



## 2<sup>nd</sup> QUARTER 2019 SUMMARY

### Asset Allocation Strategy:

We didn't change the target asset allocation of your portfolio during the quarter.

Here is an extract of the five-year forecast released recently by our NBF Economy Group:

- The economic outlook for the next five years is relatively sound with a continuation of lackluster growth and tepid inflation.
- However, risks to our scenario are significant, and the possibility of a recession, albeit shallow, cannot be dismissed.
- The investment environment should remain challenging, leading to higher volatility of the price of financial assets.
- Equities should continue to deliver higher returns than bonds.
- U.S. stock markets appear relatively expensive and their returns over the next five years should be lower than their average for the past five years.
- Canadian equities look set to rebound from a difficult period of chronic underperformance.

### Portfolio Model Revisions:

We made only one change during the Quarter:

- Sale of *Dollarama* shares at the beginning of April
- Purchase of *Exchange Income Corporation* (EIF) shares

We bought *Dollarama* last December for a short-term opportunity, expecting the stock to rebound after its significant decline during the Fall 2018. It was not meant to be a long-term investment. Therefore, we took advantage of its 21% appreciation during the first Quarter 2019 to sell and reinvest into EIF.

EIF operates two business segments:

- Aerospace and Aviation Services in Ontario, Manitoba and Nunavut, and
- Diversified Manufacturing.

The stock pays high dividends (6.49% at the time of purchase) and offers an interesting growth potential.

## 2<sup>nd</sup> Quarter Highlights:

### Karelle Grant: a notable appearance at Place des Arts!



Left to right: Corinne Dutil, Jean Fabi, Guylaine Tanguay, Sonny Turner, Isabelle Boulay, Tom Quinn et Karelle Grant

Our teammate Karelle stepped on stage in the Wilfrid-Pelletier Hall to give a stunning interpretation of *I'm Alive* and *Be my baby*, as part of a fund-raising show sponsored by National Bank that brought over \$430,000 to share amongst five foundations providing help and support to underprivileged children. Bravo Karelle!

### Finally, a few (more...) words of wisdom to remember:

The danger for an investor to follow emotions and try to time selling and buying back when financial markets are volatiles:



***Why not a proven long-term approach to investing instead?***

# Market Timing in the Long Run

Myths / Reality

## MYTH

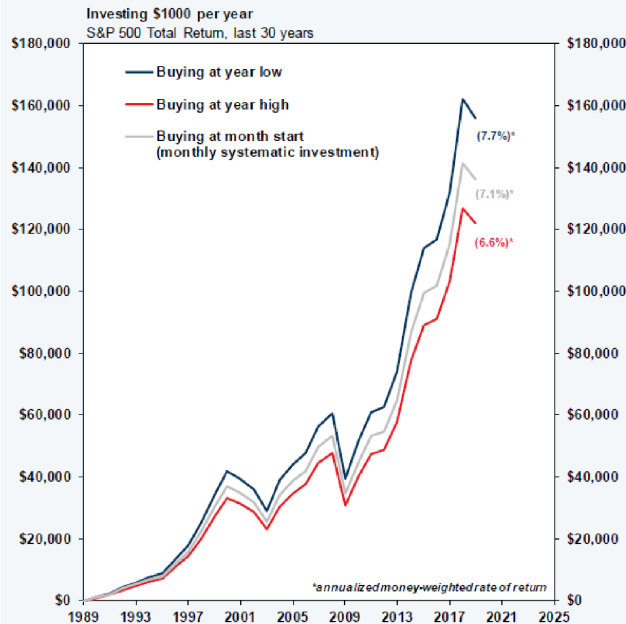
The timing of your annual savings investment is of utmost importance for the well-being of your portfolio in the long run.

## REALITY

The timing of your annual savings investment will make a difference in the long run, but it is far from being the critical factor many seem to believe.

Case in point: consider an investor blessed with the power of perfect market timing (blue line) compared to another investor cursed with systematically picking the worst possible day to invest each year, over 30 years (red line). In the end, the market timing champion would have outperformed the most unfortunate of all investors by a mild 1.1%/year. If we take the more realistic example of an investor saving systematically at the beginning of each month, this annual outperformance shrinks to just 0.6%.

How is such a small gap possible? Simply because in the long run, the first year's return is superfluous. What truly matters is the frequency of savings and passage of time, not market timing.



1 | CIO Office (data via Refinitiv)

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# Reasons to Sell?

Myths / Reality

## MYTH

Selling in times of heightened uncertainty can protect investments from heavy losses.

## REALITY

Selling in times of heightened uncertainty is generally the best way to ensure heavy losses, as it often rhymes with selling low and missing the rebound.

More importantly, one should keep in mind that the only certainty is that there will always be uncertainty, as it is the price to pay for capital appreciation in the long run.

And – need we add – it isn't in the media's best interest to report the latest news with nuance and historical perspective; better to let fear and pessimism easily set in. However, the chart on the right should act as a reminder that letting emotions take over is a good recipe for short-term gain, but long-term pain.



2 | CIO Office (data via Refinitiv)

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"A goal without a plan is just a wish." – Antoine de Saint-Exupéry