PORTFOLIO CONSTRUCTION

CI ASSANTE WEALTH MANAGEMENT

This month I would like to share what"mark-to-market"means in investment world and how do we apply it in the real world.

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When you buy a share of a company, you are effectively paying for the assets and the future earnings of the company. It sounds like a long-term commitment. Since markets are open 7-8 hours a day, five days a week; there is a value assigned to it every second during the open market. That price reflects at that moment what the buyers and sellers want to transact (pay and sell) based on news, their own liquidity, situation and, most importantly, their mood. Generally, the investors (mainly professional money managers) that participate have done some homework to assess the value, however speculators also play a role. This makes the price at any given time somewhat random.

Bonds are different animal. The upside is limited to the principal and interest. The value is influenced by credit worthiness of the borrower, and also interest rate expectations. Obviously there are opinions on both factors but generally more stable. Government bonds, for example trade very close to the principal as credit risk is very low. If interest rates are expected to rise, a bond that has locked in at previous rates would be worth less, all else being equal. The players in the markets are generally more sophisticated as traders are not attracted to the rather muted price actions.

We probably should include houses. Unlike a company where you buy or sell a faction/share, you generally buy/sell/own an entire house. It is generally not a liquid investment as it takes time to sell. Fair market value is generally based on recent transactions of similar houses; actual price also depends on the conditions of the house, negotiation skills of the buying and selling agents. Unlike stocks, the value doesn't change second-by-second. Even if it does, there is no way to gauge it. As a result, investors typically think their house is a stable investment. In reality, a seller would have to take a very large discount if s/he wants to sell in very tight timeline (like they do in the stock markets) as there are more interested buyers for shares of a company than a particular house at any given second.

The benefit of having stock markets open frequently is liquidity. The disadvantage is perceived volatility. While over longer term, stocks trend upward with the economies; they could be volatile short-term as mood is more important than earnings. As an investor, what should we do? We should be reminded that the market value of our portfolio at any given time is only some indication of what it is worth in the long term. It could be too good or too bad as a result, we should not be overly excited or concerned.

Combined top 15 equity holdings as of August 31, 2022 of the Assante Private Portfolios 40i60e Standard portfolio with Alphastyle exposure:

1. Microsoft Corporation 2. Amazon.com Inc. 3. Suncor Energy Inc. 4. Brookfield Asset Management Inc. Class A 5. Royal Bank of Canada	6. Alphabet Inc. Class A 7. Canadian Natural Resources Limited 8. Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR 9. Humana Inc. 10. WSP Global Inc.	11. Intact Financial Corp. 12. Element Fleet Management Corporation 13. Toronto-Dominion Bank 14. Mastercard Incorporated Class A 15. Constellation Software Inc.

For more information, we encourage you to speak to your advisor or visit us at assante.com