Market Update

November 2022

An Important Note: What Really Matters?

Howard Marks, a leader in the investment world both in deeds and thoughts, wrote what we believe to be an excellent piece on investing.

While it is well worth reading, and probably well worth reading once or twice a year, it is 14 pages long, so allow me to summarize:

1. Do not try to predict the short-term.

   Even questions about inflation, interest rates, recession are usually about the short-term.

2. Professionals talk about when things might happen incessantly, not sure they can explain why.

   The fact that something is happening or going to happen is much more important than the start or end date.

3. Most forecasts are really just extrapolations

   And since most things do not change most of the time, it is a safe approach, but not particularly profitable.

4. Stock prices are driven by expectations, not by particular events in a vacuum

   Too many think that results drive market prices when often it is how results compare to expectations.

5. No one is likely to know enough about macro events to turn it into a profitable strategy

   Very hard to understand macro event expectations, anticipate macro events correctly and predict how securities will react to such events.

6. In the short term, random events affect stock prices more than fundamental events

   In the short term prices are highly susceptible to random noise/news. Understanding fundamentals is the key, but requires time and insight.

7. Valuation is an art

   No one should be fooled into thinking that security pricing is a dependable process that follows a set of rules.

8. Most people consider stocks as items to be traded, not pieces of ownership

   Warren Buffett's foundation to investing is to view stocks as ownership in companies – they are. Act like an owner not a trader.

9. Short-term trading equates to focusing on who scores in the next period, as opposed to who wins the championship

   Winning a battle is not the same thing as winning the war. Though it feels good, for a time.

10. The whole financial industry is focused on the short-term despite knowing it doesn't matter much

    The main reason there is a short-term focus is that everyone is comparing it, selling it, and feel it would be irresponsible not to.

11. Volatility is not risk

    Volatility may be an indicator of the presence of risk, but this does not correlate to the probability of a bad (or good) outcome.

12. Many investors have the luxury of being able to focus exclusively on the long term… they should take advantage of it

    Unless large percentages of a portfolio is needed in the short term, there are benefits to remaining focused on the long term

13. What matters is the performance of the next five or ten years, or more

    The long run is not a series of short runs. The long run is investing through the short runs. The difference matters.

14. Investors should focus on participating in the success of companies and benefit from the wonder of compounding

    Stay invested. This is the main event. Constant changes can be viewed as very difficult embroidery around the edges.

15. Investors should find a way to keep their hands off the portfolios most of the time

    Don't mess up the main event. "Don't just do something, sit there!" is good advice when investing for the long-term.

The full memo can be found: https://www.oaktreecapital.com/insights/memo/what-really-matters

Audio: https://overcast.fm/+dy_ISb85c

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November was a strong month. The market is always looking forward, and it has now started, however tentatively, to focus on the recovery. It is looking through the next few months of expected poor data (recession or downturn), and attempting to put a price on recovery.

Many people are surprised that the markets move up before the economy has bottomed. But just as the market had fallen for 8 months while the economy was still chugging along, so too does the market rise while the economy is still battling headwinds.

This is not to say that the markets cannot fall further. By now I hope everyone reading these emails is well aware that anything can happen in the short run. A sudden event can spook investors into selling just as much as invigorate investors into buying. Sudden change is almost never welcome in one's personal life and it is certainly not appreciated in the market.

But when viewed objectively, one can claim that prices are not inflated, with many being inexpensive and some being quite cheap. This pricing level does provide a buffer against market drops. There is plenty of money waiting to step in if prices fall further.

We believe the focus remains, and must remain, on the long term. One's focus remains on investing 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 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	2.80%	-10.30%
Canadian Equity - S&P/TSX 60 Index - CAD	5.50%	-1.10%
US Equity – S&P 500 - USD	5.3%	-14.50%
International – MSCI EAFE Index - USD	13.2%	-12.70%
Emerging Markets - MSCI Emerging Markets Index - CAD	14.1%	-13.60%
Real Estate - Dow Jones® Global Real Estate Index - USD	6.90%	-22.30%
S&P/TSX Preferred Share Index - CAD	-0.70%	-16.90%

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