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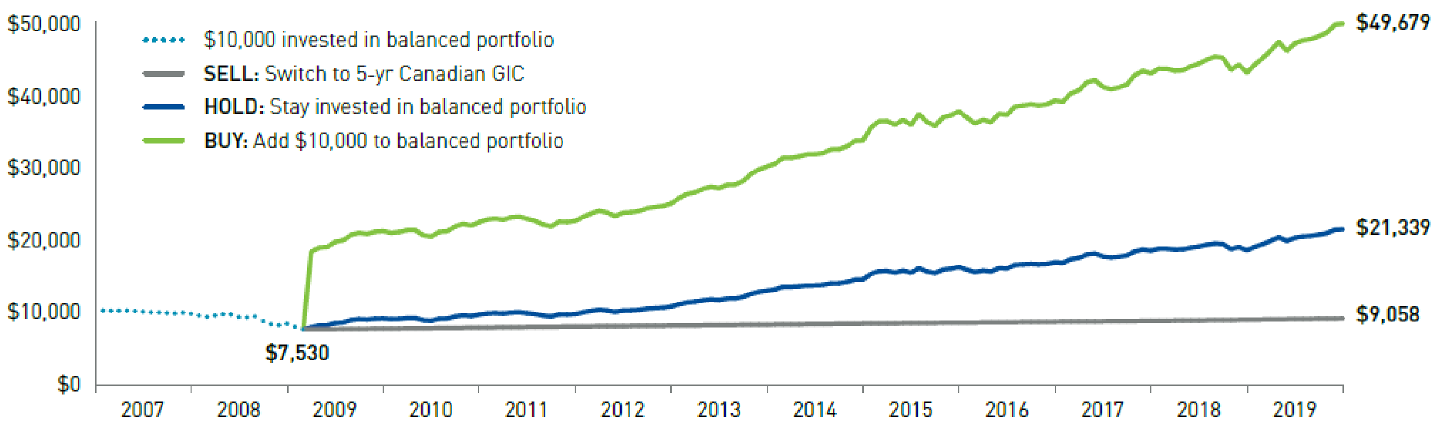
Credential
Financial Strategies
Asset Management

Bear Market Decision For The Balanced Investor



What this chart shows

If you invested $10,000 in a balanced portfolio at the start of 2007, by March 2009, the month global stocks hit bottom after the financial crisis, your investment was worth $7,530 – a drop of nearly 25%. If you threw in the towel at that point and invested your remaining money in a 5-year GIC (not knowing of course that it was the bottom), 11 years later you'd still be looking at a loss. If you'd simply stayed invested, you would have more than doubled your money. If you had *added* $10,000, you would have earned roughly 2.5 times your total invested capital. (Chart notes are on the following page.)

The bottom line

It's impossible to know when the market is at a top or a bottom. But we *do* know that selling your investments after a steep loss can have a significant negative impact on your financial future. In other words: don't lose twice.

ABOUT THE CHART

Chart is for illustrative purposes only. Balanced portfolio: 60% Global stocks (MSCI World Index) and 40% Global bonds (Bloomberg Barclays Global Aggregate Bond Index, C$ hedged). Monthly index returns are in C$ and include dividends. Index returns do not include fees; you cannot invest in an index. Data from January 1, 2007 to December 31, 2019. Source: Morningstar.

Special market update – May 25, 2020

This special webinar was hosted by NEI Investments and was the latest in their series of regular market updates. For our wealth management services, our credit union partners with Aviso Wealth. NEI Investments is a part of Aviso Wealth, and is Canada's leader in Responsible Investment funds and portfolios.

In these sessions, experts from NEI Investments provide context for the most recent market developments and share information regarding what to expect in the coming days and weeks.

You can listen to the recording here and review the highlights below.

Key points from the webinar:

- With recent market rallies, there appears to be a disconnect between market performance and the economy. According to Yufei Man, Director, Asset Allocation and Investment Strategy at NEI Investments, there are three main reasons why:
    - Economic data is backward looking while markets are forward looking, so at any point in time there is likely to be a disconnect. In the absence of clarity in the near term, markets are looking past the uncertainty and pricing in what the eventual recovery will look like.
    - With low interest rates, we are seeing “major tailwinds” for equities, including central bank actions helping to offset weaker corporate earnings.
    - The median return of the 5 biggest companies in the S&P 500 is 12% YTD, while the remaining 495 companies have a median loss of almost 16%. The performance of the few large companies is masking the broad weakness that remains for the rest of the S&P 500.
- China-U.S. relations and existing tensions will likely come back into focus with increased rhetoric from both sides as we approach the U.S. election in November.
- Globally, we are likely to experience more external shocks, not less – requiring transition to a more sustainable business model that is less vulnerable to supply chain weakness.
- John Bai, VP & Chief Investment Officer at NEI Investments, characterizes the ideal future as “smart,” “clean,” “resilient,” and “fair”.
- The engagement work of NEI Investments is focused on helping companies build a culture that considers all stakeholders.

If you have any questions, please don’t hesitate to contact me.

Sincerely,

Brandon Croken CFP®
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