

April 2, 2020

Dear Client,

Hope you got a chuckle (or at least a groan) when you opened the April Fools Day card we recently sent. I read once that the physician's job was to entertain the patient while the body heals itself. I can't "heal" the markets, but hopefully I can at least keep you a bit entertained while the markets heal themselves. I wish I could say COVID-19 and its market reaction was also just a crazy April Fools Day joke. I'm sorry to say it's all very real, but we will get through it together.

Over the past few months we've reached out to all of our clients (multiple times in some cases) to chat about their portfolios and what's happening in light of today's new realities. If we didn't manage to connect with you personally, please don't hesitate to reach out to us if you would like to chat.

During these calls we've discovered that while all of us are physically distancing and getting out of the house less, some of us are in full lock-down self-isolation, and fortunately we have yet to hear from any clients that they have been infected. I don't mean to get weird here but know that we are praying for you all and whether you believe in prayer or not, I'm sure you will admit to at least the fact that it can't hurt. Again, if you need anything, please don't hesitate to reach out to us.

The quarter has ended, and the bad news is that when your statements arrive, they will not be pretty. To give you an idea of what to expect, I've summarized the returns posted by a few sample portfolios below. These may not exactly reflect what you have, but they will give you an idea.

The good news is that by and large your portfolios have not experienced the same level of volatility that you've been hearing about on the news. The other good news is that we are being presented with an awesome opportunity. To that end, I've outlined below: what **I think**, what **I know** and what **I think I know**.

*Fund Allocation	Returns				
	<u>Jan – Dec 2019</u>	<u>Jan 2020</u>	<u>Feb 2020</u>	<u>Mar 2020</u>	<u>Jan – Mar 2020</u>
Conservative	8.19%	1.47%	-2.32%	-6.60%	-7.43%
Balanced	10.46%	1.09%	-3.74%	-8.79%	-11.23%
Growth	12.65%	0.70%	-5.13%	-11.14%	-15.11%
All Equity	14.80%	0.31%	-6.52%	-13.38%	-18.78%
Canadian Dividend	18.80%	-1.50%	-6.83%	-22.14%	-28.57%

*All returns based on Counsel Portfolio Series F Funds

What I think

I think that Seinfeld is funny (maybe that should be in the “I think I know” category). I believe that we live in great times but are going through a rough patch. I think that we are a resilient species that will figure out how to survive and thrive under pretty much any circumstance, including this one.

I think that sometimes we over think things and perceive risks to be much greater than they are; and sometimes much less than they are. I believe that this can create opportunities. In market parlance we call this “pricing inefficiency”. While there is a general tendency for markets to be relatively efficient on a micro level, at certain times there can be a great deal of inefficiency. By “buying straw hats in the winter and selling them in the summer”, I believe that we can take advantage of those inefficiencies and profit from them.

I think that fundamentally, most of us are not good at investing. That’s why I am a firm believer in using a professional to help you “Invest with Vision” so that you can let yourself ignore the noise of the stock market and go on and “Live Your Dream”.

What I know

I’m not sure I know all that much. I know I like sushi. I know what kind of car I drive and my address and my phone number. I know when I got married and to whom. I know that I’ve been an investor since 1985.

I know that I’ve personally experienced 5 bear markets and I know that one of the things that helps me get through them every time is my knowledge of history. A history that shows 9 bear markets going back to the 1920s with the average length being 14 months, although event driven ones like this have tended to be shorter in duration. A history that shows a recovery every single time.

I know that in the past the sun has always risen in the east, that spring has followed winter and that bull markets have followed bear markets. I know that since we’ve been keeping track, between hoarding gold, lending to great companies (fixed income) and owning great companies (using the Dow as the standard), owning companies has exponentially outperformed every time over any 15-year time period one chooses to look at.

I know that historically, “garden variety” bear markets, which is what we’re looking at right now (those with 20 – 40% declines) have taken an average of 12 months to recover, but the “mega-meltdown” types have taken almost 5 years. I know that I’d rather face the first, but either way they recover.

I also know that while there are unique characteristics to each shock that the markets (and indeed the world) experience, there are also significant similarities. While we can say, “it’s different this time” we can also say, “it’s not that different”.

Finally, I know that the portfolios that I build are custom tailored with bear markets in mind, because I know that bear markets occur regularly (I just don't now when they will occur). I know that we have designed them specifically to not fall as much and to recover quicker than the broad markets do.

What I think I know

I am certain that as a society we will get through this. Yes – for some it will hurt. Some families will experience painful loss, as some have already. Loss of life, loss of jobs, loss of income. Some of those losses will be recoverable, but some will not. Nonetheless, as a people, we will get through it.

I think I know that the portfolios we built will recover more rapidly than the broad market.

I am sure that when we look back 5 years from today, we will all be saying, “I should have invested more”. I think I know that it won't be smooth sailing. There may be times where we say, “why **did** I invest more?” It may take only a few months, or it may take many years, but a time will come (and I think it will be sooner rather than later) when we hit new highs all over again.

Winston Churchill said that democracy is the worst of systems, except for the alternatives. I have an immutable faith that our western democratic, capitalistic system with all of its faults is second to none. That in the grand scheme of things we live in the best place on the planet, during the best time in history (yes – really) with the greatest freedoms and opportunities that ever existed anywhere, anytime. We are blessed. We just need to focus on that for a minute and stop obsessing about the latest 2-minute news cycle.

We are here for you. Please let us know how we can help.



Arnold Machel

PS. Some great news for those of you who hold Counsel F-class series portfolios. They just got cheaper. In their effort to become the premier provider in the high net worth space, Counsel just announced a MASSIVE increase in the rebate investors with greater than \$1 million receive, with further reductions at \$2 million and \$7.5 million. They are also reducing the threshold at which rebates begin to \$150,000