

MONTHLY COMMENTARY | MAY 2019

**“All things must pass.”**

- song by George Harrison

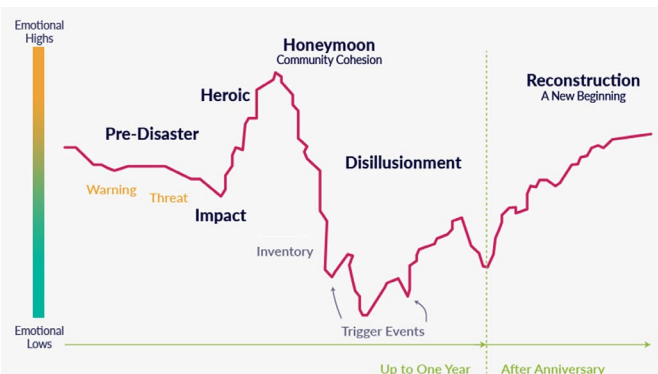
We typically use these monthly communications to discuss various investment strategies or ideas that might be of interest to our readers. But, with physical-distancing now in its third month with no end in sight, the current environment is certainly not typical.

As many of you know, our key message to clients and allocators is that investing begins, and ends, with people – whether our team, our clients, or the management we engage with on a regular basis that run the companies we invest in. As we move through the COVID-19 pandemic, each of these key groups face increasing strain, both personally and professionally.

At Laurus, it has certainly not been business as usual. We have gone over each portfolio model, reset our values and ideas, tested each investment thesis. But just as important, we have quickly pivoted to utilizing technology to better communicate between our teams and our investments, whether daily team meetings, on-line discussions with management teams, updates and upgrades with providers, or simply the weekly “coffee klatch” to join everyone together.

An interesting article, written by Kathryn Brohman and Dane Jensen of the Smith School of Business at Queens University, provided the chart included here. Simply stated, their research shows the “honeymoon phase” – where, following the impact of a disaster like COVID, people pull together, feel inspired, and are willing to do their part even if exhausted – is over and the “disillusionment phase” has begun, and will last much longer than the honeymoon.

Why are these phases so important to understand?



Adapted from Zunin & Myers as cited in DeWolfe, D. J., 2000. *Training manual for mental health and human service workers in major disasters* (2nd ed., HHS Publication No. ADM 90-538). Rockville, MD: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Mental Health Services.

First, one needs to recognize the impact that uncertainty will have on the three groups noted above. Some of our data providers are keeping staff out of offices for the rest of 2020. At Laurus, we hold regular internal discussions to make sure all team members stay engaged & feel supported through these emotional "lows".

Second, we need this lens to understand the perspective of management teams, where profits may be put on the back burner while they take the necessary steps to support their employees, their clients, and their business. Many of these teams will see changing consumer behaviour for the foreseeable future, requiring a pivot to meeting the situation their clients find themselves in, most notably a transition from relationship-based marketing to true value-based development.

And finally, our own emotional biases. Whether a business or team leader or someone that is looked to for support in any capacity, we must recognize that external pressures caused by health issues, or family discord (resulting from disillusionment), or even financial loss can trigger discouragement and stress and negatively impact our decisions and relationships. Coaching can

be a huge benefit here; an external, knowledgeable professional can act as a sounding board and help gain self-awareness. Brohman/Jensen suggest we need to embrace the pressure, engage ourselves, and move towards new peaks of personal growth.

Nobody really knows when all this will come to an end. Or whether a “second wave” will sideline us in the future. Day by day, our varied communication networks spew both positive and negative news – so much so, most are tired of hearing so much noise. What we do know is, to paraphrase Mr. Harrison, this too will pass.