hold for the long term.

The most obvious casualties of the current crisis are travel-related business, oil companies (especially those on the margins of exploration and production) and entertainment businesses such as cinemas, restaurants and pubs. On the other hand, the pull-back across the whole market means that there are opportunities to buy into high quality stocks for far less cost than was the case several days ago. Late in the day, but helpful nonetheless, a number of European regulators have gradually implemented temporary bans on short selling, now extending to selective stocks of four major exchanges. We expect further monetary, fiscal and regulatory measures to be deployed to restore calm in the face of ongoing uncertainty.

During this period equity markets have understandably been hit. From their distant peak in mid-February, world equities have tumbled sharply in sterling terms, entering a technical bear market and suggesting imminent recession. Although much of the selling has been automated and indiscriminate, certain sectors have fared especially badly. Predictably, gold and government bonds have performed relatively well. Computer generated trading has, however, pulled down the good with the bad. As with every stock market crisis, opportunities lie ahead.

Trying to time daily market movements is for the brave, foolish or lucky. But for the patient investor with an eye on value, quality and income, accumulating assets at lower levels is a sensible long-term strategy, even if instinctively, right now, it may feel like entirely the wrong thing to do.

So, whilst this is unquestionably a challenging time for everyone, we are well positioned to weather this turbulent environment with our experienced and dedicated team at FIM Capital.

As always, if you have any questions or simply want some reassurance please do not hesitate to contact our team who will be happy to answer any questions and help in any way they can.