March 2020

# Money Wise Magazine

## Market Watch

How COVID-19 and the decline in Oil Prices are affecting the markets worldwide

## Will Cannabis use disqualify me from life insurance?

Like everything in life… it depends.

## Noah Blackstein's Market Update

Commentary from Dynamic's Portfolio Manager

TRINITY WEALTH PARTNERS

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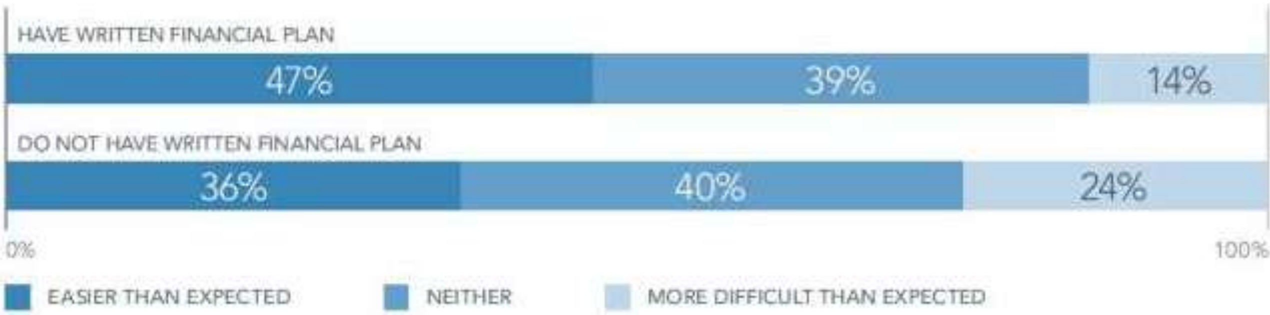
Quadrus Investment Services Ltd.

# Boost your retirement

The transition to retirement can be complicated, shifting from one life stage to another. Canadians approaching retirement often are worried about how they will fare transitioning from working life to retirement. Working with a financial advisor to develop your personalized written plan will make you feel confident about your retirement.

**Retirees: How would you view your transition into retirement?**




**Retirees: Outlook on life in retirement**

HAVE WRITTEN FINANCIAL PLAN

95%

FEELING POSITIVE ABOUT LIFE IN RETIREMENT

DO NOT HAVE WRITTEN FINANCIAL PLAN

23%

FEELING NEGATIVE ABOUT LIFE IN RETIREMENT

**Pre-retirees: Outlook on life in retirement**

HAVE WRITTEN FINANCIAL PLAN

87%

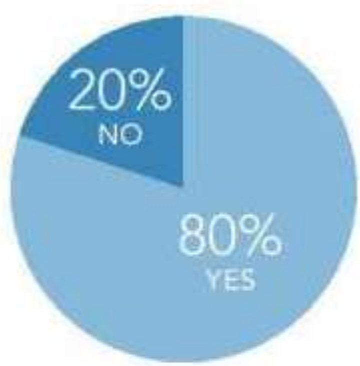
FEELING POSITIVE ABOUT LIFE IN RETIREMENT

DO NOT HAVE WRITTEN FINANCIAL PLAN

42%

FEELING NEGATIVE ABOUT LIFE IN RETIREMENT

**All respondents with a financial plan: Did you work with a financial advisor to build your financial plan?**



# In this Issue...

We're in the midst of difficult times, there is no doubt about that. Whether your concern lies with family, friends, or yourself in immune-compromised situations, getting home safe from abroad, or just trying to keep food in your cupboard, your investment portfolio shouldn't be an additional stressor.

This edition of our quarterly newsletter is largely focused on the current state of the markets, given the amount of concern from our clients at this time. The fund companies we work with have been providing lots of commentary on their strategies going forward, as well as words of wisdom to consider before pulling out entirely. We like to look at the facts, the numbers, and the charts to help make sense of our current situation and where we're going from here. Rick's *Market Watch* is a long one this time around, and we hope it helps to quell the worries we are sure you're experiencing.

There is hope. Our government is taking steps to help Canadians through this. One of particular interest, and relief, for our clients is the announcement that **CRA has extended the tax deadline to June 1, 2020**, along with other monetary aid.

We are continuing to work through the distancing & isolation expectations and encourage our clients to do the same. I (Natalie) just returned from a trip to Barbados and am working from home through my self-quarantine. We are fully operational remotely and would like to extend the opportunity for clients to submit their tax documentation online through our secure Dropbox upload on our website (*please do not directly email tax documentation as it is not secure and could be compromised*). If you don't have a scanner, we have installed a mailbox on our second floor where documents can be dropped without entering the office if desired.

Through all of this, we are here to help where we can. If you have any concerns about your finances, reach out to your advisor.

***Natalie LeBlanc***
*Marketing Assistant*

# Market Watch: COVID-19

Financial markets have exhibited high levels of volatility over the past several weeks as they react to factors that include reduced interest rates, a steep decline in oil prices and the economic and business implications of the coronavirus (COVID-19) outbreak. I would like to provide you with some further perspective on these developments and what the market's fluctuations may mean for your investments in the longer term.

**What are the most recent market developments?**

Concerns about the spread of the coronavirus on business activity are weighing heavily on global asset markets, and central banks have moved to support the global economy with lower interest rates and other monetary policy measures. The U.S. Federal Reserve (Fed) has made two emergency cuts to its policy rate, bringing it to a range of 0-0.25%, and has announced a US$700 billion security purchase program to inject liquidity into the financial system (quantitative easing). The Bank of Canada has also cut rates twice to support the Canadian economy, reducing its overnight lending rate to 0.75%, while the G7 group of countries announced that it would be willing to use "all appropriate policy tools" to provide economic support amid the ongoing COVID-19 outbreak.

Also affecting financial markets has been a disruptive oil price war. Saudi Arabia and Russia announced plans to raise production, reducing prices in an attempt to gain market share. As the number of cases of COVID-19 surged worldwide, triggering progressively stricter government policies and business responses such as social distancing, travel bans and the suspension of professional sporting events, markets have lost considerable value.

**What can we expect for the future?**

Not all companies will be affected equally. Airlines and cruise lines for example will be impacted much more materially than cloud computing companies who offer software to help employees work more effectively from remote locations. Having a diversified portfolio has also helped soften the impact of the steep market decline. Managers are

# and declining oil prices

being opportunistic in this volatile time, in some cases putting cash to work in others upgrading the quality of the stocks they hold, selectively moving into companies they feel will have a bigger rebound potential once things inevitably turn around.

On March 16th, the US stock market suffered its worst one -day loss since 1987 and, in total, markets worldwide have fallen 30% on average from their peak. Putting it into context, the typical bear market since 1955 has seen a loss of 38% in the US* so it's likely we are most of the way through this decline.

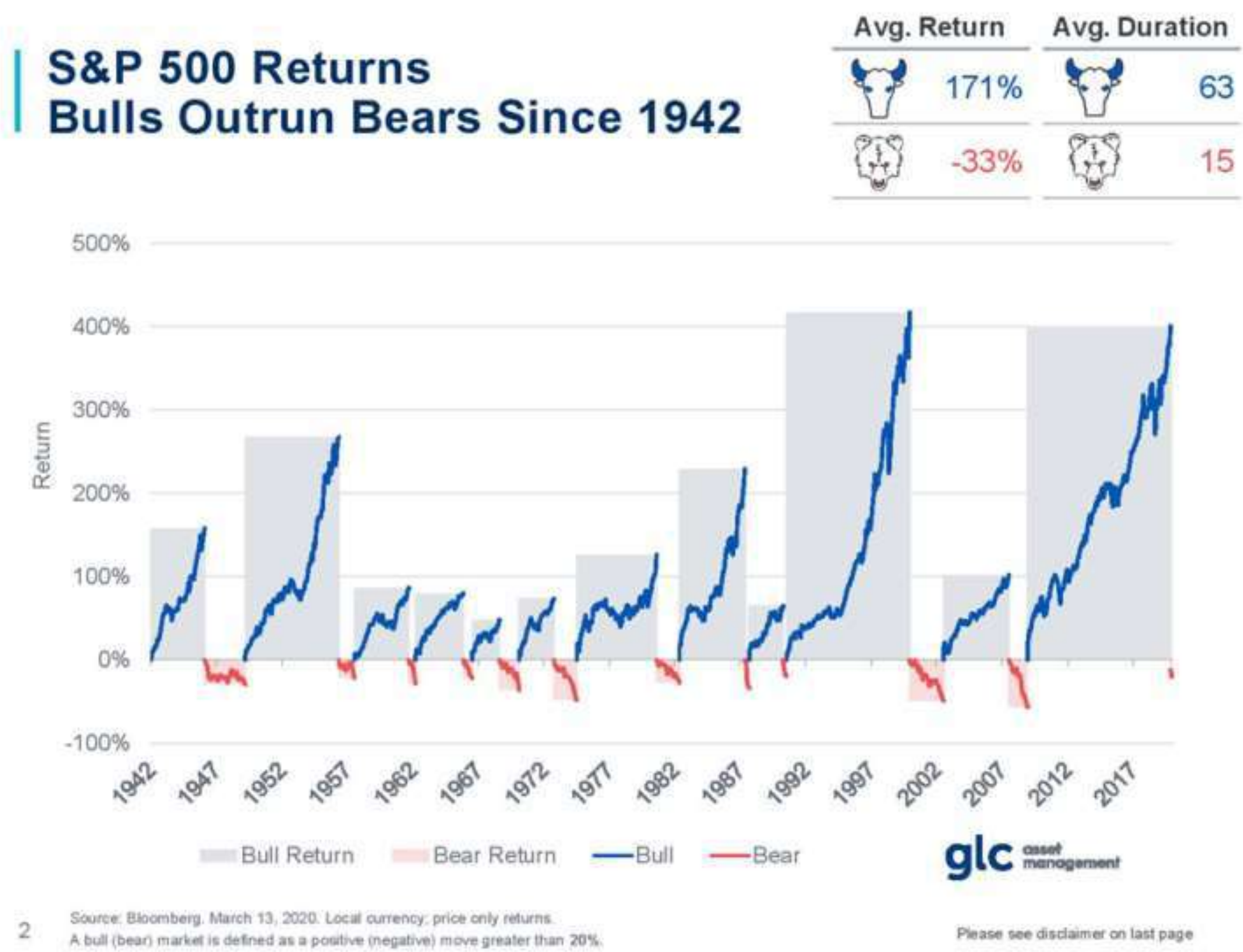
For some perspective, I've included a chart below which outlines the market's performance over the biggest declines last four decades, as well as the 12-month return which followed. I believe it is important to keep this data in mind when the markets feel as turbulent as they have recently. For example, in 2008 the collapse of the large US investment bank Lehman Brothers brought about a decline of 25.8% in less than two weeks, which is very similar to the sharp decline we have experienced recently with the escalation of the coronavirus and oil price war. As panicked as things were then, with sharp sell off occurring, as now, with seeming regular frequency, one year after the Lehman Brothers collapse the US market was almost 23% higher and the markets had already recovered almost of all the losses. Sharp recoveries like this are simply missed once money has moved to the sidelines.

| Dates of S&P's biggest declines | Black Monday 8/25/87-12/4/87 | Gulf War 7/16/90-10/11/90 | Asia Monetary Crisis 7/17/98-8/31/98 | Tech Bubble 3/27/00-10/9/02 | Financial Crisis 10/9/07-3/9/09 | US Credit Downgrade 3/10/11-10/3/11 | Trade War 10/3/18-12/24/18 |
|---|---|---|---|---|---|---|---|
| U.S. stocks | -33.5% | -19.9% | -19.3% | -49.0% | -56.8% | -19.0% | -19.6% |
| Next 12 months | +21.4% | +29.1% | +37.9% | +33.7% | +68.6% | +32.0% | +37.1% |

Source: Morningstar as of 2/28/20. Returns are principal only not including dividends. U.S. stocks represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can't invest directly in an index.

***Continued on next page***

Bear markets are certainly not pleasant to endure but it's important to remember that, like the coronavirus itself, they don't last. The average bear market has lasted about 18 months while the average bull market has returned 335% and lasted for 105 months*. Now that we are in the grip of a bear market, and likely heading into global recession, it's important to look toward the positive which is the long strings of positive returns, multiple years worth, that follow bear markets. It's likely that most of the damage is already done and it's important to remember that markets are forward looking and are already pricing in a recession and similarly will price in the eventual recovery and will begin to rebound even in the middle of a recessionary environment.



# Market Watch (continued)

Although the situation we face today is unique to say the least (Coronavirus containment, oil price war, etc.) this type of market environment isn't. For well-prepared long-term investors now is a time to stay the course while evaluating potential opportunities as assets become oversold. Many of the best all-time trading days come within a month of the worst trading days and missing out on a few of these best days can have a material impact on long-term performance.

### How should I react?

On an emotional level, it can feel very difficult to adhere to a long-term financial plan when faced with daily volatility and a stream of negative news. It is natural to be concerned about the value of your portfolio, apprehensive about what the future will bring, and tempting to make changes. As hard as it is to remind ourselves amid such volatility, market declines are a normal part of investing.

Severe corrections like the one we are now experiencing are less common but have been an occasional occurrence. Although the timing is unknown, such setbacks have historically been temporary, and stocks have inevitably recovered.

That is why it is important to take some comfort in the fact that your portfolio is diversified. A portfolio that is diversified by asset class, sector and region will have more stable returns, because not all investments provide the same returns at the same time or respond to events in the same way. A well-diversified portfolio geared toward your financial goals and risk tolerance is still the best defence against this type of volatility in the marketplace. A downturn in the market can be uncomfortable, but it's no time for hasty actions. The key is to look beyond the short-term volatility and to envision the recovery. We have been here before and throughout history, bear markets have always been followed by bull markets that are much longer and much more powerful.

If you would like to discuss your own portfolio and how it has held up in the face of recent volatility, what managers have done to adjust to these changing market environments, or if you should be making any changes, we are always available to have those discussions.

***Rick Irwin, CFP, CLU***
*Financial Planner,*
*Investment Representative*

*Sources: CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, National Post, Bloomberg Finance L.P., Yahoo Canada Finance, and Trading Economics.*

# Will Cannabis use disqualify me from life insurance?

Since the legalization of cannabis in Canada, one question we often hear from smokers and non-smokers is how life insurance companies view the use of cannabis when considering covering someone for life insurance.

There are several factors insurance companies have had to consider, such as the following:

- Are all Cannabis users the same?
- How much risk does Cannabis represent from the insurer's perspective when compared to traditional smoking?
- Should joints (smoking), vaping (inhaling vapour rather than smoke), and edibles (ingesting cannabis) be treated differently?
- What does the long-term data show about the risks, if any, between Cannabis use and health?
- Is Cannabis habit-forming and if so, should it be considered an addiction risk?
- Does the amount per use and frequency per week matter?
- What are the differentiators between medical and recreational use?

What is proving to be tricky is trying to work out if someone who uses Cannabis is classed as a "smoker". As you may know when you are quoting life insurance for some who is a smoker, this can increase the premium considerably, so it is important for us to make sure we understand what each companies view is, so we can provide the right advice and illustrations. One Insurer that I have been dealing with confirmed that if Cannabis was used without mixing any tobacco/nicotine products then they would be considered a non-smoker, including if it was vaped. The key part for this company was the combination of Cannabis and tobacco. However, this may not be the view of the next insurance company. Not all insurers are treating the use of Cannabis the same.

Insurers also consider the frequency of use and how it is being used to make a decision as to whether you would be classed as a smoker or non-smoker. I have experienced some companies applying a rating to the standard premium for certain circumstances where the use of Cannabis is on a regular basis.

It is certainly making the underwriting process more interesting and complex since 2018. I have also noticed that since it became legal, people are more open about their use

of Cannabis and feel client responses to the lifestyle questions are definitely more honest. (Remember, your insurance benefit can be declined if you were dishonest on your application!)

In summary, when you are considering life insurance, it is really important to speak with an advisor who has contracts with many different insurance companies so that they can pick the right company that would provide the best value policy based on your personal lifestyle circumstances, cannabis or no cannabis.

***Lorna Maughan***
*Financial Planner,*
*Investment Representative*

March 16, 2020

# Insights on recent market events

## Market Update from Noah Blackstein

I have been managing money for a long time. I started around the Mexican peso crisis in 1994 and have run Dynamic Power American Fund since 1998, Dynamic Power Global Growth Class since 2001 and Dynamic Alpha Performance Fund since 2002. Unlike previous bear markets I have managed through this has been unprecedented. Over a 5 day period to Thursday, March 12, the Dow Jones Index has lost 28.3%, which is similar to the crash of 1929, the crash of 1987, and the post Lehman crash of 2008. The internals of the market were significantly worse. Over the past week to Thursday March 12, the number of 90% downside volume days eclipsed those of the 2008 global financial crisis, Long Term Capital Management crisis, and the Crash of 1987. The market moves have been extreme with realized volatility near 120. This means a roughly 7.5% move a day in the S&P 500 Index stocks.

I don't believe that passive funds, quants, option writing, or ETFs are responsible for the Covid-19 virus. I do believe that the severity of the decline and the way markets have behaved is significantly influenced by their structure and their users' behaviours. The amount of money now run by "we-have-no-idea-what-this-company-does" passive and quant shops is at an all-time high.

My biggest concern over the past few years has been a policy error by the Fed. Every major sustained stock market sell-off and recession of my 25 year career started with Fed policy. But this time is different. As Deutsche Bank points out "Normally recessions are triggered by too big imbalances in the economy such as too much investment in housing (2008), IT (2001), or commercial real estate (1990). As a result, the duration of a recession normally depends on how long it takes to correct the imbalances causing the recession." This economic contraction is not driven by imbalances in the economy, but rather by an exogenous shock that literally came out of the blue. Sunday night the Federal Reserve unleashed unprecedented policy actions to support the economy which will likely be copied by global central banks.

I believe that as we begin to recover, there will be permanent changes that will affect our world including the ways we do business. Companies will be reassessing office space requirements, and retailers will assess the number of physical stores they need. Business travel urgency will be reassessed. I believe the move to the re-platforming of technology, the digital transformation of enterprises, cloud computing, cloud based video conferencing and collaboration, online retailing, marketing and internet banking trends will likely only accelerate after the economic shock has passed.

As this crisis wanes the investment opportunities won't be a function of quantitative signals, option writing or factors. Instead, there will be a once in a generation opportunity for those who can properly assess the long term fundamentals of a business.

A CFA isn't an MD and I'm not going to guess when or how this virus ends. So my most important message is to stay safe, listen to the medical experts and if you can, please look out for the vulnerable and less fortunate.

Please take care and be well.

**Noah Blackstein, *CFA***
**Vice President & Senior Portfolio Manager**



Dynamic Funds
Invest with advice.

# Finding Market Disruptors South of the Border

## The world is changing. Technological advances and shifting consumer preferences are redefining how companies do business.

Biotech, Fintech, cloud computing, big data... Opportunity abounds, and in these rapidly evolving markets the key is knowing where, when, and how to take advantage of it.

**"It's easy to identify innovation; it's hard to know when to buy and sell."**

For over two decades, Senior Portfolio Manager Noah Blackstein has taken advantage of market disruptors; companies who have changed our world through innovation. His ability to recognize driving trends has proven strong – even through some of the toughest bear markets.

**"My job is to find the entrepreneur out there who got up before dawn, turned on the lights of his or her business and is building the next Microsoft, the next Google, or the next Walmart."**

**ABOUT NOAH**

Noah started at Dynamic in 1997 when he became a founding member of the Power team. Since then, he has established himself as a successful U.S. and global growth fund manager, a reputation that's strengthened by a 25-year track record of success and numerous industry awards.

It's one thing to be built for a rapidly changing world – it's another to thrive in it.

**Never before has the tide of change been so strong. It takes both experience and leadership to take advantage of the sectors that are disrupting the markets through their forward-thinking innovation.**

**HEALTHCARE AND BIOTECHNOLOGY**
New advances in high-tech medical innovations

**FINTECH**
Financial technology describes how technology is being applied to the back end of consumer and trade financial institutions

**MANUFACTURING**
Productivity is being challenged, as well as how companies stay competitive in the global economy

**CLOUD COMPUTING**
The term for hosting services over the internet, it enables a virtual storage space

**BIG DATA**
High volume, high velocity, high variety data sets that are analyzed computationally to reveal insights

**ONLINE RETAILING**
The sale of goods and services through the internet

## Twenty years of true leadership and innovation under Noah Blackstein

Dynamic Power American Growth Fund has been managed by Noah Blackstein since its inception. Noah's tenure on the Fund has paid off; this graph shows the performance of Dynamic Power American Global Growth Fund compared to its index. In bull, bear, and sideways markets, Noah Blackstein has taken advantage of some of the most lucrative market disruptors that have helped shape our rapidly changing world.

**To view the 20-year performance of Dynamic Power American Growth Series A, visit www.dynamic.ca/20**

**DYNAMIC POWER AMERICAN GROWTH FUND SERIES F VS. S&P 500 TR (C$)**


| ANNUALIZED RETURNS (%) (AS AT FEBRUARY 29, 2020) | YTD | 1 YR | 3 YR | 5 YR | 10 YR | 15 YR | 20 YR | INCEP. |
|---|---|---|---|---|---|---|---|---|
| Dynamic Power American Growth Fund Series F (inception date: March 2002) | 5.0 | 17.1 | 29.4 | 16.9 | 21.0 | 13.5 | – | 11.0 |
| Dynamic Power American Growth Fund Series A (inception date: July 1998) | 4.9 | 16.0 | 28.1 | 15.7 | 19.7 | 12.4 | 7.20 | 10.0 |

### For more insights from Noah Blackstein, contact your financial advisor or visit dynamic.ca.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