

## ***"Steward Of Faith, Hope & Prosperity" July 22, 2002***

Dear Investor,

For several quarters in a row, markets have either gone sideways or declined and most of us have viewed our portfolio reports with alarm. Why have markets been so disappointing for so long and what should we do? Here are some comments and suggestions.

### **Why have markets been so disappointing for so long?**

We have experienced an unprecedented triple-whammy in recent years. First, the technology bubble collapsed in 2000, taking the North American economy with it. Then, in 2001, just as we were beginning to recover, the terrorist attacks on New York handed markets what they like the least - uncertainty.

Now, in 2002, we are seeing signs of an economic boom in Canada and a recovery in the U.S., but these signs are being ignored. Rather than focusing on good news such as employment, business fundamentals, GDP growth, and low interest rates, investors are engulfed in a crisis of confidence brought on by several corporate scandals.

The Enron collapse, Adelphia, Tyco International, Worldcom, Xerox, and others have given rise to skepticism. Investors are now selling as aggressively as they were buying during the height of the technology bubble two and a half years ago. Now, as then, economics and business fundamentals are being ignored. One thing is certain. Reforms will occur and confidence will gradually be restored. This always happens. Then, valuation levels should return to historical norms and market opportunities will once again be greater than market risks.

### **What should we do in the meantime?**

There are three positive steps we can take. First, follow experienced investors and take advantage of sale prices. As Warren Buffett says:

"If you expect to be a net saver during the next five years, should you hope for a higher or lower stock market during that period? Many investors get this one wrong. Even though they are going to be net buyers of stocks for many years to come, they are elated when stock prices rise and depressed when they fall. This reaction makes no sense. Only those who will be sellers of equities in the near future should be happy at seeing stocks rise. Prospective purchasers should much prefer sinking prices."

This could be a great time for dollar-cost averaging into the market at sale prices. You are at a long-term advantage if you invest today in funds that are buying shares of great companies at low prices.

Second, be a long-term investor. History has always shown that stock markets provide the strongest returns over the long term. Here's a chance to let history prove itself again.

Third, be patient. Although bear markets are not positive for everybody, they always end.

## In conclusion

Don't be swayed by media wailers who sing a song of doom if stocks and mutual funds don't move up every day or every year. Although that tune sells newspapers and television time, it's really unhelpful. A patient, long-term investor who takes advantage of sale prices will actually benefit from a bear market.

No one likes to see their investments decline in value. But those who panic and get out of the market hurt themselves in two ways. One, they turn temporary paper losses into permanent actual losses. Two, they prevent their portfolio from participating in the market gains that will inevitably occur.

I know it's tough, but my best advice to you is to be patient and buy low.

## Closing Thought

*"I was listening to a minister talk about sailing yesterday and how our spiritual life is a bit like sailing. I listened very closely to what he had to say and it got me reflecting on how investing is like sailing as well. It really hit home, because the title of the book I plan to finish writing is called "Set Your Sails" Your Guide to Financial Planning. Well, I'll not expand on the content of these 2 very important issues but share with you my thoughts that pertain to the current issue of the rough storms we have been experiencing and how they relate to sailing.*

*First, I want to point out some truths that we all are aware of, and for the most part accept, even though right now it is taking a lot of faith and hope that they are truths. Never the less, they are still truths. Over the long run, stocks out perform bonds & GIC's, by at least 3 to 1, when we take into consideration, inflation and taxes. It takes time for this outperformance to happen, 5-6 years minimum. The risk of owning stocks goes down with time and this risk goes away with time. I call that principle risk. The risk that does not go away is Purchasing Power risk, and it is because of this risk that doesn't go away that we invest the way we do. Another truth is that the best way to bear the principle risk is to be diversified, and have our stocks managed by professional money managers. That is what a mutual fund accomplishes for us. We need to own them, and ignore their day to day fluctuations, because that does not matter over the long term.*

*Now, investing like sailing, we set out with our expectations high, we lift those sails high, ready to make some serious return on our investments. We have talked about the risks of sailing, we choose a sailmaker to help select the best rigging for the journey and plotted a course to achieve the great goals of life. Our financial life and all the rewards and goals we hope to achieve over our life time seemed to be in order.*

*We have been going on and the waters have been getting pretty rough lately. Some of us have been out to sea before and know that this rough weather will pass. Some have been sailing along for a couple years or just started sailing and now we find ourselves in the thick of a big storm, and we don't like it, some of us just want to get out of the storm, jump back on land and sit this journey out. There is all kinds of emotions running ramped through our mind. The sail maker diligently makes sure he has put the best rigging on board, but for some reason he can not make the storm go away? The call goes out, hang on, take on more if you can, buy, hold and prosper. This storm will not last forever, we have a sound ship! However, many that have set sail are thinking about quitting sailing, they want to jump out in fear. They are considering lowering the sail, loosing all*

*hope. The tattered sail has endured so much of a storm, the sailmaker knows that the sail can only be restored by going through the whole storm. The passengers are nervously, fearfully looking at the roars, the paddles, contemplating doing it by themselves and lowering the sail, desperation is setting in, will panic be next?*

*Now, in this little drama, I want to bring a little insight to the picture. The roars would be like selling your investments and buying bonds & gic's, the storm would be over, but the loss would be a real loss, not just a paper loss as it is currently. Many say, I could deal with the loss, at least I wouldn't have to worry any more. The sad reality is that you would never make your destination, you would be ship wrecked and lost at sea. You would have great difficulty getting to your destination. You wouldn't have been able to reach the destination by paddling in the first place ( before the storm ) , that's why you needed to set a sail for your journey in the first place. To stop sailing now would make no sense at all.*

*The secret to having a successful voyage is to put that sail back up. Sit tight, stop watching the news reports that are talking about the bad weather that is going on. Relax, run that sail up tall and let the wind, the great economic winds work their wonders, pulling you through one of the greatest storms in history. Remember the reward for those that do this vs pulling their paddles out will be significant. The power that comes to your portfolio can only be experienced by participating in the total voyage. Just let the wind, blow and hang on, let the wind blow through your hair, feel the mist blowing in your face and face this turbulence with every thing you got. Always remember you are not facing the journey alone, you have stepped out and boarded this boat, you have a trusted steward managing the sailboat. He is the sail maker, He knows how the rigging's been put together, he knows the charted course and he knows all the mates on the boat and he trusts them to do their job, He knows they all have different disciplines and styles, ready to sail through this storm, catch the various winds and survive and thrive. The final thing we can rest assured in, that once the storm breaks and the good winds start blowing, all the set backs we have seen will be set right and we will press forward.*

*The weather may not always be perfect, the winds don't always blow like we wish they would, it's not always sunny, and it's no fun getting cold and wet. However, despite the weather, the sailmaker with his confident crew, diligently navigate the storm and with faith, and hope, move forward into that prosperity that many desire. Yes, there will be more storms, this is expected, we will not know when they will arrive, and we will prepare for them, and confidently raise the sail every time and with time, faithfully, reach our destination." Adventures of the Sail Maker!*

Wishing everyone a blessed, joyous summer.

Sincerely

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on and achieve

## **"Life's Major Goals"**

1. Tax Smart Planning & Investing
2. Worry Free Retirement
3. Education of Our Children & Grandchildren
4. Quality Care For Our Parents
5. Meaningful Financial Help For Our Loved Ones
6. Meaningful Legacy

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