BMO Nesbitt Burns

OCTOBER DOESN'T HAVE TO BE SCARY!

MPA Client Update - October 30th, 2023

Good Morning,

In my **Fall Client Update** I mentioned we were in the **Season of market weakness**, based on the historical pattern of stock market declines in September. And while September is on average the most likely month for a decline, if there is going to be a more disruptive event that causes a market sell-off, October is when it seems to occur! It seems like this had become one of "those" Octobers.

The team and I have been fielding a few more call-ins than usual the past week, as the Nightly News points to the markets steady decline being triggered by continual increases in interest rates and the attacks occurring in Israel and Gaza.

Markets this Month:

Here is a Market breakdown for the month of October up to last Friday the 27th:

The media has focused on these declines the past week with some intensity.

- The **Toronto Stock Exchange** is down 4.14% for the month
- The **DOW Jones** is down 3.28% for the month (in Canadian Dollars)
- The S&P 500 is down 1.55% for the month (in Canadian Dollars)

How is your portfolio doing this month?

Some of you look online at your account daily. Others are still playing the game I suggested some time ago called "hide the statement!" And with all the other clients in between, I know it is hard to have a handle on or grasp how you are doing personally in your investment portfolio, especially when the news flow is concerning.

I want to say you are doing well! We have avoided this months' decline and are **up this month**!

A broad measure of the three MPA client portfolios returns for October are as follows:

- The **Income Portfolio** is up 0.64% in October
- The **Balanced Portfolio** Models are up between 0.69% and 0.85% in October
- The **Growth Portfolio** Models are up on average 0.93% for the month of October

BMO Private Wealth is a brand name for a business group consisting of Bank of Montreal and certain of its affiliates in providing private wealth management products and services. Not all products and services are offered by all legal entities within BMO Private Wealth. Banking services are offered through Bank of Montreal. Investment management, wealth planning, tax planning, and philanthropy planning services are offered through BMO Nesbitt Burns Inc. and BMO Private Investment Counsel Inc. Estate, trust, and custodial services are offered through BMO Trust Company. BMO Private Wealth legal entities do not offer tax advice. BMO Trust Company and BMO Bank of Montreal are Members of CDIC. ®Registered trademark of Bank of Montreal, used under license.
BMO Nesbitt Burns Inc. is a Member of the Canadian Investor Protection Fund. Member of the Investment Industry Regulatory Organization of Canada.

In case it has gone without notice, I want to point out that all of you in the MPA Program that I manage are up between **0.64% and 0.93%** on average this month, depending on what portfolio model you are invested in.

This is against a North American Market backdrop that is **down between 1.55% to 4.14%** for the month!

Markets this Year:

If we look at the **returns on the Year so far in 2023**, I can provide information to compare and give you an idea of how you are doing versus the market.

The Market breakdown for the Calendar Year 2023 (until Oct 27th) looks like this:

- The **Toronto Stock Exchange** is down 3.34% Year to Date
- The **DOW Jones Index** is down 2.20% Year to Date (in Cdn Dollars)
- The **S&P 500 Index** is up 9.40% Year to Date (in Cdn Dollars)
- All **Government Canada Bonds Index** is also down 1.20% Year to Date

How is your portfolio doing this Year?

In comparison, **the MPA model portfolio's returns this year in 2023 look like this**:

- The **Income Portfolio** is up 4.25% (net of fees) Year to Date
- The **Balanced Model Portfolios** are up between 5.18% and 5.76% (net of fees) Year to Date
- The **Growth Portfolio** is up approximately 6.05% (net of fees) Year to Date

Are these returns good compared to the North American Market Performance?

Yes, but a little more detail is needed to illustrate that **your returns this year are good and outperforming the market benchmarks.**

Benchmark Return Comparison:

The MPA Portfolios are typically invested 50% in Canadian Companies and 50% in U.S. Companies, with some variation or overweight to one country or the other. For simplicity I use a combined benchmark that takes into consideration 50% invested in Toronto's Market and 50% invested into either the Dow Jones or S&P 500, and provide a benchmark return of what the "market is giving us to work with."

- **A 50%/50% mix of Toronto and the DOW Jones Markets** would be down 1.70% this year so far, and that doesn't factor in fees to be a proper comparison. After fees this would be a decline close to 3% on the year for that index mix.

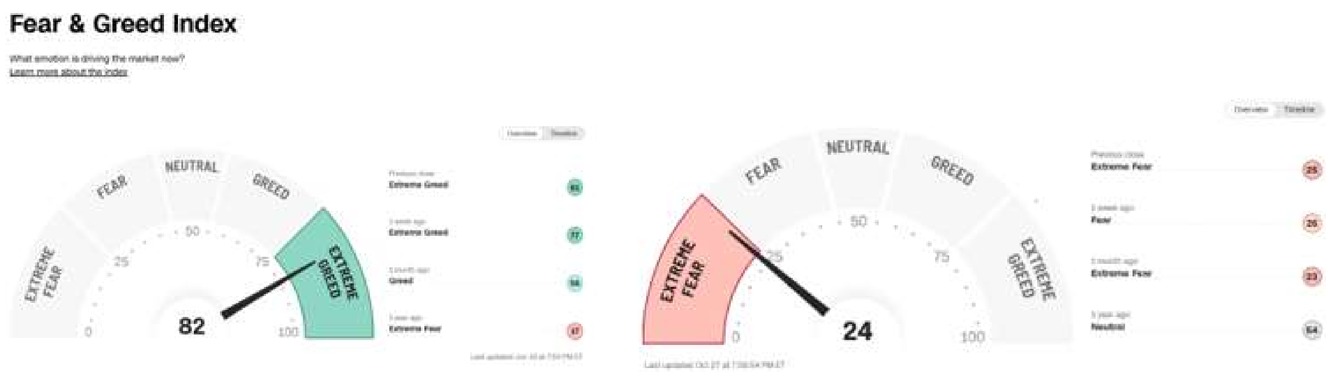
- **A 50%/50% mix of Toronto and the S&P 500** would be up 3.03% this year so far, or after equivalent portfolio fees, the return would be approximately up only 1.75%.

If you scroll back up you will see that **the MPA Portfolios have returned between +4.25% and +6.05%** (after fees) this year, compared to the Market Benchmark range of up 1.75% to being down 3% after adjusting for similar portfolio fees (depending on which U.S. Index is being compared).

This is a significant result and outperformance in a very difficult year so far.

Markets are driven by Fear & Greed!

Below is a comparison of the **CNN Investor Fear and Greed Index**. June 16th, 2023 is when it tipped into "**Extreme Greed Territory**" (when most portfolios were climbing and the Market was doing very well); to the measure on **Friday night** where sentiment dropped into the "**Extreme Fear Territory**." This aligns well to the concern or questions clients have at this time.



June 16th, 2023 October 27th, 2023

Warren Buffet once famously said "***it's best to be fearful when people are greedy and be greedy when people are fearful***"**.** In other words, its not time to sell when people and markets are in panic. It is a good time (eventually) to take advantage of uncertainty and the market decline and add money to your investments.

For your portfolio**, I was raising additional cash in August** (selling some investments) and have continued to do so through the last couple months. At this moment I am assessing the portfolio holdings and making decisions on what I want to stick with (hold on to), and what companies are best to be shed from the portfolio for now. **I made a few sales last week to raise cash** and move further to preservation mode. There are also companies that are attractive to add money to as we move into early November as well. It's a delicate balance of protecting capital, but also being prepared for the recovery out of the current fear. Global events could push people deeper into the "Extreme Fear Territory", which would result in further market weakness. However, as we have seen this month, and as I have mentioned several times in the past "**your portfolio is not the market**", and sometimes can perform very differently than what you are hearing about on the news.

Lacking a crystal ball, I believe we still have a good chance that parts of the market rise into year end. I am not paralysed by doom or gloom so easily spread in the media, even though there are dire geopolitical situations on the other side of the Atlantic Ocean at this time.

I want all of you to know that I am watching the world events and making as sound as investment decisions and allocations as possible.

The key right now is to **avoid areas that struggle from rising rates and inflation**, and to focus on those narrow areas that can still perform within this environment.

The allocation to Gold Bullion is helping during this time, and its purpose as a foundation of the portfolio is shining through when needed!

I hope that this summary has helped provide familiarity on how you are doing, and how it relates to the markets in general.

Coming out of a negative year in 2022, as in any year of decline, it is normal to have volatility and uncertainty because the feeling of loss is still fresh. Historically, when looking back on a portfolio (or market) 1yr, 2yr, and 3yrs after dramatic market drops such as we saw in 2022, the annualized returns are some of the strongest you can find. The key to achieving these returns is to stick with the strategy and so far we are recovering nicely.

I am free for a call at anytime should you like more information and a discussion on your portfolio directly.

Take care,

Ryan, Jocelyn & Brittany

Ryan Coburn, B.Mgt, CIM®, PFP®
Vice President & Market Leader, ***BMO Private Wealth***
Portfolio Manager, & Senior Wealth Advisor, ***BMO Nesbitt Burns***

(T) 403-382-3498

Check out our Website: www.ryancoburn.ca

For disclaimer details, please click here: http://www.bmo.com/nesbittburns/popups/about-us/disclaimers.