

 Dealing with Volatility
Webinar Replay – Hope-Forward
Earnings Season

In this challenging market, we felt it was a good idea to send out the following article on Dealing With Volatility again. We think this article provides a good summary of the investing strategies we follow, and helps us to remember the big picture. As always, we are paying close attention to the market and constantly evaluating new developments in terms of new opportunities and risks to your portfolio. Please don't hesitate to reach out to us if you have any questions or worries.

Dealing with Volatility

There are bull markets, bear markets, and then there are the volatile markets that can create an emotional rollercoaster for investors reacting to economic and political events. All in all, it can make for a stomach-churning experience that can undermine the confidence of even the most stalwart investors and turn a rational investment strategy into an irrational market reaction. With this in mind, here are a few things to remember in times of uncertainty and volatility:

Have a Plan and Stick to It

The most successful investors may follow the day-to-day drama of the markets, but they stick to the strategy they devised in calmer times and let patience—not panic—determine the long-term success of their investments. A well-planned strategy takes into account several important factors, such as your long-term objectives, tolerance for risk (both financially and emotionally), time horizon, and amount of investable assets.

This will result in a well-thought-out, broadly diversified portfolio that incorporates different asset classes and investment styles, as well as balances risk and safety, growth and income, and domestic and foreign exposure. Such a portfolio can substantially smooth your journey through rough markets, thus reducing the need to take any unnecessary action.

Stay with Quality

Long-term investors who have been through sell offs in previous years know that time is on their side if they own good quality investments.

High quality, blue chip investments with a proven track record of earnings performance or dividend payout may be dragged down with the turbulence, but will typically have less dramatic price fluctuations. As long

as the business outlook for the company has not changed, it is likely that its share price will be restored when the market recovers.

Listen for the Knock of Opportunity

Market volatility can present buying opportunities for long-term investors who have cash in their portfolios earmarked for equity purchases. You may consider investing more in the most viable long-term investments in your portfolio or have a short list of other quality buy candidates that become available at discounted prices.

This may also be a time to strategically upgrade your portfolio—selling poor performers and replacing them with stronger (yet also devalued) assets. However, do so only if the buy candidates fit into your overall investment goals/objectives.

Remember the Big Picture

Dramatic markets make good headlines, but they need perspective. Volatility is typically a short-term phenomenon measured in days, weeks, and months. But over the years, the historic performance of the stock market is a patient reflection of the growth in the economy and the businesses that contribute to that growth. Long-term investors can take comfort in the steady increase in value that major stock markets have demonstrated over the years.

Drown Out the Background Noise

The media coverage of volatile markets can range from rational and insightful analysis to sound bites characterized by end-of-the-world rhetoric. Don't make investment decisions contrary to your risk appetite; filter out the background noise and resist falling prey to the herd mentality during turbulent markets.

Think Strategically

Talk to your financial advisor to ensure your investment strategy is structured to ride through volatile and uncertain investment periods or if changes should be made in terms of asset allocation, investment diversity, or risk tolerance.

There is no such thing as a risk-free investment portfolio in uncertain times, but there are ways to give you peace of mind and help you sleep well at night, regardless of the previous day's events and their impact on global investment markets.

Webinars – Steadying Our Steps After a Challenging Season

In case you missed it, the webinar recording for “Hope-Forward: Steadying Our Steps After a Challenging Season” is now available on our events page linked below.

You can watch previous webinar recordings on our website

www.blaprivatewealth.ca/insights/events

Insights – Earnings Season

This month, some of our portfolio holdings reported their quarterly financial results and important news. Below are updates from some of our portfolio holdings:

Bank of Montreal (BMO-CA) reported better than expected quarterly results, with first-quarter profit of growing 45% year-over-year to \$2.93 billion. The bank reported first quarter adjusted earnings of \$3.89 per share, beating analyst estimates of \$3.29 per share. Revenue grew to \$7.72 billion, up from \$6.98 billion in the prior year. Capital Markets earnings grew to \$705 million, driven by strong revenue in investment and corporate banking.

Bank of Nova Scotia (BNS-CA) reported quarterly results that have beat analyst estimates. The bank reported adjusted earnings of \$2.15 per share for the quarter, which beat analyst estimates of \$2.04 per share. The bank reported overall net income of \$2.74 billion, up from \$2.40 a year earlier. Provisions for credit losses totaled \$222 million, down from \$764 million a year ago. Revenue for the first quarter came in at \$8.05 billion, compared to analyst estimates of \$7.86 billion.

Canadian Natural Resources Ltd (CNQ-CA) reported fourth quarter profit soared to \$2.63 billion or \$2.21 per share, up from \$176 million or \$0.15 a year ago. The oil and gas producer said its average realized price for oil was \$72.81 for the quarter. The company's production rose to 1.31 million bpd, up from 1.20 bpd a year earlier. Canadian Natural Resources increased its quarterly dividend by 28% to \$0.75 per share.

Toronto-Dominion Bank (TD-CA) reported total revenue grew to \$6.72 billion, up 5.9% from a year earlier. Net income excluding one-off items rose to \$3.8 billion or \$2.08 per share for the quarter. Analysts were expecting earnings of \$2.04 per share. The bank reported \$72 million in loan loss provisions, compared to analyst estimates of \$261.3 million.

Mastercard Inc. (MA-US), Visa Inc. (V-US), American Express Co. (AXP-US) announced they would be suspending operations in Russia over the invasion of Ukraine. All transactions within Russia will no longer work and any credit cards issued by Russian banks will no longer work outside the country. American Express also announced they would suspend operations in Belarus.

Alphabet Inc. (GOOGL-US) & Mandiant Inc. (MNDT-US) – Google announced they have agreed to acquire cybersecurity firm Mandiant for \$5.4 billion in cash or \$23 per share. The deal would bolster Google's cloud computing business and help them better compete against rivals Microsoft and Amazon.

Amazon.com Inc. (AMZN-US) announced that its board has approved a 20-for-1 stock split and has authorized a \$10 billion stock buyback plan. This would be Amazon's first stock split since 1999. Distributions from the stock split will be made at the end of trading on June 3rd.

Alimentation Couche-Tard Inc. (ATD-CA) reported quarterly results that have beat analyst estimates. The convenience store operator reported adjusted earnings of \$0.70 per share on revenue of \$18.58 billion. Analysts were expecting earnings of \$0.65 per share on revenue of \$18.11 billion. Comparable same-store merchandise sales in the U.S. and Europe increased by 3.7% and 7.2%, respectively. However, comparable same-store sales declined in Canada by 0.8%.

Starbucks Corp. (SBUX-US) – Starbucks announced their CEO Kevin Johnson is retiring after five years on the job. Former chief Howard Schultz will return as interim CEO until a permanent chief is found. Schultz served as CEO from 1986 to 2000, and again from 2008 to 2017.

Source: *Raymond James Private Client Solutions “the Open” research reports*



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