



mutual gains

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BAD EXPECTATIONS = GOOD OUTCOMES

When investments that everyone is talking about are hitting all time highs and everything seems rosy, bringing many to discount potential risks because “it’s different this time”, we are in a danger zone. With tariff uncertainty and Trump conversations being the topic of conversation, the opposite sentiment seems to have taken hold (although very recently the pessimism has subsided quite a bit).

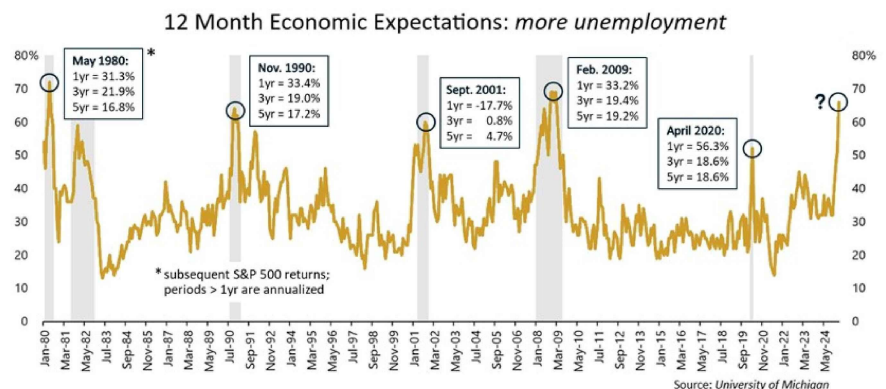
Today, the same “it’s different this time” is being seen by many in reverse; it will be worse than before. However, the global financial crisis of 2008 was unlike any economic event that any of us had ever experienced. It was global and it was pervasive, shaking the financial world to its foundational core. Covid, another historic event unlike none other, was one that had strong financial ramifications but was also very emotionally devastating. Despite those 2 significant events, the only investors whose finances were permanently damaged were the ones who decided that, “this time is different”, abandoning their portfolios made

WE WILL LISTEN CAREFULLY
TO WHAT YOU ARE SAYING
AND BE ATTENTIVE TO YOUR DESIRES
AS WELL AS YOUR FEARS
SO TOGETHER WE CAN BUILD
AND ENJOY
A HARMONIOUS
AND RESPONSIVE RELATIONSHIP
IN ATTAINING YOUR LIFE’S DREAMS
AND THROUGH THAT
WE WILL BE ATTAINING OURS.

up of companies that produce goods and services that are essential to the lives we live.

As usual, the place of safety that many flock to is what is deemed “safe.” Safety only seems safe until an event, or simply the passage of time, shows that it isn’t. Safety is usually more a feeling than it is a reality.

It’s not surprising that sentiment (attitude, opinion, feelings) about investment markets, the economy, world stability etc. has plunged to or below historic lows (that was the case in mid-April when I wrote most of this). This general uneasiness (for many it is much stronger than that) can make you question the



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safety of your money. History has shown that this natural instinct almost always contradicts one's financial best interest.

The chart below shows the percentage of people who think employment conditions will worsen over the coming 12 months. Going back as far as 1980-81 when I was still in high school, the significance of interest rates sky rocketing to the high teens which had never happened in over 200 years of North American history, was lost on me. Despite my naivety, it was highly significant as it financially ruined many who held a lot of debt that didn't have a fixed rate of interest (which was a lot of home builders and developers).



Today the issue is tariffs, and what tariffs do ultimately is reduce global trade. This along with the imposed tariffs also increase inflation. That is the long-term change that we will inevitably see if tariffs become the new normal. The point here is not to make safety seeking, emotional investment decisions based on short-term news. I'm sure you can see from the chart that your best course of action is taking any money you have sitting on the sidelines and taking advantage of the selling that emotionally charged times seem to create.

PS. As of the end of April, investment markets have rebounded by more than 50% from their 2024-25 lows.

A PORTFOLIO AFFECTED VERY LITTLE BY TARIFFS

1 of the 3 primary portfolio management firms we use for an entire client portfolio specializes in smaller business which are referred to as "small cap" and "mid cap." These can range in market cap (capitalization, being the total market price of all its outstanding shares) of between ~\$250 million to ~\$10 billion. Here are some recent points from 1 of our primary portfolio management teams outlining how resilient their portfolio is to tariffs.

- Japan was hit (initially) with the highest tariffs and although we have an overweight to Japanese companies, those companies are generally domestically focused. The 4 largest holdings are an industrial distributor selling to local businesses, an IT consultant focused solely on the Japanese market, a retail company that sells clothing and household goods primarily in Japan, and a retail drug store chain operator. We don't believe tariffs will heavily impact their revenues.
- India's exports to the US represent only 4% of GDP. We have diversified holdings across India, yet large sector weights (65% of our India holdings) are in financials and health care. This includes a wide variety of companies involved in financial services to Indians across the country. In health care, we own lab diagnostic companies and hospitals which are again providing services to the local Indian population. Many other companies we own apart from financial and health care derive their revenues from the domestic economy.

IS LOOKING FREQUENTLY AT YOUR PORTFOLIO BENEFICIAL?

When you drive by an event at the side of the road such as a car crash, do you slow down to take a peak on what is going on? I know lots of people do (I as well). I know because traffic always slows down and a line develops even when there is no safety need to slow down. It simply is curiosity.

However, when you look at your portfolio often (daily price chart on the right), what you do is set your emotions up to drive your decisions. The common rational I get is "I just want to know what is going on." Yes, that could be true but what you are finding out is only current (very short-term) movement. Are you looking because you want to sell? Probably not, right? What do you plan to do then? If nothing, then what is the point? The other side is the decision to sell which would mean making the worst decision you could make. That poor decision was made simply because "you wanted to know what is going on" which was purely emotion driven with a façade of fact based decision making.



It's not that we're dumb. We're wired to avoid pain and pursue pleasure and security. It feels right to sell when everyone around us is scared and buy when everyone feels great. It may feel right but it's not rational."

Carl Richards, The Behavior Gap: Simple Ways To Stop Doing Dumb Things With Your Money (book)

If your portfolio is made up of financially strong companies that have a big customer base, earnings that have grown steady for many years and have done so through all kinds of economic climates, and the price is now 20, 30, 40% or more below what they have been in a few years, what would a rational person do?

I asked many clients what they did when Covid hit. Many said, "I just didn't look." On the very surface that may seem naïve and stupid. However, if your portfolio is exceptionally well managed and you know in advance that *&#%\$^ happens, you know prices will go down. In fact, they decline by 10% a few times a year and 20 to 35% every several years. Of course, the other argument is, "This is different. We've never seen this before." True, but usually there is another case in history that was worse, much worse. On any given day no matter what happens (short of Jesus returning), we still need to work using our various tech brands, access the internet and make phone calls with our cell and internet providers, buy food from the various brands which we source at 1 of many grocery stores, eventually replace our car or

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at least get it serviced, stand in line for our daily beverage, all of which use credit cards and a bank account (and much much more) – what has really changed? When the noise (the market reactions to day to day news) is taken out, not much at all when you look at the graph (right). That would be an annual check of your portfolio which includes the Global Financial Crisis and Covid, 2 of the most significant and unnerving global economic events since WWII.



If you look at your portfolio often, I'd be curious to know what you do when you are given an injection, whether for medical reasons or freezing for dental work? I look away because of the things my mind will tell me which I don't want to succumb myself to, setting me up for an emotional response (me getting dizzy and potentially fainting). If I did look, what am I going to do, tell them "no, I changed my mind"? Of course not, the initial decision was a good one and something that needed to be done. Or in the case of your portfolio, what doesn't need to be done.

IT MAY MAKE SENSE TO RE-WRITE YOUR MORTGAGE

Over 1 million mortgage holders locked into a 3 year fixed rate mortgage between 2022 and 2024. That was when rates were much higher than they are today because inflation had spiked upwards. Interest rate increases were used (as they always are) to bring inflation down.

From 2022 to 2025, the 3 year fixed mortgage rate ranged from 5.64% to 7.24%. When mortgages were coming due at that time, the 3 year mortgage was the lowest rate option. Today, a 5 year fixed rate mortgage is as low as 3.79%.

If you have a mortgage that is at a higher rate and you still have a year or more on your mortgage, it could make sense to re-write a new mortgage to replace your old one. A comparison example of that is on the right, which amounts to \$14,796 in savings over 18 months.



We work with 2 very experienced mortgage brokers. We've trusted them to advise our clients very well. They can run some numbers for your situation to see how much you will save. We'd be happy to pass on 1 of their names to you.

WHY TO USE A CREDIT CARD OVER A DEBIT CARD

Many people use debit cards in place of cash. The main reason is that it is the closest thing to using cash because when you spend money using a debit card the money is automatically taken from your bank account. That direct link to your bank account is where the risk lies.

With a credit card, you may see fraudulent charges on your credit card statement. However, there is no direct link to your bank account. That isn't the case with a debit card. If your debit card is fraudulently used (or hacked), the money will disappear immediately from your bank account with a high risk that you will never recover that stolen money.

With credit cards the risk of loss is carried by the bank who issued the credit card to you. If you see a fraudulent charge (or if they discover it) they'll cancel the charges. The bank however may (and often does) lose the money that was fraudulently charged. If not them, the merchant where the goods or services were purchased loses.

There are a few other key benefits you get with a credit card that you don't have with a debit card. The 1st is the points, dollars, etc. That can add up to helping you accumulate a benefit that has a monetary value. I can't even count the value of the free flights, gift cards etc. we have received using a credit card as a form of payment. In fact, when you read this, I'll have been back from a trip to Greece and Ireland where both Cheryl and I flew using points. 2nd is that with some credit cards, if you buy something that could break, you often get an extended warranty. 3rd? Continually adding to your credit history. This can really help should you ever need to borrow money. The 4th benefit: an emergency source of cash. You can draw cash to the amount of your credit limit. It will cost you the high interest rate from the time you draw it until the time you pay it back; however, it is a last resort back up should you need cash asap and can't get it anywhere else.

It's for these primary reasons I never use a debit card. In fact, I don't actually have one. If I need to buy something and no credit card is accepted, I simply won't buy. There is nothing more unnerving than having your bank account compromised. You run that risk using a debit card. If you don't have the financial discipline to pay off a credit card every month, then instead of a debit card, use cash. It's much safer since the downside is all you can lose is the cash you have in your pocket. That is better than losing everything you may have in your bank account.

PS. I've heard many stories of elderly people handing over thousands upon thousands of dollars to scammers. The person who works for the bank often just hands over the money without question. Our office is the backstop for clients who hold their cash with us since we know our clients very well.

LIFE GEMS— BANDS IN TOWN

I love a live music event. However, very often I find out someone is coming to town only to discover that there are few if any seats left. That is for the big venues which seat several thousand people. For the smaller ones, I often find out a few days before they are performing and just can't make it on such short notice or they've left town and I wonder, "how did I miss them?"

With Bands In Town you can add the artists who you are interested in seeing and you'll get notifications when they will be in town, before

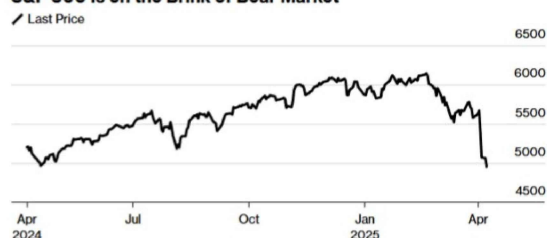
their tickets go on sale. Recently, this worked very well for me for a jazz trio out the UK called Go Go Penguin. They were in Vancouver at a really small venue (The Hollywood Theatre, Vancouver) last year and yes, I missed them. I was notified by Bands In Town that they were going on tour again and would be at the Vancouver Centre For The Performing Arts on November 15th. A few days later, I got notice that tickets were going on sale so I logged in to Ticketmaster, and was happy that most seats were still available. I bought 2 for ~\$50 each, about 8 rows up from the stage.

The other thing I like is that I see suggestions on who else is scheduled to play around town; performing artists I might be interested in. I often pull up some of the names on YouTube music to see if there is anyone else that may be worth going to (we need to keep live music alive, especially with so much AI music being generated).

HHHMMM...

- The S&P 500 is set for its worst 1st quarter performance in 3 years, with record under-performance versus European stocks. The Stoxx 600, a stock market index comprised entirely of European listed companies, meanwhile, is on track for its best quarter since Q4-2022. #OneZigsOneZags
- For the first time since 2016, the TSX has outperformed the S&P 500 for three straight quarters, despite Canada's economy being threatened with U.S. levies through much of that time. #MarketsVsNoise

S&P 500 is on the Brink of Bear Market



- On Wednesday April 12th, reciprocal tariffs were pulled back to 10% with the exception of China, where tariffs were increased to levels whereby trade will likely slow significantly. This was a catalyst for the S&P 500's biggest rally since 2008. This was also the third largest one day gain (+9.5%) since World War II. The S&P 500 has been up 9.5% per year on average over the past 35 years. Miss the best 10 days though, and your return falls to a loss of 12.5%. #NeverPanicSell
- The market has historically stayed in the positive column roughly 78% of the time for the calendar year, posting an average return of ~10%.

- Trump's goal is to essentially replace income taxes with tariff revenue, which he aims to put in part toward paying down the nation's debt. #SoundsGoodBut

• The political downside of tariffs: When Republicans in Congress and the White House passed the Smoot-Hawley Tariff Act in the 1930s (imposing significant tariffs), "they were decimated for 60 years. Republicans did not control the House and Senate for 60 years." Republican Senator Rand Paul #Cause&Effect

• The U.S. economy, once teetering at the late stage of its economic cycle, is showing signs of rejuvenation. "We were in late cycle... and it's my view that we're actually moving the other way. So unlike any other cycle we've had post World War II, we're moving back from late cycle to mid cycle." This is a rare reversal, "Benjamin Button cycle" (the movie) that's ushering in a surprisingly fertile environment for investors. Mid-cycles historically deliver attractive returns, often in the 10% to 15% range, creating a sturdy foundation for navigating policy uncertainty. Jared Franz, Economist at Capital Group #OneMan'sOpinion

• In the 80's many in the US were really concerned that Japanese cars coming into the US was a threat to the US. Japan excelled in that industry. Yet the US has grown much more than Japan. It did so despite losing the lead in the car industry. In fact, the US actually has probably done so well because it didn't hold on tight to manufacturing cars. Letting go of that let the US focus on higher margin areas like software and various tech innovations. The world benefits and so do individual countries and the public as a whole. #ExcelDon'tProtect

• The average retiree's income goal is \$82,300. Their average investment portfolio is \$1,053,000. #AverageMeansNothing

• Development cost charges (DCCs) add \$125,600 to the cost of a 800 sq. ft. condo in Vancouver (\$157/sq. ft.). Compare that to St. John's in Newfoundland and Labrador, where development charges are \$1,600 per high-rise unit (\$2/ sq. ft.). Other cities in B.C. came in well under Vancouver's levels. E.g. Surrey was \$48,800/unit (\$61/sq ft), and Burnaby came in at \$19,200 (\$24/sq. ft). DCC's pay for infrastructure such as: water, sewer, roads & parks. #GovernmentControlledCosts

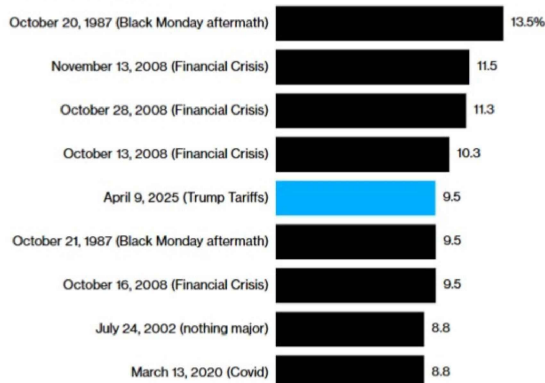
• Life sciences employment in Vancouver is strong totalling 14,300 people, with a 10 year growth rate of 105.3%. There has been a 33% increase in university degrees awarded in this field, with 1,740 degrees granted in 2021 compared to 1,311 in 2011. #WhereTheJobsAre #EmploymentForAgingPopulation

• The chief task in life is simply this: to identify and separate matters so that I can say clearly to myself which are externals not under my control, and which have to do with the choices I actually control. Epictetus (died 135 AD) #WisdomIsTimeless

S&P 500's Gyration Today is One for the History Books

It's 5th biggest low-to-high swing toward a daily gain in recent times

■ Date (event): Swing



The fog of trade war

Canada's news-based economic policy uncertainty index

