H1 2022 - Look at the Long-term, not just the Short-term

- The first half of 2022 was the worst for the market since the 1930's and it's mainly because of monetary tightening and high inflation.
- While stock market declines received much of the media attention, there has been sharp losses across most asset classes, leaving investors with virtually nowhere to go.
- While the investment losses in the first half of 2022 were unusually high, reviewing the long-term performance of your portfolio may show that things aren't as bad as you think.

It would be hard not to know that it's been a very challenging six months in the capital markets. H1 2022 was the worst first half for the markets in years, roiled by a combination of monetary tightening and high inflation. When investors' portfolios are experiencing losses, it is easy to lose sight of the long-term performance of their portfolios. In such periods it pays to step back and take a longer view - it may well show that things aren't as bad as you think. You could still be up substantially since you made your first investment with Encasa.

The best way to see how much money you've made (covering both bull and bear markets) since you started investing with Encasa is to compare the current market value of your portfolio to the net invested since you started. [1] **If the market value of your portfolio is higher than the net invested, then you've made money. If the market value of your portfolio is lower than the net invested, then you've lost money.**

What does that look like?

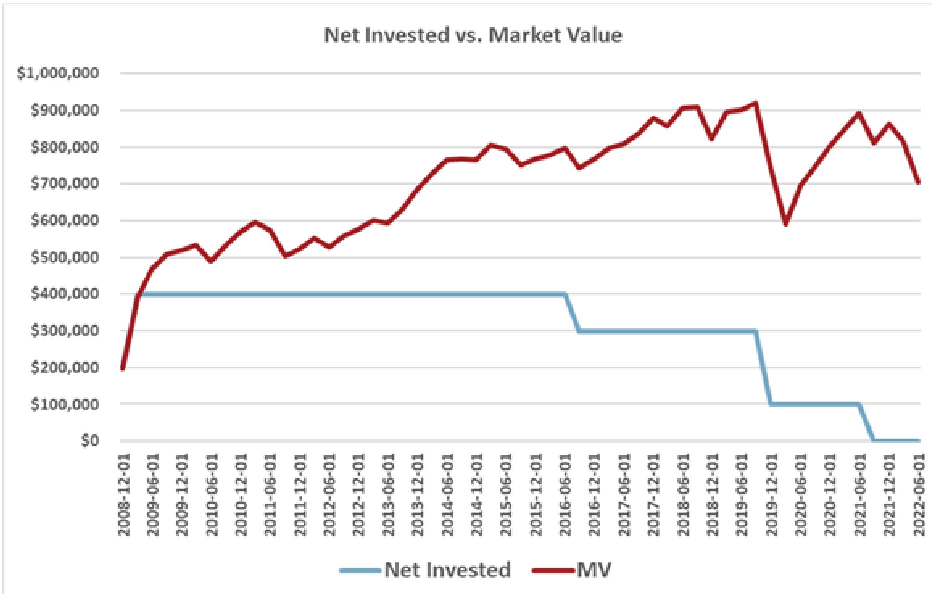
We show this visually in the three charts below. We've taken three Encasa investors with different asset mixes and compared the market value at the end of June 2022 with their net invested since they first started investing with us. We show both the investor earnings and their contributions over time.

IN all three cases these investors are in positive earnings territory, despite a challenging first half of 2022.

[1] Net invested is your initial investment plus purchases less redemptions over the period that you have invested with Encasa; you may also hear it referred to as Net Contributions.

Figure 1 shows an investor that has invested 100% of their portfolio in the Encasa Equity Fund since December of 2008.

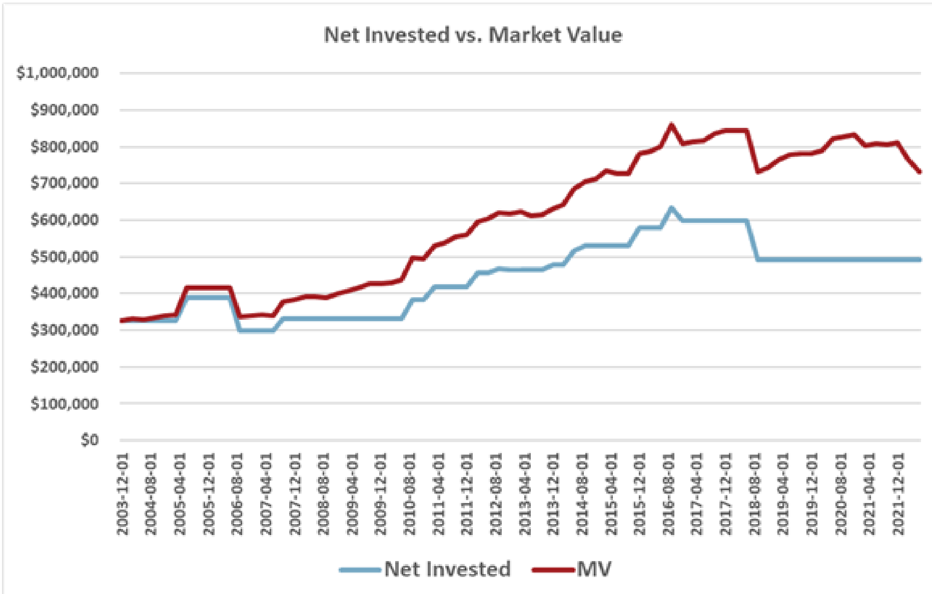
Figure 1: Net Invested vs. Market Value (100% Encasa Equity Fund)



This investor experienced a decline of $156,380 since the start of 2022, as shown by the red line. However, they have **made** $706,285 since they started investing with Encasa in December of 2008! It's also worth pointing out that this investor has also redeemed their entire initial investment of $400,000 over the period that they have been invested with us - so their account now consists entirely of its investment earnings. (Each time that this investor made a redemption the blue net invested line declined by the amount of the redemption.) This investor is well ahead of their initial investment and has managed capital withdrawals over time.

Figure 2 shows an investor that has invested 50% of their portfolio in the Encasa Canadian Short-Term Bond Fund and 50% of their portfolio in the Encasa Canadian Bond Fund.

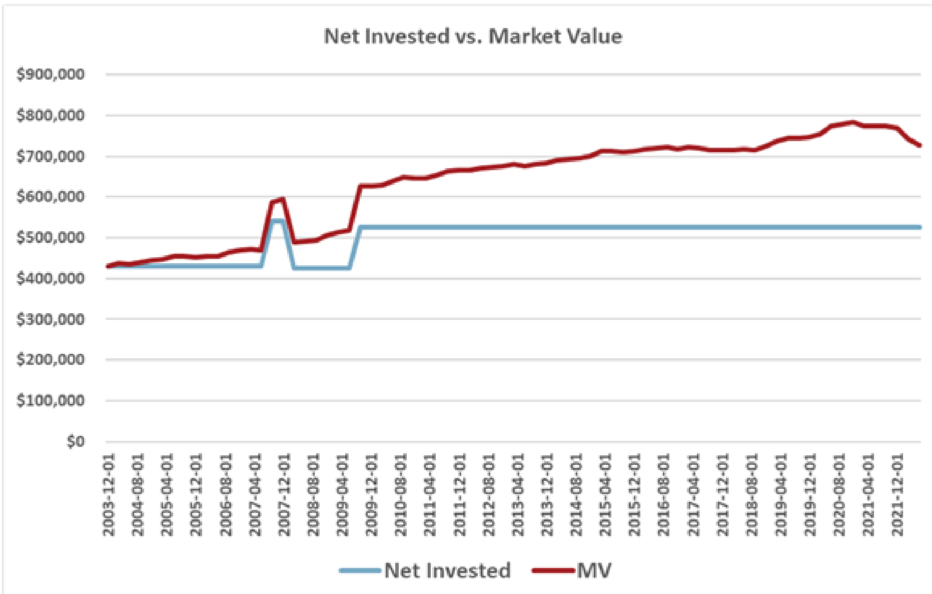
Figure 2: Net Invested vs. Market Value (50% Encasa Short-Term Bond Fund, 50% Encasa Bond Fund)



This investor has experienced a decline of $77,144 since the start of 2022. However, they've made over $210,045 since they started investing with Encasa in December of 2003. For this investor, there are significant positive earnings above what they have invested in the funds when measured over time.

Figure 3 shows an investor that has invested 100% of their portfolio in the Encasa Canadian Short-Term Bond Fund.

Figure 3: Net Invested vs. Market Value (100% Encasa Short-Term Bond Fund)



This investor has experienced a decline of $40,757 since the start of 2022. However, they've **made** $203,649 since they started investing with Encasa in December of 2003.

While both the bond fund investors have made money over the long haul, there is no doubt that their net gains would have been higher had they invested in the Encasa Equity Fund as well. Had they allocated some of their portfolio to the Encasa Equity Fund, they would have had larger gains prior to the start of 2022 to cushion the losses that occurred in their portfolio since the bond market began its decline in 2021. This highlights the importance diversification to not just grow the capital but to protect it in periods of volatility.

If you would like to learn more, find out how your portfolio has done over the years, or discuss updating your portfolio asset mix, please reach out to your advisor. We're here to help!