COVID-19 Impact On My Investments

Frequently Asked Questions – April 2020

Bank of Ireland Life

The uncertain economic and financial impact of the global COVID-19 outbreak has caused sharp falls in investment markets in recent weeks, leaving customers wondering what to do. We've gathered some of the most commonly asked questions that our customers are asking relating to the COVID-19 outbreak's impact on investment markets below.

Why has the value of my fund fallen in recent weeks?

Over the last few weeks, stock markets have fallen primarily for the following reasons:

- The outbreak of the Corona Virus (COVID-19) has developed into a global healthcare crisis.
- Isolation policies lead to cuts in production, manufacturing, commerce and trade.
- As recession takes hold, it is inevitable that company profits will fall and some companies may struggle to repay existing debt.
- The cost of rebuilding economies will be enormous and will result in countries taking on substantial debt levels.

How has my fund performed during this period?

While you may have some exposure within your fund to stock markets, it is likely that your money may also be invested in other assets which may not have suffered as much, and in some cases, may have risen. **Fund Centre** is a useful resource which allows you to understand how your money is invested and how your funds have performed. It provides real time daily performance information and the most up to date fund manager commentaries for each fund. You can access it by clicking here.

How have Governments reacted to the financial aspects of the crisis?

Governments across the World, including in Ireland, have launched massive economic stimulus programs designed to help individuals and businesses to survive the financial impact of the virus. These programs included tax cuts, local and federal spending packages, business support loans and social protection schemes.

Central Banks have also announced sharp interest rate cuts and other monetary policy measures to stimulate growth further.

When will we see markets stop falling and when will they recover?

This is difficult to answer as it depends on how successful the various authorities are at reducing the health and economic impacts. We have seen health scares in the past including AIDS, Zika, and Ebola. In most cases, a sharp sell-off was followed by an almost "V-shaped" recovery. However, the current pandemic is on a much larger scale and is already having a more significant social and economic impact.

We believe that for markets to recover in a sustained manner, we need a number of things to happen:

- The rate of new cases of the virus and fatalities must continue to decline.
- Central Banks and governments need to take further action on an unprecedented scale to stimulate the global economy and to get trade operating as normal.
- China is a critical part of the World's manufacturing infrastructure and we need to see it getting back to work.

We have already seen some evidence that these things are happening and we will continue to monitor them closely.

Is this 2008/09 all over again?

We do not believe this is the case for the following reasons:

- This is unlike the finance and property related bubble that had built up prior to the credit crisis of 12 years ago.
- The banking sector has been recapitalised over the last decade and is in a far better condition to withstand a major market correction.
- Unemployment, interest rates and inflation were all at very low levels coming into this crisis.

Why is COVID-19 crisis different to previous events?

Insufficient measures have been taken to stem the spread of the disease. While other illnesses may have had greater fatality rates, this virus has a much higher contagion rate. In addition, previous health scares occurred in pockets while COVID-19 is already evident in 210 countries and territories around the world. At present there is no known antidote to treat or vaccine to prevent this virus.

We have already seen a massive disruption to global supply chains, a feature not seen in health scares in the past. Markets tend to price in ahead of recessions, which is why we have seen such a sell off.

Should I switch to cash or exit the markets?

To answer this question, you need to consider whether any of the following have changed for you:

- Has your attitude to risk changed from when you originally invested?
- Have your investment goals changed?
- Has the length of time you planned to invest changed?

When you originally met your advisor, you agreed a plan based on the answers to these questions. If your answer to any of these questions has changed and, in particular, if you have a short to medium term need to access your money, you should meet with an advisor to reassess your goals and the priorities for your portfolio.

Given that cash interest rates are expected to remain at ultra-low levels for an extended period of time, your money is unlikely to see any growth while it remains there.

Some investors may look to take some time out of the markets at times of higher volatility. Their intention is often to re-enter the market when conditions calm. The reality is that most retail investors miss the market rebound.

History has shown us again and again that those who can remain invested through testing times like these, tend to benefit in the long term.

What should I do?

We believe that this is a time when patience is likely to be rewarded but that it may take some time for this scenario to play out. The fundamentals of long-term investing remain unchanged:

- Allocate your money to a high quality, well-diversified portfolio of assets.
- Ensure you have an adequate level of shares and property to deliver growth
- Allow time, the most important ingredient in the investment mix, to play its part.

In times like this, it is vital that customers take professional and personalised advice before deciding on how they can achieve their financial goals. As always, we recommend that you engage with your advisor to help you to make these important decisions.

If you have any queries, please don’t hesitate to contact your advisor in your local Bank of Ireland branch.

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: These funds may be affected by changes in currency exchange rates.
Warning: If you invest in these funds you may lose some or all of the money you invest.