First Quarter Update 2020

Uncertainty, volatility and fear are the watchwords for investing in the first three months of 2020. With the onset of the COVID-19 pandemic, people are concerned for the health of themselves and their loved ones. This coupled with market volatility unrivaled since 2008 has led to more fear and irrational behaviour than I have seen in my 38 years in business.

In Alberta we have been hit with a double blow – oil prices! They have fallen due to two events: a price/supply war between Saudi Arabia and Russia and a massive decline in demand around the world. We have no control over either of these scenarios but are hugely affected nonetheless. As I write this, Western Canadian Select is about $4/barrel.

As you can see below, markets are down substantially since January 1. Let's take a broader perspective. We started a bull (rising market) in March 2009. Other than a minor 3.5% downturn at the end of 2018, we have had positive returns for 11 years. That is *not* normal! I think we have forgotten that markets rise and also fall on a regular basis. On average, this means a 10% correction every 3.5 years. Most market fluctuations are caused by business cycles or events that cause uncertainty. This present downturn, which was overdue, was caused primarily by a virus, and no one would have predicted that!

The uncertainty around this virus is massive and in order to prop up the economy, governments around the world have proposed huge subsidies for individuals and businesses. These measures are seemingly huge, but more will probably be required in the coming months. The aim of subsidies is to make sure we (including Canada and many other countries) have a functioning economy and a workforce in place on the other side of the crisis. What no one knows is the time frame for a recovery. The virus is on its own schedule. What we trust is that things will get back to normal at some point in the future.

The big injection of capital into the economy, and the stimulus created, will certainly help, but it may not be a fast recovery. We have seen markets rise from their low of mid-March, but it is far too early to say the market recovery is here.

The good news is that our balanced fund managers have done their job very well by comparison. Our balanced portfolios are down about 10% on a year to date basis, while equity markets are down 20 plus percent.

With the amount of stimulus now in the economy and the markets, plus governments around the world stating they will do whatever it takes, a recovery will come. The time frame for that recovery is uncertain.

Let's stay apart today so that we can be together tomorrow.

	Market	Dec 31/19	Mar 31/19	YTD
Canada	TSX	17062	13379	-21.59%
U.S.	DOW	28539	21917	-23.20%
U.S.	S&P 500	3231	2585	-19.99%
U.K.	FTSE	7442	5621	-24.47%
France	CAC	5978	4396	-26.46%
Germany	DAX	13249	9936	-25.01%
Japan	NIKKEI	23837	18917	-20.64%
Canadian $		77.96	71.28	-8.57%
Oil (US$)	WTI	61.02	20.08	-67.09%
Western Canadian Select	WCS	38.57	3.9	-89.89%

***Source: CNN Money*

April 2020

Bridget's Baby News!

We are all very excited to announce the arrival of Wesley Alexander Berg, born March 20, 2020. Everyone is healthy and sleep deprived, so all is well! Congratulations to new parents Bridget and Adam!

"It's been an ideal period for investors. A climate of fear is their best friend. Those who invest only when commentators are upbeat end up paying a heavy price for meaningless reassurance."

-Warren Buffet, on market corrections and crashes

John Maude
Life Insurance Advisor

Bridget Maude
Life Insurance Advisor

Jessica Maude
Life Insurance Advisor

Julie Zorn
Life Insurance Advisor

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

Rational Thoughts

We know that our environment can powerfully shape our beliefs and thoughts about the world. Our thoughts, in turn, influence how we behave and what we choose to do and not do. In times of great stress and uncertainty it is especially important that we are aware of this fact and take steps to mitigate the negative impact of our present environment on our thoughts. It is also worth noting that emotions are felt five times more intensely when investment returns are negative than when returns are positive.

Of course, we all know this is easier said than done, so here are a few points to help you to stay grounded and rational in terms of financial security now and in the future.

1. **Don't panic.** Although we have been giving our clients this important piece of behavioural finance advice for years, it is much easier to follow when markets are up and unemployment is down. However, we stand by it. This period of uncertainty and volatility is exactly the time when we all need to take a breath and try to step back and see the situation from an objective and rational standpoint.

   In addition, avoid checking your accounts frequently! What happens daily in the market is not pertinent to a long-term plan. Remember that market fluctuation is the norm and once you have a plan in place that you are comfortable with and meets your objectives and your time frame, very little good can come from constant monitoring of your funds. Leave that level of scrutiny to the professional fund managers.

2. **Focus on your investment time horizon.** Investment time horizon is truly one of the central criteria that informs what investment choices are appropriate for you at a given stage. Your investment time horizon includes the accumulation phase, and all of your retirement years. When you retire, your investment time horizon is still 20-25 years. When it comes to your retirement savings, here are some general considerations:

   a. Up until about the middle of your income earning years, you want and need market fluctuations. Downturns provide a leg up for the next stage of growth, and when you contribute to your retirement savings on a regular basis (biweekly or monthly is ideal for many people), you benefit from dollar-cost averaging. This means you can take advantage of some of the market lows to buy investments when they are essentially on sale.

   b. Approximately 10 years before you plan to retire, it is often a good idea to consider reducing the volatility in your portfolio. There comes a time when your investment focus needs to shift from accumulation and growth to preservation of capital. This shift to lower volatility investments is often done in stages, so it is a process over the 10 years prior to drawing on your savings to replace your income.

   c. Once you are in retirement, your ability to replace savings or recover from a sharp decline in the value of your investments is significantly reduced. We always recommend having 2-3 years income in cash to protect against downturns such as this one. The rest of your savings should typically be invested in an appropriate portfolio. You still need your money working for you when you are no longer working.

3. **Cash is not always the answer.** When markets are fluctuating as they are now, the knee-jerk reaction we see time and time again is to convert investments to cash and/or purchase Guaranteed Investment Certificates. When you look at cash and GIC rates, after tax and after inflation, we can guarantee that you will lose purchasing power over time. For example, $1,000 worth of goods today at 2 percent annual inflation would cost $1,219 in ten years, and a whopping $1,486 in twenty years. That amounts to more than 40 percent more money needed to buy the same goods in 20 years! This is Warren Buffett's take on cash: "One thing I will tell you is the worst investment you can have is cash. Everybody is talking about cash being king and all that sort of thing. Cash is going to become less over time, but good businesses are going to become more over time."

Stay grounded. Stay rational. Stay home.