TheAnswerIs.ca Inc. Model Portfolio Performance Update (Q4 2018)

TheAnswerIs.ca announces the total return for the model portfolio from inception October 21, 2016 to December 31, 2018 is **7.67%.**

The corresponding total return for the Toronto Stock Exchange (TSX), as represented by the ETF XIC, is **1.67%.**

The annualized return for the TheAnswerIs.ca model portfolio for the 2.2 years since inception is **3.43%.**

"Volatility in the up direction is not a problem – it's the downward volatility that offers discourse."
– Correm T. Sol

Recently, global stock markets have been very volatile, in the downward direction, as follows:

Last 3 Months

US Market (S&P 500): down 14.0%

Developed Markets outside North America (IEFA): down14.1%

TSX Composite index: down 10.9%

Emerging Markets (IEMG): down 8.9%

TheAnswerIs.ca model portfolio was down 9.90% in the last 3 months.

Last 12 Months

US Market (S&P 500): down 6.2%

Developed Markets outside North America (IEFA): down 16.8%

TSX Composite index: down 11.6%

Emerging Markets (IEMG): down 17.1%

TheAnswerIs.ca model portfolio was down 7.49% in the last 12 months.

Past returns are not indicative of future returns.

Given this recent downward volatility, we might be in, or entering a Bear Market now, (i.e. a stock market decline of 20%-50% or more), and we might not. No one knows for sure. We can only make sure we are ALWAYS mentally prepared for a Bear Market attack.

Since 1900, a period of almost 120 years, there have been 32 stock market Bear Market attacks, Historically, Bear Markets occur about once every 3.5 years, and the last bear market in the USA was about 9 years ago.

"Stock market meltdowns are like natural disasters – they're unpredictable and unavoidable."
– Rob Carrick

However, investors should ***fully expect*** that at some point over their investment careers, the stock market will drop at least 20% to 50%, and probably on several occasions! A Bear Market should surprise NO ONE!

The key to investing success is to make sure any money invested in the stock market can be left untouched for a minimum of 10 years, and preferably much longer. Not selling into a stock market downturn will ensure time for a portfolio to recover, and then go on to earn attractive long-term average equity returns.

A New Year coinciding with a large drop in global stock markets provides an excellent time to add to a TFSA and / or RRSP, and consider re-balancing a portfolio, (TheAnswerIs.ca Registered Users can Login to the website and click on the “Add Money / Re-balancing” tab).

For people embarking on an investing career, and or with a minimum of 10 years to invest, a **LARGE DROP** in the stock market is a **GOOD** thing!

What???!!!

Warren Buffett sums this illogical and contradictory behaviour up beautifully:

“If you expect to be a net saver during the next five years, should you hope for a higher or lower stock market during this period? Many investors get this one wrong. Even though they are going to be net buyers of stocks for many years to come, they are elated when stock prices rise and depressed when they fall. This reaction makes no sense. Only those who will be net sellers of equities in the near future should be happy at seeing stocks rise. Prospective purchasers should much prefer sinking prices.”

Wise words.

How does an investor survive a Stock Market Bear Attack?

https://theansweris.ca/Q22.php

Be patient long-term investors.

Dave Jenkins

TheAnswerIs.ca Inc.

Fine Print