



December 20, 2021

“It’s Deja vu all over again”- Yogi Berra

Well, that is how I see things with the development of new strains of Covid and all its variances unfolding. A new headline results in new knee jerk reactions and market volatility kicks up causing clients to get nervous and worried. Understandably so.

So, how do we deal with it? How to we respond? Do we freak out and panic, sell everything and run down the street screaming? Some might feel that way in the extreme, but that does nothing except crystalize permanent losses and believe it or not, adds more risk to your portfolio. How does doing that add risk?

Simply stated, when you sell as a response to fear you have eliminated your possibility of profiting later by taking an unnecessary loss now. When do you move back into the stock market? Well, if you thought it a good course of business to buy high then sell low, then you likely will not want to buy back in until the market has shown positive traction and prices have risen. Then when the next market scare takes place, you will likely repeat your first mistake. You might think, “I’m not greedy so why not sell now and make some money? We can always buy back later.” As I stated before, you are taking on more risk, because you are cutting your winners short and not letting them continue with their increasing intrinsic value.

As a reminder, the time to sell is when a company is failing to meet expectations with

missed earnings or fundamental changes that will impact the future success of the company. You also consider selling when a company has become foolishly overvalued. e.g. The company is trading at a multiple that is historically untenable in the long run. (Think of Nortel & Enron)

Look at what happened last year when Covid hit us hard. If you sold in March, you had terrible losses and would have missed out on the strong move higher. **You cannot succeed buying high and selling low.**

So, what can you do when volatility hits? Nothing! You stay true to the investments you have made and await the volatility to pass (and it always does). I have already reviewed your holdings and we have sold that which became overvalued, and we have sold companies that disappointed and what remains are good solid businesses that have a history of good management.

It's like the engineer that works at a nuclear reactor site that wears a T-Shirt that says on the back... "If you see me running try to keep up!" Like that engineer, if I don't think we should panic and flee then nor should you. Volatility is like turbulence on an airplane. It's uncomfortable, and disturbing, and nerve wracking at times, but you don't jump out of the airplane because of it. You trust in the pilot, the crew and the plane, and you arrive to your destination safely.

If you have any concerns, please **call** me to discuss at 613-491-3344 or toll free at -866-860-4190.

Sincerely,

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