Straight talk about down markets

A message from the President:

When the markets turn volatile, even the most patient investors may come to question the wisdom of the investment plan that they've been following. I've seen a lot of difficult markets come and go. And I can certainly empathize with people who find the current environment troublesome and disturbing.

As an investor I remember the infamous Black Monday of October 19, 1987, when the Dow Jones dropped 22%. Newspaper headlines and TV reports were full of doom and gloom, and many investors were desperate to sell their equity funds. The result of that scenario: those who rode out the rough spots and stayed in the markets are certainly better off today.

Which brings me to an important point; some of the most successful and astute investors of our time view these uncertain conditions as opportunities. There is a saying that I have with our clients and financial advisors;

"In every economic environment there will be opportunities for those who seek them out"

That was true in 1987. And I believe it will be true once again today.

George Aguiar, CFP
President & CEO

A History of Stock Market Corrections

- ☑ Stock market corrections are generally defined as declines of 20%[1] or more and tend to hit stock markets every four or five years and last about 12 months.
- ☑ Every bull market ends with a correction. But without the gains bull markets deliver, why own equities in the first place? For truly long-term investors, corrections are part of the game. The Dow began the 1960s at 679, and rose to 13,264 on the last day of 2007 despite ten corrections along the way.
- ☑ The average S&P/TSX bull market has lasted 32 months – much longer than the average correction. And the average S&P/TSX bull market has returned 73% – much more than the average 30% decline.

Looking back at market corrections since the 1960’s

Dow Jones Industrial Average (US$)[2]

Periods	Decline	Months
Dec. ’61 – Jun. ’62	-27.1%	7
Feb. ’66 – Oct. ’66	-25.2%	8
Dec. ’68 – May ’70	-35.9%	18
Jan. ’73 – Dec. ’74	-45.1%	23
Sept. ’76 – Feb. ’78	-26.9%	18
Apr. ’81 – Aug. ’82	-24.1%	16
Aug. ’87 – Oct. ’87	-36.1%	2
Jul. ’90 – Oct. ’90	-21.2%	3
Jul. ’98 – Aug. ’98	-19.3%	2
Jan. ’00 – Oct. ’02	-37.8%	33
Oct. ’07 – Jul. ’08	-22.6%	10
AVERAGE	**-29.9%**	**13**
Jan. ’16-	-10.7	

S&P/TSX Composite

Periods	Decline	Months
Dec. ’61 – Sept. ’62	-18.0%	9
Jan. ’66 – Sept. ’66	-17.0%	8
May ’69 – Jun. ’70	-28.0%	13
Oct. ’73 – Sept. ’74	-37.0%	11
Nov. ’80 – Jul. ’82	-44.0%	20
Sept. ’83 – Jul. ’84	-20.0%	10
Aug. ’87 – Oct. ’87	-31.0%	3
Oct. ’89 – Oct. ’90	-25.5%	12
Apr. ’98 – Oct. ’98	-31.8%	6
Sept. ’00 – Oct. ’02	-50.0%	25
Oct. ’07 – Jan. ’08	-17.0%	3
AVERAGE	**-30.2%**	**12**
Jan. ’16-	-17.9	

1 Declines in the high teens are included in the tables, because we are looking at the big picture and not basis points.
2 Shown in US dollars to indicate declines without impact of translation into Canadian dollars.

In bull or bear markets, remember your long-term plan and stick to the basics:

- ☑ maintain an appropriate asset allocation
- ☑ spread equity risk through style diversification
- ☑ invest systematically with dollar-cost averaging

Portfolio rebalancing is critical; it lets you ‘buy low’ while maintaining your long-term strategy. **Above all, stay the course.**

Speak to your Financial Advisor about reviewing your Investment Portfolio

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