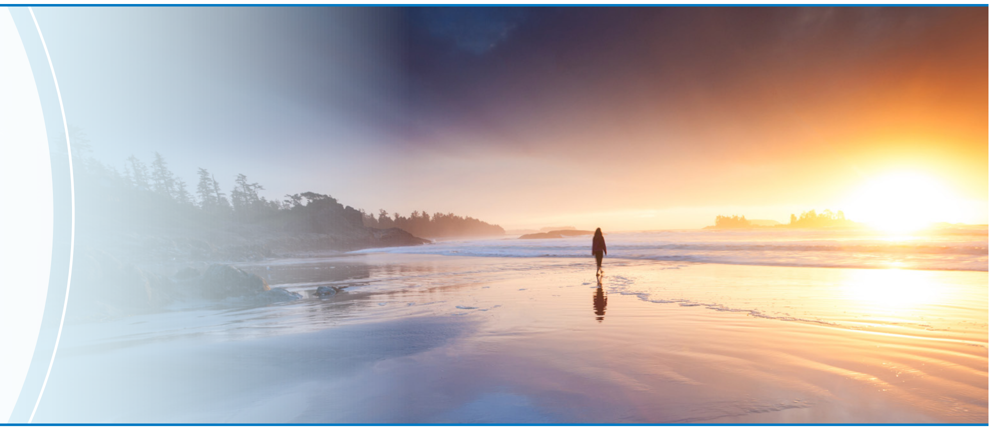
Your Best Interest



This Time IS NOT Different.

I feel like I communicated something quite similar in 1997 (economic crisis in Asia), 1998 (collapse of Long term Debt), 2000 (collapse of technology bubble), 2001 (9/11), 2002 (second wave fallout of 9/11), 2007/2008/2009, 2010 (Greece sovereign debt crash and the dow jone's worst intra day point loss), 2011 (august short term bear market), 2015 (commodity linked sell off), 2018 (pause of bear market and drop of 20% from sept to Christmas eve) and now 2020 (how am I still standing)?

Better yet, the market during that time (as of time of writing the S&P500 has managed to go up 235% (plus dividends growing at 6.11% annually) ***

And I will say this: It is not different this time.

Yet, every major bear market *feels* different when you are in it. However, they all end with the same result.

Every major bear market looks different when you're inside it.

That is, the blended stock price of 500 of America's largest companies doesn't decline by a third unless there's something significantly wrong going on. And each such crisis seems, in some important fundamental way, to be completely unlike anything we've faced before.

Thus the COVID-19 pandemic, and the economic cardiac arrest it has engendered, seem entirely unique in our history—at least since 1918. Moreover, even as we find ourselves bereft of historical antecedents, the equity market becomes unmoored from fundamental analysis. Quite simply, we can't begin to estimate a fair value for stocks. That's because we can't even imagine how deeply earnings will decline, how much dividends will be cut, and how long it will take to for the economy to stabilize and return to a sustainable path of growth. We're lost in a Cloud of Unknowing.

In the resulting climate of fear, human nature defaults to the conclusion that this time it's fundamentally and even fatally different. That's always human nature's rationale for selling out in a panic—and it is panic on an epic scale that drove the market down 34% in 33 days. The VIX made a new all-time high, equity fund/ETF liquidations spiked to Great Panic levels, and money market fund balances vaulted past $4 trillion for the first time ever.

A quarterly newsletter for select families and organizations

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>
> ~**Christine D. Fortin** June 2008

Yet it seems to me that during the lives if not the careers of the great preponderance of today's financial advisors, there have been at least three analogous crises—each radically new and different in its particulars, and each relatively fleeting in its effects, once we got past it. I refer, of course, to the Global Financial Crisis of 2008-09, the terrorist atrocities of September 11, 2001, and the Crash of 1987.

During the Global Financial Crisis, the entire world's financial system—overleveraged and holding trillions of dollars of worthless mortgage derivatives—completely melted down. The credit function was not merely impaired; it ceased to exist altogether. In response, the S&P 500—having topped out long before the system crashed—declined a total of 57%. It was a mark-to-market death spiral, the worst equity wipeout since the 1929-32 event.

Central banks did what they were supposed to do—function as the lender of last resort. Liquidity was gradually restored. The bad loans were written off, destroying many financial institutions. And from March 2009 through February of this year, the S&P 500 delivered an annualized compound return of 16.7%. Indeed, at its February 19 peak, the Index stood five times higher than its March 2009 trough.

As the nation reeled from the events of 9/11, Americans feared that we had had our Pearl Harbor moment, and that World War III had begun. We waited daily for the next phantom attack, fearing that it might even be nuclear. And though it's little remembered today, the stock market remained closed for nearly a week. Surely, we thought, nothing would ever be the same. Yet economically and financially, 9/11 turned out to be a species of blip.

On a bright October Monday in 1987—after cascading lower for the three previous trading days—the stock market went down far more than it ever had between a sunup and sundown. No one understood it, and in that perfect void of incomprehensibility, we wondered if this was our generation's Crash of 1929, ushering in a decade-long Great Depression. (In the event, it was simply the epic failure of "portfolio insurance"—a Frankenstein's monster of financial engineering.)

It is extremely difficult if not impossible at the moment to envision that the COVID-19 crisis will one day shuffle off to join these "black swan" events as a distant memory, and even a historical curiosity. But it will, because it must.

This is in no way to be read as a prediction of the shape or timing of the inevitable recovery. It is a statement of the fact that when the economy and the markets are freed again, to serve the needs and wants of 330 million American consumers and another seven billion around the world, the great arc of permanent advance will resume. Ultimately, this time won't be fundamentally different, because it cannot be.

Then there will be other crises. There always are.

It is in the nature of a democracy that every crisis can generally be foreseen, but that the society only responds once the catastrophe is upon us. The coronavirus pandemic fits this notion. I recommend you take the time to watch President George W. Bush's November 2005 speech to the National Institutes of Health. With stunning prescience, the president described how a pandemic could envelop the world, and laid out proposals in granular detail. In his audience that day was Dr. Anthony Fauci. Yet here we are.

Still, I don't think it's too much to hope that in response to COVID-19, the world's governments, virologists and epidemiologists are even now creating an early warning and treatment protocol somewhat comparable to the post-9/11 initiatives. Apple and Google have already teamed up on a technology that can help people figure out if they've been exposed to COVID-19 via apps and Bluetooth technology. Ten weeks ago, could we have imagined that such a thing was even possible?

Thus the great lesson of the current crisis, to the lifetime investor and his/her advisor, will not be in its difference but in its essential sameness. That sameness may be quite difficult to see at the moment. ***But "This time it's different" will forever turn out to be the failed investor's four-word death song.***

*Source www.multpl.com

Gold – to buy or not to buy

Whenever there is uncertainty the gold bulls out there get a bit of limelight. Is it short lived? Usually.

There are many reasons we do not believe Gold should be a key holding for our clients, but we would like to highlight the ones below;

1. Gold is not perfectly negatively correlated with markets, that is when markets go down, gold does not ALWAYS go up (and Vice Versa).

2. We invest in companies that generate profits year over year, innovate, and have clear earnings and distributions strategies. Whichever way you gain access to gold, it will not contain these things.

3. Your financial plan and investments are tailored to your personal situation. You are currently generating dividends and cash flow each year from your investments. Short term price declines in moments like this allows you to buy these income producing investments at lower prices, which further increases your cash flow. This is quite a valuable piece, and greatly increases the longevity of your plan.

4. You most likely have a 20+ year time horizon for your investments. If this is the case, you will have ample time to recover from this, and will in fact go through multiple more short term market declines while participating in the continual upward rise of the stock market.

5. We rely, and put our money on, the fact that companies are nimble and adaptable. In moments such as these, the companies we invest in find new and innovative ways to stay relevant, or even increase market share.

6. We have looked at the 30 year returns for the S&P 500 vs Gold. On a pure value basis, the S&P 500 has increase 660% vs Gold 337%. When you re-adjust for cash flow and yield being re-invested (why we focus our investment strategy so much on this), it has returned 1,407%, or over four times the return of gold. https://www.longtermtrends.net/stocks-vs-gold-comparison/ These numbers are before you consider the extra costs associated with holding physical gold such as storage and transport costs. Given these statistics, it is clear that the most efficient inflation hedge created by man has been good quality common stocks.

"Stress Testing" Your Estate Plan in a Time of Crisis – With Additional Special Considerations for Business Owners.

A crisis can be a catalyst for action if you don't have an estate plan – or even a Will.

People often put off estate planning because it's not top of mind, thinking they can take care of it "later." Events like the COVID-19 pandemic show that things can change in an instant and may continue to change rapidly for an extended period.

Even if you already have an estate plan in place, knowing it is up to date gives you the extra reassurance that your plan will work – even in a time of crisis.

To confirm if your estate plan is up-to-date, consider "stress testing" your plan. A stress test for any estate plan should ask some important questions:

Review of your current Will, Powers of Attorney and beneficiary designations

- Has your estate been impacted significantly by the recent downturn in the markets?
- Does the distribution of your assets in the Will reflect your current wishes?
- Is your executor able and willing to handle the complexities of an estate administration at this time? Is your executor getting older, or has he or she moved away?
- If you have given specific gifts, do these still reflect your wishes, and are they still proportionate with your entire estate?
- If you put age restrictions on when your children would receive their inheritance, are these still appropriate? Or, should they be held in trust for a longer or shorterperiod of time?
- Is any guardian you named for any minor children still appropriate?
- Have you included gifts for your grandchildren (or even great-grandchildren)? If not, do you want to?
- Have you given, or are you continuing to provide financial help to one of your children which is out of proportion to the others? Do you intend for it to be considered a gift, or do you want it to be taken into account when they receive their inheritance?
- Have you considered contingent beneficiaries and, where appropriate, named them for your registered accounts and life insurance?
- Do you have adequate insurance in place?
- Do you have an enduring or continuing Power of Attorney for property that appoints someone to look after your finances if you lose your capacity to make decisions? Is it up to date?
- Do you have a Power of Attorney for personal care or a personal directive appointing someone to make health care decisions for you if you are unable to make them yourself?
- Have you spoken to your attorney(s) and do they know what your wishes are? Are they still able to act when the time comes?

Additional considerations for business owners when stress testing their estate plans

- Do you have a Secondary Will in place to deal with your privately held corporate shares where this may be appropriate, and in those provinces where it is an option?
- Will your executor be able to administer your complex estate in a time of crisis?
- Do you have the proper signatories in place for your business, whether by Power of Attorney, trustee appointment or other director/officers for your business?
- Will your attorney for property be able to step into your shoes and deal with the complexities of your current business structure if you fall ill?
- Have you reviewed the governing documents (shareholder, partnership or joint venture agreements) of your business to understand the succession plan? You should also ensure your business partners, if any, understand the succession plan, and that their own estate plan is also up-to-date.
- Estate plans should be revisited to ensure that distributions are still as intended, and that no unintended consequences will occur. For example: Child A inherits the business and Child B receives your investments, but the value of the business and investments may now be dramatically different.
- Review your business structure and consider removing, winding up or amalgamating any redundant entities (e.g., corporations, partnerships and trusts). It will make the administration of your estate easier if the executors do not have to deal with unnecessary or redundant entities in the corporate structure.
- Have you satisfied yourself that taxes, cash flow, company valuations and operations are in order?

Complex tax and estate planning

A review of your estate plan may uncover other tax planning opportunities:

- Review whether an estate freeze1 might be appropriate at a reduced cost when valuations are lower, and potentially save tax later, upon death.
- Is there an opportunity to introduce a family trust as part of the estate freeze?
- If other planning is done during this time, especially for tax reasons, ensure that any new measures put in place are coordinated with your other estate planning documents and strategies to avoid any unintended consequences.

An effective estate plan incorporates the flexibility to address multiple scenarios (such as economic fluctuations or health situations for ourselves or our beneficiaries). It's important to have a plan in place for all "what if" scenarios – whether it is the COVID-19 crisis, other individual health issues or an unexpected accident – so that your wishes and instructions are known across all circumstances.

Happenings

Its been an interesting couple of months to say the least.

Our team transitioned to Work from Home the week of March 13th. Christine took over the man cave and has been doing her workouts with her trainer via zoom and engaging in some awesome zoom rides.

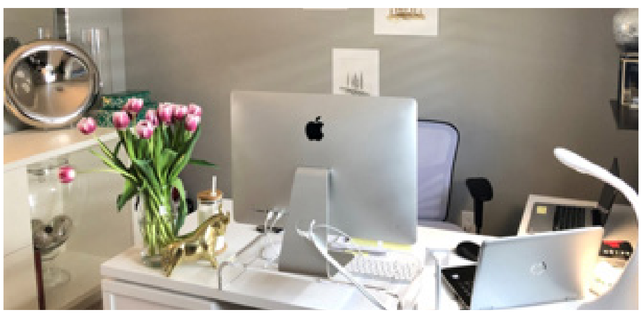
Spencer had to drop his weight based workout routine and start using body weight exercises for his 4 am workouts at home.

Sofia started doing early afternoon family/dog walks.

Sofia and Christine's hair are certainly showing their age.

Christine, saving time on hair and makeup each day has gained an extra 2 hours a day with the family – and will maintain some work from home permanently.

Christine's work from home space



Our daily virtual team meetings

Christine said early on (week 1) that we will never go back to where we came from. We are seeing this in all aspects of our life – and work from home has provided us all collectively with new outlooks. Clients have adapted and enjoyed virtual meetings requesting them on a more frequent basis even when social distancing is no longer required!

And through this all, our team transitioned seamlessly to our remote working, carrying on with virtual meetings and onboarding new clients virtually, running our model portfolios: it has been business as unusual.

Christine has loved Tap restaurants 3 course family style dinners for takeaway *with* wine pairings. And has been advised by the owner that this service will continue post pandemic!

Christine and Spencer passed exam 1 of Chartered Investment Manager course in January and then the day before Christine was to write exam 2, it got cancelled due to Covid! She is not looking forward to studying during the summer months.

Hopefully this summer Spencer will still go to Lacrosse Nationals and on his family fishing trip to Haida Gwaii and that Christine will still live in a van with the family for two weeks as they travel to the Tyrell Museum and back!

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