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This is the Private Wealth Podcast with Manulife Private Wealth.

Speaker Participants

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Vice President and Managing Director, Manulife Private Wealth

Frances Donald
Chief Economist and Head of Macroeconomic Strategy, Manulife Investment Management

Kelly McKenzie
Curator, Corporate Art Collection, Manulife

Presentation

Glen Brown, Vice President and Managing Director, Manulife Private Wealth

Hello everyone, thank you for taking the time to join us today. My name is Glen Brown and I'm the Managing Director and Head of Manulife Private Wealth. On behalf of our team, welcome to the Manulife Private Wealth Economic Update and Canadian Fine Art conference call. I'm pleased to welcome our speakers of today's segment: Frances Donald, Chief Economist, who will review the markets over the first half of 2020 and the turbulence we're experiencing. And Kelly McKenzie, Curator for Manulife's corporate art collection who will look for the ins and outs of developing, caring for and displaying an art collection. At this juncture in the capital markets, talking about art collections is an interesting diversion from the markets and something our clients look for in their long-term planning. For those interested in the replay, or sharing the contents of this call with others, we are recording this segment, and a copy of this recording will be available to participants upon request. If you have any requests or questions after this call, please feel free to contact a member of the Manulife Private Wealth team. Over the past few weeks, Canada has experienced various economic and market shocks stemming from COVID-19, demand and supply change challenges, travel restrictions, as well as the Saudi Arabia-Russia oil broadside, which reduced visibility and increased volatility. We know it's a challenging time to look past the current market noise and keep focused on the longer term. However, we at Manulife Private Wealth are focused on clients' medium- and long-term goals and know that staying focused on long-term goals amid all this uncertainty is key. Our first speaker, Frances Donald, is the Chief Economist and Head of Macroeconomic Strategy at Manulife Investment Management coordinating macro research to assist Manulife's Global Asset Allocation team and the development of their asset class forecast. Frances is responsible for coordinating and generating global macroeconomic investment research and analyzing the potential opportunities and impacts on investments for Manulife Investment Management. Frances was also recently featured in a Manulife Private Wealth latest economic outlook LinkedIn post, and provides updates on the rapidly evolving Canadian market trends. Today, Frances is sharing with us her insight on what markets may look like over the next period and gives some context on what we're seeing. Frances, over to you.

Frances Donald, Chief Economist and Head of Macroeconomic Strategy, Manulife Investment Management

Thanks, Glen. You know, we always spend a little bit of time preparing before these calls and I have to say putting pen to paper and trying to predict and forecast what will happen next has never been as challenging as it is right now. We are in truly extraordinary times. Every day the ground is moving beneath us. We have unprecedented levels of uncertainty, and the market is doing things that it has, again, quite literally never done before. And while many teams and individuals may have seen coming into this period that valuations were extended, that we were priced to perfection, this is a shock of magnitude and scale that is so literally off the charts that I don't know a single individual who predicted global pandemic as the big risk for 2020, it is truly a black swan. So that makes forecasting very, very challenging, both for markets to the economy up here and in part because the data is changing so rapidly, we would truly watch new information filter in by the hour. It is also challenging because much of the outlook will depend on health outcomes in the evolution of a virus, which is certainly outside my scope and outside the most commonest scope, but I can give you a frame mark for how to think about the world and how it's operating right now and that's what I want to do with my time today. I'm going to talk a little bit about how we got to this point of evolution of the conversation. I will talk to you about my 5 working assumptions and I will give you a sense of what I think we need to see to call the bottom in this market and why we don't think we're quite there yet. So, how did we get here? Let's start there. I'd like everybody to think about this economic shock as a shock that progressed in 3 steps because it isn't as simple as virus, recession -- no, that's not how it evolves. It evolves because starting in January, we became aware that China would shut down the vast majority of its economy in unprecedented ways to contain a virus, and at that time, at the end of January and early February, when we began to see some market fluctuations, our concern was what I'll call the Level 1 recession, and the Level 1 recession was what we call supply side shock. If you think about an economy in a really simply way, what's made or where the things that are made and what's consumed, where the things that are consumed, we were initially very concerned. The entire market is being made because we knew that much of the products being produced out of China were both primary and intermediary goods and that would shut down global manufacturing activity and this is why the initial concerns were really focused on what would happen in Asia and in Europe as well. And then we evolved throughout February into March into what I call the Level 2 recession concerns, and that is that we knew initially we were dealing with the supply side shock and then it became very quickly a demand side shock, and by that I mean we began to shut down our economies amid fear that confidence would actually start to have a dramatic impact on what people chose to buy, chose, because they were forced to stay at home in some cases, but also because they chose not to go outside and buy things for their own personal safety. As it evolved, the demand side shock became even more aggressive because we needed to become concerned that people would be worried about losing their jobs and therefore would not be making purchases, so that was the Level 2 shock. Now, for most of March, we then were dealing with what was broadly considered to be -- I'll call it a Level 3 shock -- a credit crisis, and this is where, for most of March, we stopped talking so much about the virus and started talking about a lot of the underlying dynamics functioning within the credit markets. What we were seeing is a complete lack of liquidity. Companies or dealers going to federal reserve looking to buy corporate bond and incapable of doing so spread slowing out pretty dramatically, and for many years now, I've been asked repeatedly: what about the corporate debt bubble, and for repeatedly including many, many Manulife Private Wealth events, I said, well, it's not a problem until all of a sudden companies see a shock to revenue. So we went from a supply side shock to a demand side shock to concerns about a credit crisis and part because of actually seeing federal reserve and I'll talk about that in a minute. We probably need to worry less about the credit crisis component of it and we're taking a step back towards that Level 2 demand side shock. So, when we think about how this evolved again, try to keep the perspective that we started with supply side shock, we added the demand side shock on top of that and then we became concerned about a credit crisis. Now we're kind of walking back that Level 3 concern, which is pretty good news. Again the forecasts are really difficult to make but I'm going to give you my 5 working assumptions right now. The 5 things that I believe to be true, these are fluid, but I strongly suspect that this is the world, the pillars that will frame our world looking forward. Number 1: we are in a global recession. All G10 economies are currently in a recession. China, Japan and Germany, the world's second third and fourth biggest economies, will experience technical recessions to record back-to-back growth in at least in Q1 and Q2 of this year. Remember that we came into this fire shock in an already weakened economy off the backs of trade wars and several economies that were already experiencing sizeable idiosyncratic shocks. For example, in Japan, consumers' taxes were raised in the fourth quarter that created a sizeable economic shock. I can pretty much assure you if they knew this was coming they would not have done that. In Germany, we were experiencing regulatory changes; that helped with the auto industry pretty aggressively. Both of these factors contributed to weak economies to start with and they were hit with the additional shock. So, U.S. and Canada are going to see recessions and they are going to see their largest quarter-over-quarter contraction ever seen in history. You will see double digits contractions in Q2, we feel pretty confident about that. By that I mean your entire economic profession, the largest pullback we've ever seen was in the United States in 1958, that was a 10% pullback. Since then, we've only seen 3 other cases where you've seen a -5% pullback. The United States is likely to see something between a 10 and 20% pullback in the second quarter, so most numbers that you are going to see are going to tell you this is the largest contraction in history. But I need to make something really clear about that because otherwise we're missing the context around it. What we are seeing in this global economy is not the largest recession necessarily in terms of total demand destruction, it's the most compressed recession in terms of time. We're going to see a recession that would typically spread itself over a year happen in a very abrupt period, which is 2 to 3 months. That's why those numbers look so bad, it's not because the ultimate pain in level terms is going to be worse than we've ever seen before, it's that it's happening in a very compressed period. Our second assumption, and this is really critical to anyone who has an investment horizon that extends beyond a couple of weeks. This is not about the fall, it's about the rebound. We know why the economy has halted to an abrupt stop. In many cases it was deliberate. Those numbers that you see on the downside are not as important to the investment outlook as what we see on the other side of this crisis. We are probably talking about seeing in the third or fourth quarter numbers that then get labeled the largest quarter-over-quarter jumps in history. Again, we are going through a typical economic cycle in an incredibly compressed period of time. This is why the data is going to look very distorted for us. Now we are anticipating that the global economy rebounds. I think this third quarter is probably a little bit soon to see those numbers be aggressively higher, but by year end we are expecting to be back on track. If you think about a stock market that places that 6 months in advance, you don't have to wait until the end of the year to see a rebound in this market. Again it's not about the fall, it's about the rebound keeping in mind that this entire economic cycle is happening on a compressed timeline. My third pillar: the risk of a credit crisis is substantially reduced to find a long range of tools that the Federal Reserve has implemented. We initially felt, I mean if we had spoken 2 weeks ago, you would have heard me say at length: the biggest problem we have facing this market right now is the chief economic crisis and just a lack of demand for corporate bonds in this market. What is the Federal Reserve doing, for the first time in history? It is purchasing corporate bonds directly in a primary market and also in a secondary market. The Federal Reserve has cut rates to 0% and they are expanding quantitative easing, buying U.S. treasuries and mortgage back securities at a rate we have never seen before, and they have told us they will continue to do it as long as is necessary. This is why you will see people talk about QE Infinity. Now, let's be clear, the Federal Reserve actions are not there to support growth. They cannot boost growth. You can cut rates all you want in this environment, it is not going to reignite this economy until social distancing comes back. What it does do is prevent really tight spreads that blew out from becoming more problematic, and in my view, they have done so. This is really good news. Again, it brings us back from the Level 3 type of recession, which is more of a financial crisis back into a Level 2, which is a demand and supply shock more similar to 2001 and 9/11. Fourth pillar: fiscal stimulants is still substantially lagging, particularly in the United States and in Canada. Think about fiscal stimulants in 3 ways: there are 3 types of government money coming through. Number 1 is public health infrastructure, and that's really important, but it isn't related to the economy to the same extent yet. The more we have in public health infrastructure, the less damaging the health crisis, but that's one type. Number 2 is preventing layoffs. That is the absolute most important policy measure that we should see coming through. We have not seen it in Canada. In my opinion, we have Canada offering 10% wage insurance, that is not what we need, we need to be doing like the U.K. and provide an 80% wage insurance. Companies are not going to be 10% short on paying wages this month, they are going to be something like 100% short. So, my hope is that we see wage insurance in this form come through, that is the most important stimulus that this government can provide. Thirdly, the type of government money that we come to see will help the reacceleration of the recovery. I am less focused on fiscal money saving us from recession, I am more focused on the amount of money coming through would directly impact how fast we bounce out of this and that's why the fiscal stimulus numbers will be absolutely critical for us when we calculate what we think the rebound in this market will be. The U.S. is a little bit lagged on this, looks like there's some politics at play, but when that news hits the tape and we finally get details, it should be very market positive. My last assumption in this market is that Canada's recession will look worse than the U.S. shock and that's because Canada was just more vulnerable heading into this than the Americans. Our consumer was in a weaker starting place with low savings rates and high debt levels and our housing market has been substantially more levered up. If you've seen any of the videos we've posted on YouTube or LinkedIn, I have addressed some of this. I do feel the Canadian housing market is in for a bit of a pullback here, particularly in Toronto and Vancouver. Does that mean it is a long-term pullback, not necessarily. For those of you like myself who have yet to be first time home buyers, this could be an opportunity to step in, but we do have a market that is at this point completely frozen and I suspect prices will fall back probably in the order of magnitude of 10-20% for a short period. Over the long-term I still think if you ask me 5 years from now: are housing prices higher than they are right now? Absolutely. So, what's next. When do we become buyers of this market? It's easy to look at a day like today that has the Dow Jones up 8.6%, pretty amazing, to want to step in and there's a lot of reasons here that are making us more excited about finally buying. China has mostly contained the virus, supply chains are slowly but surely coming back online. The U.S. has announced containment measures, which should help lower the spreading of COVID-19 and central banks are providing massive amounts of easing and liquidity. So, there does seem to be some moments from a macro perspective to be a little bit more excited about this market. And from a market's perspective, technical still suggests we're very oversold, sentiments have moved aggressively risk-off. Valuations have normalized. The 2019 profits will move. Opportunity is in front of us, but we aren't quite there yet. What do I need to see? I need to see a couple of things. I need to see that fiscal package hit the tape and know that the rebound out of this recession will be sharp. I need to see a deceleration of the growth rate of COVID-19 infection in the developed world, particularly the United States. I also need to see that Asia does not become susceptible to a re-infection rate, but we need some evidence that once you flatten this curve, it doesn't pop up again just because people come back on planes. I would like to see those sharp declines in oil prices appear to be temporary, some improvements there would be very helpful. This would help the credit market, which is substantially levered to oil prices and it would also help just general economic activity. And lastly, we need to see evidence that the funding and liquidity issues that the Federal Reserve is trying to tackle are indeed effectively being calmed. My personal view is that we're probably there on that measure, but there's still some stress and some dysfunction within this market that we need to monitor pretty closely. So our global team is monitoring these developments 24/7 as our conviction in these new market dynamics approach the point of transition to respond, we will proactively be engaging, we will be talking about it, we will be writing about it, so we will get to that point, but in my personal view we aren't quite there yet. We've probably gone through the worst of it, but we aren't quite there yet. So, I will stop here, I think that's my time and pass it back over to Glen.

Glen Brown, Vice President and Managing Director, Manulife Private Wealth

Thanks very much Frances. Truly interesting times and really good insight from you, thank you. Our next speaker, Kelly McKenzie, is responsible for Manulife's extensive corporate art collection in North America, overseeing its curation, conservation, movement and valuation. The world of fine art is often characterized by exclusivity with a subjective product at its core and billions of dollars in circulation, it can certainly be intimidating. Yet, for high net worth individuals, it is a surprisingly upbeat and accessible arena for the exchange of ideas and an opportunity to become an art tastemaker in one's own right. Throughout Canada, major corporations, big banks and wealthy individuals use our collections to make a statement to their clients, their peers and the public in general. At a private setting, art collections bring warmth, intrigue, and the opportunity for intellectual and creative expression. With over 10 years' experience in the field of fine art, we are pleased to welcome Kelly McKenzie, who will share with us her insight on art collection tips for high net worth investors. Over to you, Kelly.

Kelly McKenzie, Curator, Corporate Art Collection, Manulife

Hello everyone and thank you very much for that introduction and also thank you for having me on the call today. Today I'm going to be talking about fine art and more specifically about developing, caring for and displaying a fine art collection. As high net worth individuals and advisors, you are immediately uniquely positioned in the world of fine art to have significant impact on taste, culture and history. In 2019, sources estimate that approximately 64 billion U.S. dollars' worth of fine art and antiques were traded globally. That is a significant market. It is also a notoriously opaque market where artists, dealers and other players will keep their hands close to their chest, but today I'm going to give newer collectors a roadmap or a cheat sheet entering that market and perceiving collectors, I will be offering some of my best tips, tricks, and advice for carrying and growing your increasing collection. Here at Manulife, we are very lucky to have a vibrant collection of artwork predominantly by Canadian artists. It will come as no surprise that as a Canadian company invested in our customers, Manulife collection has become a reflection of the individuals and communities we serve. In a private collection, the common denominator will likely be vastly different and that's the first topic I want to touch on, establishing and understanding your taste. If you are looking to curate a coherent collection, becoming familiar with your likes and dislikes of art, I recommend consuming as much art in as many different media as possible before making your first purchase. So I'm assuming paintings are the best choice for you. I say that because fine art is a long-term purchase and it's always best to make an informed decision. Chances are you'll be living with that artwork for 10 years or more. It will become part of your space, and for truly passionate collectors, it also becomes a cherished milestone. If that first purchase was done well, it can set the tone for your collection going forward. You would also be surprised how often a new collector might think they prefer contemporary artwork only to find out that 1960s modern is their true calling just a few years down the road. As Canadians and residents of Canada, we have a fabulous wealth of collections across the country. To better familiarize yourself with different media, movements and discourse happening in fine art, I highly recommend starting to visit museums and galleries on a more regular basis. But where do you start? There are generally 3 categories of galleries and art museums: public, commercial and artist run. Public galleries usually have permanent collections and don't offer their works for sale. They normally rely on funding from local or provincial and federal governments and cultural institutions, hence the term public gallery. Commercial galleries focus on selling artwork. They are the bricks and mortar of fine art for dealers and gallerists. Those are the individuals specializing in selling and sometimes buying. Most commercial galleries represent a roster of artists curated by the dealer or gallerist. The gallery agrees to sell an artwork in exchange for between 30 and 50% of the sale price. In high-end galleries, this number trends towards that 50%. These contracts are often exclusive meaning the gallery will be the sole dealer of a given artist's output in a certain region. That region can range from city to province and occasionally to the entire country if the gallery has multiple locations. The gallery takes on representing that artist to their clients and network, often building the artist's name and advancing your career therefore these partnerships and strictly coveted by artists who prefer to focus on their work rather than worrying about promotion, marketing, networking, and ultimately finding the buyers. While the gallery cut may seem high, obtaining one of those contracts with a reputable gallery is often highly regarded within the art world. For collectors, choosing to collect works by an artist who is represented by a reputable gallery can be a safer choice because you know that both the gallery and the artist are invested in that artist's career trajectory. Finally, artist run centres are exactly what they sound like, they're run by artists rather than dealers or publicly run spaces. These institutions were created in response to the restrictions placed on public galleries, secure funding and the pressures of sales environment in commercial galleries. In Canada, there was a significant surge in artist-run centres around the 1990s but many still survive today. These centres do not charge admission and operate on a far more community-based level. Commissions in artist-run centres are usually much lower than in commercial spaces, tending toward the 30% or less, and that's just to keep the programs running. Very rarely are artist-run centres profit based. With a better understanding of how galleries operate, it's easier to pinpoint where you should start. For those with little to some knowledge of art, I recommend starting to visit large public galleries, such as the Vancouver Art Gallery, the Glenbow Museum in Calgary, the Remai Modern in Saskatoon, the National Gallery of Ottawa and numerous more in Montreal and in the Maritimes, as well. Of course you don't have to visit them all, but I do suggest them because they are generally pretty good at offering visitors an overview of Canadian and international art history. They can sometimes struggle to keep up with contemporary art though and that's because the restrictions and financial requiring required to maintain government funding do take a little bit more time. So, commercial galleries on the other hand are usually at the forefront of contemporary art. If you've ever seen a movie or read a novel portraying an art gallery, it was probably a commercial gallery where the staff don't give the protagonist the time of day. In Canada, I find this to be a rare stereotype, but not in London or New York but in Canada certainly it is a bit of a stereotype. So don't be afraid to visit commercial galleries in your city. Dealers and gallerists will of course make more of an effort with established clients; however if you have a genuine interest in what's on display at a commercial gallery, don't be afraid to interact with the staff. They're usually knowledgeable, service oriented and discreet. In my experience, gallery assistants, dealers and curators are more than happy to talk at length about the artwork on display. They are also much more likely to share some unpublished details about the artist's process, inspiration or materials with you in conversation than they are over the phone or an email. But interacting with people face-to-face in the art world can be an incredible tool. For those of you who are interested in starting an art collection, but perhaps don't have quite enough time to spend perusing art galleries, I have another trick or two up my sleeve for you. Consider attending an art fair. Art fairs conveniently bring together hundreds of galleries representing every manner of artists, media and theme you can imagine in one albeit large space. In Canada, Art Toronto is the top international art fair in the country. If you have never attended, I highly recommend it. It's almost always one of my favorite events of the year. It is normally held over the last weekend in October at the Metro Toronto Convention Centre. In 2020, it is scheduled to take place on October 30th through November 1st; however, this date may change in light of the current events. This fair does focus on contemporary and modern art, which are currently the largest markets in terms of offerings and sales, but it still gives a great overview of what's available in Canada. Galleries, dealers, curators, collectors and numerous other professionals travel from all over the country and internationally to attend this fair. It is well worth the effort of attending. You can see so much over a weekend that it can feel overwhelming. My advice is to stick with your first impression -- what did you love? Normally what you remember from a fair like that will help guide you in finding your preferences. If you already know what you like, this can be a great opportunity to identify additional artists that interest you and find out where you can collect them and find them. The fair's main goal is to sell artwork. It's the only largest public galleries and museums that will have small booths promoting exhibitions or memberships. Artist-run centres rarely participate. My second recommendation for those with a little time to spare is to consider hiring an art consultant or advisor. Now this may not sound like the most attractive option, but I can assure you that a qualified and knowledgeable consultant is well worth it. They are experienced individuals who can help you narrow your search much quicker than you can on your own. Once you have an understanding of what you might be looking for, they do all the legwork for you. They will help you determine the best market for what you are looking to acquire, make suggestions to broaden or narrow your search depending on what you need, and most importantly, educate you along the way. The added benefit of working with an advisor, as I am sure all of the advisors on the call will agree, is that if you have an expert in your corner with your best interests at heart, you're always in a better position. Additionally, they are some of the best suited people in the industry to identify up and coming and established artists with the potential for the biggest impact. Now that you understand how galleries and museums work, who the players are and where to find them, you've likely done your research and know what you like. For seasoned collectors you know your collection and where the gaps are, perhaps it's time to make that purchase. As any collector will tell you, this is one of the most exciting parts of collecting. Making a purchase will solidify your relationship with your advisor if you chose to hire one, with dealers who represent the gallery and artists you like and even with the artists themselves. You become a patron of the arts. As you continue collecting and building relationships within the industry, your consumption of fine art becomes a powerful influence. The galleries you choose to buy from, the artists you choose to collect, the professionals you choose to deal with shape the art world much like any consumer market. But the art market is unique in that it deals in visual documentation of human experience, cultural events, political environment and taste. Especially in the west, private collections often become the starting point for much larger public spaces through donations. For example, the Art Gallery of Ontario received an unprecedented donation of hundreds of fine art objects and a reported 70 million dollars towards major renovations in the early 2000s. The donor was Mr. Kenneth Thompson. Now the AGO displays significant portions of Thompson's collection, including pieces by the Group of 7 and Cornelius Krieghoff, which can be found on the second floor. If you've ever been to the AGO, you may wonder why the lowest level is home to so many model ships. They seem a little out of place when you visit there. Well, those ships belonged to Mr. Thompson, he was very fond of them and made stipulations in his donation for their display. As a public gallery, the AGO has a significant focus on education for schools and universities, as well as the general public. To create engaging content, educators regularly turn exhibitions and displays as source materials for their lessons, and so Mr. Thompson, his collection, his tastes and his influence has made history. Evidently collecting fine art can open all kinds of doors to new friendships, business partners and opportunities, but it's important not to get carried away. Remember that a coherently curated collection is not redundant, so diversify your portfolio. Grow your collection over several years. My advice for private collectors is to only purchase artwork that speaks to you in some way. Fine arts, like wine, watches and high-end sports cars, is considered a treasure asset. It does not pay dividends and is held for long periods of time. It also requires care over its lifetime. Some items you should consider before really growing your collection are insurance, display, conservation and storage. Whenever we make important purchases we want to protect them. The same goes for the fine art. Whether the artwork is worth 5,000 dollars or 1 million dollars, insurance is a good option. In many cases, especially for small collections, riders can be placed on residential insurance policies to cover artwork, much like jewelry, valuable electronics or instruments. However, there are specialty insurance products for fine arts, which can occasionally be more economical and offer more appropriate coverage terms to collectibles. Some insurance brokers recommend investigating specialty insurance products at a value of 30,000 dollars or more. I highly recommend having an insurance policy in place before taking possession of the artwork, particularly if it is fragile or needs to travel a long distance. Displaying your collection can be tricky as well when you begin to consider security and longevity. When placing artwork around your home, try to become hyper aware of the activities that normally take place nearby. If the artwork is in a hallway, is it at risk of being snagged or scratched as you rush to work in the morning? If it will go in the dining room, will it be at risk of food splatter? For tridimensional works, pleats and risers can create boundaries around the work offering it additional protection. A great way to protect 2-dimensional work is by having it professionally framed. A frame acts as a defence against these common mishaps and can often take bumps and scratches easier than the artwork itself. The additional structure of the frame is also the safest place to install security hardware, which essentially locks the artwork to the wall. If you can hang the artwork in your office or public space, this may be a prudent option for you. I always recommend frames for artwork on paper for the simple fact that it offers structural support, but for particularly treasured works on paper, consider including a UV protector glass or glazing is important. Artworks on paper fade in direct sunlight. Even rooms where light fixtures are regularly kept on can be a significant detriment to the work. Adding UV protective glazing can protect it from damaging light and the added barrier prevents food splatter, bumps and scratches from becoming serious conservation problems. After all, replacing a frame is far cheaper than replacing work. When caring for your collection, regular inspections are important to assess the artwork's overall condition. Fluctuations in temperature and humidity especially can adversely affect the materials an artwork is made from. For example, considering oil painting on linen that is displayed in a summer home, during the off season the owners turn off heating and cooling systems. The house is left unchecked for several weeks or months. That spring, the weather is erratic, with extreme temperatures to heavy rainstorms and back again. The freezing temperatures dry out the air in the house. The wooden structure bars contract, loosening the tension on the linen. The surface becomes less stable as it sags under the weight of the pain. The next day a rainstorm hits the area and the interior of the house quickly becomes humid. The structure bars expand pulling the linen from the top. Like the house itself, artwork settles and reacts to its environment. Over several weeks or months of these types of changes, the paint on the surface can become less stable, possibly revealing hairline cracks. Over several seasons, the paint can begin to separate from the linen altogether resulting in costly conservation measures. Carefully revealing your artwork on a regular basis can prevent small scratches from turning into major issue. The naked eye works well for most collectors. This coloration from aging varnish or sunlight, cracking or separation from changes in the environment or even regular dust and dirt accumulation can be caught in a simple visual inspection. You don't need to be an expert in artwork conservation. If you notice something is off, just call your preferred conservator. Many will tell you that if a piece requires treatment or not, you can rest peacefully knowing that they will take care of your collection for you. If you do keep artwork at seasonal properties, consider storing them at a fine art storage facility in the off season. Many art service companies that offer specialty installation, shipping and crating services and more will also offer climate-controlled storage solutions. The cost of these services is usually quite reasonable particularly for smaller collections and can make a huge difference in the overall condition of your collection. Over time, artwork displayed in homes, offices and even galleries will accumulate dust and grime. At Manulife, we have a portrait of Sir. John A. MacDonald, the company's first president, that dates back to about 1890. The portrait is highly valued because of the artist who painted it, but also because it was commissioned by Manulife's board of directors as a gift to Sir John A. MacDonald. Because the painting is such a historic item for the company, we take very good care of it. However, like anything's age, time took a toll on the portrait. It became dark, dusty and eventually we noticed a tiny scratch on the surface. In 2017, we sent the painting to our conservator to have it repaired. The piece was cleaned, touched up and returned to the office. When the painting was unwrapped and staged to be re-hung, we were surprised to see that the background was a deep red and not the rich brown we thought it really was. So the slow accumulation of dirt on the surface of even the most well loved artwork can be deceiving, which is why regularly assessing an artwork's condition and performing basic maintenance can seem easy to pass by, but is worth the commitment. Now, before I pass the call back, I want to say that I understand that everyday life has changed drastically for everyone on the call. We are being asked to practice social distancing, work from home and avoid crowds. A lot of the advice I gave involves engaging with art in the art world through galleries, museums and events to help you build and grow your collection. Well, for now, that's not possible. Luckily, a lot of art galleries and museums and artists are taking to the Internet like so many other businesses out there. Major international galleries and museums across the world offer virtual tours. Many of the public galleries in Canada I mentioned earlier have partnered with Google to offer people a virtual experience. Art Basel is an international art fair held in Basel, Switzerland; Miami beach, Florida; and Hong Kong, China on an annual basis. Because of the pandemic, these events are switched to digital viewing rooms that you can access from anywhere in the world. Commercial galleries are also leveraging technology creating tours and virtual walkthroughs for those who can't visit in person, so don't let the virus stop you from exploring. Perhaps while you are self-isolating and waiting for market volatility to stabilize, you can visit the Louvre from the comfort of home. Thank you so much for having me today and back to you Glen.

Glen Brown, Vice President and Managing Director, Manulife Private Wealth

As we navigate through the next 12 months, 5 years, 10 years, our managers are actively reviewing portfolios. As well, Manulife's Global Asset Allocation team continues to review our asset mixes based on long-term changes in asset class characteristics and the impact of risk profiles. We have seen the much anticipated stability within the alternative asset classes during the capital market's dislocation and we will continue to monitor their suitability with our client portfolios. We hope today's comments are helpful to you. As always, if you are curious about what Manulife's Private Wealth investment platform can do for you and your clients, please don't hesitate to reach out to a member of the Private Wealth team. On behalf of the team, thank you for listening and we look forward to hosting our next call in June. Stay safe out there, everyone.

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reliance on these statements as a number of important factors could cause actual events or results to differ materially from those express or implied in any forward-looking statement made herein. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, and catastrophic events. Before making any investment decisions, Manulife Private Wealth encourages you to consider these and other factors carefully.