

INSIGHTS & PERSPECTIVES

April 2020 Issue

Shafik Hirani's Private Wealth Management Practice

by **Shafik Hirani**



ALIGNED
capital partners inc.

**SHAFIK
HIRANI'S** PRIVATE
WEALTH
MANAGEMENT
PRACTICE

April 2, 2020

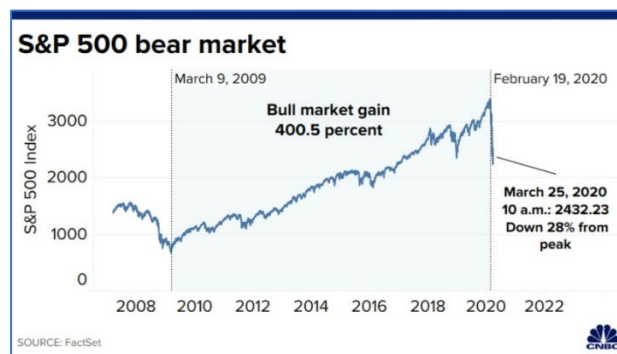
Shafik Hirani, (CLU), (CFP), (RRC), B.Comm
Senior Investment Advisor & Certified Financial Planner

Covid-19 Insights and Perspectives

I know you are getting inundated with confusion about the Global Pandemic and the impact on the Global Macro-Economy and the Capital Stock Markets. It's literally on every channel, every internet search, every conversation everywhere in the world.

Firstly, I'm proud that our portfolios have held up well. I know that's little solace but it's important to recognize. Mostly due to a few factors such as our "Asset Allocation" decision. We have diversified across ETF's (Both foreign and domestic), and different asset classes from Equities to Fixed income ETFs and left a balance in cash. In addition, our "security selections" have predominantly leaned towards "Large Cap Value" (Large caps have done better than their counter-parts – Small Market Capitalization securities which have been decimated in this environment. In addition, our focus on "Value Securities" (ie. Dividend Payors with lower P/E Multiples is better than their counterpart (Growth / aka Momentum Stocks (which have higher P/Es, No Dividends but higher ROEs). With that being said, it's still painful. When I got into this, I didn't want to get referrals by stating "*Invest with Shafik because he loses your money slower than the rest*". Nevertheless, I thought I would compile some information from a number of various sources to help give you some insights and in hopes that It may calm any anxiety you are experiencing and amalgamate in a way that provides perspective on how we got here, where we are, and where we are going.

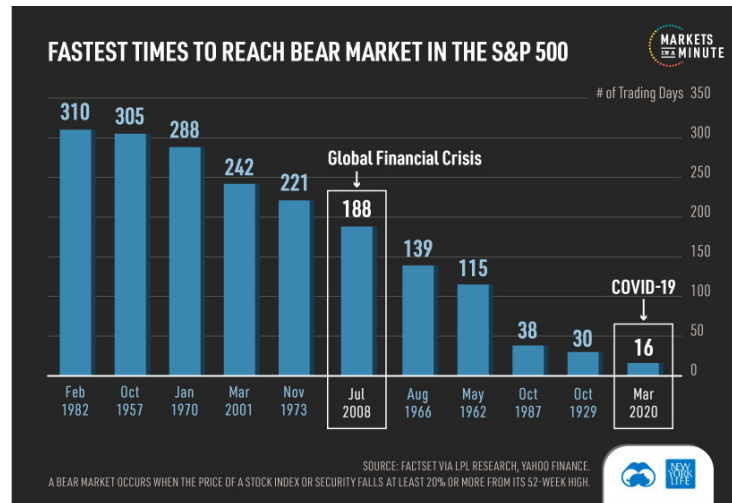
I do get an overwhelming amount of information which makes a clear path hard as many educated and world renounced Analysts have such conflicting advice. But that ironically itself may be a clear message of caution which may be missed by the untrained eye. Conflicting opinions by smart people never provide clarity and the markets hate uncertainty. We all slow down when driving into a fog. Firstly, most stock market corrections (defined as 10%) are scary. A **bear market crash** (defined usually as 25% from the high is always very scary but the usual duration is 2 years). This one was 40% in 19 days! (See below)



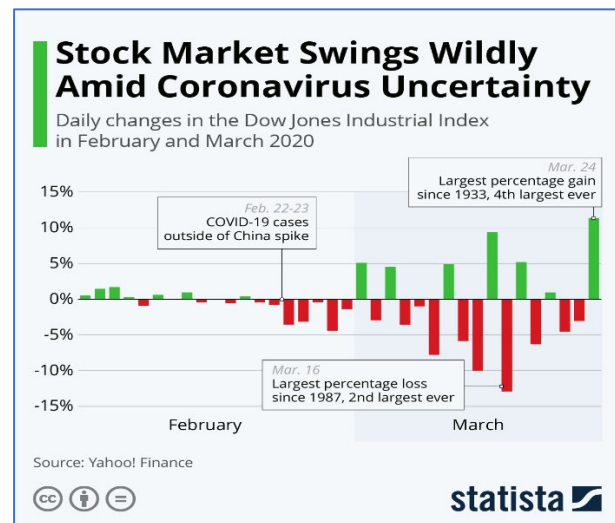
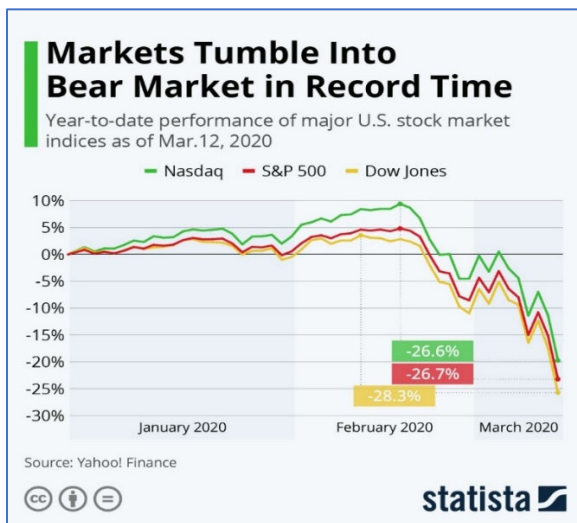
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Aligned Capital Partners Ltd. | Le Germain Office Tower, Suite #601, 110 – 9th Avenue SW, Calgary, AB T2P 0T1
p. 587.349.2274 c. 403.606.5182 f. 587.349.2299
shafik.hirani@alignedcapitalpartners.com

Not only was the size of the drop scary but the speed of the crash was historic. This was the fastest time to hit “Bear Market Crash” in History. It took 16 days to hit technical bear-market territory. See the comparison on just how suddenly this hit with comparison to past Crashes below.

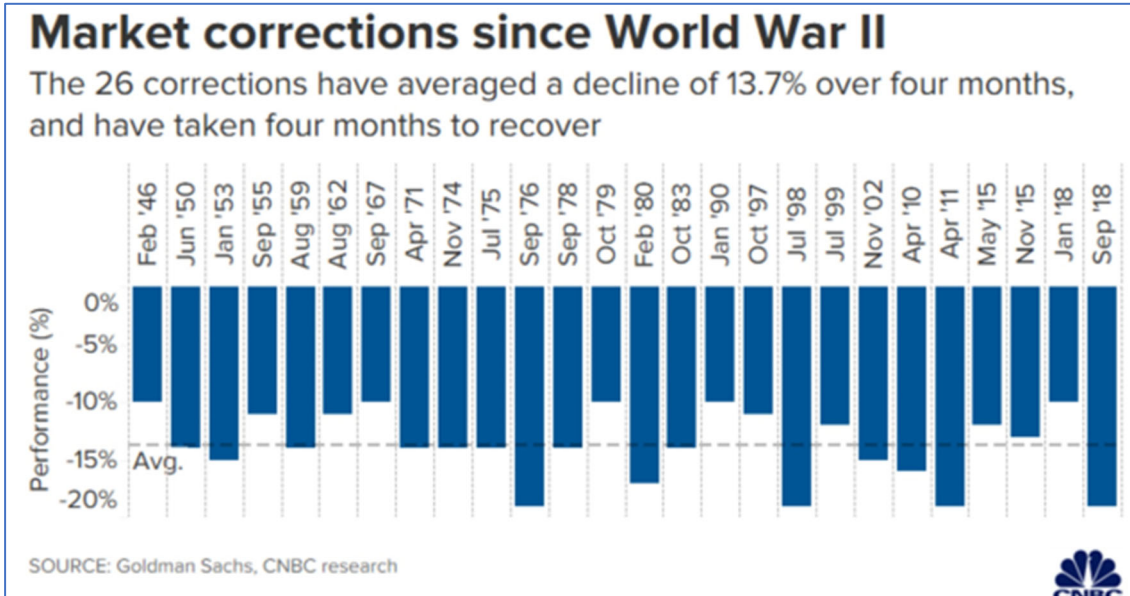


In Addition to the sudden drop, what also sparks fear and anxiety into investors minds/hearts is the volatility itself. (Not just the downs but even the “Ups” are a lot. May seem good, but even a swing up like on March 24th, may be a relief but subconsciously it’s signals that volatility will continue.





Working in this industry for 25 years, I have seen (and studied in-depth) past corrections and crashes. Below are a few examples of corrections. The chart beneath is the “events” that led to the downturn.



History of market crashes

Event	Date	16-Day Change
Wall Street Crash of 1929	October 29, 1929	-33.6%
Black Monday	October 19, 1987	-31.3%
End of Gold Standard	October 5, 1931	-26.7%
Lehman Crisis	November 20, 2008	-25.2%
World War II	May 21, 1940	-24.6%
COVID-19 Outbreak	March 12, 2020	-20.7%
Dot-com Bubble	July 23, 2002	-19.3%
Post-WWII Demand Shock	September 10, 1946	-16.9%
US Debt Downgrade	August 8, 2011	-16.7%
Great Financial Crisis	March 4, 2009	-13.8%
LTCM	August 5, 1998	-8.7%

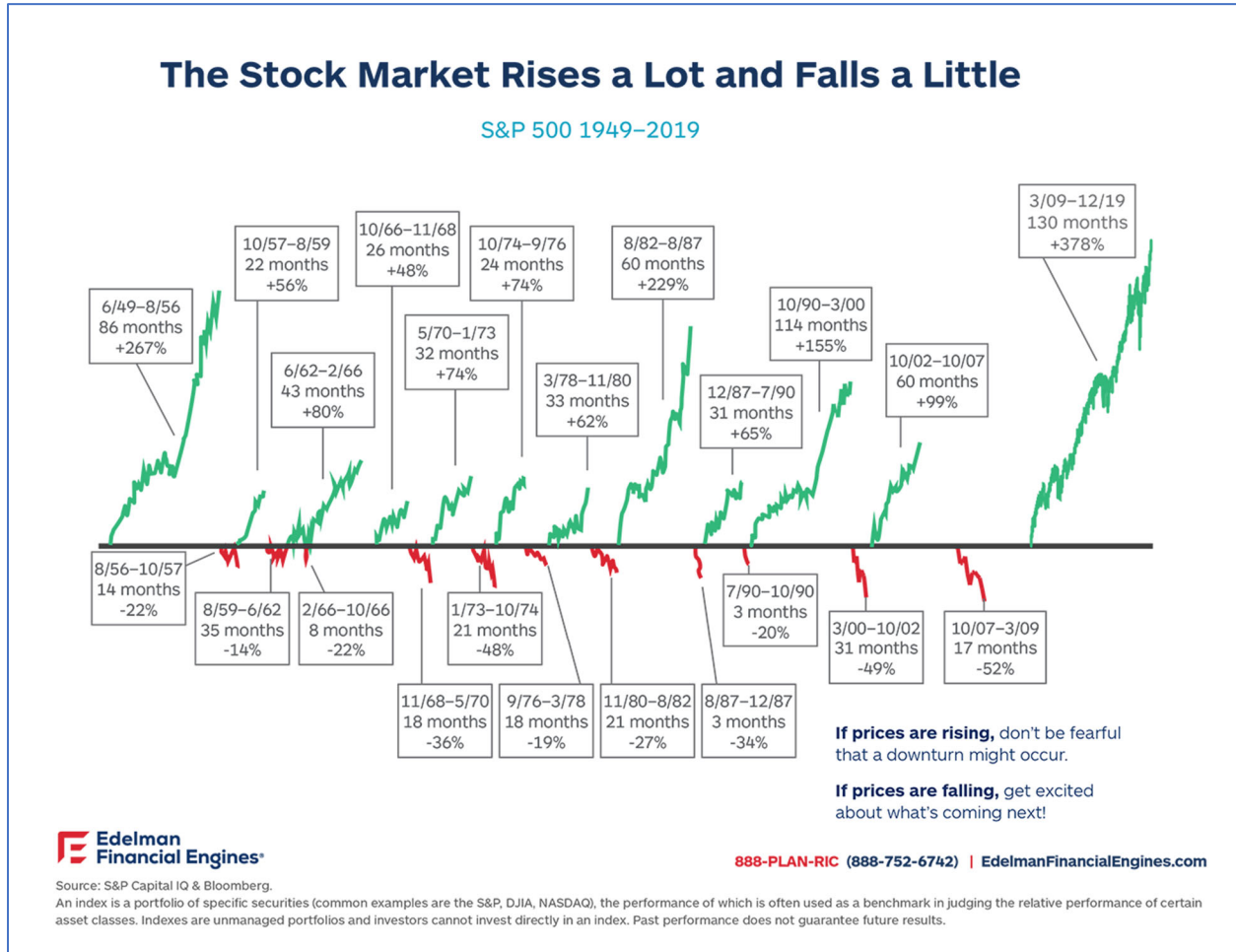
SOURCE: BofA Global Investment Strategy, Bloomberg

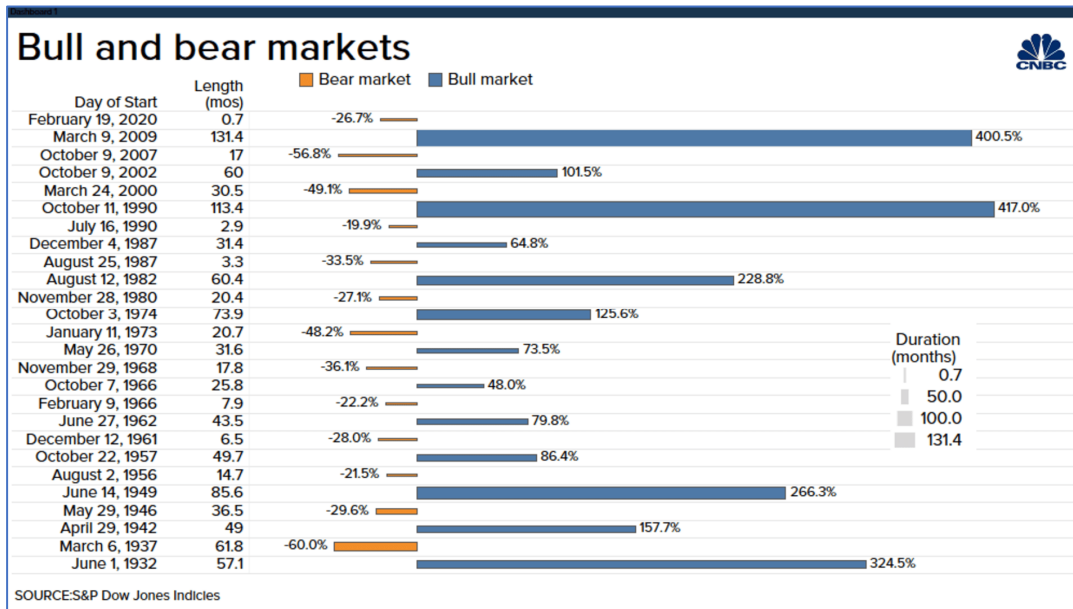
And throughout all of these, Investors have always found reasons to Sell.



By finding reasons to sell and ignoring the trajectory sometimes we miss the forest through the trees.

It's important to recognize that it's very difficult to "time" the market. You have to be right twice (when to buy and when to sell). If it's true that timing the market is difficult then the most important decision is our Asset Allocation. The Charts below shows how Bull markets rise more then bear markets over time and last longer. That's important to realize. Bear markets do not last as long as bull markets.





It's also important to realize that 1 year after a crash has historically provided some generous above-average returns. Usually at times where very educated people are preaching "this time it's different"

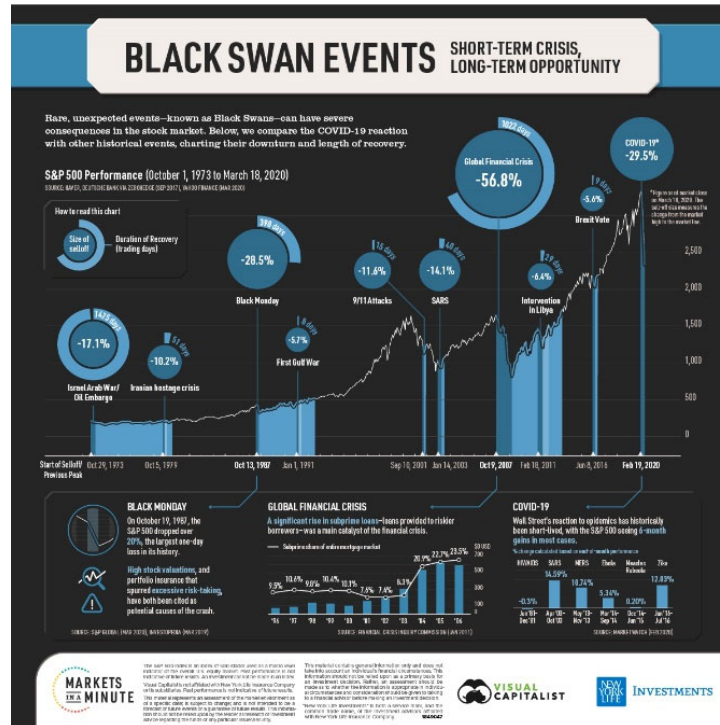
A history of ills and recovery

S&P 500 declines and year-after returns, 1987-2020

S&P 500's largest drops	Black Monday 8/25/87- 12/4/87	Gulf War 7/16/90- 10/11/90	Asia Monetary Crisis 7/17/98- 8/31/98	Tech Bubble 3/27/00- 10/9/02	Financial Crisis 10/9/07- 3/9/09	U.S. Credit Downgrade 3/10/11- 10/3/11	Trade War 10/3/18- 12/24/18	Global COVID-19 Outbreak 2/19/20- to date
Decline	-33.5%	-19.9%	-19.3%	-49.0%	-56.8%	-19.0%	-19.6%	-33.8%
Next 12 months	+21.4%	+29.1%	+37.9%	+33.7%	+68.6%	+32.0%	+37.1%	?

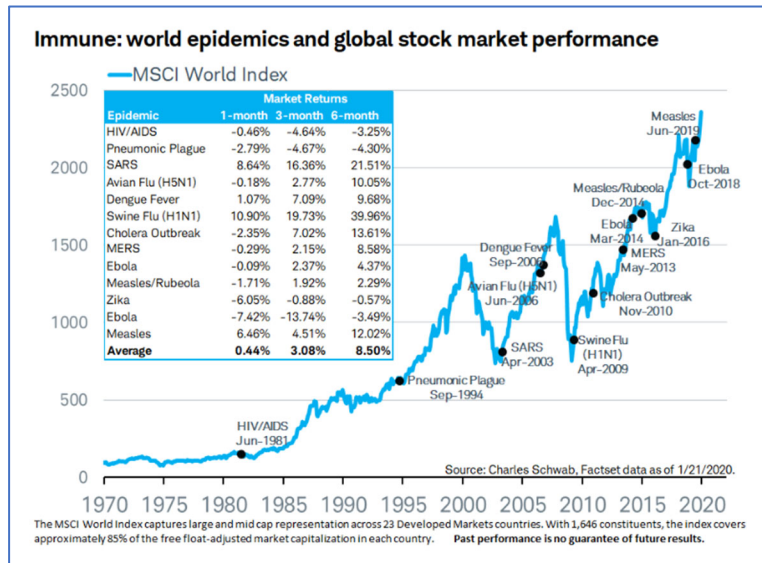
Source: BlackRock and Morningstar, March 2020. Data for the "Global COVID-19 Outbreak" is through March 23, 2020. Returns are principal only and do not include dividends. The S&P 500 is an unmanaged index of 500 large-cap U.S. stocks. **Past performance is not a reliable indicator of current or future results. Index performance is for illustrative purposes only. It is not possible to invest directly in an index.**

My point is, that in all investing, we are often looking for Black Swan Events. (Events like 2008, 1987 Black Monday, ETC) as opportunities. (Black swan events are defined as 3 standard deviations from the mean).

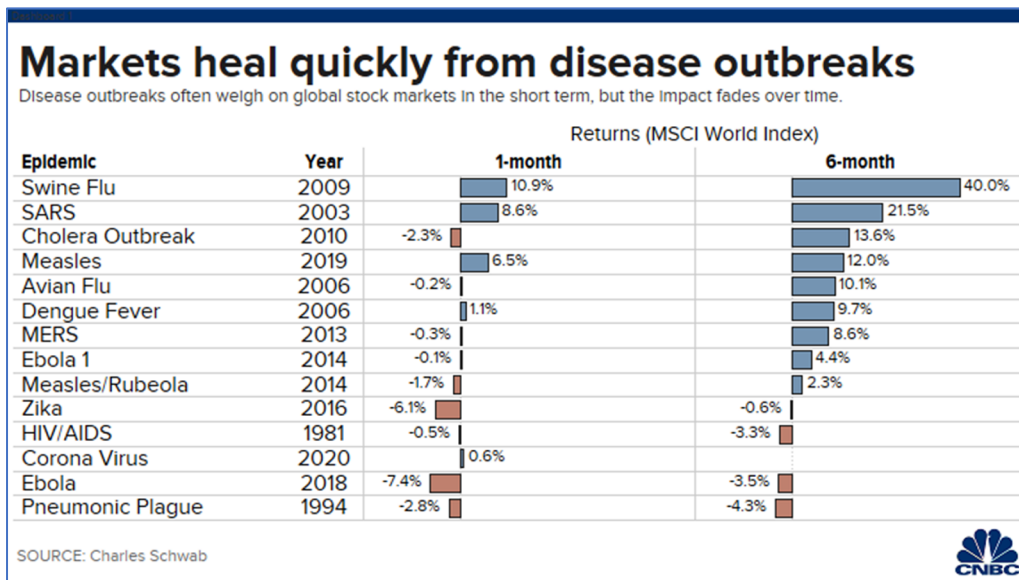


I'm not saying we are out of the woods here. In fact, I'm confident that the volatility will continue, and triggers of fear will exasperate the selling far more contagious than the actual virus itself ironically. This pandemic and it's ripple effect into the economy and effects on markets and corporate profitability could be severe and prolonged.

A Global Pandemic of this nature and the magnitude of the impact on the stock market and world economies have never been seen. Often past crashes are economic. So, to better understand we should look closer at Stock Market Performance in Past Epidemics.

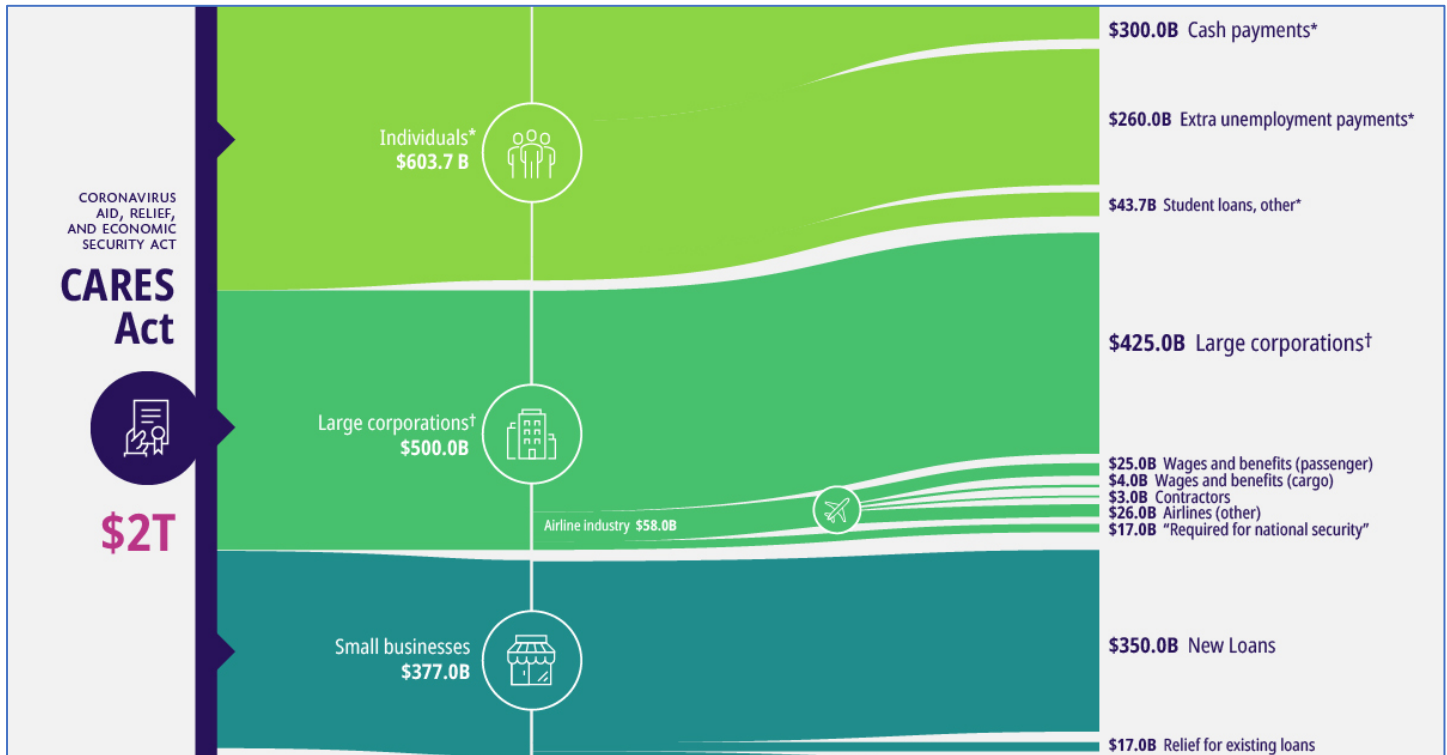


While the past does not equate to the future, we do know that Stock Markets have recovered more quickly from Epidemics than other Market-driven events.



If we are going to have a fast recovery (“V-Shaped” or “U-Shaped (more prolonged) or “W-pattern (relief rallies and dead-cat bounces) is uncertain. But we must look at other factors such as the US stimulus package and

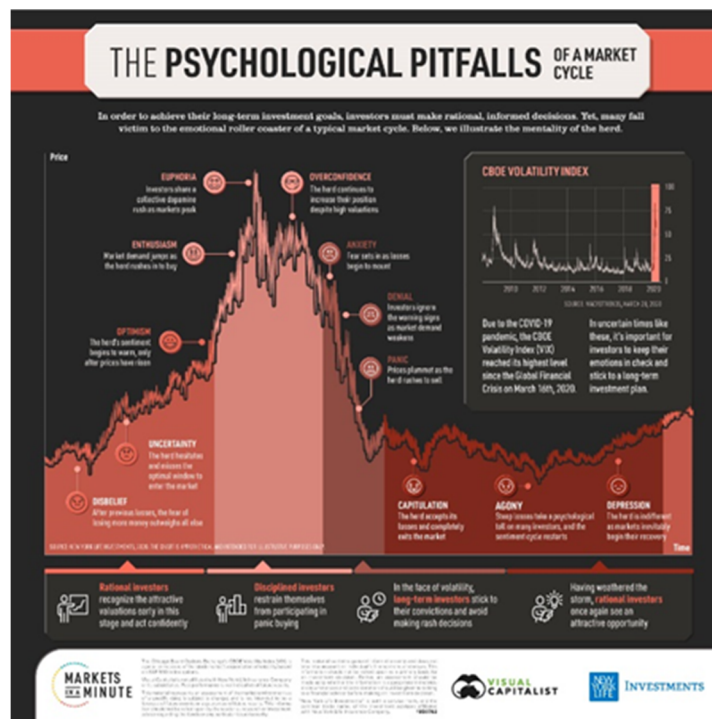
distribution of that. (Sorry guys, the Trudeau package has little effect on the stock markets. Even the Canadian markets are driven by the US).



It is entirely possible that we will experience a “technical” recession (meaning two quarters of negative GDP growth) but I still suspect we will experience a strong bounce back in the economy thereafter. Because:

1. The US economy was operating at near peak levels prior to the outbreak. Employment is at historically high levels (4% unemployment) resulting in strong consumer confidence index and Consumption (The US consumer drives roughly 70% of their GDP). In Canada, even with far greater economic headwinds, employment has been surprisingly strong in Eastern Canada.
2. The global central bank easing that we saw in 2019 has increased considerably in recent weeks with rates now at or near zero in most developed countries and quantitative easing is back in force with the recent action by the US FED. Most recently, the FED announced \$500 billion of quantitative easing and cut the FED Funds rate to zero. (Along with another \$1 Trillion in relieve announced by the Federal Reserve in bond purchases. The Bank of Canada and Bank of England also made significant cuts now approaching zero rates. All of this means that the economy is awash in cheap money intended to stimulate borrowing and spending for the years to come.

3. Spending by governments, called fiscal stimulus is also increasing materially with announcements from both the US and Canada in recent days. Trudeau just announced 80 billion in spending and tax deferral. We think there will need to be more coordinated fiscal stimulus before this situation is fully resolved and likely there will need to be comments suggesting, “we will do whatever it takes” from world leaders to turn the current sentiment positive. But the Trumps \$2 Trillion dollar stimulous is the biggest news. We must see the impact of this in Consumption and Corporate Profits.
4. The current turf battle between the Saudis and Russia has depressed oil prices and pushed Canadian oil and gas producers closer to the brink, but it does have a positive effect on consumers. The money consumers are saving at the gas pump will ultimately be spent elsewhere. I suspect the US Administration will start putting pressure on the Saudi’s to engage in dialogue but keep in mind, that only affects the supply-side of the equation. There is less demand also (with reduction in planes, trains and automobiles)



As always, your options are to Buy, Sell or Hold. And this is a personal decision. For those worried in further declines it may be prudent to sell off some holdings to cash (25-75%). For those who can stomach, it may be prudent to HOLD and for some who would like to buy now, this may be seen as an opportunity.

For me and my team it's business as usual. We have not been affected by this or laid any staff off. We have not suffered delays in processing. But it has been busier than I have ever been with over 500 people wanting to talk to me every day by calls, texts, emails, Facebook messenger, Instagram etc. As a reminder – email is only method for communication. If you are one of those, please don't stop. I do not mind any calls or

messages at any time day or night. I know how much anxiety this brings in people. I am happy to hear from you no matter what time.

A Personal Request for Referrals

As you know, my approach has always been a little different focusing on our psychology and pointing the finger internally towards investing first. This may be a good opportunity where your friends, family, co-workers are looking for a little help and guidance. If they are please consider referring me. The process is simple – Send them an email and cc me at shafik.hirani@alignedcapitalpartners.com . Just state – Hi guys, by way of virtual

introduction, I wanted you guys to meet Shafik Hirani at Aligned Capital Partners Inc. Shafik's been my investment advisor for some time. He is good. Like really good. Super good. (I'm saying this because I'm cc'ing him...and he wrote this for me). Anyhow, he has a bunch of awards in the industry like – Canada's Top 50 financial Advisors Nationally. (He won that twice). He used the teach the Chartered Financial Planning Designation at the University. He is very well educated, and his staff can send you his bio/credentials. He is also very empathetic and humble. So humble in fact, he brags a lot about his humility. At his previous firm he was in top 1% of 5000 advisors and National manager of Year for 8 years in Row. He was Canada's Top TFSA investor (financial post and money sense magazine) also and ranked Canada's Runner up for ETF advisor of the year. Anyhow, he is very selective in his clientele, but I trust there will be a good fit. I will leave it to you guys to set up a time to chat.

Look forward to hearing from you,

Sincerely,

Shafik Hirani (CLU), (CFP), (RRC), B.Comm
Senior Investment Advisor & Certified Financial Planner

DISCLAIMER:

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11

Aligned Capital Partners Ltd. | Le Germain Office Tower, Suite #601, 110 – 9th Avenue SW, Calgary, AB T2P 0T1
p. 587.349.2274 c. 403.606.5182 f. 587.349.2299
shafik.hirani@alignedcapitalpartners.com

Author Biography:

Shafik Hirani, (BComm (hons.), CFP, RRC, CLU®)

As a Senior Investment Advisor & Certified Financial Planner, [Shafik Hirani](#) has a track record that speaks for itself. Throughout his 25-year career, he has delivered Investment Seminars and presentations in the hundreds to Corporations, Investment Advisers & Professionals Associations throughout the world. His prime areas of expertise include Wealth Management, Financial Planning, and the Psychology Wealth. (A growing field of Behavioral Finance).

Shafik's award winning strategies have been featured in a host of publications, and showcased on [CTV](#), [Global TV](#), [BNN](#). He boasts a natural and empathetic approach, while maintaining intentness in planning your financial future. Shafik backs up these skills with multiples of success in aiding Oil & Gas Companies, Large Corporations and multiple Franchisees and Retirees alike.

Upon completion of his University studies, Shafik finished with a Bachelor of Commerce (BComm) (Finance with honors) and a double minor in Psychology and Economics from the University of Calgary. After completed his degrees, Shafik completed the Canadian Investment Funds Course (CIFC) offered by the Investment Funds Institute of Canada (IFIC). He also went on to complete his Certified Financial Planning (CFP™) Designation and Chartered Life Underwriters (CLU™) Designation offered through the Financial Planners Standards Council of Canada (FPSC). He has completed the Branch Managers Course through the Canadian Investment funds Institute of Canada. Shafik also holds the Canadian Securities Course (CSC), the Conducts and Practices Course (CPH) and the Wealth Management Essentials Course (WME) offered through the Canadian Securities Institute of Canada.

Shafik joined a large investment firm in 1995, and as such; he was instantaneously named Rookie of the Year due to his passion to take precedence in his performance. While employed there, he assumed a portfolio of over \$200 Million dollars in client assets. At the firm, Shafik was also [National Branch Manager of the Year](#) (out of a possible 500 successful branch managers) from the years 2006, 2007, 2008, 2009, 2010, 2011, and 2012, collectively. In addition to simultaneously being Branch Manager, Shafik was also in the firm's top 10 producing advisors (out of a possible 5000 advisors Nationally) for the years inclusive 2007-2014.

He moved to Aligned Capital Partners Ltd in 2015. In both 2013 & 2014, he was awarded amongst [Canada's Top 50 Financial Advisors by Wealth Professional Magazine](#), and Ranked Canada's Top TFSA Investor for 2013 & 2014 by [The Financial Post](#) and Money Sense Magazine. In 2015 he was ranked as [Wealth Professionals "Hot List" of financial advisors](#) and has been awarded "National Runner up – ETF Advisor of the Year" for 2016 & 2017. In addition to the above educational credentials and awards, Shafik has been the recipient of a myriad of industry awards.

In his spare time, Shafik previously taught the Certified Financial Planning Designation (CFP) as a course instructor at Mount Royal University in Calgary. He also served on the Board of Directors of Parkdale/Point McKay Association as Treasurer and President. He was Vice President of the Canadian Association of Financial Advisors (CAFP) and was Director of the Alberta Chapter of Advocis – The Financial Advisors Association. Shafik enjoys family time with his young son, and as a hobby, he has fun practicing submission grappling with friends in the gym. He is the founder for [The Hirani Foundation for Charitable Giving](#) which donates to multiple Charities throughout Southern Alberta.

*Additionally, if you are interested in finding out more about Shafik's philosophies, or viewing any media/tv appearances, or viewing a seminar or awards acceptance speeches; please check out his You Tube channel <https://www.youtube.com/user/ShafikHirani>

Shafik is very approachable and if you are interested in working with him, please reach out to him at shafik.hirani@alignedcapitalpartners.com.

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ACHIEVEMENTS

- Winner - "Canada's Top 50 Financial Advisors" (for 2013, 2014), by *Wealth Professional Magazine*
- Awarded Runner Up - "ETF Champion of the Year in Canada" (for 2016, 2017)
- Recognized in Canada's - "Hot List of Financial Advisors" (for 2015), by *Wealth Professional Magazine*
- Recognized as Canada's - "Financial Advisor of the Year" (for 2014), by *ACQ Magazine's Global Awards*
- Recognized as Canada's - "Top TFSA Investor" (for 2014 & 2013), by *The Financial Post and Money Sense Magazine*
- Winner - "National Manager of the Year" - of 500 Branch managers for 7 years (for 2006, 2007, 2008, 2009, 2010, 2011, 2012)
- Awarded "President's Elite: Top 1% of Consultants" (of 4,500 Advisors) (for 2005, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014)
- Honored with "Achievement in Business Award" (for 2014), by previous firm
- Awarded 7 times "Pillar Performance Award" (2006, 2007, 2008, 2009, 2010, 2011, 2012)





EDUCATION

- 2015 **RRC** - Registered Retirement Consultant - *Canadian Institute of Financial Planning*
- 2014 **CPH** - Conduct and Practices Handbook Course - *Canadian Securities Institute*
- 2014 **WME** - Wealth Management Essentials Course - *Canadian Securities Institute*
- 2004 **CFA Level I** - Passed Examination
- 2002 **CLU**[®] - Chartered Life Underwriter - *Advocis Institute of Advanced Financial Education* 
- 1999 **BMC** - Branch Managers' Course - *Investment Funds Institute of Canada*
- 1998 **CFPP** - Chartered Financial Planning Designation - *Canadian Institute of Financial Planning*
- 1998 **CSC** - Canadian Securities Course - *Canadian Securities Institute*
- 1998 **CFP**[®] - Certified Financial Planner Designation - *The Financial Planning Standards Council of Canada* 
- 1995 **CIFC** - Canadian Investment Funds Course - *The Investment Funds Institute of Canada*
- 1993 **B.Comm.** - Bachelor of Commerce, Major: Finance (Hons.), Double Minor (Psychology & Economics) - *University of Calgary*

PERSONAL

- **Vice President**, *Canadian Association of Financial Planners* (2004 –2007)
- **Past Vice President**, *Advocis*[™] (*The Financial Advisors Association*) (*Media Relations*)
- **Course Instructor - Chartered Financial Planning Designation**, *Mount Royal University* (2001 –2006)
- **Founder**, *The Hirani Foundation for Charitable Giving*[™] (est. 2010)


IN THE MEDIA

- **BNN Business Day AM - Regular interviews/commentary** - *Business News Network* 
- **CTV Alberta Primetime News, Money Panelist** - *CTV / Bell Media* 
- **Global News Energy TV, "Wealth Creation"** - *Global TV* 
- **CBC's Alberta@NoonGuest** - *CBC* 
- Award Winning Presenter to over 100 Alberta Based Corporations on "Psychology of Wealth"
- **Main stage speeches to Financial Advisors worldwide**, including Japan, Russia, China, Italy, Greece & Ireland

Shafik has been recognized in Canada's Top 50 Financial Advisors twice in an industry with over 85,000 advisors. He has been ranked on Canada's Hot list for 2015 and was Canada's Runner up for ETF Champion of the year Nationally for 2016 and 2017. With two decades of experience in the industry, Shafik was national manager of the year for 7 years in a row (from 500+ Branch Managers and the top 1% of advisors out of 5000). In addition to professional practice, Shafik has also taught the Certified Financial Planning Course at the University in Calgary, was Vice President of the Canadian Association of Financial planners and was a Board Member Director for Advocis (the financial advisors association). Shafik has a Certified Financial Planning Designation and is a Chartered Life Underwriter. He is Founder of The Hirani Foundation for Charitable Giving, which donates to local Charities throughout Calgary specifically.

CONTACT

Shafik Hirani, CLU, CFP, B.COMM.
Senior Investment Advisor

 **Aligned Capital Partners Inc.**
Le Germain Office Tower
Suite #601, 110 9th Ave SW
Calgary, AB T2P 0T1

 Direct : (587) 349-2264
Cell/Text: (403) 606-5182

 Shafik.Hirani@alignedcapitalpartners.com