

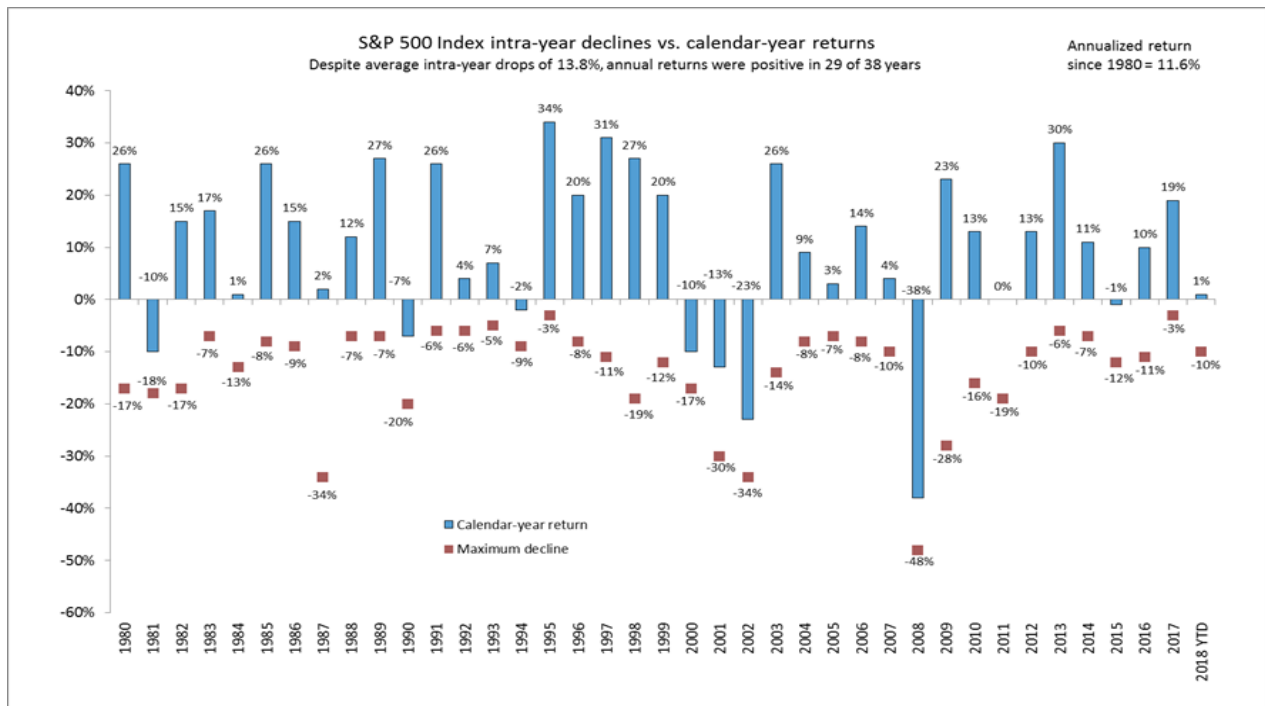


November 22, 2018 Volatility: Friend or Foe?

Over time, there has been extensive literature regarding negative bias and people's propensity to fixate on the negative rather than the positive. We will not go into lengthy detail on this topic. We will, however, reaffirm the fact that negative news sells. Readers prefer to hear about the plane that crashed and not the thousands that landed safely, or about the Pit Bull that bit a child but not about the new litter of adorable puppies.

Echoing our November 8th 2018 Communique: in the world of investing, drama and worry are never far away in the financial markets or in the minds of investors.

Below is a chart of the S&P 500 Index going back to 1980. It shows the annual returns as well as the annual intra-year drawdowns (i.e. how much the stock market went down at some point during that year). During each of those drawdowns some type of worry or drama was unfolding. Fear increased and those who succumbed to it, and sold out of their positions at that time, would have ended up with undesirable long-term results. It is not timing the markets, it is time in the markets.



Source: Bloomberg LP. As at October 31, 2018. Returns based on price index only, excludes dividends and in US\$. Maximum decline is the largest intra-year market drop from a peak-to-trough during the calendar year. Annualized return includes reinvestment of dividends. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks.

This takes us to some key observations and messages:

1. Expect volatility in the financial markets, it is normal. Do not be sidetracked by volatility, stay focused on your long-term goals. It is impossible to predict and time these negative swings with any precision or regularity. This is why we employ a three pronged approach in our process of



combining quantitative analysis (“give me the facts”) with fundamental analysis (gain a deeper understanding of the business) and technical analysis (to

look for trends and signals). We utilize guiding principles to provide structure around our decision-making process when selecting investment alternatives. We remain largely rules-based and we adhere to our process. We take the emotion out of the equation. We are always happy to review “how we do it” with you at any time.

2. Volatility can be your long-term friend in the financial markets by presenting opportunities that may not otherwise be offered. The crash in 1987, the dot-com bust in 2000 and the financial crisis in 2008 were all scary times full of lots of drama, but all of them presented excellent investment opportunities for those with long term, well thought-out plans and processes.
3. If the increased volatility that has returned to the financial markets is of concern to you, we ask you to reach out to us in order to ensure your objectives and goals are in line with the volatility that can be expected moving forward.

On behalf of CIBC Wood Gundy Baker Financial group, we continue to work hard every day to be worthy of your trust.

Most sincerely,

CIBC Wood Gundy

Bryan Baker

Jonathan Baker

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