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PRIVATE WEALTH

- INVESTMENT - INSIGHT

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SPRING 2022

Time: The Investor's Great Ally

It has been said that *"history is just one damned thing after another."* This may be particularly fitting today. For many of us, there has been little respite from the challenges of the past two years. Looking forward, it seems as though there is no shortage of new challenges. As we try to navigate the return to normal from the pandemic, we are now confronted with new uncertainties arising from the Russia/Ukraine conflict.

Financial markets are often quick to respond to uncertainties and the volatility we have seen as of late is no exception. It may feel particularly unsettling since the markets were largely immune to sustained periods of volatility for much of last year. However, we shouldn't forget that volatility plays a common role in the equity markets — market drops of at least five percent occur every seven months, on average.[1]

The escalating geopolitical tensions emerging from the Russia/Ukraine conflict have added to current worries, as the world responds to this new crisis. This has created new market headwinds and put upward pressure on the price of oil and other commodities. We continue to monitor the evolving situation and the potential effects on the financial markets.

At home, as we move forward from the pandemic, we are faced with new challenges. Central banks now have the unenviable task of normalizing the accommodative policies put in place to support economies through the pandemic: increasing interest rates and reducing the size of their balance sheets, while addressing high levels of inflation.

There are positive factors that may help to balance this change. Household wealth, across all income levels, is higher than it has ever been.[2] Improving labour market conditions are expected to support households. And, many analysts suggest that the central banks can increase rates quite a bit without adversely affecting credit conditions.

With heightened volatility, keeping expectations on an even keel is not an easy task. During these times, it may be helpful to remember that we have faced many challenges throughout history that have made it difficult to assess future prospects. Yet, the equity markets have shown remarkable resilience over the longer term.

Consider that over the past 30 years, we have experienced credit and debt crises, recessions, many changing central bank policies — and even war. And, yet, the markets, as measured by the S&P/TSX Composite Index, returned an average of over six percent annually during this time, not including reinvested dividends.[3]

Having a longer-term view reminds us that the markets have continued to persist and advance, despite the many challenges. Indeed, time can be one of the investor's great allies.

As the current headlines continue to test our resolve, don't lose sight of your own wealth goals: patience, alongside careful monitoring and prudent adjustments through our support, should stand you in good stead. Continue to have confidence in your plan and allow your assets to keep working hard for you. Please call if you have any concerns — we are here to help.

1. Based on S&P/TSX Composite Index over 30 years, 1/3/92 to 1/5/22; 2. www.reuters.com/business/finance/us-household-wealth-rose-record-1417-trillion-q2-fed-says-2021-09-23/ 3. Index close, 1/3/92 – 3,495.60; 1/5/22 – 21,335.60.

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