



Important Topic: Short-term vs Long-term Issues

It is important when investing, and making decisions in general, to separate short-term from long-term issues. We are so often swayed by the immediate, the emotion of the moment, that one could easily believe that we were designed this way. Yet proper decision making requires perspective, self-control and a focus on one's long-term goals.

Behavioral science points out that when under pressure our brains 'sacrifice accuracy for speed'. This makes sense when confronted by a lion in the jungle or a similar contemporary situation. But it can be very detrimental when making decisions with long-term ramifications.

Related, an important decision-making trait is delayed gratification. Children who chose 2 cookies at the end of the school day over 1 cookie immediately, proved to be more successful in life. No one says that this is easy or comes naturally. But it works.

And so with investing, we must work very hard to focus on the long-term, to maintain self-control and to keep everything in perspective.

The short-term is a distraction. In the moment it will feel crucial. It will appear as if everything has changed and we must react. There is a lion that suddenly appeared before us and how can we not run? But one must not let the short-term distraction outweigh the long-term, thought out, prudent plan.

An analogy that I like very much is that of a dog walker making his way across a park. We know where he is going and his path is true. But everyone is distracted by the excitable dog on a long leash darting randomly in every direction. There is no predicting which way the dog is going to go, but we do know that he will soon be with the dog walker at the park's



exit. As the newspapers and TV focus on the dog and highlight every dart and dash, I ask that you focus on the dog walker.

By the time you are reading this the US election will have taken place. I do not know the outcome but based on the past, I am comfortable saying that the election itself is another short-term issue. Asset prices may be affected over the next little while, as people watching the dog try to figure out which way he will turn next, but in the long term, strong, competitive, flexible and creative companies will continue to do well. In the long-term focusing on the dog walker – the portfolio overall and over time - is not only more important, but arguably the only thing that matters. We have attached a chart to this email that shows market reactions between 2009 and 2020 to these short term events and how the market has reacted in the longer term.



Over the coming months we will also continue to adapt to COVID-19. Whether it is a vaccine, or whether it is better treatments, or whether we just find ways (as we have) to live, work and play around it, this too could prove to be a short-term issue. But if it proves to be a longer-term issue, rest assured the dog walker will adjust his path after much analysis, thought, and perspective, and find a prudent way to complete his task.

Market Update: October - The Rally Takes another breather ..

The market has taken its second rest since the rally began in March. This time the effect was felt not only in the tech sector, but more broadly. The main reasons being the second wave of the coronavirus and the US election.

Interestingly November is usually a positive month, starting the usually strong November – March period. Also, historically, the first year of a Presidential cycle has been generally positive as investors cheer the passing of an election and the clarity of what the

Government wants to do and what it does not. This clarity alone is typically helpful to the markets regardless of the direction taken by the new Administration.

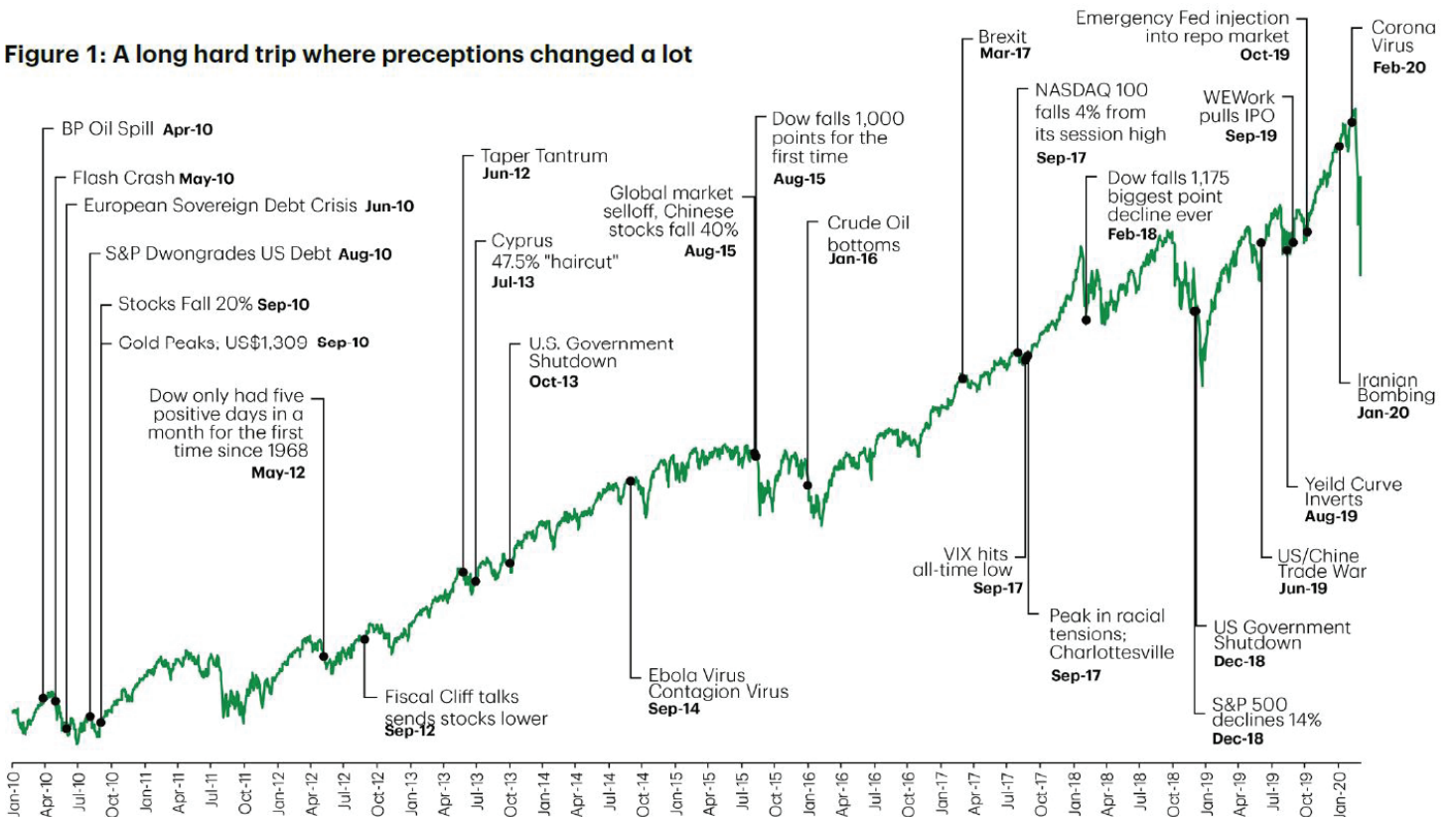
Most importantly, though barely covered in the press, is the fact that the economic readings and indicators are positive in general. In fact some of the recent numbers have been simply incredible. The fear was that the economy and the markets could not recover and that a ‘V’ shape recovery was impossible has turned out to be fear, and little else.

We should be looking at additional government stimulus in the US over the next couple months – regardless of the White House occupant. As such we could see the markets rally even further.

Additionally we still expect very low interest rates for the foreseeable future.

In my opinion, the one variable that could get in the way, would be a second or third wave that requires the shutting down of the economy and the loss of jobs on a large scale

Figure 1: A long hard trip where preceptions changed a lot



Source: Bloomberg. As of March 9, 2020



and for longer. If this unfolds, consumer spending would eventually be curtailed. Importantly we have not seen this to date. Even as unemployment peaked in the spring, consumer spending continued. As such I see the odds of such a scenario unfolding as rather low. It would also likely take a period of time to unfold, giving us time to reassess.

Looking Forward

The markets are likely to remain quite volatile. The near future however should be a bit clearer and this is to be welcomed.

As for our investments, we like the positions we hold – quite a bit – and we are continuing to buy, though very selectively.

As always we remain convinced that investing in solid companies trading at attractive valuations is a sound strategy and should provide attractive long-term returns. We

remain focused, selective and patient.

For the month, the bond market was down 0.8%, the Canadian market was down 3.2%, the US market was down 2.7%, International markets were down 3.5%, the Emerging markets were up 1.6%, the Real Estate market was down 2.9% and the preferred market was down 0.1%. (Reuters 10/30/20)

Year-to-date, the bond market was up 6.8%, the Canadian market was down 5.4%, the US market was up 1.5%, International markets were down 10.6%, the Emerging markets were up 5.7%, the Real Estate market was down 22.5% and the preferred market was down 2.2%. (Reuters 10/30/20)

Have a great month and let us know if there is anything we can do for you,

- Meir

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