

## Market Downturn is Short-Term Noise

The U.S. stock market has declined for six straight days. The S&P 500 dropped 3.3% on Wednesday – its largest single day drop since February 2018. By market close today it had dipped a further 2.06%. Stocks also fell in Canada and in markets across the globe.

The backdrop to this short-term trading is still dominated by deepening U.S.-China tensions and a surge in volatility for stock and bond markets. As long-term investors, we are focused on the objectives of our portfolios and are tuning out the noise.

- **Triggers:** Mounting concerns around higher interest rates, U.S. 10-year Treasury yields continuing to rise, and the impact of the tariff war with China and its effect on corporate earnings are all worrying equity markets.
- **Keep in mind:** While markets as a whole are down, key defensive sectors, including Utilities and Financials, as well as selected value stocks gained.
- **Good news:** Caution remains the key word across global markets as investors try to gauge whether this recent sell-off has room to run or if it's been overdone.

### Our Experts Say...

*“People always believe they can time their investments, but I’ve never seen success in trying to do so.”*

Tom Marsico, Marsico Capital Management  
Investment Specialist: U.S. Growth Equities

*“There are always a million surprises (in the markets). Rather than predict the next surprise, it’s better to build a portfolio to withstand sudden shocks.”*

Peter Lampert, Mawer Investment Management  
Investment Specialist: International Growth Equities

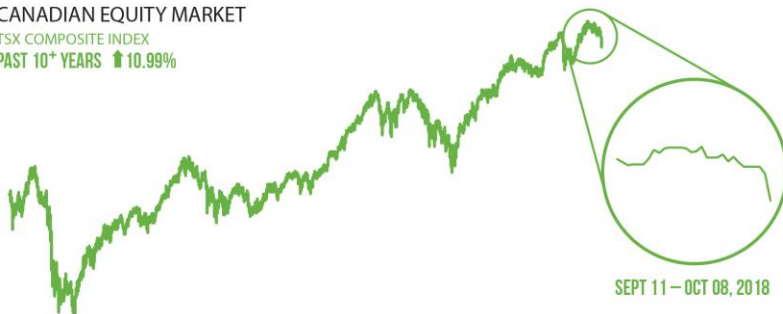


Our investment specialists manage portfolios for the long-term, regardless of market downturns. [Watch this video](#) for additional insight and perspective.



## Step Back for Some Perspective

CANADIAN EQUITY MARKET  
TSX COMPOSITE INDEX  
PAST 10+ YEARS ↑ 10.99%



JAN 2, 2008  
13,926.80

OCT 10, 2018  
15,457.24

U.S. EQUITY MARKET  
S&P 500 INDEX  
PAST 10+ YEARS ↑ 92.49%



JAN 2, 2008  
1,447.16

OCT 10, 2018  
2,785.68

Over the long term, markets have been strong. It is important to ignore short-term noise.

## How We Protect Against Market Downturns

- Trimmed our U.S. exposure in September as markets were reaching record highs and we are now underweight in U.S. equities.
- Remain overweight in International equities and Emerging Market equities as we see longer-term opportunities there despite some recent weakness.
- Remain underweight in Canadian equities as the current high-tax, high-debt, low-growth environment is not attractive.
- Increased our global fixed income weighting which continues to be an important diversifier, adding incremental yield in our Core Plus Fixed Income strategy.
- Increased allocations to our Global Trend Strategy to enhance downside protection in the portfolios if a downward trend develops.

### Short Term Risk Mitigation > Dynamic Currency Hedge



We actively hedge the U.S. dollar exposure in a portfolio as it is typically the most significant currency risk. The goal is to minimize losses due to currency risk in your portfolio.

### DID YOU KNOW?

We monitor risk factors and keep our eyes on influences such as higher interest rates, key geo-political events and inflationary pressures in order to protect your capital.

Currency Hedge Position (CAD)	Date	Rationale
50%	Oct. 9, 2018	We increased our partial hedge to 50% in mid-October after implementing a 25% hedge early in the month. The Canadian dollar (CAD) began strengthening as NAFTA negotiations concluded with a new deal. We believe it is prudent now to protect investors against further appreciation by CAD.
25%	Oct. 4, 2018	
0%	Sept. 30, 2018	

When markets are volatile, we know it can be tough to keep your emotions at bay. We're here to be your guide and help you stay focused on your goals. If you have any concerns, please give us a call.

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\*In USD, and CAD terms respectively; Jan. 26 to Oct. 10, 2018

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