

Take the Long-Term Perspective During Market Volatility

Markets have seen increased volatility in 2018, and have been trending lower over the past several weeks. Year-to-date, the U.S. S&P 500 Index has returned 2.67%, and the Canadian S&P/TSX -5.33%, closing in on correction territory, with returns of -7.64% and -8.81% respectively from their peaks earlier this year.

No one can tell if this drawdown will be short-lived or if it is the beginning of a larger downturn. However, history indicates that markets tend to recover fairly quickly from corrections, and most sound investment strategies are built to deal with periodic volatility. Long-term investors need to maintain perspective, and stick to their plans.

As a leading indicator of economic activity, there are several concepts driving the decline in equities: mixed corporate earnings, weaker prospects for growth, U.S.-China trade tensions and rising interest rates. The U.S. economy is expected to have slower growth next year, as the lift from recent tax cuts and deficit spending starts to fade. In Canada, the key Energy sector is constrained due to inadequate pipeline capacity, while higher interest rates are impacting highly leveraged consumers and the housing market.

Market declines are not uncommon. Historically, it's important to recognize that financial markets see a significant pullback at some point during most years while still providing positive returns over a longer time period.

- **Triggers:** The overarching theme impacting markets in the immediate term is that investors are concerned about slowing growth here and abroad due to rising interest rates and the impact of tariff disputes between the U.S. & China.
- **Long-Term Thinking:** Trade issues will eventually get resolved and while economic downturns can be difficult, investing in a diversified portfolio and maintaining the discipline to stick with your longer-term plan through these periods of volatility are among the keys to investment success.
- **Logic Over Emotion:** The benefit of gaining reliable market and economic perspective is essential in preparing for market pullbacks. Rather than act on emotion, it's important to put these events in context to determine what they mean. Work with your advisor to assess any potential impact on your portfolio and implement change, only if any is necessary, that is in line with your investment objectives.

Our Experts Say...

"History has shown that market downturns are short-term in nature and actually, quite normal. We tune out the noise so that we can remain objective and focused on our portfolios."

*Rana Chauhan
Chief Investment Strategist
Counsel Portfolio Services*

It's the Long Term That Matters



Over the past 10 years, markets have been positive. Perspective is key.

How We Protect Against Market Volatility

- In the Counsel Portfolios and IPC Private Wealth Portfolios, we trimmed our U.S. exposure in mid-Q3 as markets were near record highs
- Remained underweight in Canada where there is less catalyst for growth at this time
- Increased allocations in most portfolios to our Global Trend Strategy to enhance downside protection in the portfolios
- Global Trend Strategy is 61% invested in short-term government bonds, up from 51% at the end of September, reducing exposure to equities during this period of market volatility
- Counsel Retirement Income is 67% invested in short-term government bonds, reducing volatility in income-oriented portfolios
- Inside the Counsel Retirement Portfolios, our Defensive Global Equity strategy has de-risked by 30% into cash, stepping out of equities

DID YOU KNOW?

We monitor risk factors and keep our eyes on influences such as higher interest rates, key geo-political events and inflationary pressures in order to protect your capital.

Our Experts Say...

"It's important to step back and focus on the long term. We've constructed portfolios for that very reason, to focus on the long-term and avoid market surprises."

Wayne Gillespie
Director, Senior Portfolio Strategist
IPC Private Wealth

When markets are volatile, we know it can be challenging to keep your emotions at bay. We're here to be your guide and help you stay focused on your goals. If you have any concerns, please give us a call.

COUNSEL | PORTFOLIO SERVICES

IPC PRIVATE WEALTH

Sources: MorningstarDirect, bnnbloomberg.ca, marketwatch.com, bloomberg.com. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The content of this document (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it. This document includes forward-looking information that is based on forecasts of future events as of December 6, 2018. Counsel Portfolio Services will not necessarily update the information to reflect changes after that date. Forward-looking statements are not guarantees of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Some of these risks are changes to or volatility in the economy, politics, securities markets, interest rates, currency exchange rates, business competition, capital markets, technology, laws, or when catastrophic events occur. Do not place undue reliance on forward-looking information. This information is not investment advice and should be used only in conjunction with a discussion with your IPC Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. Counsel Portfolio Services is a wholly-owned subsidiary of Investment Planning Counsel Inc. IPC Private Wealth is a division of IPC Securities Corporation. IPC Securities Corporation is a member of the Canadian Investor Protection Fund. Mutual Funds available through IPC Investment Corporation and IPC Securities Corporation. Securities available through IPC Securities Corporation, a member of the Canadian Investor Protection Fund.