Client Insights: Market Update

PRIVATE CLIENT SOLUTIONS

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Navigating the Uncertainty

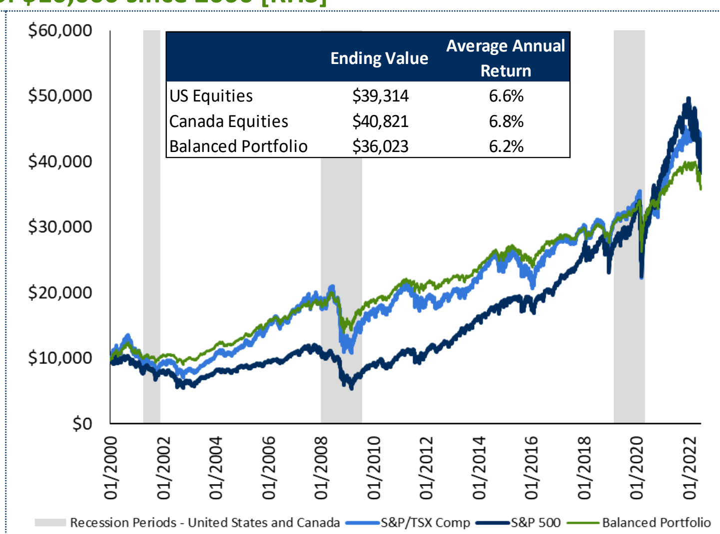
Market volatility has remained quite elevated and prevalent across global asset classes during the first half of 2022. However, we expect volatility to remain elevated for the rest of 2022 and likely heading into 2023, driven by uncertainties related to, but not limited to: **1)** stubbornly high inflation; **2)** aggressive policy normalization efforts by central banks globally to cool demand side inflationary impulses; **3)** the ongoing Russia-Ukraine war, and the related global sanctions/uncertainties which followed the invasion; **4)** COVID-19 lockdowns; **5)** elevated geopolitical risks; **6)** instability in commodity markets, and **7)** a deep slowdown in the Chinese economy. But as we stare out at the abyss with markets and global asset classes mostly in the red, with many economists now calling for a recession (a hard-landing) or a significant slowdown in the global economy over the next 12-18 months, we believe long-term oriented investors should avoid abandoning ship at the current impasse and making any irrational changes to their portfolios. Rather, instead of searching for "places to hide", we would suggest investors use periods of volatility to add to existing or new positions at more attractive levels. And while it may be difficult to see the bigger picture amid all the uncertainty, negative/worrisome headlines, and background noise, we wanted to highlight a few certainties that we believe are important to remember and reflect on during this unpredictable environment:

- **It pays to stay invested - avoid the temptations to time the market; it's a losing proposition for even the smartest minds.**
- **Ignore the headlines/noise and remember to be "fearful when others are greedy and greedy when others are fearful".**
- **Stay rational when markets/investors appear to be behaving irrationally (i.e., buy-low vs. selling-low).**
- **Ignore your emotional tendencies and stick to your long-term plan; otherwise, you may end up buying-high & selling-low.**
- **Volatility/market sell-offs should be expected and are normal even during broader bull market cycles!**
- **Diversification + Asset Allocation =** ☺

Final Thoughts for Investors*:* Remain **selective** and **stay invested!** It is very difficult to achieve one's goals sitting in cash with inflation running at well above 2%. With this in mind, we suggest investors use periods of volatility to add to high-quality securities with solid franchises, which **investors would be comfortable holding even if the markets remained closed for the next 10 years**. And remember that "the money is made in investing by owning good companies for long periods of time." – Warren Buffett.

Headlines Come & Go – This Too Shall Pass [LHS]; Growth of $10,000 since 2000 [RHS]

Year	S&P 500	S&P/TSX	Headline
2000	$1,320.28	$8,933.68	Y2K aftermath | Tech bubble
2001	$1,148.08	$7,688.41	Recession, 9/11
2002	$879.82	$6,614.54	Corporate Accounting Scandals
2003	$1,111.92	$8,220.89	Bush Jr. declares War in Iraq
2004	$1,211.92	$9,246.65	U.S. has massive trade & budget deficit
2005	$1,248.29	$11,272.26	Record oil & gas prices
2006	$1,418.30	$12,908.39	Housing bubble bursts
2007	$1,468.36	$13,833.06	Sub-prime loan crisis
2008	$903.25	$8,987.70	Banking and credit crisis
2009	$1,115.10	$11,746.11	Jobs Recession
2010	$1,257.64	$13,443.22	Sovereign debt crisis
2011	$1,257.60	$11,955.09	Eurozone crisis
2012	$1,426.19	$12,433.53	U.S. fiscal cliff
2013	$1,848.36	$13,621.55	Federal Reserve begins to taper
2014	$2,058.90	$14,632.44	Ebola outbreak I **Annexation by Russia**
2015	$2,043.94	$13,009.95	Commodity sell off
2016	$2,238.83	$15,287.59	Brexit
2017	$2,673.61	$16,209.13	Oil Price Decline
2018	$2,506.85	$14,322.86	Equity Markets Sell Off
2019	$3,230.78	$17,063.43	U.S.-China Trade War
2020	$3,756.07	$17,433.36	COVID-19 Pandemic
2021	$4,766.18	$21,222.84	Record Inflation



Source: FactSet; Data as of June 21, 2022. Growth of 10K Chart: For illustration purposes only. Start investing on January 1, 2000 with an initial investment of $10,000. The performance of US Equities is represented by S&P 500 TR Index. The performance of Canada Equities is represented by S&P/TSX Composite TR Index. The performance of Canada Fixed Income is represented by FTSE Canadian Government Bond. The asset allocation of the Balanced Portfolio is 60% S&P/TSX Composite TR Index and 40% FTSE Canadian Government Bond.

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