



Putting Volatility & Risk in Perspective – Thoughts from Mike: March 2022

Admittedly, I struggled with what to title this letter. I had "Blocking out the Noise", "What Ultimately Matters" and "Dividend Growth, the Inflation Fighter" but ended up with the above. The word volatility is often used as a substitution for the word risk, but I'll explain shortly why I think they are almost opposites.

I've always defined risk as buying an investment but needing your money back before the investment has done what you've intended it to do. With diversification and a solid conversation on your life, goals, and objectives this rarely happens. Selling an investment at a lower price than what you paid for it, is rarely helpful in achieving your unique long-term goals. We should aim to never have to do it.

Volatility on the other hand, can be an investor's friend. Without it we would lose out on opportunities to purchase some great companies at even better prices. Volatility is the price you pay for the increased probability that your wealth plan will be successful. I have no idea what the journey of the companies that make up your portfolio will look like. It's rarely, if ever straight up, but I can say that if the overall market has hit new highs over 1000 times since you've been born, that every dip, correction, drawdown etc. has been an opportunity. A big part of our value is taking advantage of these opportunities through our portfolio management process and eliminating our biases when making decisions. Money can trigger emotions, I get it, but making emotional decisions rarely result in good ones.

Every time I use the words "stock market" I cringe, it has such a negative connotation to it. That way I see it, we don't own stocks; we own a portion of great companies that are expected to pay healthy growing dividends and/or provide long-term capital gains. Most of these companies you use in your day-to-day lifestyle. The stock market is simply the place where we need to buy them. These companies have been around for years and I suspect most will be around long after we're all gone. The common characteristic of all our good businesses is their healthy "growing" dividend. I emphasize growing because traditionally a company that can increase its dividend over time tends to also lead to a higher share price. They are also traditionally the best way to combat inflation. Owning businesses that can pay you more money every year is a great way to offset rising costs.

Let's look at a few examples*

Company	Recent % Dividend Increase	5 year % cumulative increase
Canadian National Railway	19%	56%
TD Bank	13%	42%
Visa	17%	95%
Fortis	6%	30%
Microsoft	11%	47%

In my view these dividend increases are simply one of the best reasons to own high quality companies over most any other investment alternatives. With today's inflation rate exceeding 5% and the cost of most everything you buy today increasing, it helps to have your income at least match that level. This is traditionally why over time, cash and guaranteed investments fall short. To summarize; we focus on dividends as it is one of the most predictable forms of income, acts as an inflation fighter, and are expected to come in regardless of what your capital does. All that you must do to receive them is to not get scared out of the business's that pay them during times of volatility.

At Anderssen Wealth Management, it is our criteria for owning a business, that it does pay a dividend. This simply eliminates many of the business that are available. Sticking with a process and not deviating from that is what has made our clients over time successful. We might miss a bit when growth is in favor but I'm ok with that if it means we do a better job protecting your capital in times of stress.

There is a lot going on around the world. Not sure if there ever won't be. Whether it is Trump, COVID-19, Inflation and recently Ukraine it always seems like it's never a good time to invest. Fortunately, historically these things do pass and tend to have little effect on your portfolio over time. It's ultimately good corporation profits that help make share prices rise over time with lots of distractions along that journey.

I've often said that the that next time you watch the news and feel really good about the world please give me a call. I know we wouldn't hear from many and we do like to hear from our clients. If you need anything or just want to chat outside of your customized service, please give us a call.

We are here for you.

Thank you,



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