MARKET UPDATE

What's Happening?

The Steele Group™

making your money **work harder**™

Following over two years of straight up growth, the markets have now returned to more normal periods of volatility. While these are a regular and expected part of market activity, it's never a good feeling to experience. It is our feelings that compel us to want to react to this volatility, but this can lead to the primary activity to wealth destruction - buying high and selling low. The good news is that you have professional managers keeping watch over your money, who make objective, unemotional, professional decisions to help you build wealth every day. These professionals are taking advantage of market volatility to ensure that your money is participating in the primary activities of wealth creation - buying low, staying invested, compounding growth and eventually selling high.

More good news is that this market volatility is not nearly as bad as you feel or as the media wants you to feel. Market valuations which were looking stretched at the beginning of the year now look attractive as stocks are trading below their historical average prices in relation to their earnings. The probabilities of a global recession are low and the global economy and corporate profits are in line for another year of growth, albeit slower growth than the last couple of years. But slower growth is far from a disaster scenario. In fact, economic and profit growth means that investors could continue to see positive returns over the coming year.

In the short-term, the market needs to hash out a few uncertainties - rising interest rates, slower global growth and corporate earnings and how trade relations between countries will affect those two factors. As mentioned above, this is not a case of contraction, but simply one of slowing growth. How the market deals with uncertainty is to price in the worst case scenario and then float back up as reality becomes clear. Unfortunately it may take a few months for the market to get a clear enough picture to feel comfortable moving forward again, or it could gain that comfort tomorrow. The reality is none of us knows that timeline for sure; but what is clear is that once investors find that comfort, these markets will begin once again to move forward and quickly erase the losses of the past months. It is our job to make sure that you are there, participating in market growth when it happens.

It is at times like these where it is important to review how smart people have become wealthy overtime, to ensure our emotions don't lead us away from that good behavior. How the smart money builds wealth is not complicated, it's really quite simple. But simple does not mean easy. Part of our job, is to make it easier for you to stay with the smart money and grow your wealth so you can enjoy your life to the fullest.

There are always reasons to scare us off the path: always temptations to participate in the wealth destructing behaviors listed above. In fact, if we go back over the last 50+ years, we can see there was a reason every year to want to run away from volatile stock markets and bury our money in a bunker where it can be safe and restrained. If there was ever a time not to invest, it was the 1960's. The tumultuous presidency of JFK took investors through violent race tensions, a building of military tensions between the 2 superpowers of the world - the U.S. and Russia, and ended sadly in JFK's assassination. The peak of fears for investors came in 1962 during the Cuban missile crisis when the world's 2 biggest military powers sat with their fingers over the button, ready to launch their large missile arsenals at each other. The world was literally on the edge of blowing up. Yet, if you had invested $100,000 in the U.S. stock market back then, despite wars, recessions, crisis, scandals and varied amounts of volatility, had you kept your money invested you would have over **$25 MILLION** today!

Reasons Not To Be A Millionaire

1960 Russia downs U-2 plane
1961 Berlin Wall erected
1962 Cuban missile crisis
1963 Kennedy assassination
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 – Vietnam War
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 Interest rates at all-time high
1981 Market slumps
1982 Worst recession in 40 years
1983 U.S. Embassy, Marine barracks bombed
1984 Record federal deficits
1985 Economic growth slows
1987 Record-setting market decline
1988 Junk bond scandal
1989 October "Mini-Crash"
1990 Persian Gulf crisis
1991 Recession
1992 Riots sweep Los Angeles
1993 Bombing of World Trade Center
1994 Rising U.S. interest rates
1995 Oklahoma City bombing
1996 Taiwan Strait crisis
1997 Collapse of Thailand economy
1998 President impeachment proceedings
1999 Y2K 2000 Internet stocks plummet
2001 September 11 terrorist attacks
2002 WorldCom accounting scandal
2003 War in Iraq
2004 Madrid terrorist attacks
2005 London train bombing
2006 India, Israel, Lebanon bombings
2007 U.S. housing bubble bursts
2008 Global financial crisis
2009 Financial crisis lingers into early 2009
2010 European debt issues emerge
2011 Japan, Fukushima earthquake
2012 China slowing growth concerns
2013 U.S. government shuts down
2014 Russia and Ukraine conflicts
2015 Paris terrorist attacks
2016 Brexit – U.K. votes to exit the EU
2017 Britain triggers Article 50

If you had invested **$100,000** in the U.S. stock market on Jan. 1, 1960, it would be worth **$25,569,120** on Dec. 31, 2017!

If you stayed invested!

*Invested in the S&P 500 Index in local currency terms.
Source: Market events – Ned Davis Research, Bloomberg, Fidelity Management & Research Company.

This is what the smart money understands and how smart people have built wealth for generations. They understand the power of investing in the growth of companies and their unrelenting pursuit to make money over time. Like smart business people they understand that life will always be fraught with uncertainty and therefore volatility. But they see through the uncertainty to the opportunity before them. For most of us, the uncertainty of life and therefore markets makes investing seem like a gamble. And we are not wrong, there are similarities. But the difference is when it comes to investing in stock markets we are not the chump walking into the casino who will eventually lose all of his or her money. When investing in the stock markets we are more like the casino, taking the risk of loss with each game, knowing we will make money over time.

How does a casino profit over time when it takes so much risk gambling with its patrons? Why do smart business people invest in casino's and profit from them over time? The reason is simple - the odds are in their favour. The casino will only gamble on games where the odds are in their favour to win. Then they work to encourage their patrons to play those games over and over again. Because the more times they play, the more the odds will play out over time and the casino will win. This is the same as investing in the stock market. We know the odds are in our favour to win. Stock markets go up more often, for longer and by higher amounts than they go down. This means that odds are in your favour that if you put money in the stock markets you will win more often and by more than you will lose. But like the casino, for the odds to work in your favour you have to keep playing.

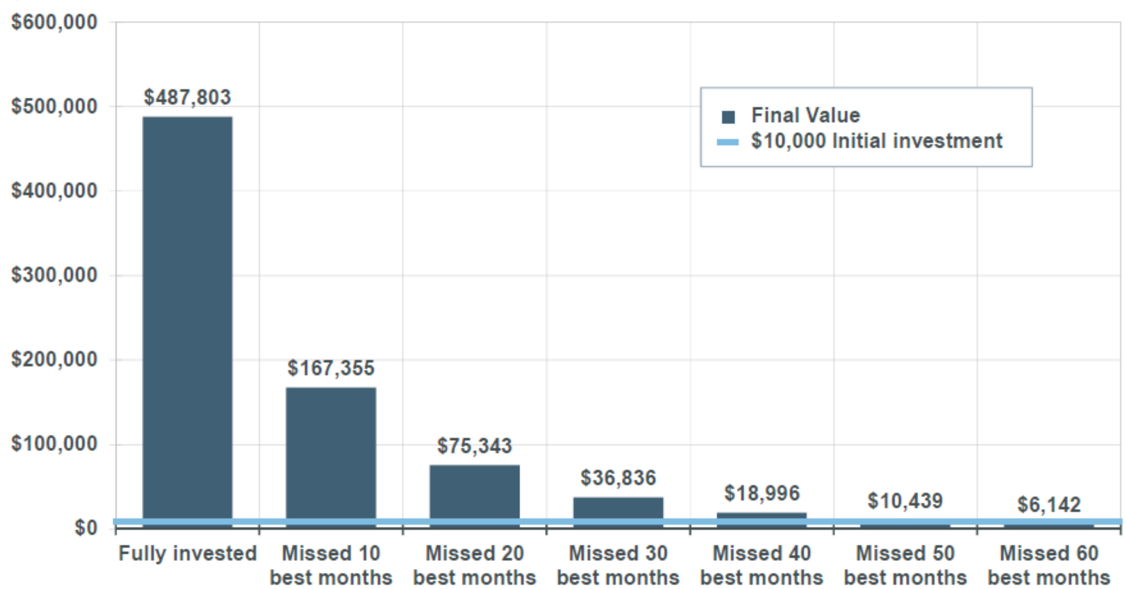
Staying the course puts the odds in your favour

	Market are up	Markets are down
Frequency	**More often**	**Less often**
Magnitude	**By more**	**By less**
Duration	**For longer**	**For shorter periods**

The biggest mistake investors make, is thinking that they can only play when there is a winning hand. If only we could know when that was. The reality is that investors who try to time the market, only serve to reduce their odds of success and erode their gains over time. In fact, over the past 40 years, investors who had tried to time markets and missed the 10 best months in the market - that's only 2% of the months over that period. So put another way, those investors who had tried to time the market and got it right 98% of the time and just got it wrong 2% of the time - gave up over 50% of their return. In fact, those investors that were lucky enough to be 85% accurate would have still given up **ALL** their potential return. Yet, had they just stayed invested in the S&P/TSX index stock over that period they would have made over **48 times their money**.

Don't miss out

Average annualized returns in the S&P/TSX Composite Index
$10,000 INVESTED FROM JANUARY1978 TO DECEMBER 2017



Source: Thompson Reuters Datastream. Index total returns from January 1, 1978 to December 31, 2017.
Past performance is no guarantee of future results. It is not possible to invest directly in an index

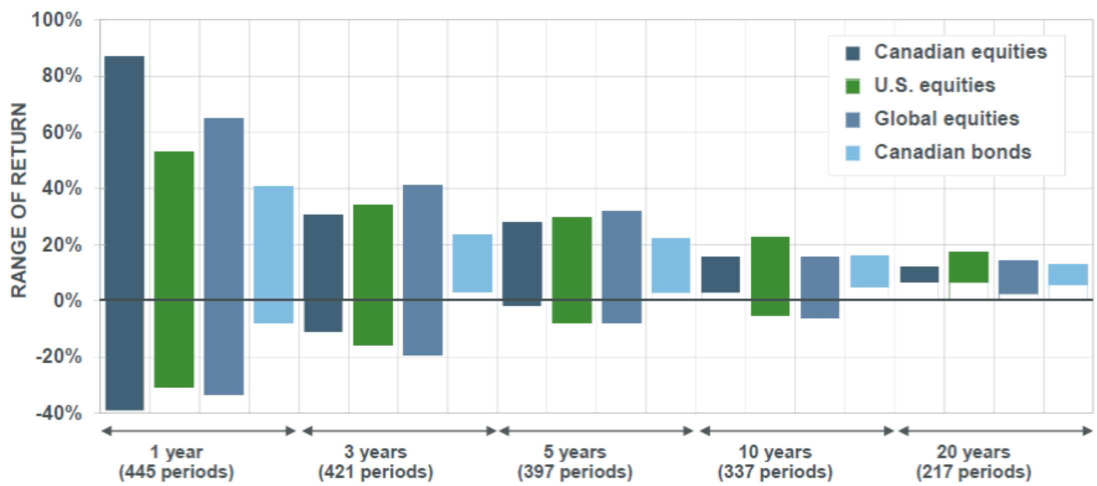
The smart investors understand that investing in stock markets is about playing the odds. And that to benefit in those odds you have to keep playing as often as possible. The longer you are invested and the more days you are in the market, the better potential to grow your wealth. They understand that to participate in the odds they will have to lose some days, months and even years; but by continually participating, the odds are in their favour to build significant wealth.

If you were to look over any 1 year period historically in Canadian stocks, you would see that you could have had a return on the S&P/TSX of anywhere between around -40% to +85%. But, if you took your focus off 1 year and rode it out over 3, 5, 10, 20 years, the probability of loss declines and the probability of gains increase. While over one year there is a wide range of possibilities, 20 year periods invested in Canadian stock markets would have had a potential average annual compound return of anywhere between 7% and 12%. The smart money understands that if they stay in, they have great odds of growing their money at incredible rates.

Time heals all

Time reduces volatility of return

A COMPARISON OF THE HIGHEST AND LOWEST RETURNS FOR VARIOUS INVESTMENT TIME FRAMES FROM DECEMBER 1979 TO DECEMBER 2017*



*For example, the results for the one-year investment time frame are based on 445 sample one-year periods: Jan. '80 to Dec. '80…Jan '15 to Dec '15. Sources: Thompson Reuters Datastream. Indexes used: Canadian equities, S&P/TSX Composite Index; U.S. equities, S&P 500 Index; global equities, MSCI World Index; Canadian bonds, FTSE TMX Canada Universe Bond Index. Based on monthly total returns (CDN$). Past performance is no guarantee of future results. The index returns presented are calculated monthly total returns in CDN$ (includes reinvested dividends) from December 1979 to December 2017. The three-, five-, ten- and 20-year periods reflect annualized returns. It is not possible to invest directly in an index. Returns are in CDN$ and include reinvested dividends. As at December 31. 2017.

It is our job to make sure that you invest like the smart money and build your wealth up to and through retirement. Remember that the day you retire you DO NOT become a short-term investor. Odds are that you will be retired and need to live off your money for 20 to 30 years. So while you may need 1/20th or 1/30th of you money the year you retire, you will not spend much of your money for 10 or more years. So as your advisor, we continue to focus on ensuring you participate in these incredible odds to build wealth. That is why smart investors like you, who heed the advice of financial professionals like us, will be up to 4 times wealthier than those who heed the advice of their emotions.

Good advice is a great idea

According to research, working with a financial advisor has a significant positive impact on your wealth. Whether it's being better prepared for retirement or developing a successful savings discipline, having a good relationship with your financial advisor can have a meaningful impact on your ability to reach your financial goals.

If you wish to discuss what is going on in the markets and how it affects your long-term financial plans, please give us a call toll-free at **1-888-824-4351** or e-mail us at **servicenow@thesteelegroup.ca**.

Want more information? Call us at 1.888.824.4351 today to schedule your one-on-one consultation.

1575 Bishop Street, Suite One
Cambridge, ON
N1R 7J4

Telephone:519.622.3740
Toll-free: 888.824.4351
Facsimile: 519.622.0508

servicenow@thesteelegroup.ca
www.thesteelegroup.ca

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