ALITIS
INVESTMENT COUNSEL

The Value of Advice in Volatile Times

Investment markets are unpredictable. Consider the past few years in which markets have faced turbulence from wars, a global pandemic, corporate bankruptcies, and surging inflation. It is important to remember that volatility is a normal part of investing .

Market timing and performance chasing has never been an effective way to achieve the most financial progress for investors and their families. The beauty of investment management, however, is that many types of advice and strategies can be measured or explained to help clients understand how they specifically benefit from their relationship with their advisor and their firm's investment and administrative teams.

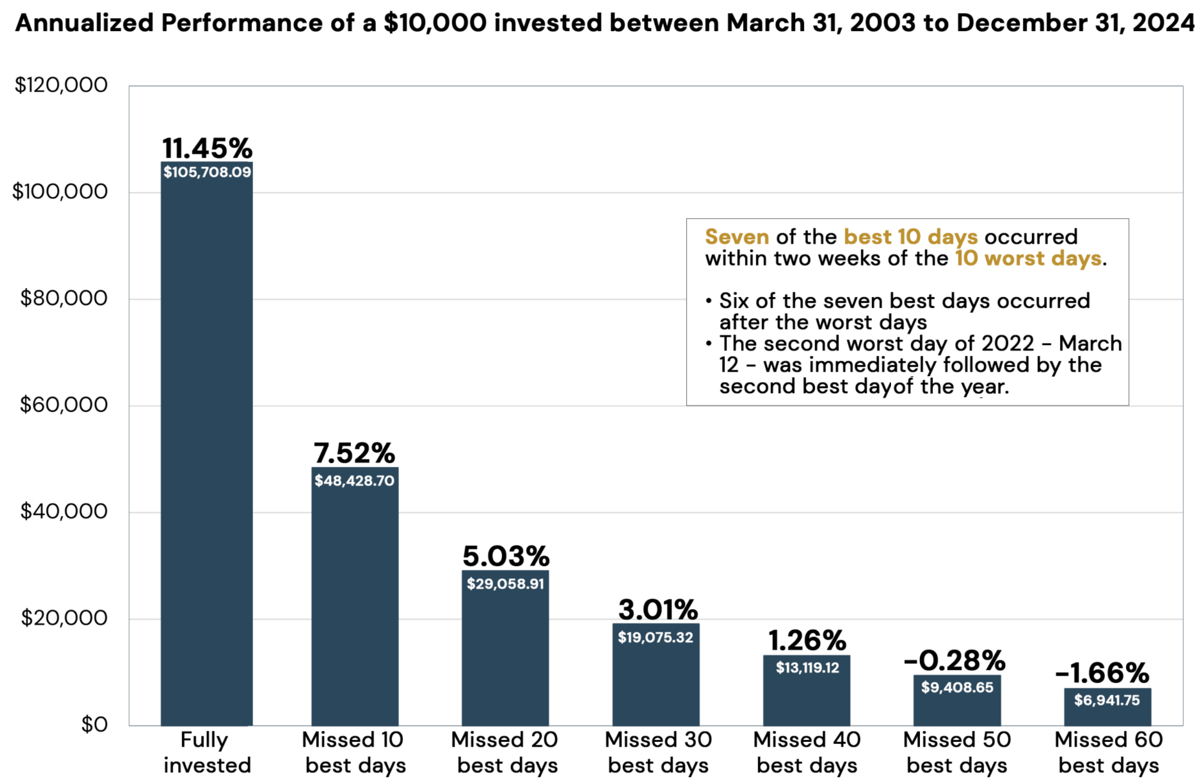
Active Rebalancing Philosophy & Behavioral Guidance[1]

With regular rebalancing, a client's portfolio will more likely retain its original asset allocation, keeping the investor within their risk comfort zone while remaining appropriate for an investor's stated goals. Higher-risk portfolios tend to experience greater volatility, which can lead to investors to make impulsive decisions driven by their emotions.

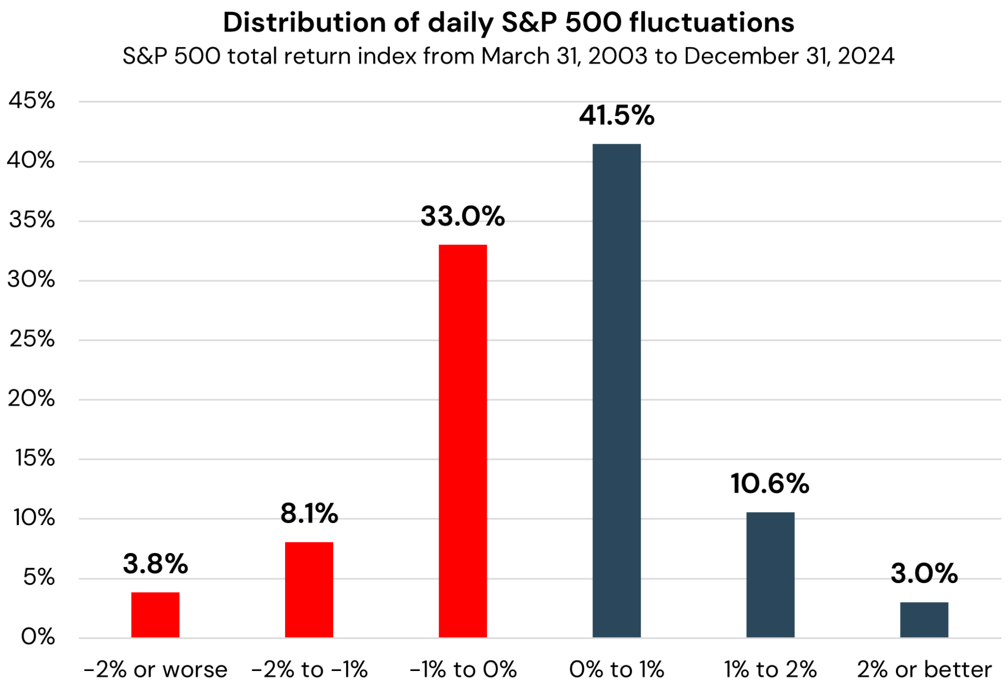
For example, 2020 was a wild ride. Many investors ran for the exit in mid-March 2020, when the S&P/TSX Composite Index registered the largest weekly decline since 2008. In fact, $14.1 billion was pulled out of long-term funds in Canada in that month.[2] In 2022, we saw similar reactions as stock and bond markets declined.

Many investors will experience a cycle of investing emotions, detailed later in the document. During periods of extreme volatility, emotions driven by "loss aversion" – the desire to avoid additional losses because losses feel more painful than gains feel good, tempt investors to sell out of the market after a significant drawdown. They plan to re-enter the market when the outlook is more promising, but it is difficult to time the market. Additionally, the best days often follow the worst, and it is important to be invested for those good days for the recovery of one's portfolio. The chart below illustrates the difference between an untouched $10,000 investment in the S&P 500 from March 31, 2003 to December 31, 2024 to a return that is impacted by missing some of the best days as a result of premature selling.

Returns of the S&P 500[3]

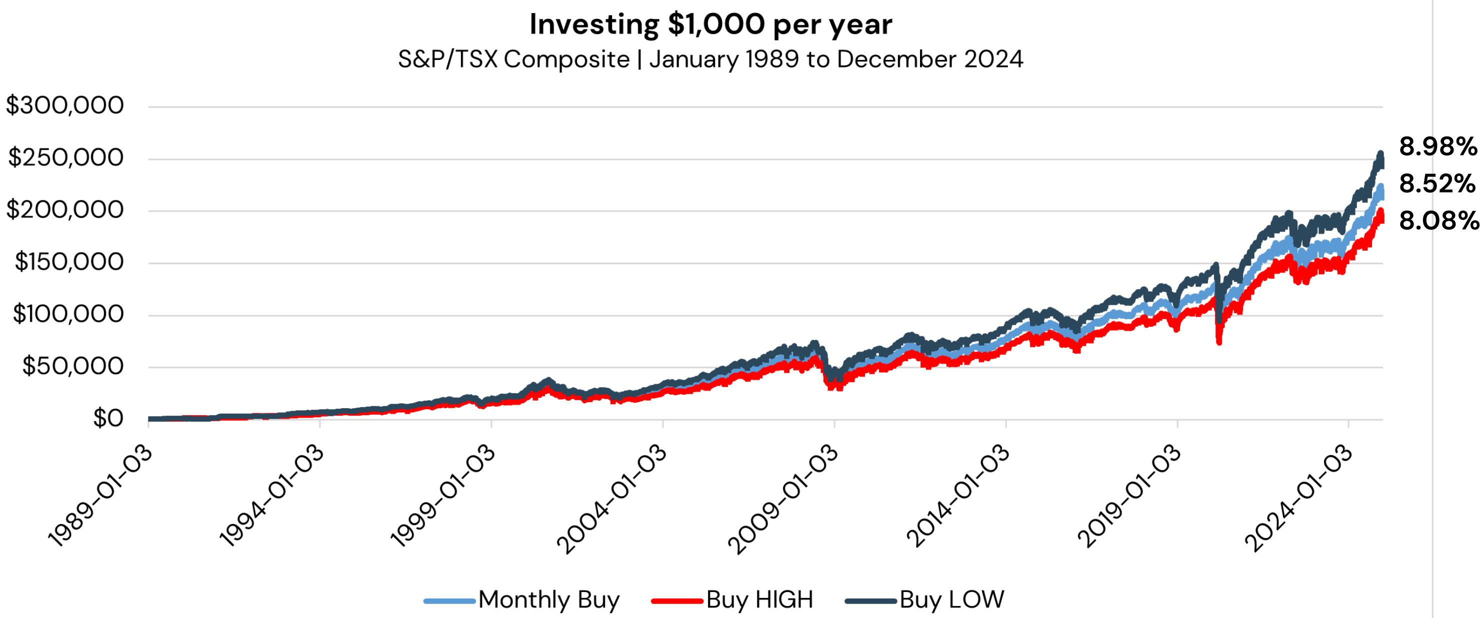


Equity Performance in the Long Run[3]



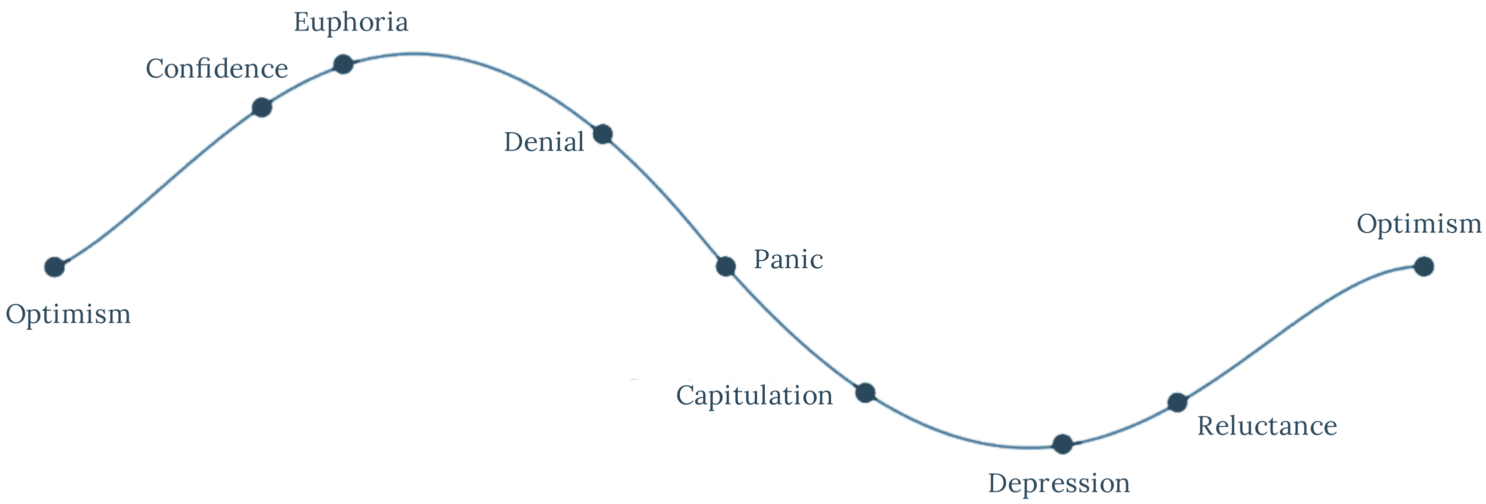
Market fluctuations are normal. Market indexes see gains and losses every day. The accumulation of 0% and 1% days explain much of the positive S&P 500 annualized total return from March 31, 2003 to December 31, 2024.

Market Timing in the Long Run[4]



Consider an investor blessed with the power of perfect market timing (dark blue line) compared to another investor cursed with systematically picking the worst possible day to invest each year (red line). In the end, the difference is a little less than 1%, and when considering an investor saving systematically at the beginning of each month, the annual outperformance shrinks below 0.5%.

Cycle of Investing Emotions[5]



Optimism	Entering in the market with a positive outlook and belief that we will be able to grow our wealth.
Confidence	When markets move in the direction we had hoped to see, we gain confidence about the possibility of making more money.
Euphoria	Commonly known as the point of maximum risk but also maximum financial gain. At the top of the market cycle, investors often feel like they can do no wrong with some even believing that they can tolerate higher levels of risk - all in hopes of making quick and easy profits.
Denial	When the market starts to turn, but we hang on to our investments believing that things will improve shortly.
Panic	Realizing that we've held onto our investments for too long and missed the chance to take profits. Panic sets in when we start selling our worst-performing investments or moving into securities that don't fit our risk profile, in the hopes of bringing our positions back into the black.
Capitulation	At our breaking point with no control, we feel at the mercy of the market. Some of us pull out altogether to avoid bigger losses, abandoning investments at precisely the wrong time.
Depression	Having lost money, we begin to feel depressed and start to wonder if we should have ever invested money in the markets in the first place.
Reluctance	Markets start to rise again but we are reluctant to invest again, wary if the market growth will last.
Optimism	The markets are turning positive again and we see our prior investment come back around. The cycle starts again.

ALITIS
INVESTMENT COUNSEL

Volatile Events Throughout Modern History[6,7,8]

1929	Black Thursday
1930	Great Depression
1935	Spanish civil war
1936	Economy still struggling
1937	Recession
1938	War clouds gather
1939	WWII erupts in Europe
1940	France falls
1941	Pearl Harbor
1942	Wartime price controls
1943	Industry mobilizes
1944	Consumer goods shortages
1945	Postwar recession predicted
1946	Dow tops 200 - market too high
1947	Cold war begins
1948	Berlin blockade
1949	USSR explodes A-bomb
1950	Korean War begins
1951	Excess profits tax
1952	U.S. seizes steel mills
1953	USSR explodes H-bomb
1954	Dow tops 300-market too high
1955	Eisenhower illness
1956	Suez crisis
1957	USSR launches Sputnik
1958	Recession
1959	Castro seizes power in Cuba
1960	USSR downs American U-2 plane
1961	Berlin Wall erected
1962	Cuban missile crisis
1963	Kennedy assassinated
1964	Gulf of Tonkin
1965	Civil rights marches
1966	Vietnam War escalates
1967	Newark race riots
1968	USS Pueblo seized
1969	Money tightens - markets fall
1970	Cambodia invaded /FLQ crisis
1971	Wage/price freeze
1972	Largest U.S. trade deficit ever
1973	Energy crisis
1974	Nixon resigns
1975	Clouded economic prospects
1976	Economic recovery slows
1977	Market slumps
1978	Interest rates rise
1979	Oil prices skyrocket
1980	Silver
1981	Steep recession begins
1982	Worst recession in 40 years
1983	U.S. Embassy & barracks bombed
1984	Record federal deficits
1985	Economic growth slows
1986	Dow nears 2000 - market too high
1987	Black Monday - record market decline
1988	Junk bond scandal
1989	October "Mini-Crash"
1990	Persian Gulf crisis: Desert Storm
1991	Recession
1992	Riots sweep Los Angeles
1993	Bombing of World Trade Center
1994	Rising U.S. interest rates
1995	Oklahoma City bombing
1996	U.S. government shutdown
1998	Clinton's impeachment proceedings
1999	Y2K paranoia
2000	Internet stocks plummet
2001	9/11 terrorist attacks
2002	WorldCom accounting scandal
2007	Sub-prime mortgage crisis
2008	Great Financial Crisis
2009	March low point of market "meltdown"
2010	"Flash Crash"
2011	Sovereign debt-default risk
2012	European Debt; U.S. "Fiscal Cliff'
2013	North Korea nuclear threats/ Syria burns
2014	Ukraine/Russia; ISIS; Oil prices plummet
2015	Turkey/Russia; Terror in Paris; Syria
2016	Russia in Syria; Trump election
2017	Ransomware Hacks & Bitcoins
2018	“Volpocalypse”
2019	Brexit, Hong Kong protests, Boeing Max
2020	COVID-19 Pandemic
2024	Re-election of Trump

Asset Class Returns[9]

This chart below shows annual returns for selected asset classes over the past 15 years, demonstrating how market trends differ year to year. This investment performance quilt serves to illustrate that investing across a variety of asset classes may help to mitigate risk.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ann.
REIT 28.0%	REIT 8.3%	REIT 19.7%	Sm Cap 38.8%	REIT 28.0%	REIT 2.8%	Sm Cap 21.3%	EM 37.8%	Cash 1.8%	Lg Cap 31.5%	Sm Cap 20.0%	REIT 41.3%	Cash 1.6%	Lg Cap 26.3%	Lg Cap 25.0%	Lg Cap 13.9%
Sm Cap 26.9%	HG Bnd 7.8%	EM 18.6%	Lg Cap 32.4%	Lg Cap 13.7%	Lg Cap 1.4%	HY Bnd 17.5%	Int'l 25.6%	HG Bnd 0.0%	REIT 28.7%	EM 18.7%	Lg Cap 28.7%	HY Bnd -11.2%	Int'l 18.9%	Sm Cap 11.5%	Sm Cap 10.3%
EM 19.2%	HY Bnd 4.4%	Int'l Stk 17.9%	Int'l Stk 23.3%	AA 6.9%	HG Bnd 0.6%	Lg Cap 12.0%	Lg Cap 21.8%	HY Bnd -2.3%	Sm Cap 25.5%	Lg Cap 18.4%	Sm Cap 14.8%	HG Bnd -13.0%	Sm Cap 16.9%	HY Bnd 8.2%	REIT 9.4%
HY Bnd 15.2%	Lg Cap 2.1%	Sm Cap 16.4%	AA 11.5%	HG Bnd 6.0%	Cash 0.0%	EM 11.6%	Sm Cap 14.7%	REIT -4.0%	Int'l Stk 22.7%	AA 9.8%	Int'l Stk 11.8%	Int'l Stk -14.0%	HY Bnd 13.5%	EM 8.1%	AA 6.5%
Lg Cap 15.1%	AA 0.3%	Lg Cap 16.0%	HY Bnd 7.4%	Sm Cap 4.9%	Int'l Stk -0.4%	REIT 8.6%	AA 14.6%	Lg Cap -4.4%	AA 18.9%	Int'l Stk 8.3%	AA 10.9%	AA -16.5%	AA 12.8%	AA 7.4%	HY Bnd 6.4%
AA 13.5%	Cash 0.1%	HY Bnd 15.6%	REIT 2.9%	HY Bnd 2.5%	AA -1.3%	AA 7.2%	REIT 8.7%	AA -5.6%	EM 18.9%	HY Bnd 7.5%	HY Bnd 5.4%	Lg Cap -18.1%	REIT 11.4%	Cash 5.3%	Int'l Stk 5.7%
Int'l Stk 8.2%	Sm Cap -4.2%	AA 12.2%	Cash 0.1%	Cash 0.0%	Sm Cap -4.4%	HG Bnd 2.7%	HY Bnd 7.5%	Sm Cap -11.0%	HY Bnd 14.4%	HG Bnd 6.1%	Cash 0.0%	EM -19.7%	EM 10.3%	REIT 4.9%	EM 3.4%
HG Bnd 6.5%	Int'l Stk -11.7%	HG Bnd 4.2%	HG Bnd -2.0%	EM -1.8%	HY Bnd -4.6%	Int'l Stk 1.5%	HG Bnd 3.5%	Int'l Stk -13.4%	HG Bnd 8.7%	Cash 0.6%	HG Bnd -1.5%	Sm Cap -20.4%	HG Bnd 5.5%	Int'l Stk 4.4%	HG Bnd 2.3%
Cash 0.1%	EM -18.2%	Cash 0.1%	EM -2.3%	Int'l Stk -4.5%	EM -14.6%	Cash 0.3%	Cash 0.8%	EM -14.3%	Cash 2.2%	REIT -5.1%	EM -2.2%	REIT -25.0%	Cash 5.1%	HG Bnd 1.3%	Cash 1.2%

Abbr.	Asset Class – Index	Annual	Best	Worst
Lg Cap	Large Cap Stocks – S&P 500 Index	13.88%	32.4%	-18.1%
Sm Cap	Small Cap Stocks – Russell 2000 Index	10.33%	38.8%	-20.4%
Int'l Stk	International Developed Stocks – MSCI EAFE Index	5.74%	25.6%	-14.0%
EM	EM Stocks – MSCI Emerging Markets Index	3.39%	37.8%	-19.7%
REIT	REITs – FTSE NAREIT All Equity Index	9.40%	41.3%	-25.0%
HG Bnd	High Grade Bonds – Bloomberg Barclays U.S. Agg Index	2.28%	8.7%	-13.0%
HY Bnd	High Yield Bonds – ICE BofA US High Yield Index	6.42%	17.5%	-11.2%
Cash	Cash – S&P U.S. Treasury Bill 0-3 Mth Index	1.19%	5.3%	0.0%
AA	Asset Allocation Portfolio*	6.45%	18.9%	-16.5%

Past performance does not guarantee future returns. The historical performance shows changes in market trends across several asset classes over the past fifteen years. Returns represent total annual returns (reinvestment of all distributions) and does not include fees and expenses. The investments you choose should reflect your financial goals and risk profile. For assistance, talk to a financial professional. All data are as of 12/31/24. *Asset Allocation Portfolio is 15% large cap stocks, 15% international stocks, 10% small cap stocks, 10% emerging market stocks, 10% REITs, 40% high-grade bonds, and annual rebalancing.

ALITIS
INVESTMENT COUNSEL

Ending Thoughts

At Alitis, we rely on analysis, experience, and the lessons of market history to guide the direction of our portfolios. We place a strong emphasis on diversification as a crucial factor for a smoother investing experience. We firmly believe in spreading investments across various asset classes, such as equities, fixed income, real estate, and alternative investments, to lower exposure to market volatility, provide opportunities for higher returns, and minimize the impact of any single investment on overall returns.

Our Portfolio Managers will take the time to understand your situation, family, and risk profile. We will take this information to guide you to remove emotions from the equation and help you focus on your long-term goals.

Our strong client relationships and transparent approach coupled with our investment philosophy and process result in a customized experience that clearly demonstrates the value we add as Portfolio Managers for our clients.

ALITIS
INVESTMENT COUNSEL

Campbell River	Comox	Victoria
101-909 Island Hwy V9W 2C2	103-695 Aspen Rd V9M 3P5	1480 Fort St V8S 1Z5
1.800.667.2554	www.alitis.ca	info@alitis.ca

Disclaimers and Disclosures - Alitis Investment Counsel Inc. ("Alitis")

1. Russell Investments Group. (2024, June). 2024 - Value of an Advisor. Russell Investments. Retrieved February 11, 2025, from https://russelinvestments.com/-/media/files/ca/en-secure/research-and-commentary/value_of_advisor.pdf

2. The Canadian Press. (2020, April 22). ETF, mutual fund assets took 10% hit in March. BNN. Retrieved October 17, 2022, from https://www.bnnbloomberg.ca/investing/2020/04/22/etf-mutual-fund-assets-took-10-hit-in-march/

3. Bloomberg L.P. S&P 500 Total Return Index in USD. 2003/03/31 to 2024/12/31. Bloomberg Terminal, 15 January 2025.

4. Bloomberg L.P. TSX Total Return Index in USD. 1989/01/03 to 2024/12/31. Bloomberg Terminal, 15 January 2025.

5. "Don't Let Emotions Control Your Investments." Co-Operators, https://www.cooperators.ca/en/Resources/plan-ahead/emotions-and-investing.aspx.

6. Williams, Ward. "Timeline of U.S. Stock Market Crashes." Investopedia, 30 Oct. 2024, www.investopedia.com/timeline-of-stock-market-crashes-5217820.

7. "US Historical Events from 1900 to Present." Baylor School, www.baylorschool.org/uploaded/Library_Resources_PDFs/US_History_US_Historical_Events_from_1900_to_Present.pdf. Accessed 13 Feb. 2025.

8. "Historical Happenings: Many of the World's Most Important Events Every Year since 1920." USA Today, Gannett Satellite Information Network, 6 Sept. 2020, www.usatoday.com/picture-gallery/life/2020/09/06/the-worlds-most-important-event-every-year-since-1920/42346845/.

9. "Annual Asset Class Returns." Novel Investor, 14 January 2025, https://novelinvestor.com/asset-class-returns/. Returns shown in USD.

This handout is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein to anyone in any jurisdiction where such offer or solicitation would be prohibited.

Opinions expressed in this handout should not be relied upon as investment advice. This handout does not take into account the investment objectives, risk tolerance, financial situation or specific needs of any particular person. Each person's investment objectives, risk tolerance, financial situation and specific needs should be evaluated before making any investment decision. This handout may contain economic analysis and opinions, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. All opinions expressed herein constitute judgements as of the date of this handout and are subject to change without notice.

The information contained in this handout has been drawn from sources believed to be reliable but is not guaranteed to be accurate or complete. Alitis assumes no duty to update any information or opinion contained in this handout.

Neither Alitis nor any director, officer or employee of Alitis accepts any liability whatsoever for any errors or omissions in the information, analysis or opinions contained in this handout, nor for any direct, indirect or consequential damages or losses arising from any use of this email or its contents.