



An Important Note: How bad is a Recession?

The risk of a recession continues to be a hot topic of discussion. But how bad is a recession for your long-term portfolio?

Recession	6 Months Prior	During the Recession	One Year	Three Years	Five Years	Ten Years
Nov 1948 - Oct 1949	9.83%	4.12%	31.48%	87.98%	171.33%	497.04%
July 1953 - May 1954	-6.46%	27.57%	35.92%	83.74%	144.81%	294.38%
Aug 1957 - April 1958	9.28%	-6.51%	37.31%	66.35%	89.72%	211.33%
April 1960 - Feb 1961	-1.04%	18.40%	13.61%	35.06%	68.41%	111.33%
Dec 1969 - Nov 1970	-7.78%	-3.45%	11.24%	20.63%	25.16%	145.87%
Nov 1973 - Mar 1975	2.86%	-17.90%	28.32%	21.99%	55.33%	252.40%
Jan 1980 - July 1980	7.67%	16.14%	12.92%	55.89%	100.89%	345.64%
July 1981 - Nov 1982	-1.02%	14.66%	25.40%	67.24%	103.23%	350.51%
July 1990 - Mar 1991	3.09%	7.64%	11.04%	29.84%	98.21%	284.66%
Mar 2001 - Nov 2001	-17.84%	-7.18%	-16.51%	8.44%	34.33%	33.16%
Dec 2007 - June 2009	-2.33%	-35.46%	14.43%	57.70%	136.98%	294.17%
Mar 2020 - April 2020	1.92%	-1.12%	45.98%	???	???	???

Sources: NBER, Returns 2.0

If this chart of the S&P500 (the US market) is surprising, remember that the stock market marches to its own drum. Economic downturns are part of the economic cycle. When they occur some companies suffer, other's skate through while a few even prosper. But this is all temporary. Companies respond, necessity is the mother of invention, resiliency is high, and knowledge compounds. Nothing is static.

As you can see from the chart above, the returns after 3 years are impressive. The returns after five and ten years, when the market has rebounded, are very impressive and a main attraction to investing in the markets.

Whether there is a recession or not (I do not know), I am confident that when it occurs, we will emerge on the other side stronger and well positioned to reap the rewards.



Market Update – July 2022

Recession? What recession?

July was a very strong month reversing June's losses. In short, talk of a recession is proving to be premature as earnings continue to impress.

As we have written many times, we believe earnings are the most important driver of stock prices in the long run. One would expect that with all the bad news about inflation, all the headlines about recession risk and the worries about rising interest rates, that the outlook for earnings would be deteriorating. But so far, it has not.

On the contrary, according to Factset (www.factsheet.com, June 17th, 2022) analysts estimated S&P 500 earnings to grow 10.4% year-over-year. This reflects upward revisions over the past year. Even with intensifying recession concerns in recent months, these estimates reflect an improvement since the end of March, when analysts were estimating 9.6% growth.

Note that this does not mean that we avoid a recession. Recessions are part of the

economic cycle, and one will come. However, the prediction that it would appear in 2022 or early 2023 seems to be incorrect. Whether it occurs in later 2023 or 2024 will depend tremendously on what happens between now and then. Time spent predicting the future is time poorly spent.

And so, as always, we believe that the focus remains, and must remain, on the long term. One's focus should be on investments in strong companies that have the opportunity and the potential and can weather the inevitable storms and still prove profitable. One should invest for the long term and ignore short term fluctuations and forces one cannot control. Mostly one should focus on one's own life, plan, and goals. At the end of the day that is all that truly matters.

Looking forward we are concerned but neutral in the short term, and positive in the medium and long term. We continue to invest new funds (finding some good opportunities) and monitor our positions closely.

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

- Meir

Index	Month	Year to Date
Bonds FTSE Canada Universe Bond Index - CAD	3.90%	-8.90%
Canadian Equity - S&P/TSX 60 Index - CAD	3.80%	-6.10%
US Equity – S&P 500 - USD	9.10%	-13.20%
International – MSCI EAFE Index - USD	5.20%	-14.60%
Emerging Markets - MSCI Emerging Markets Index - CAD	-1.00%	-17.00%
Real Estate - Dow Jones® Global Real Estate Index - USD	8.20%	-14.40%
S&P/TSX Preferred Share Index - CAD	-1.10%	-11.00%



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¹ Bonds FTSE Canada Universe Bond Index - CAD

Canadian Equity - S&P/TSX 60 Index - CAD

US Equity - S&P 500 - USD

International - MSCI EAFE Index - USD

Emerging Markets - MSCI Emerging Markets Index - CAD

Real Estate - Dow Jones® Global Real Estate Index - USD

S&P/TSX Preferred Share Index - CAD

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