[MUSIC PLAYING]

The World Health Organization has officially declared coronavirus a pandemic. Parts of the world are on lockdown, major league sports are being canceled, and multiple cities in the US have declared a state of emergency. All of the fears surrounding coronavirus has led the US into a bear market and many people are turning to their advisors.

Joining us now to share what he's hearing from clients is Joe Montgomery. He's Managing Director of Investments at the Optimal Service Group of Wells Fargo Advisors. Joe, thank you so much for joining us from Williamsburg, Virginia. I wonder, what are you hearing from clients right now?

Right. Well, it's nice to be with you, Jenna. And I guess this is a good example of what's going on. We're practicing social distancing here, being a long way off and doing it electronically.

We're hearing a lot from clients, as you might imagine. I think it's been interesting that, in the last couple of weeks, people really have not been in a panic. I think most people understand that this is not really an underlying problem with the fundamentals of the economy. It's an event. It reminds me more of 9/11 than it does, let's say, 2008.

Joe, you bring up a great point about the fundamentals here. You say this is more like a 9/11 situation, but yet we're seeing drops that are more severe than the 2008 financial crisis. The Dow dropping the most, percentage-wise, since the 1987 crash. How are you looking at the fundamentals and making decisions?

Well, I think this is much more. It's an event that has occurred that's away from the markets when you're talking about the coronavirus. So it's just different. It's more of a 9/11 type of thing, as we said.

What we're hearing from people is they're trying to figure out, am I well-positioned? Do I need to change? Making a change-- and they're pretty well-diversified, generally. So I think they're not getting caught up as much in the market movement on a day-to-day basis. They seem to have a little more patience about it than probably in some other occasions, like, '08.

Yeah, how do you prepare for the uncertainty, the unknown? Nobody saw coronavirus coming a year ago. So how do you position your portfolio in advance? Make sure it's diversified to weather any kind of storm that we might get, regardless of what that is.

Well, I think diversification, diversification, diversification. If you go look at the statistics, you'll see-- you can pick charts from anywhere-- that has paid off. This is the first time in a long time that diversification has really proved to be a leader in importance for protecting portfolios. You've just not had that in a market that went straight up. And it really was just the S&P 500.

Yes, so if you have a lot of bonds in your portfolio right now, you're seeing green while other people are seeing 10% losses from the Dow in just a single day.

Right. Green is good. And so we are enjoying that from the bond standpoint. But it also needs to be quality, I think, so that you don't bring in-- can somebody make the payment? You don't want that risk.

But again, it's diversification, I think, to protect-- get that kind of safety, even in the bond market. You've seen improvements, relatively speaking, in activity, even in hedge funds, fund of funds. There are quite a bit of things that are changing a little bit, but as the market is pulled back, I think people are more interested in exploring the diversification.

As someone with a lot of institutional clients, Joe, I wonder what are they seeing in terms of their alternative assets? You bring up hedge funds.

Right. Well, institutions have had exposure, certainly to private capital, distressed debt, all kinds of alternatives. And again, depending on what the objectives of the institution are, whether it's an endowment, an insurance company, municipalities-- whatever it may be. I think they've benefited, though, because remember they're working on policies.

And that's probably something that's good for all of us to think about. They're running off investment policies and they need to be compliant as fiduciaries. So that almost forces them to move in a direction of being well-allocated and rebalancing in these periods like we have now, where the markets are volatile.

What about private equity? Is that a bit of a place to park your money, since that is such a long-term investment?

Well, I think from the standpoint of private equity, you're looking at certainly long-term investment and liquidity or lack of liquidity in those. On the other hand, if you remember back to 2008, what was occurring. There were people that had problems related to private equity because they had calls on the money that they were having trouble meeting and they had to make payments out of their bonds and common stocks. That was not a good situation. So being prudent about it, knowing how much you're putting into it, and then having the money set aside for the calls is incredibly important when it comes to private equity.

And are a lot of pensions worried right now, especially looking at defined benefit plans where people are promised certain amounts of money? Is this a concern for them?

That's a great question. I'm not an actuary, but I know in the case of defined benefit plans, as you mentioned, they really have already been put under pressure because of the drop in interest rates on bonds. So that has been problematic for them. So it's possible they get a double whammy here via the equity market now going down.

And Joe, moving forward, what are you advising? What are you telling your clients amidst all this chaos and volatility?

Well, I think it's important to note that in most cases, we're always talking about the difference between short-term and long-term. And if people have immediate cash needs, we're looking to have it short-term anyway. So we generally had cash available for living expenses, et cetera. So that puts a client in a position to be able to then look at the long-term.

And then for the rest of the money, the long-term money, it's a matter of diversifying. Right back to that policy we talked about, about what is the proper allocation they need to have. And then in this environment, it's a matter of rebalancing because certainly there have been some changes in the last few weeks.

Well, Joe, thank you so much for joining us all the way from Williamsburg, Virginia. And we really look forward to having you back through all these updates.

My pleasure.

And thank you for watching. That was Joe Montgomery, Managing Director of Investments at the Optimal Service Group of Wells Fargo Advisors. From our studios in New York, I'm Jenna Dagenhart for Asset TV.