Crowder Wealth Management Group's Quarterly Comment

Wealth Management Dominion Securities

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Best wishes for the New Year, and welcome to a new decade!

Overall, global capital markets exhibited remarkable resilience in 2019, rebounding from a severe decline that occurred in late 2018. Despite starting the year a little shaky, they ultimately shrugged off a stream of negative headlines and uneasy sentiment to stage a robust recovery, with the fourth quarter capping off a year of broad-based gains across most equity and income asset classes.

Supported by low interest rates, slow global economic progress and healthy corporate fundamentals, global equity markets advanced in the fourth quarter and registered solid results for 2019, with many finishing the year just off their all-time highs. The MSCI World Index rose 6.5% in Canadian dollar terms during the last three months of 2019, bringing its gain for the year to 21.9%. And despite ongoing trade uncertainty and the developing impeachment drama, the S&P 500 Index, a broad measure of the U.S. equity market, was up 6.8% for the quarter and finished 2019 with an increase of 24.8%, including dividends.

Canadian equities also advanced in 2019, with supportive business conditions and strong commodity prices boosting results for most sectors. The benchmark S&P/TSX Composite Index climbed 3.2% in the fourth quarter, capping off an impressive 22.9% gain for the year. Overseas, markets showed a similar trajectory, with European developed market equities advancing amid an environment of easy monetary policy and Brexit uncertainty, and many markets in Asia posting positive results for the fourth quarter and the year as well.

After moving to raise interest rates to a more "neutral" level from their record lows in 2018, the U.S. Federal Reserve reacted to weaker global economic growth and tepid inflation in 2019 by easing monetary policy. The central bank made three 25 basis-point cuts to its target rate through the course of the year, while many other international peers also lowered rates based on global economic concerns. The Bank of Canada, however, charted a divergent course, keeping its policy interest rate steady at 1.75% throughout the year. In this environment, 10-year U.S. and Canada government bond yields drifted higher in the fourth quarter, rebounding from their yearly lows in the third quarter. The FTSE TMX Universe Bond Index, which broadly reflects results for the Canadian government and corporate bond market, registered slightly negative returns for the fourth quarter but a gain of 6.9% for the year.

Investment results from a year like 2019 generally leave investors in a pleasant frame of mind, but we would always encourage you as investor, to think like a business owner with a long term outlook. And that means putting current events in the perspective that fits. As difficult as that is, remember that nobody has a crystal ball, so the future remains uncertain, and a good run shouldn't lull us into throwing all caution to the wind.

"The basic ideas of investing are to look at stocks as businesses, use the market's fluctuations to your advantage, and seek a margin of safety. That's what Ben Graham taught us. A hundred years from now they will still be the cornerstones of investing."

That quote comes from Warren Buffet in his summarizing what he learned from his teacher, Benjamin Graham. Coming from one the most successful investors on the planet, it would foolish not to take the comments seriously.

Yet, every day investors get absorbed into the constant nattering coming from the media and the internet. That in turn causes them to draw conclusions that stem from extrapolating and speculating the ultimate effects of world and local events. Given the complexity and immeasurable volume of information, that perspective causes behaviors that are more based on emotion than anything else in an attempt to know things that nobody could possibly know.

In reference to investing, that point of view overlooks the "stocks are a business" concept, and results in reactions to market moves, as opposed to using market fluctuations to one's advantage. It also causes investors to be drawn into trends or fads out of greed or fear of missing out. You could say that the constant distraction of the media draws investors in the opposite direction to Graham's teachings.

The oh-so-important concept of "margin of safety" mentioned in the quote, is probably the very best – and the least understood – concept that could help to ensure that risk is minimized. It means paying a fair price for well-researched investment ideas. Metaphorically, it helps investors to stop and "look both ways" (for opportunity and risk protection) before committing hard-earned capital to a potential investment. It means using facts rather emotions to guide decisions, and is a strong underlying feature of the simplicity behind diversification and the risk-control benefits it offers.

Also from the above quote you may notice the complete absence of any necessary ability to be able to predict the future. Investment success is more about having a process where judgments are based on sound long-term principles.

Our objective is to invest and manage our client's wealth in high-quality assets by taking a long-term view to create value and generate stable returns. We have been life-long fans of both Benjamin Graham, and one of his top students, Warren Buffet, and adhere closely to their approach.

Looking forward, many economists and market watchers forecast slow but positive global economic growth over the coming months, while interest rates are also expected to remain low by historical standards. While this type of environment tends to be generally supportive for businesses and asset markets, experienced investors are also preparing for a lower-return environment consistent with a mature business cycle, as well as periods of increased volatility.

The reality is that investors have virtually no control over stock market results, volatility, unpredictability and relative performance of their portfolio. Nobody has any special ability to know what stocks will do next year or how they will fare on a relative basis.

In the face of continuous market uncertainty, a key to success is having a diversified wealth management plan appropriate to your risk tolerance - and then sticking to it. It can be hard to ignore the short-term distractions, but ultimately that's the only way to achieve your long term goals with a manageable amount of stress along the way.

In closing, we would like to extend our sincere wishes for a happy new year to you and your family. We would also like to thank to you for your continued trust in us and for the opportunity to assist you in working toward your financial goals. Should you have any questions about your investments or the market outlook for the coming year, please remember that any member of our team is just a phone call away.

Sincerely,

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Crowder Wealth Management Group

Index	1 Year	3 Year	5 Year
S&P/TSX Composite Total Return Index	22.9%	6.9%	6.3%
S&P 500 Total Return Index ($CAD)	25.2%	13.9%	14.2%
S&P 500 Total Return Index ($USD)	31.5%	15.3%	11.7%
MSCI World Price Index ($CAD)	19.2%	9.2%	9.0%
Broad Composite Cdn. Bond Index	6.9%	3.6%	3.2%

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