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Coronavirus: There are opportunities for wily - and brave - investors

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Britain's investors could be forgiven for feeling desperate in the current crisis. They have faced a triple whammy from world markets, governments and companies. Not only have they seen the value of their portfolios fall by up to 20%, but with company after company cancelling dividends, their income has fallen by half. Heavyweights such as Shell and HSBC have both joined the crowd and cut their dividends. Both stocks are a cornerstone source of income for many portfolios, and many investors rely on that income.

On top of this, many investors have endured significant dilution in their holdings from a series of recent share issues. There will be plenty more in the coming weeks. These highly dilutive deals often exclude retail investors, who merely sit by and watch their already weakened positions diminish further in value. Certainly at Vermeer Partners we have never been busier reassuring and guiding clients through the current turmoil.

While Boris Johnson declared the UK had passed the peak last week, the US is a month or so behind us. Markets may have experienced some recent reprieve following widespread collective central bank stimulus, with the US experiencing its strongest April gains since 1987, but there isn't much left in the arsenal to prevent further falls.

All is not lost. This is not the first bear market, and it certainly won't be the last. Sensible heads looking to the long term should not despair as lessons have been learned from the last bear market. It will not endure and market corrections like these always present opportunities although dramatically repositioning portfolios too hastily to chase recovery or risky high yields is never wise.

More than ever, the average investor needs the support of an investment manager with the experience required to avoid the risks of taking knee jerk reactions that could ultimately divert portfolios away from medium- and long-term returns and capital preservation.

Investors need to remain committed, fall back on their reserves of stoicism and not be panicked by volatile markets. It is important to analyse individual companies and how they are responding to the crisis. Now is not the time for making general assumptions and expecting things to return to normal, but quality companies should recover in the long term and may emerge even stronger.

Those reliant on a steady income stream from their investments could consider (temporarily) utilising the remaining capital held on their accounts, and (where applicable) take advantage of their capital gains tax allowance to do so – an approach that worked well during the global financial crisis. This is especially true for those that held funds in reserve ahead of the outbreak.

Elsewhere investors often overlook investment trusts, which tend to keep cash reserves on their balance sheets enabling them to continue to pay dividends – City of London and Securities Trust of Scotland are two examples worth keeping an eye on.

Looking at the longer term and where growth opportunities might arise, for the first time in years we are seeing shares in high quality businesses trading at lower and more affordable multiples. At Vermeer, we are looking to pick the stocks we want to own for the future not necessarily the ones we have held in the past, setting the price we are prepared to pay and then relying on experience, courage and discipline to buy on the red days and average out if markets continue to weaken.

The difficulty will be in assessing whether the damage being inflicted by Coronavirus is temporary or permanent. Many businesses will recover but in a very different form. e.g. airlines where fares will probably be higher, with fewer seats, flights and planes. This will have major knock on effects for all of their suppliers and service providers. We are following the situation closely for the right time to invest.

We will see opportunities to buy into those which have fallen very sharply either due to the fact that they tend to fall further than average in times like this e.g. the life insurers (Prudential/Legal and General), or the likes of Melrose which we rate extremely highly as a Company but which went into the crisis with an uncomfortable amount of debt following the GKN takeover.

Meanwhile, the housebuilders also look very interesting, having entered the crisis in a much stronger financial position than in 2008 and, although their dividends have been temporarily suspended, Persimmon and Vistry look to be strong buying opportunities after respective falls of 25 and 45% so far this year.

As ever, timing, discipline and consistency will be key. And having an experienced advisor who has seen these markets before and has your interests – and portfolio – at heart.