MAUDE FINANCIAL INC.

Earth Day is April 22

Earth Day is now celebrated in over 193 countries world wide and has been happening since 1970! Celebrate by carpooling, planting a tree, fixing a leaky faucet or teaching a child how to garden.

First Quarter 2018

So far this year, the big story is **volatility**. We have seen huge intra day swings in stock markets throughout the world, but the U.S. has shown the most instability with significant fluctuations in both the Dow and the S&P. The Euro rose against the Canadian dollar, which did help European stock market returns, but overall, most world stock markets are negative in the first three months of 2018. The threat of a trade war has certainly not helped matters. President Trump recently announced tariffs on Chinese imports to the U.S., and China quickly retaliated with levies on American goods, which caused some chaos in the markets. While a full-blown trade war would undoubtedly have a massive impact on the global economy, none of the proposed tariffs have been implemented as of yet, so the markets are really reacting to the potential risk and uncertainty at this stage. It is still possible that a negotiated resolution will be reached before any tariffs are applied.

The U.S. market decline has been somewhat mitigated by the nearly 2% drop in the Canadian dollar. Canada has had a 5.5% drop in the TSX even though the oil price rose about 8% between January and March. I know you've heard me say time and again that the Canadian market is very small and not well diversified. This tends to lead to more volatility and by definition, more erratic performance.

By adding foreign content to all our portfolios, we reduce volatility and lower the risk profile. Our balanced portfolios were down about 0.75% at the end of March this year, so we outperformed the markets due to that diversification.

	Market	Dec 31/17	Mar 31/18	YTD
Canada	TSX	16209	15360	-5.24%
U.S.	DOW	24719	24156	-2.28%
U.S.	S&P 500	2674	2642	-1.20%
U.K.	FTSE	7688	7103	-7.61%
France	CAC	5313	5152	-3.03%
Germany	DAX	12918	11956	-7.45%
Japan	NIKKEI	22765	21392	-6.03%
Canadian $		79.59	78.12	-1.85%
Oil (US$)		60.12	64.93	8.00%

***Source: CNN Money*

In the world of money and investing, you must learn to control your emotions. - *Robert Kiyosaki*

April 2018

Did You Know?

Earth Day 2018 is focused on mobilizing the world to end plastic pollution.

4.9 billion metric tons of plastic, or 60% of all plastic ever made, is either in landfills or scattered in the environment.

- Geyer, Roland, et al. "Production, Use, and Fate of All Plastics Ever Made." *Science Advances*, vol. 3, no. 7, 2017, doi:10.1126/sciadv.1700782

Welcoming a new face to Maude Financial Inc.

We are pleased to announce that a new licensed administrative assistant has joined Maude Financial Inc. In January, we welcomed Jessica Lamech to our team. Jessica grew up in Wetaskiwin and recently graduated with a Bachelor of Commerce degree from MacEwan University.

Maude Financial Inc.
5116 – 50 Avenue
Wetaskiwin, AB T9A 0S6
Tel: (780) 352-8111
Fax: (855) 891-3149
Toll free: 1-877-352-8111
info@maudefinancial.com

The Laws of Wealth

Our last newsletter reviewed Daniel Crosby's fourth Law of Wealth from his book The Laws of Wealth. Rule #4: "If You're Excited, It's a Bad Idea". Crosby describes that when you are buying individual stocks, you are buying into a story. Stories are exhilarating but not based on facts or financial statements. It is important to remember that "emotion makes you a stranger to common sense."

Crosby ends the chapter with the final thought that "...an excited investor is an impatient investor and an impatient investor is a broke investor." At Maude Financial Inc. we help our clients get rich over a lifetime of working hard and using discipline to save money. Are you inspired yet?! I have to be honest, these rules are truly not invigorating, and yet, they work!

Rule #5: You Are Not Special

In life, it is not unusual that our egos get the best of us. Our egos motivate us to succeed but they can also push us to make unwise decisions to feel superior.

In this chapter, Crosby warns to leave your ego at the door when investing. The key to successful investing is to accept your averageness and focus on proven rules and systems to make you wealthy (ie: automated regular contributions, not panicking and maintaining a long-term focus). He writes "investors mired in a need to be better than average insist on flaunting the rules in favor of their own ideas and pay a steep price for their arrogance."

Crosby describes two cognitive errors that contribute to poor investing behaviours. The first is the overconfidence bias. The bias is as simple as an individual thinking that they are better than average in any aspect of their lives (ie: more athletic than the average person, possess a better sense of humour than the average person, above average at investing). The second cognitive error is the fundamental attribution error which is the tendency for individuals to claim that their successes were due to skill but that their failures were due to misfortune.

The overconfidence bias causes investors to ignore potential danger. They are likely to invest heavily in one sector like oil or technology because investors believe they are exceptional and "the rules don't apply to me".

The fundamental attribution error causes investors to never learn from their mistakes! Crosby explains "When your stocks go up, you credit your personal genius. When your stocks go down, you fault externalities. Meanwhile, you learn nothing". The combination of the two cognitive errors is detrimental to successful investing.

The biggest reason that they are deadly is: they ignore downside protection. Warren Buffet's first rule of investing is "Don't Lose Money" and his second rule is "Never Forget the first rule". When investors are blinded by their need to stroke their own egos, potential dangers of losing money are ignored. Crosby writes "wise investors throughout time have understood the simple truth that, while offense makes the headlines, defense wins championships."

The theme throughout this book is that humans tend to get in their own way when it comes to investing successfully. We are driven by our selfish, greedy, arrogant and impatient egos. As humans we must acknowledge those desires but ultimately overrule them by putting systems in place to prevent our egos from getting the best of us. As I mentioned earlier, successful investing is yawn worthy. So, let's get on board the boring train (leaving our egos in the dust) and make some money!

To review Crosby's other Laws of Wealth covered in our newsletter to date, please visit our website.

> Investors want to believe in someone. Forecasters want to earn a nice living. One of those groups is going to get suckered. I think you know who. - *Morgan Housel*