

Money Wise Magazine

Market Watch

The recent market corrections have erased some of the gains posted through 2018

Perspectives on Volatility

How often do we experience corrections like this?

Will Your Emotions hijack your Investment Strategy?

How to stop fleeting worries from causing you to make big mistakes in times of market downturns

The Four Types of Investment Risk

& how diversification can help minimize some of these risks



TRINITY
WEALTH PARTNERS

QUADRUS

Quadrus Investment Services Ltd.

Am I Saving Enough to Retire?

CIBC poll finds the vast majority of Canadians don't have a retirement plan and aren't sure if they're saving enough to retire how and when they want to.

90%

don't have a detailed retirement plan describing their retirement lifestyle or income needs



is the average amount in personal savings Canadians estimate they'll need for retirement



is the average amount Canadians have saved for retirement

At or on the cusp of retirement:



32% of Canadians aged 45 – 64 have no personal savings for retirement



43% of women aged 55+ don't have a retirement plan



47% of Canadians aged 55+ seek advice from a financial professional

SOURCE: 2018 CIBC RETIREMENT PLANNING POLL

In this Issue...

The media has given investors and advisors alike a lot to talk about over the past few weeks. Their sensationalist approach might bring more viewers to the news, but it doesn't help build confidence on our portfolios for the every day investor.

While it is important to keep tabs on what the markets are doing, close monitoring of the stock market doesn't always give insight to the performance of your particular portfolio. Our advisors use a number of mutual funds, segregated funds, and other investment types to build a strategy that fits your tolerance for risk so that when the markets go down 10%, you don't lose 10%. You could lose less or more depending on the particular funds you've chosen. To keep a closer eye on your portfolio in particular, Quadrus has online access to your account available to give you the most recently available values of your accounts. Give me a call or send me an email if you'd

like to get set up to view your Investment Summary online.

It is important to note, however, that we shouldn't let our emotions get the better of us in volatile times. For one, the recent volatility is nothing new to the market cycle, which Rick talks about in his article. Second, Patricia reminds us how sticking to a long term investment strategy is important to reach our investment goals. Letting your emotions get in the way of a well-thought-out plan could spell disaster at retirement! Third, it is generally accepted that investing carries some risk, which I talk about in my article. Be clear about your tolerance for risk and build a portfolio with your advisor that you can be confident

in during market pullbacks like last week.

Finally, we have an announcement from the Trinity office: we have a new member of the team specializing in insurance. Sandra Boyd joined Trinity at the beginning of October and is here to help you with all of your insurance needs, whether it be questions about your existing policies or setting up a new one. Sandra has been in the investment and insurance industry for over 20 years and most recently worked with us from the Great-West Life branch in Halifax. We hope you join us in wishing a warm welcome to Sandra!

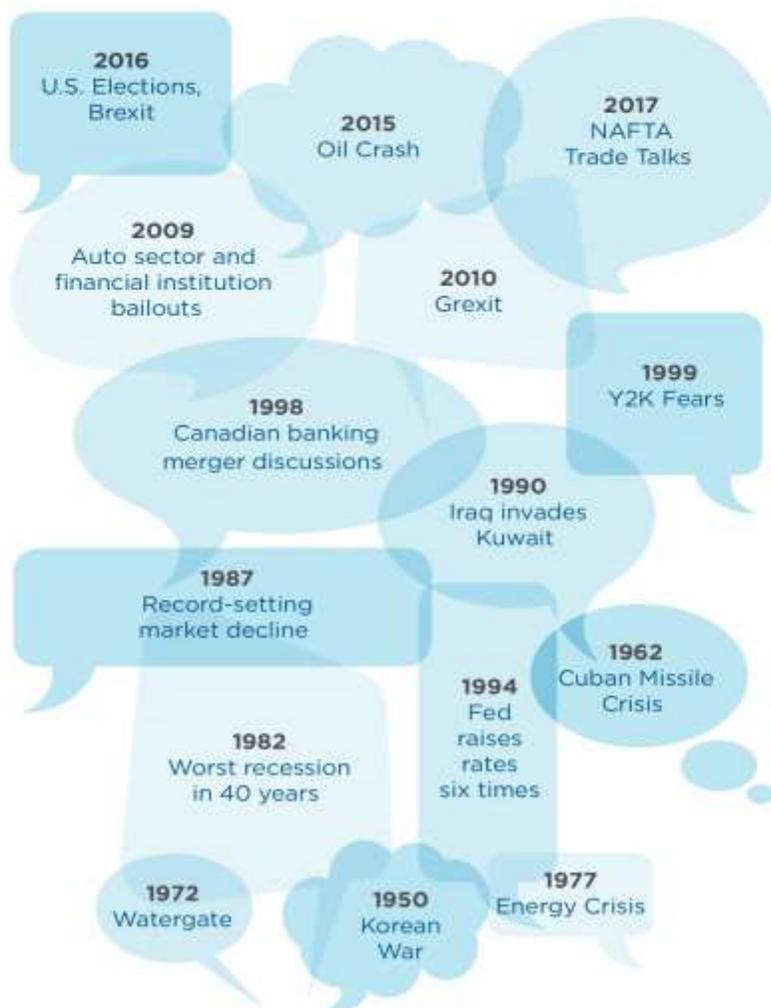
Natalie LeBlanc
Marketing Assistant



Market Watch

While the Canadian markets haven't fared so well this year, we have been far more fortunate than the Chinese market. The American markets have actually posted positive returns despite the recent pullbacks. It seems to be another period in which skeptics find reasons to avoid investing altogether, like the periods below.

Past excuses for not investing





Rick Irwin, CFP, CLU
*Financial Planner,
Investment Representative*

2018 so far has not been a banner year for most markets. Here at home the TSX is down 4.9% for the year while the US market (as measured by the S&P 500) is up 3.5% in US dollars. The tech heavy NASDAQ, despite the recent pullback, fared much better and, despite the near 10% correction over the

past few weeks, is still up 8.6%. The Emerging Markets have been hit

especially hard, led by China which is down close to 30% but the broad EM are down over 15% in US dollars. European markets are in correction territory, having fallen more than 10% from their peak, and are down close to 9% for the year and closing things out the Japanese stock market is basically flat. Diversified

portfolios, holding a mix of Canadian, US and International investments as well as other asset classes like bonds, real estate and alternative investments, have fared better and by their nature should hold up better in periods of market volatility, just as they do not tend to fully participate in the market's upside in periods of strength.

The economy is quite strong by many measures, and many experts say that's more important the market's daily ups and downs, but there are some factors that investors had decided to ignore for most of the summer: the ongoing trade war with China, concerns that the US Central Bank (The "Feds") will raise rates too quickly causing a downturn in the economy, third quarter earnings could be a little lower causing pressure on profit margins, money moving out of stocks as bonds become more attractive due to higher rates.

So what's causing the selloff? Jurien Timmer, a Director with Fidelity's Global Asset

Allocation

Division uses an equation to demonstrate:
Price=Earnings/Interest Rates. When earnings go up and rates go down prices increase. But the opposite is also true, when earnings go down and rates go up, prices fall. This is the 'market math'. After a year of strong earnings growth many companies seem to be preparing their investors to lower their expectations for the 3rd quarter blaming tariffs and inflation. This may mean earnings growth is peaking.

It's never fun to see our investments shrink in value, but it is part of the process for

Patricia Bell, PFP
*Financial Planner,
Investment Representative*



bull markets to experience pullbacks from time to time. In fact, it's important not to let short term "noise" affect a carefully designed long term investment plan. While our natural reaction to the noise might be to get off the wild ride, we need to remember what's happening in the headlines is not necessarily what's happening in your portfolio and remember that the media is not in the business of giving investment advice.

Perspectives

The market downturns this October, that has historically been the cruelest month for stocks, were of concern to many investors. However, drops like this are very commonplace. Since the stock market bottom in March 2009, there have actually been 23 corrections of more than 5%, including one this past February.

Looking at the attached chart, which shows the annual returns for the US stock market since 1980 we can see that in a period spanning close to 40 years where the S&P 500 made 8.8% on an annual basis there were only 8 of 38 years that were negative despite annual pullbacks of nearly 14% on an intra year basis. In other words, temporary pullbacks are virtually an annual occurrence. Since 1928, the index has typically suffered a 5% pullback once every 71 trading days. 69 trading days elapsed between 5% drawdowns prior to the drop on October 10, 2018.

Since 1928 the US stock market has had 325 days where the losses were 3% or worse, which works out to about 1.5% of all trading days (or 1 every 67 days). In the last 20 years, the S&P 500 was down more than 2% on

average 11 times per year. Each one of these down days feels as bad as the last one we all forgot about. So even while they are not pleasant to endure, down days are a part of the normal cycle of events and should not be seen as anomalies.

In fact, what has been abnormal recently is the lack of volatility. 2017 was the least volatile year in the history of the US stock market (as measured by the S&P500). The worst intra year drop in 2017 was just 3%. Only twice in the last 38 years has the worst intra year drop been less than 5%. Market volatility has increased this year but is still well below average.

Investing is not easy. It takes patience and perseverance and, while easier said than done, keeping our emotions in check

when things are both flying high (“fear of missing out”) and when things get bumpy. Your investment portfolio was designed with your long-term goals in mind and achieving those goals involves taking on some stock market risk. Hopefully the information above provides some context for just how common these market corrections are. Despite the frequency of annual intra year corrections that average 14% peak to trough the US stock market has averaged almost 9% annually the last 40 years. If you would like to review your investments, do not hesitate to contact us at any time.

Rick Irwin, CFP, CLU
Financial Planner,
Investment Representative



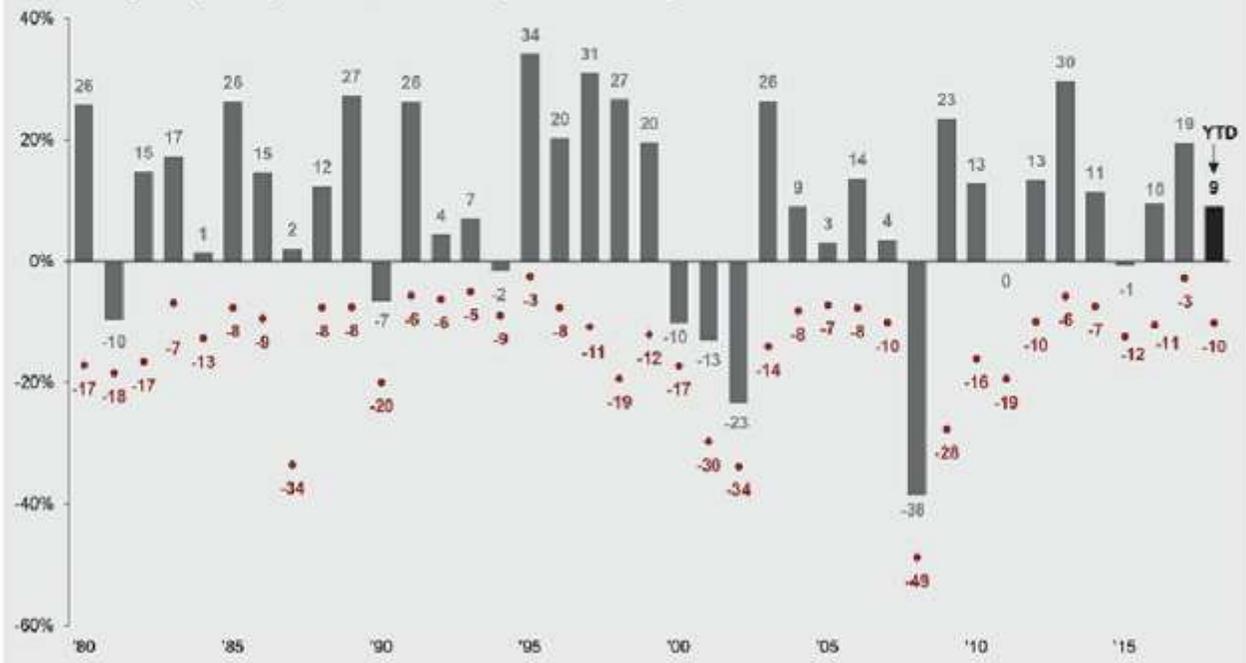
on Volatility

Annual returns and intra-year declines

GTM - U.S. | 14

Equities

S&P 500 intra-year declines vs. calendar year returns
 Despite average intra-year drops of 13.8%, annual returns positive in 29 of 38 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2017, over which time period the average annual return was 8.5%. Guide to the Markets - U.S. Data are as of September 30, 2018.

J.P.Morgan
Asset Management

Sources:

¹Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management

²Source: Bloomberg, RBC GAM. Data from January 1, 1998 to October 10, 2018

³Goldman Sachs Global Investment Research

Will Your Emotions Hijack

The behaviour of the markets is generally cyclical, and therefore our reactions to that market movement tends to also be cyclical. Pushing off making big investment decisions because of the state of the markets assumes we know when they'll bounce back, a dangerous assumption. Sticking to a defined strategy is a better plan.

While here in Canada we may have only recently finished our Thanksgiving leftovers, our neighbours to the south don't celebrate this holiday till the 4th Thursday in November. This year the 23rd begins the countdown to Christmas and is followed by the much anticipated and anxiously awaited "Black Friday" celebrations, bringing with it crowds and conflict at shopping malls and big box stores.

Black Friday these days denotes the start of a retail shopping spree but it was originally coined by the Philadelphia Police Department because so many people went out to shop that it caused traffic accidents and chaos in overcrowded stores and congested parking lots.

Retailers however didn't appreciate the negative connotations or the associations to Black Monday, on October 19th 1987, when the Dow Jones Industrial Average dropped 22.61% or Black Thursday, on October 24th 1929 which signaled the start of the Great Depression. They decided to rebrand it as their own and signify their best sales days, moving them out of the red and into the black.

Now I like a good sale too, but what has this to do with our investing strategy? Well, we know when the sale is happening so we're all ready to buy. This isn't possible with markets. The gurus on TV can look at averages and volumes and sentiment and all manner of data but no one

knows with certainty when markets will go up. Or when they'll go down. You can't plan on picking the sale day in the markets. You may have heard the adage, "The best time to invest is today and the next best time is tomorrow." It's true!

What about the crowds and the lineups and even the potential of actual physical danger to ourselves of shopping on this particular day? The volatility in the malls can make us fearful of going out. This can happen to us when we're investing too. We might decide to stay on the sidelines when things are uncertain and we're afraid, causing us to miss the sale altogether. Or we allow ourselves to get carried along with the crowd, thinking they

your Investment Strategy?

CYCLE OF MARKET EMOTIONS

While the ups and downs of equity markets are largely unpredictable, their effects on investor behaviour can be observed. Many of us experience a rollercoaster of emotions when investing, which can translate into poor buy-and-sell decisions.



Source: Darst, David M. (Morgan Stanley and Companies, Inc.), *The Art of Asset Allocation*, 2005.

know something we don't and abandon the strategies we've developed to suit our goals when we were more rational and calm.

Sticking to our budget can be a challenge when faced with all those shiny sale stickers or this year's must have toy or gadget. There's a reason retailers put those fun "don't forget me" items next to the checkouts, it works! When we invest it's

important to remember the budget and our goals and why we planned in the first place. This will make us much more successful than giving in to the "flavour of the month".

This chart helps us see how we can be ruled by emotions and make the wrong decisions. Your advisor knows emotions are powerful when

things are uncertain and staying the course through all market cycles isn't always easy. Talk to them before the roller coaster starts so you know you can ride out the waves with confidence.

Patricia Bell, PFP
Financial Planner,
Investment Representative



The Four Types of

When we think about risk, lots of potential situations could come to mind. Repairing a roof without a safety harness is risky. Getting on the highway every morning is risky. Investing is risky. The degree of risk in each situation, without exception, always depends on multiple factors. Are you wearing cleated boots? Is it snowing? Has the CEO of a multi-million-dollar tech company stepped down? The risk in any of these given situations can be mitigated with proper planning, preparation, and knowledge.

In the case of investing, there are four different types of risk that we can consider when assessing just “how risky” our investment choices are. Let’s preface, however, by reminding you that there is always inherent risk in investing in mutual funds. No return is guaranteed, but we can arm ourselves with the right planning to minimize our risk and maximize our potential reward.

Diversifiable Risks

The first two types of risk are Diversifiable Risks. These two types of risk affect various kinds of assets in different ways. In other words, with proper asset diversification, these risks are minimized.

- Growth Risk is generally the risk that is top of mind to beginner investors. Will the value

of my investments increase or decrease by the time I want to retire? Will the stock market’s valuation increase or decrease over the next few years? For example, the price of a stock of a publicly traded technology company will react differently to general economic growth than the stock of a transport company specialized in bus transportation. The old adage of not “keeping all your eggs in one basket” helps mitigate a portion of this risk.

- Inflation Risk: Some investments are affected most by expected inflation like Bonds, Gold, and other commodities. When inflation is perceived to be high, investors are more likely

to want to spend now, while the cost of goods is low. This means that the value of bonds decreases while commodities increase, all affecting the returns of your portfolio.

By not investing all your assets in gold or one stock, you are minimizing the growth and inflation risk you will face. It is important to hold a well-diversified portfolio to manage these risks.

Undiversifiable Risks

The next two types of risk affect given assets in the same way. Making a “better” investment choice doesn’t help in these cases. They represent the inherent risk of stock investing, that cannot be diversified away:

- Policy Risk: Interest rates are one example of how

Investment Risk

government-based policies affect your investment values. When cash will earn just as much interest as you would gain in a stock, most investors would rather take the less-risky cash option, right? When interest rates go up then, fewer people choose stocks over cash investment, lowering stock values across the board.

- **Sentiment Risk:** The driver of stock markets, either up or down, is investor sentiment. Prices are derived from what analysts and managers think about the company in question. The collective opinions on an investment choice can be wrong, presenting sentiment risk.

and those drops can affect your portfolio. Diversification can minimize your risk but there is always a certain degree of risk we accept when investing in mutual funds. For more information on the assets your portfolio include, and how to mitigate risks in your portfolio, call your advisor

It is unfortunate but true that we can't anticipate every stock market drop,

Natalie LeBlanc
Marketing Assistant





TRINITY WEALTH PARTNERS

Halifax Harbour

**1095 Bedford Highway
Bedford, NS
B4A 1B7**

**(902) 835-1112
www.trinitywealthpartners.ca
info@trinitywealthpartners.ca**

The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of the date of publication. Future changes to the tax legislation and interpretations may affect this information. This newsletter contains general information only and is intended for informational and educational purposes provided to clients of Rick Irwin,

CFP, CLU; and Patricia Bell, PFP. While information contained in this newsletter is believed to be reliable and accurate at the time of printing, Rick Irwin, CFP, CLU; and Patricia Bell, PFP do not guarantee, represent or warrant that the information contained in this newsletter is accurate, complete, reliable, verified or error-free. This newsletter should not be taken or relied upon as providing legal, accounting or tax advice. Prospective investors should review the offering documents relating to any investment carefully before making an investment decision and should ask their advisor for advice based on their specific circumstances. You should obtain your own personal and independent professional advice, from your lawyer and/or accountant, to take into account your particular circumstances.

Quadrus Investment Services Ltd. and design, Quadrus Group of Funds and Fusion are trademarks of Quadrus Investment Services Ltd. Used with permission.

Insurance products, including segregated fund policies are offered through Trinity Wealth Partners Inc., and Rick Irwin, CFP, CLU; and Patricia Bell, PFP offer mutual funds through Quadrus Investment Services Ltd. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.