

September 2022

Those that do not learn from history...

A common refrain over the last two-and-a-half years is that we live in unprecedented times. While many of us are fatigued by the term “unprecedented” (and its close friend, “abundance of caution”) it undoubtedly feels like our current state is new but, to borrow from — and paraphrase — a quote attributed to American humorist Mark Twain, *while history does not repeat itself, it often rhymes*.

The many challenges of the current environment have historical analogues — pandemics are not new, nor are wars, commodity price shocks, high inflation and rising interest rates; even having these occur around the same time is nothing new. Just look back a century.

Similarly, the broad weakness and heightened volatility across financial markets experienced so far this year is not unique to today (and that goes for fixed income as well). It is not unusual for markets to disconnect from the fundamentals of valuation principles and pivot towards speculation and related investor emotion. Such emotions are often reminiscent of the swing at a playground, up from desolation to euphoria and back again.

Just like all previous periods of turbulence, we know that economic activity and markets will ultimately recover as the next chapters in this similar-sounding story are written in the months and years to come. So, for investors with long time horizons, the prudent strategy is to invest in a well-diversified portfolio of strategies, including equities, credits, and alternatives and rebalance toward an asset allocation consistent with long-term objectives and risk tolerances.

This is hardly a novel approach to investing — the “buy and hold” strategy has been espoused by famous investors for generations. Indeed, the stock speculator at the center of Edwin Lefèvre’s near-century old *Reminiscences of a Stock Operator* (which recently was the focus of the Guardian Women Book Club) exhorted, “*It never was my thinking that made the big money for me. It always was my sitting. Got that? My sitting tight!*”¹

Of course, such inaction goes against human instinct, especially in times of uncertainty where the urge to do something, anything, to assert a feeling of control over the situation can be overwhelming — or when others appear to be making money hand over fist amid a speculative fervor (to which we say, resist FOMO!).

The lack of clarity over the details of how things will play out in the near-term that has been a constant throughout the post-COVID-19 period appears unlikely to fade any time soon as risks to the outlook in both directions loom large. This suggests that markets are likely to continue to be subject to the whims of investor psychology, with fear (both of losing and of missing out) resulting in some irrational decision-making — and with it, continued heightened volatility in the markets as speculators push prices beyond reasonable levels or fearful investors collectively drive down asset prices.

So, as we enter the homestretch of what has been another tumultuous year for markets, it is important for investors to stay disciplined and stick to their long-term strategy. The compulsion to either chase gains in the hopes of recovering this year’s losses, or check out in the face of another inevitable bout of turmoil must be resisted lest investors find themselves doomed to repeat the mistakes of the past.

September 2022

¹Lefèvre, E. (1923). *Reminiscences of a Stock Operator*. United States: Wiley.

This communication is confidential and for the exclusive use of Guardian Capital Advisors LP (GCA) clients. It is only intended for the audience to whom it has been distributed and may not be reproduced or redistributed without the consent of GCA. This information is not intended for distribution into any jurisdiction where such distribution is restricted by law or regulation. The opinions expressed are as of the published date and are subject to change without notice. Assumptions, opinions and estimates are provided for illustrative purposes only and are subject to significant limitations. Reliance upon this information is at the sole discretion of the reader. This document includes information and commentary concerning financial markets that was developed at a particular point in time. This information and commentary are subject to change at any time, without notice, and without update. This commentary may also include forward looking statements concerning anticipated results, circumstances, and expectations regarding future events. Forward-looking statements require assumptions to be made and are, therefore, subject to inherent risks and uncertainties. There is significant risk that predictions and other forward looking statements will not prove to be accurate. Investing involves risk. Equity markets are volatile and will increase and decrease in response to economic, political, regulatory and other developments. The risks and potential rewards are usually greater for small companies and companies located in emerging markets. Bond markets and fixed-income securities are sensitive to interest rate movements. Inflation, credit and default risks are also associated with fixed income securities. Diversification may not protect against market risk and loss of principal may result. This commentary is provided for informational purposes only. It is not offered as investment advice and does not account for individual investment objectives, risk tolerance, financial situation or the timing of any transaction in any specific security or asset class. Certain information contained in this document has been obtained from external parties which we believe to be reliable, however we cannot guarantee its accuracy. GCA provides private client investment services and is a wholly-owned subsidiary of Guardian Capital Group Limited, a publicly traded firm listed on the Toronto Stock Exchange. Guardian, Guardian Capital and the Guardian gryphon design are trademarks of Guardian Capital Group Limited, registered in Canada and are used under license

Follow us on [LinkedIn](#) and stay in the know.