



# The David Miner & Associates Communiqué

## Spring 2020

*"What we learn from  
history is that  
people don't learn  
from history."  
- Warren Buffet*



## *Staying the Course*



### Special Edition – COVID-19 Update

It is spring, but thus far, the spring of 2020 has been eerily different than any other. To fight the spread of COVID-19, social/physical distancing has become law and as a result, our economy feels as if it has been placed into an induced coma.



*A new office for  
David Miner & Associates!*

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Technology has been vital in keeping parts of our economy functioning; many people are now able to work remotely, meetings can be held via video conference, students can attend classes online, and some restaurants are able to stay open with thanks to apps like Uber Eats.

The David Miner & Associates office moved at the end of March without any fanfare; we have yet to be in the new office together! Like the rest of the financial services industry, we now work primarily from home. For clients, communication by phone, email, fax and mail continues to function seamlessly, but face-to-face meetings have been suspended temporarily in favour of video conferencing.



For years, it has been our standard practice to mail hard copies of the Communiqué newsletter and post a digital copy to our website. A sign of the times – the print shop we use for the newsletter has a sign noting they are “Working from Home”. For the few clients who do not have internet access, we have produced and mailed hard copies with our in-house printer using protective equipment in a sanitized environment.



*Nalina and Maya were delighted that the Easter Bunny is considered an essential service.*

## The Economy

A recession is defined as two consecutive quarters of negative economic growth. Subject to confirmation in a few months, it is a near certainty that we are in a recession now. This recession is abnormal in that it was induced by government intervention as opposed to the usual variety of economic triggers. The good news is that the economy can and will be revived over time but the speed with which we will see renewed business activity, a recovery in lost jobs and a return to economic expansion will be based on how well this pandemic is managed over the coming months.

In Canada, our governments have shown themselves to be capable of making tough decisions. Their strategic objectives to limit the spread of the virus without overwhelming the healthcare system is imperative to save lives. Mandating temporary closures of some businesses while asking others to limit their operations in order to achieve that goal was necessary. We are impressed by the speed and scope of the government programs that have been created to support individuals and businesses who have seen their incomes interrupted during this difficult time.

Should you have any concerns about your current financial situation, use or applicability of any of the government relief programs and/or use of deferral mechanisms for mortgage or other debt – please do not hesitate to reach out to us!

## *We have moved – to the same address!*

After 10 years in the same office, we made the decision late last year to move to a new office space in the same building and on the same floor. Renovations began in January and we officially moved at the end of March. The new office is a little larger, has a better layout and includes a separate meeting room. As the new space is next door to our old office, we took our suite number “503” with us. Our mailing address (and other contact details) remain the same.

# Financial Markets – Volatility in Perspective

Market corrections are defined as equity market price declines of 10 percent or more from peak to trough and it is very common for corrections to occur in years with positive returns. From the start of 2000 through the end of 2019 in Canada, we experienced 12 corrections, which averages out to a correction in 6 out of every 10 years. Over the same time horizon in the U.S., the S&P 500 has experienced 14 corrections which represents one correction in 7 out of every 10 years.

Bear markets are defined as corrections of 20 percent or more. In Canada, we have experienced 3 bear markets over the 20-year period from 2000 to 2019 or about one every 6 to 7 years. Before the bear market of March 2020, the last bear market was in 2008 - It has been a while!



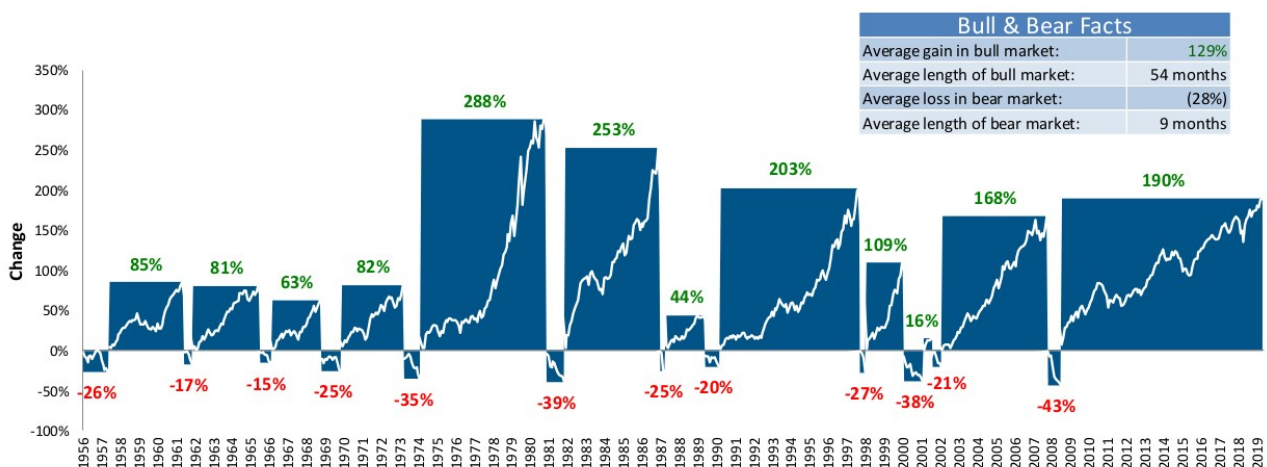
Mackenzie Investments

Investing Insights



## Bull & Bear Markets

S&P/TSX Composite Index to December 31, 2019



Source: Bloomberg (Dec 2019)

In the chart above **Bull & Bear Markets – S&P/TSX Composite Index to December 2019** we clearly see that 1) bear markets are a normal occurrence and 2) both the magnitude and duration of bull market expansions exceed their bear market counterparts. These observations are echoed when looking at the charts of the popular US, European or Asian market indices. In a nutshell, markets do go down from time-to-time, but over the long run, stock markets inevitably climb higher.

Maintaining perspective is difficult when emotions come into play and people often only ask themselves, “Should I get out?” after experiencing sudden and sharp losses in the market and their own portfolios.

Putting this in the context of the markets in 2020, during March there were 5 days that the S&P 500 in the U.S. declined by more than 3%. There were also 5 days where markets rose by more than 3%. From March 1st through March 23rd the S&P declined by 23%. If you sold your investments then, you would have missed the 14% rally from that March 23rd close to the end of the month. For that reason, we always recommend “Stay the Course”.

History has shown that stock markets go up over time and we make better investment decisions when we take the long-term view – let’s use 5 years. In the chart **Patience is rewarded**, average annual returns for the 5-year rolling periods for years ending 1961 through 2019 are shown for the Canadian S&P/TSX. The average annual return for the 59 different 5-year rolling periods was 9.4%. Only one of the 59 periods was slightly negative. If we showed 10-year rolling periods, there were no negative returns during that time frame despite several bear markets from 1961 through 2019.

## Final Thoughts...

Since late March, markets have rebounded, however, we expect continued volatility until there is greater economic certainty. Looking at the health of our clients’ portfolios year-to-date through April 14, 2020, we estimate that the average portfolio was down less than 8 percent. (Of course, individual performance varies.) Putting that in perspective, the Canadian S&P/TSX return was down about 17 percent during that period. Using active professional managers who employ a globally balanced and diversified approach has had a positive impact on investment performance, net worth, and peace of mind.

We have been in regular contact with mutual fund companies and their portfolio managers. The portfolio managers are doing a solid job of mitigating risk, adjusting asset mix, and finding investment opportunities.

Life, of course, is more than just numbers. Social and physical distancing has been a strange phenomenon for all of us and many have experienced added stress with the threat of illness, increased care responsibilities, not having their usual freedoms, and simply finding a new ‘rhythm’. We know a few of our readers have tested positive for COVID-19 and we wish everyone a speedy recovery.

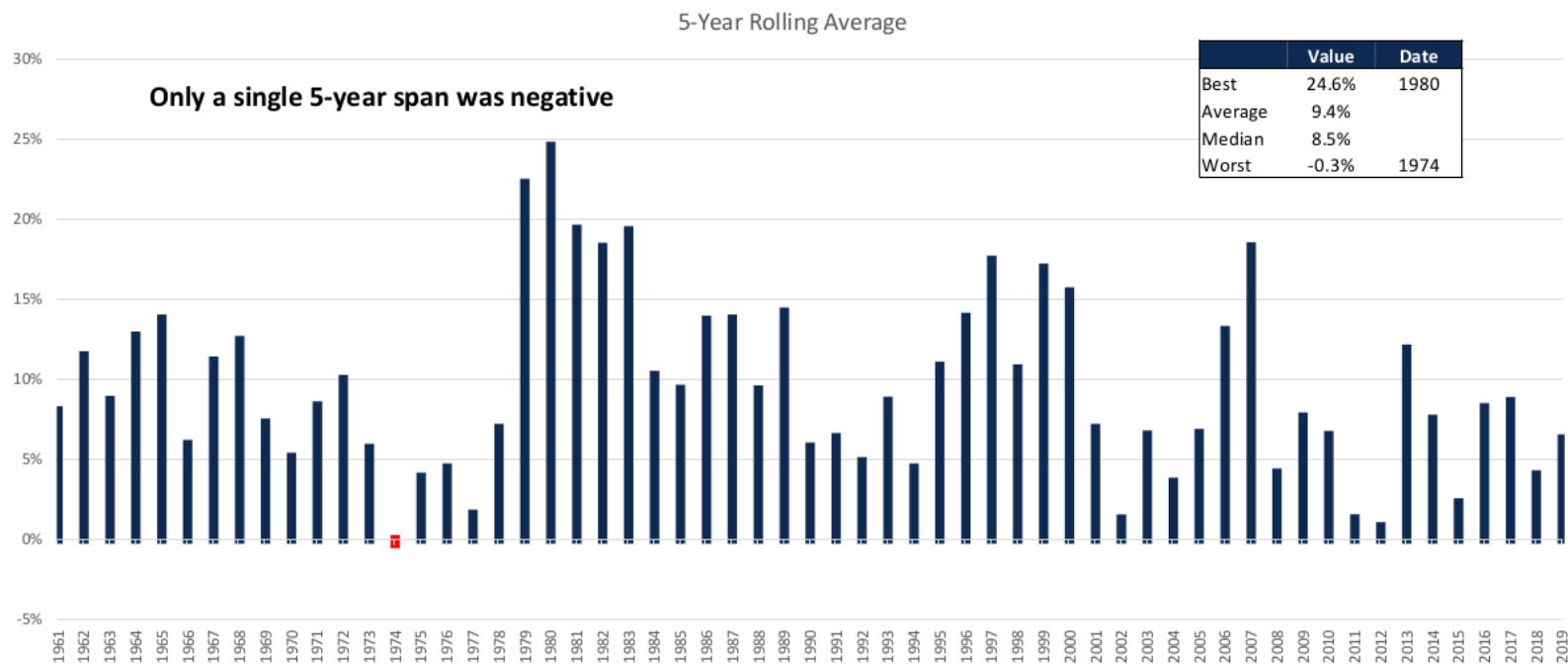
Finally, we are humbled and grateful for our front-line health care workers, food industry workers, and all other essential service workers who take on greater risk to help us all get through this pandemic. For all the bad news about the outbreak, restrictions, and the economy, there is kindness, compassion, and a renewed sense of community on display every day. Most importantly, there is light at the end of the tunnel. Stay healthy!

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## Long-term Investing

### Patience is rewarded

Rolling 5-year average annual compound returns: S&P/TSX Composite



Source: Bloomberg Finance L.P., CI Investments. Calendar year returns of S&P/TSX Composite TR. As of December 31, 2019.