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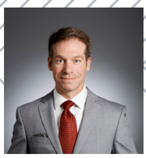

Investing Between a Rock and a Hard Place

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Being stuck between a rock and hard place is never a fun place to be. When the rock is a rising interest environment and the hard place is a volatile stock market, trying to save for retirement can be a challenge.

North American stock markets declined over 10% on average during the month of October with some of the popular technology names like Amazon and Facebook falling more than 20%. There are three main concerns leading to these declines. First, stock valuations are expensive leaving little margin of safety. Second, rising interest rates make debt more expensive to repay for companies reducing profitability. Third, escalating tariffs due to President Trump's trade wars has created a great deal of uncertainty and less disposable income. When you add it all up, the stock market is a hard place to invest right now.

Conservative investors who are nervous of the stock market and invest predominately in bonds are seeing their portfolios decline due to rising interest rates; the rock. It's important to remember that as interest rates increase bond prices fall. The largest bond ETF in Canada, the iShares XBB, is down 3% over the past year. Central banks seem determined to control inflation and avoid another asset bubble so interest rate increases will continue and bonds will continue to struggle.

So how should investors climb out from between this rock and hard place?

Investing in high quality companies that are well managed, have significant competitive advantages leading to pricing power, generate consistent profit and trade at a fair value given their long-term prospects is a safe, long term way to protect and grow your retirement savings. These companies are difficult to find.

Many investors and families do not have the expertise, time and/or interest in trying to identify these companies. This is where an experienced investment team can be helpful. Be cautious of expensive mutual funds and seg funds as most of these products continually underperform, tend to over-diversify by investing in a wide array of companies and strategies which aren't always effective. Their high fees will also negatively impact your returns.

To help you climb out from this difficult environment, look for an established, seasoned discretionary wealth company who will build you a customized concentrated portfolio where they only invest in strong, dominant companies on your behalf.

A comfortable hammock on soft sand may be closer than it seems.

Cumberland Private Wealth Management Inc. is a leading independent investment firm that provides discretionary investment management and wealth management services for high net worth individuals, their families and foundations, with $1 million or more in investable assets. All of Cumberland's investment mandates are centered on building and preserving our clients' financial wealth. Founded in 1997, the firm is privately-owned by its employees and headquartered in Toronto, Canada.