

TheAnswersIs.ca Portfolio Performance (Q2 2017)

TheAnswersIs.ca portfolio performance update is for the period from inception on October 21, 2016, to June 30, 2017. Future updates will be provided every three months.

TheAnswersIs.ca portfolio is comprised of six Exchange Traded Funds or ETFs. Each ETF is designed to match an associated index, such as the Canadian Market (TSX) Index, USA Market Index, Emerging Market Index, etc. These ETF's were carefully selected to provide global geographic, and economic sector diversification, at a low cost. TheAnswersIs.ca portfolio is simply designed to match the performance of each of the six equity market indices, good or bad.

The Total Return, i.e. Capital Return plus Income Return, for TheAnswersIs.ca portfolio and the TSX, for the period October 21, 2016 to June 30, 2017, are summarized as follows:

Name	Total Return	Capital Return	Income Return
TheAnswersIs.ca	8.48%	6.37%	2.11%
Toronto Stock Exchange (TSX)	4.00%	1.81%	2.19%

Past returns are not indicative of future returns.

Since Oct 21, 2016, TheAnswersIs.ca portfolio has had a higher total return than the TSX, due to the broader economic sector diversification in TheAnswersIs.ca portfolio compared to the TSX. The TSX is heavily weighted in materials and oil & gas, and when these sectors rebound the TSX will perform comparatively well vs TheAnswersIs.ca portfolio.

Where is the stock market going from here?

I have no idea where the stock market is going, and if others are truthful, they don't know either.

Having said that, it is hard not to read about stock market analysts and prognosticators suggesting that investors get "prepared" for a stock market downturn.

The timing and extent of the next downturn is uncertain. Who knows, the next downturn could start today, next week, next month, next year or a few years from now. The market could drop 10%, 20%, and history tells us₂ it could drop by 50%.

If you are an equity investor with a minimum 10-year investment horizon, (most TheAnswersIs.ca investors will be in this category), then what does it mean to get "prepared" for the next downturn?

Does it mean selling everything now so you have all your cash ready for the plunge? Does it mean to change your portfolio to 100% fixed income or long-term bonds? Does it mean to sell risky stocks and ETFs, and buy conservative stocks and ETFs?

Engaging in any of the above means you are trying to "time the market", and studies show that even the experts can not consistently get this right. And consider, I mean really consider, even if you did get it right when you sold, would you know when it was "safe" to re invest all of your cash? Would you know what to buy?

So how do you prepare for the next downturn when you don't know when it will start, how big the downturn will be, and how long the downturn will last?

What should you do?

TheAnswersIs: NOTHING. ZIPPO. NADA.

Stock markets are cyclical. They fall and then in time they recover. After the 2008 financial crisis, (the TSX dropped 45% in 9 months), the stock market recovered in three years. If you have a minimum 10-year investment horizon, you are well positioned to weather any fluctuations in the market.

If you are making periodic contributions to your TFSA or RRSP, keep doing that. Keep buying as others are selling, as in a downturn, high quality stocks and ETFs effectively go on sale. Stick to your plan and whatever you do.....

NEVER, EVER, EVER, SELL into a downturn.

At some point within the next 10 years the stock market will likely drop at least 20%, and possibly 50%. But, the stock market will eventually fully recover this loss, and after 10 or 20 years, equities will likely earn an average of somewhere between 6-10% per year. It will NOT be a smooth ride, but eventually the irrefutable power of equity returns will prevail.

Be patient long-term investors!

In closing, if you have found TheAnswersIs.ca helpful, and know a group of potential young investors at your company, community group, college or university, that could benefit from the philosophies and strategies of TheAnswersIs.ca, I am happy to speak to groups of at least 15-20 people. The presentations are very interactive and can adjusted for either a 30 or 60-minute time slot. There is no charge and no obligation. All funds raised by TheAnswersIs.ca website is for charity.

Best regards,

Dave Jenkins

TheAnswersIs.ca has received approval from the Canadian Federal Government to be listed on the Financial Consumer Agency of Canada website as an investment resource for all Canadians.