

INSIGHTS & PERSPECTIVES

May 2020 Issue

Shafik Hirani's Private Wealth Management Practice

by **Shafik Hirani**



ALIGNED
capital partners inc.

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

May 1, 2020

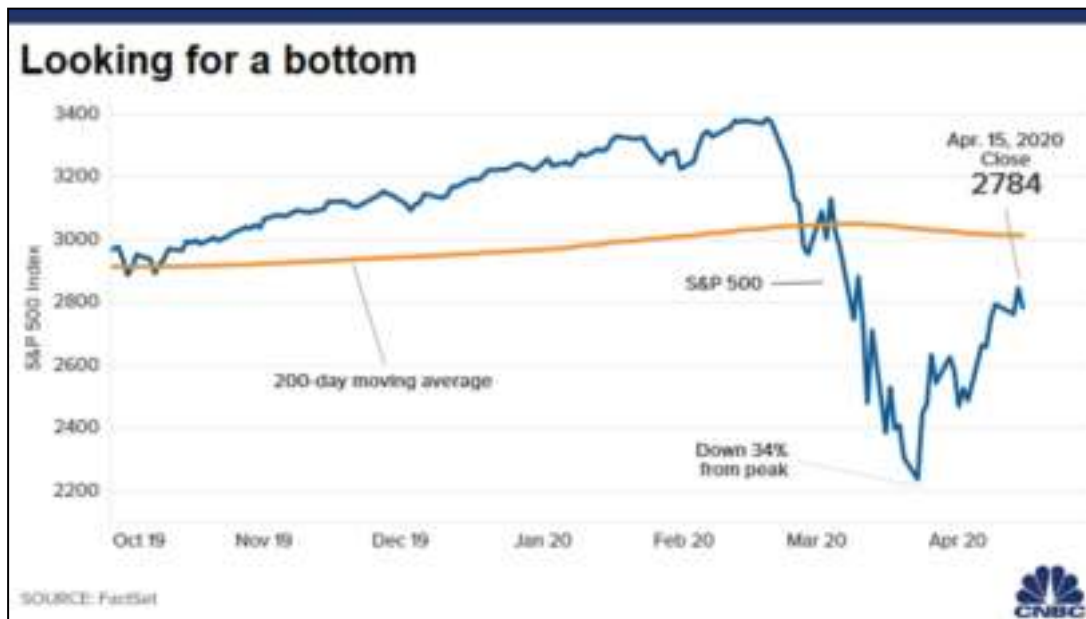
Shafik Hirani, (CLU), (CFP), (RRC), B. Comm
 Senior Investment Advisor & Certified Financial Planner

Insights & Perspectives...by Shafik Hirani: May 1, 2020 Issue

NO, I'm not talking about Energy this Month's issue. I've avoided Energy Sector for the most part for over a decade and really not in a position to comment with merit or substance other than normal supply/demand equation. The good news in the portfolio is that we have recently seen a glimmer of support and slight recovery in the S&P (Stock market) this week. This stock market can be very confusing and daunting. After all, (as mentioned last months publication) we went from longest bull market in history to fastest dropping bear market crash in history.... back to bull market?

Last month's I wrote about our portfolio's resilience (Due to asset allocation and security selections) along with shared some information about how this market has behaved in reference to previous crashes. This month, I would love to put a few items together and share some thoughts. Firstly, lets start with where we are now.

Below is a line chart of the recent 6 months. (The yellow line is the 200-day moving average (a common technical indicator)).

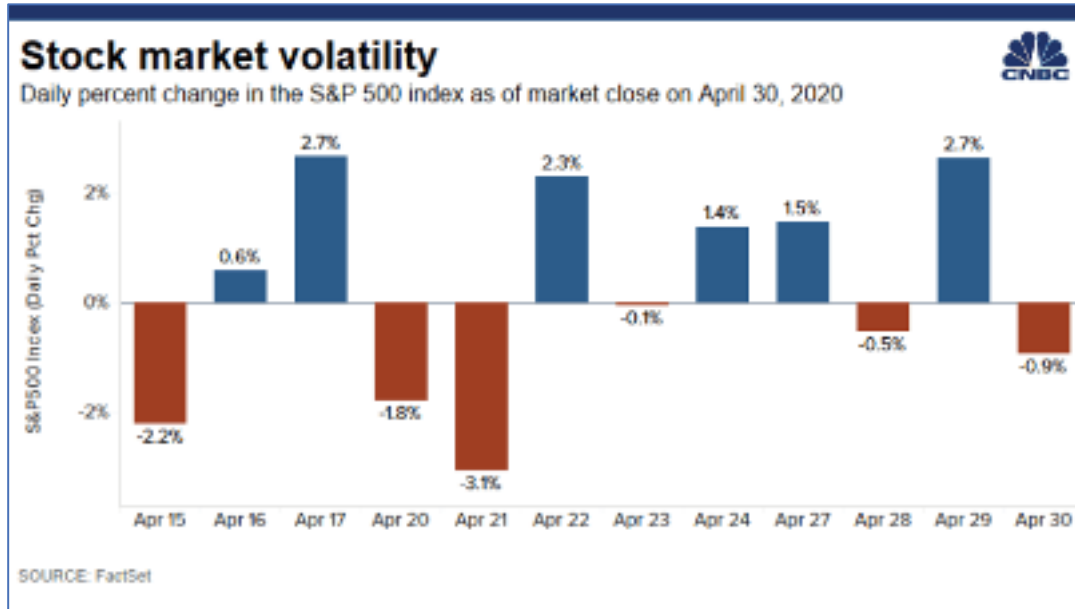


As you can see above, Feb 19th, 2020 was all-time Stock Market high and suddenly we are at 40% lower a month later (March 23rd, 2020). As often, the pendulum which is the Capital Markets tends to swing both ways with a little too much momentum which is exactly the question we should not fully trust this recent recovery.

1

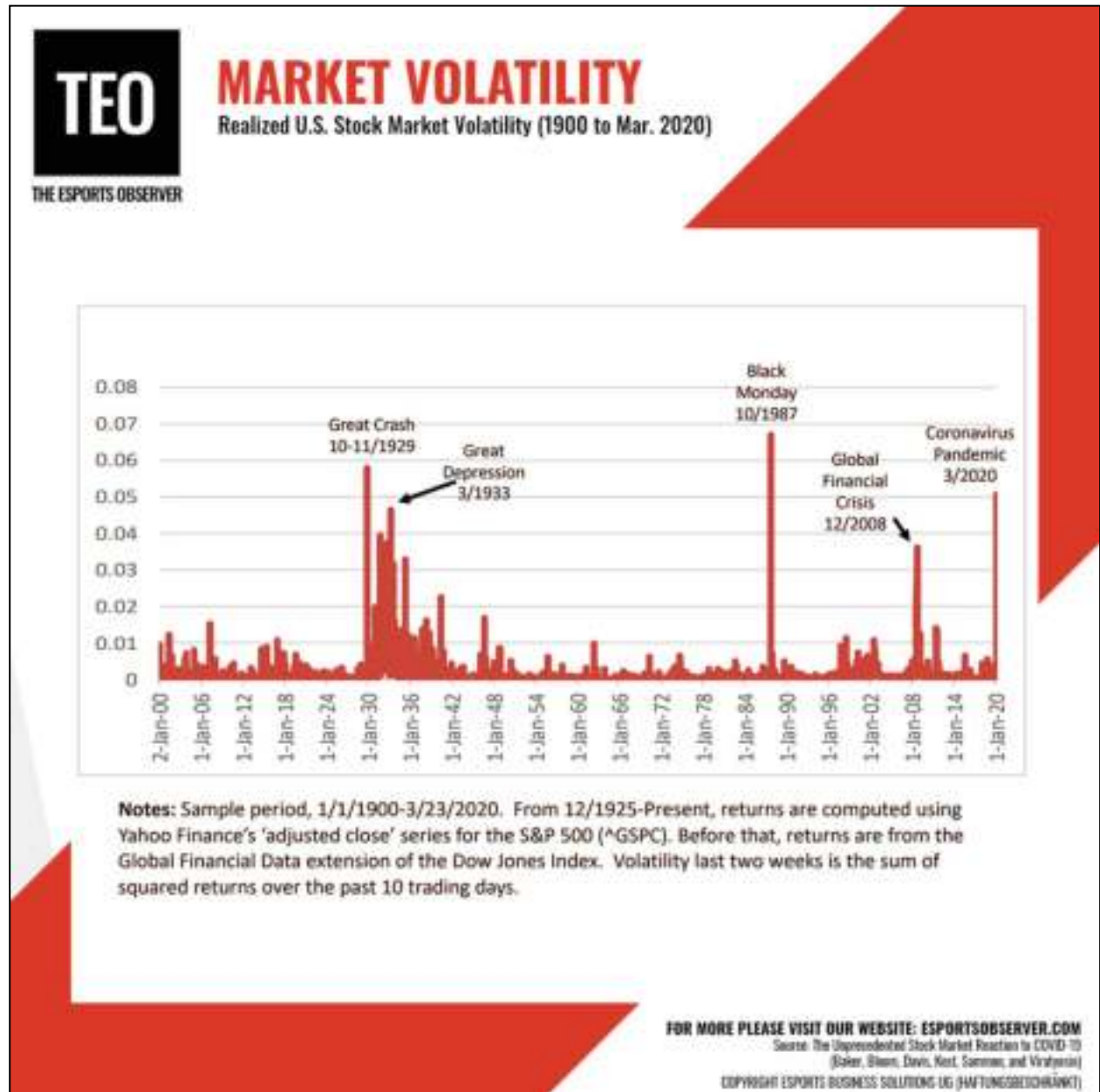
Aligned Capital Partners Ltd. | Le Germain Office Tower, Suite #601, 110 – 9th Avenue SW, Calgary, AB T2P 0T1
 p. 587.349.2274 c. 403.606.5182 f. 587.349.2299
shafik.hirani@alignedcapitalpartners.com

While, there is a collective sigh of relieve as the gains, exceed the losses, finally, I still feel it should be viewed as cautionary and we should get more clues overall form comparing this to past changes. Below is out the Daily % Changes from Last couple of weeks.



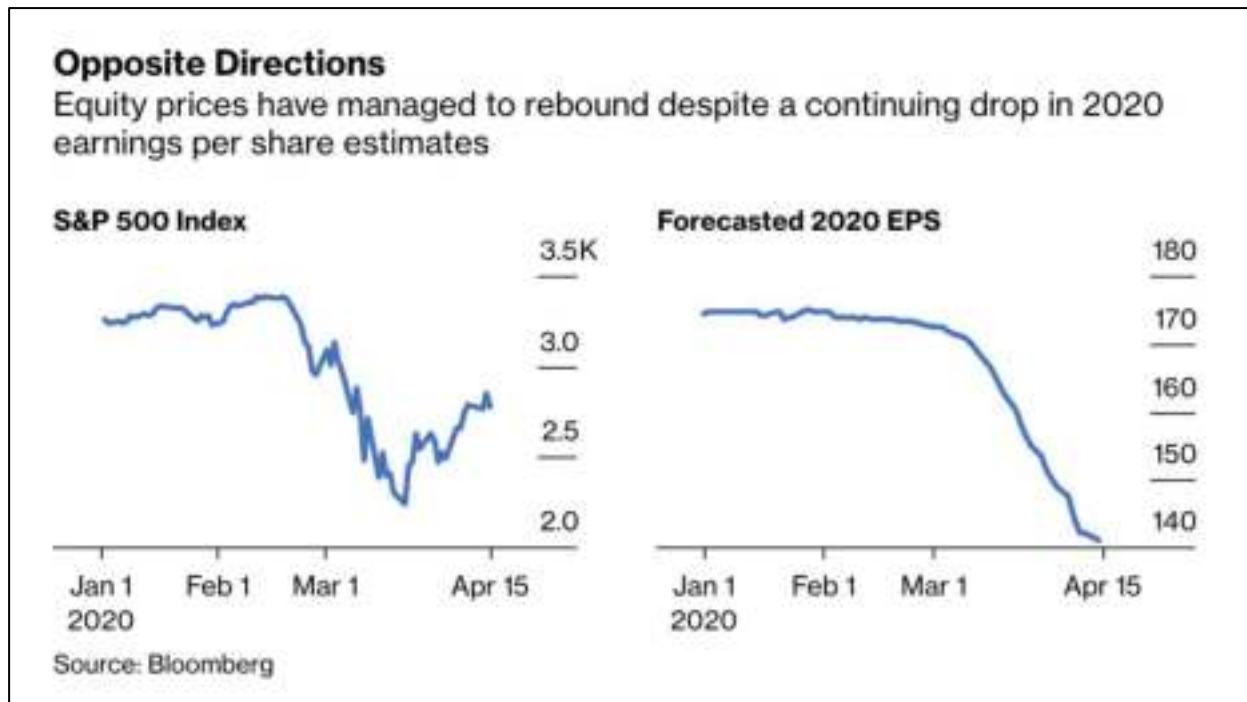
It's important to see the forest through the trees here. My point is, *even the gains point to continued volatility.*

In order to have clarity, we need to identify historical volatility for the past century and how this pandemic has fared relative to other major crashes. Below compares the recent volatility with the Great Recession, Black Monday, and the Depression.



As I mentioned in my last article last week, the typical advisor tag-line Warren Buffet coined “Buy Low & Sell High” is terribly misunderstood by so many investment advisors.

Ok, this part is going to get confusing. In the upcoming months, there is reason to argue that this market is “higher” than it was in Feb even though it’s “numerically” lower. This is how the stock market can be very deceiving to uneducated or unaware investment advisors.



The graph on the left is the first graph I shared upon introduction of this article. The graph on the right is “Forecasted Consensus EPS of the S&P. On the high of Feb 23rd, the market was trading at 21 x earnings. (Price to Earnings Multiple). Currently, Consensus earnings estimates are still being revised downward as you can see above. Bloomberg believes earnings EPS consensus estimate will drop from 180/share to \$140/share.

Now if we divide the Graph on the left above (PRICE of S&P 500) and divide it by the Graph on the right (Earnings), you get the chart below. I know I’ve harped on this a lot in the last few emails but it’s important to understand.

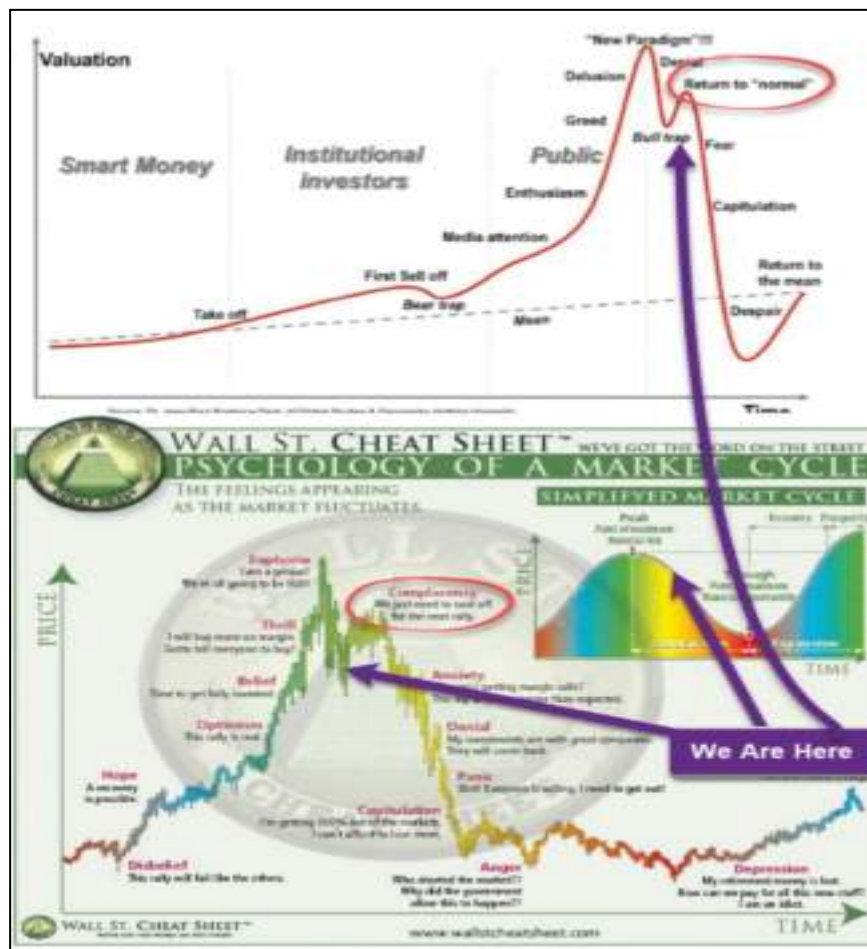
Today the S&P is at 2800 points. If earnings are \$140 / share, then the P/E Multiple of the market is still 20 times earnings. In order to gauge the market resilience, we need to have a grasp of “Future Corporate Earnings” which is so hard right now. There is much more behind this in terms of guidance estimates and surprise revisions which also must be factors and cause some concerns.

I found an article by Fidelity which outlines scenarios based on different earnings patters. It's really good and I suggest reading it:

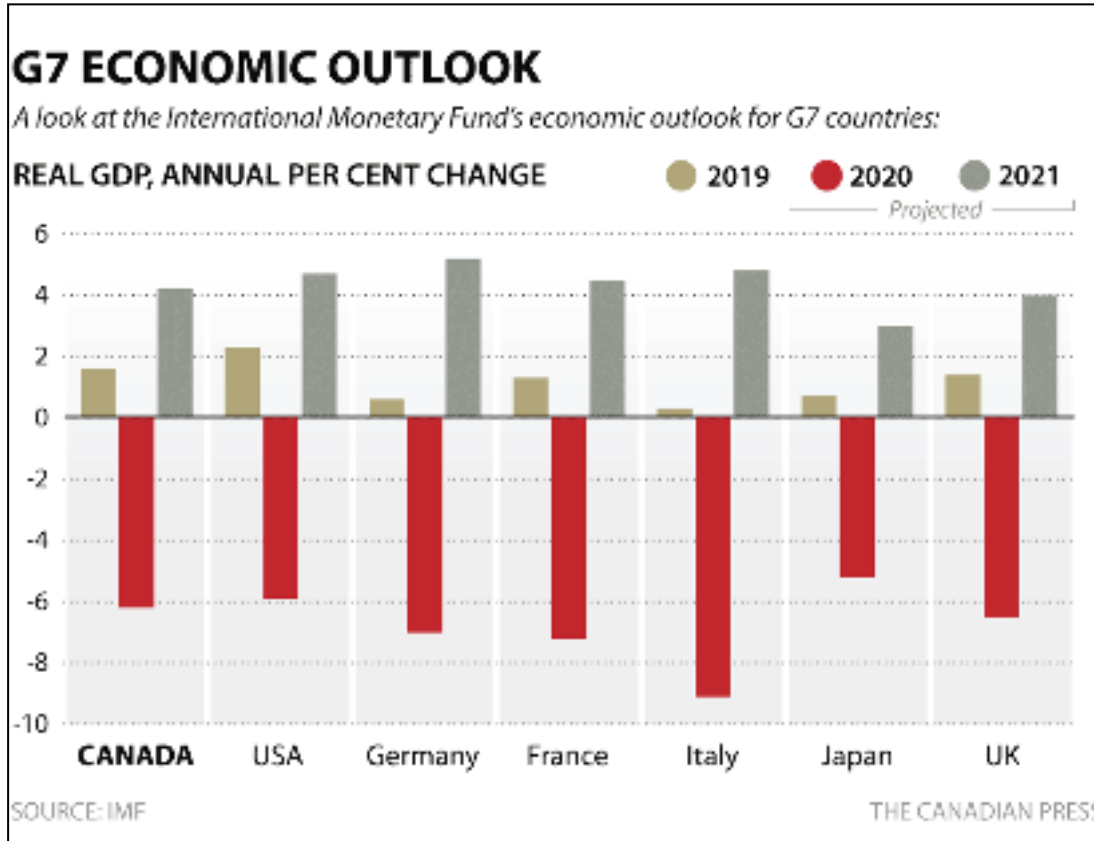
<https://www.fidelity.com/learning-center/trading-investing/markets-sectors/value-stocks>

Even with US stimulus of a staggering \$4 Trillion. (\$2T from the Federal Reserve + \$2T from Fiscal policy), and The fed also supporting the high-yield bond market (which shocked a lot of analysts), there is reason to believe the recent market highs may be a little over zealous. If you look a little bit closer the most apparent thing of all this that you can see is that the real economy and the financial markets that are supposed to be more or less reflective of another, have decoupled a lot from each other. The real economy is closed down and basically craving government money while Financial Markets are almost halfway back and in full party mode high on the Fed's stimulus.

Having studied Behavioral Finance for years, I have believed in the psychology of investing and our impacts on wealth, decision making and general emotional feelings and appetites during crashes. One of the best illustrations of this trend is in Wall St Cheat sheet below.



While I have always focused more on Corporate Earnings as a measure of Capital market expectations, it's vital to also "fundamentally look "top down" at the global macro-economic environment. Below the IMF has released expectations for GDP for this year and 2021.



But on top of earnings drops, and economic drops we still need to identify factors which are the worst for the stock market. (Two main ones are Reduction in Share buy backs and Cuts in Dividends). Let's take a closer look..

Not to be the bearer of bad news, but in addition to the above, we must also look at 2 factors that cause markets to rise or fall. This is Dividends and Buy-backs. First Share buy backs. If companies reduce their own normal course issuer bids and share buy backs, this weakens the floor of support for the market.



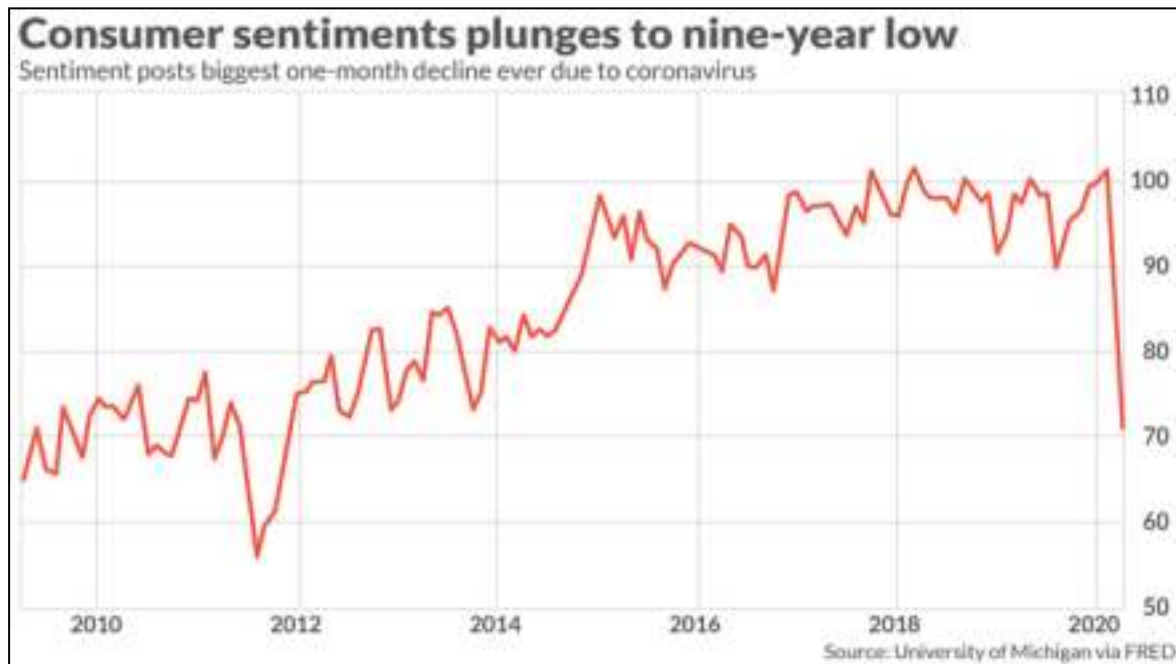
We have to have clarity on how stocks perform in elections. In the past 23 election terms, stocks have been down 4 times.



Additional information not shared in the graph below is the stock market performs better if the incumbent wins. Also not shared is that the average return in the market is 7% but only 3.4% if the democrats win and 11.4% if the Republicans win.

A final note on Investor Psychology

It is important to realize in addition to the pandemic, Geopolitical tensions, Macro-Economic conditions, Capital Market Uncertainty everyone is scared. Below are the US Consumer Sentiment Survey results showing how negative everyone is.



This one is actually particularly good news because Consumer Sentiment is actually a “contrarian indicator”. Which means, generally when consumers have negative sentiment, is when it’s time to buy. And when consumer sentiment is highest, it’s time to sell.

I know everyone’s definition of “long-term” has changed from 5-10 years to 5-10 days recently. However, it’s important to still look towards the long-term horizon (especially hard during these trying times but vital). If you will permit me to soften my somewhat bearish earlier sentiment with a counter and provide a glimmer of hope, then I would be remised to remind you that the markets have been here before. Remind you that in 10 years the markets will be higher. Remind you that the alternative to a 5-6% dividend blue chip stock is looking at US treasury which yields 1%-2%. (with no capital appreciation possibility). To remind you that the path to affluence is always about investing (not saving) and execution (not waiting). We need clarity. Without, clarity we go into modes (fight, flight, freeze). Most freeze. It’s a human trait to not execute and do nothing. We need clarity which is why I also give multiple perspectives. (We all slow down when driving into a fog). Therefore uncertainty scares mediocre investors. It’s an excuse to take no action.

Many argue that if we select careful investments, the benefits of hindsight my allow us to look back currently as one of the best buying opportunities ever. This is simply hard to see because you have to remove the current noise about what’s going to happen this week, and quarter. The one thing is that every set back has had a recovery. Always. And after this, there will be another “event”. It’s part of investing and affluence. Don’t ever let it shy you away from making a decision. Execute. Even if the decision,

is wrong, I would rather see someone learn to execute rather than sit in the sidelines like an ostrich with their head in the sand in fear of making a wrong decision. Because that pattern gets re-enforced. (either way). So make decisions quick. Just my opinion.

As always, if you have additional funds to invest, please email me. If you are open to referring and introducing me to a friend/family/co-worker, please forward this email and cc me. = shafik.hirani@alignedcapitalpartners.com. I can ALWAYS/ANYTIME be reached at 4036065182.

Shafik

Disclaimer:

Shafik Hirani's Private Wealth Management Practice is a trade name of Aligned Capital Partners Inc. (ACPI) – if applicable ACPI is regulated by the Investment Industry Regulatory Organization of Canada (www.iroc.ca) and a Member of the Canadian Investor Protection Fund (www.cipf.ca). Shafik Hirani is registered to advise in securities and mutual funds to clients residing in BC, AB, SK, MB and ON.

This publication is for informational purposes only and shall not be construed to constitute any form of investment advice. The views expressed are those of the author and may not necessarily be those of ACPI. Opinions expressed are as of the date of this publication and are subject to change without notice and information has been compiled from sources believed to be reliable. This publication has been prepared for general circulation and without regard to the individual financial circumstances and objectives of persons who receive it. You should not act or rely on the information without seeking the advice of the appropriate professional.

Investment products are provided by ACPI and include, but are not limited to, mutual funds, stocks, and bonds. Non-securities related business includes, without limitation, fee-based financial planning services; estate and tax planning; tax return preparation services; advising in or selling any type of insurance product; any type of mortgage service. Accordingly, ACPI is not providing and does not supervise any of the above noted activities and you should not rely on ACPI for any review of any non-securities services provided by Shafik Hirani.

Any investment products and services referred to herein are only available to investors in certain jurisdictions where they may be legally offered and to certain investors who are qualified according to the laws of the applicable jurisdiction. The information contained does not constitute an offer or solicitation to buy or sell any product or service.

Past performance is not indicative of future performance, future returns are not guaranteed, and a loss of principal may occur. Content may not be reproduced or copied by any means without the prior consent of the author and ACPI.

Disclosure of commissions in mutual funds in accordance with NI 81-102 (15):

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

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 of 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 completing his degrees, Shafik completed the Canadian Investment Funds Course (CIFIC) 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.

**ALIGNED**
capital partners inc.**SHAFIK
HIRANI'S** PRIVATE
WEALTH
MANAGEMENT
PRACTICE

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) 349-2274
Cell/Text: (403) 606-5182

 Shafik.Hirani@alignedcapitalpartners.com