GFI Investment Counsel Ltd.

Preserving and growing family capital™

Frequently Asked Questions

1 ***Should I put my regular contributions on hold until things calm down?***

You should continue to invest your capital as markets decline, assuming your time horizon remains longer than five years. You will thank yourself for doing so down the road.

2 ***Should I sell and wait for better times?***

This is a common question that we heard quite a bit during the pandemic. The market is forward looking. When investors start to see initial glimpses of falling inflation and/or an end to the war, markets will react with incredible speed. Better times will result in higher prices. As Warren Buffett stated more eloquently, "… if you wait for the robins, spring will be over."

Missing out on just a few of the best days of the market's performance each year can have a very negative impact on your long-term results. We avoid this issue by remaining invested in high-quality companies through all market conditions – and we recommend you do the same.

3 ***Should I sell my fixed income and invest more in stocks while they're down?***

Your asset allocation was created for a five-ten year time horizon, with the expectation that we will review your portfolio from time-to-time. Given interest rates have risen quickly, fixed income securities have also decreased year-to-date, and today offer the potential for a higher return than they did prior to the recent downturn. While it may be appropriate to revisit your asset allocation in some cases, there is no guarantee that equities will recover quicker than fixed income investments. Changing your asset allocation should only be considered if you have recently experienced a material change to your financial situation.

4 ***I've never experienced market swings like this. Why is this happening and why aren't you making more changes to your portfolios?***

The stock market can be a volatile place to invest. The reasons for this volatility are always slightly different, and it always feels like things will only get worse. That's what makes market volatility so difficult to bear, and why no one can ever be certain of when things will turn around. This year's volatility can be attributed to the war in Ukraine, inflation and rising interest rates. Last time it was a pandemic, and the time before that it was a credit crisis.

Our investment process considers inflation, rising interest rates and these macroeconomic factors' potential impact on our companies' profitability. While we did make one portfolio change recently, our businesses will weather this storm and will continue to grow earnings and generate shareholder value. Each time we buy a business, we use a checklist to ensure it can withstand many different economic and market scenarios, including periods of inflation and recession.

If we feel we need to make further changes to our holdings, rest assured that we will. Our lack of trading is not the result of complacency. It is, in fact, because we believe in the long-term future of the businesses we own.

5 ***When do you think things will calm down?***

The timing of stock market behaviour is impossible to predict. What we do know is that volatile markets tend to be episodic rather than permanent.

6 ***I was considering investing more capital at this time. Should I invest the money now or over a longer period of time instead?***

We believe stocks should only be purchased with a five-year time horizon (or more). GFI principals have personally added significant long-term funds to our equity portfolio over the past three months. If short-term volatility creates emotional distress for you, you might want to invest smaller amounts over a longer period of time. If you choose to invest this way, we encourage you to set up a regular investment plan that you can stick with. This will help remove emotion from the investment process.

7 ***Why does it feel worse this time?***

The speed of the stock market correction certainly surprised many investors. Stock markets tend to go up slowly but decrease quite quickly. This can be tough to stomach for some people and can negatively impact even the most experienced investors. Bonds have typically cushioned the blow for those clients with fixed income allocations but, as we said earlier, bonds have decreased by roughly 10% this year in response to rising interest rates. This has resulted in balanced portfolios being more volatile than usual as well.

8 ***Should I consider crystallizing tax losses in my account?***

Each investor's situation is unique. With over six months remaining in the calendar year, we believe it is a little early to start triggering any available losses. We recommend you discuss your specific situation with your GFI advisor as soon as possible to develop and implement a plan that works for you.

We encourage you to contact us today at 416.488.8825
with any additional questions you might have.

Please contact us for more information at:

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