TD Asset Management

The Headlines May Trigger Excuses Not to Invest

Negative events in the media may cause people to react emotionally and lose sight of their investment strategy. In the past three decades alone, there have been a number of events that may have kept investors on the sidelines. When you look at the big picture, over the last 30 calendar years, the S&P/TSX Composite Index **gained approximately 864% or 7.8% per year and 21 of the 30 years had positive returns.**

Year	S&P/TSX*	World Headlines
1987	5.9%	**"Black Monday";** Record Setting Market Decline
1990	-14.8%	**IRAQ Invades Kuwait**
1991	12.0%	**Collapse of the USSR; U.S. Recession**
1992	-1.4%	Standard & Poor's Downgrades Canada's Credit
1993	32.6%	World Trade Centre Bombed
1994	-0.2%	Bond Market Crash
1997	15.0%	**Asian Market Crisis**
1998	-1.6%	Russian Financial Crisis
1999	31.7%	Y2K Chaos Predictions
2000	7.4%	**Tech Bubble Burst**
2001	-12.6%	**WTC Attacks in New York City**
2002	-12.4%	Worldcom Goes Under; Largest U.S. Bankruptcy to Date
2003	26.7%	President Bush Declares War on Iraq

Year	S&P/TSX*	World Headlines
2006	17.3%	New Fed Chair; Greenspan Replaced by Big Ben
2007	9.8%	Panic of 2007; Global Banks Start Reporting Billions in Losses
2008	-33.0%	**Subprime Mortgage Crisis;** Bear Stearns, Lehman Collapse
2009	35.1%	Chrysler and General Motors File for Bankruptcy U.S. Unemployment Reaches Highest Level Since 1983
2010	17.6%	Greece 'Contagion Fears'; Flash Crash
2011	-8.7%	**U.S. Debt Downgrade;** Eurozone Debt Crisis **Japan Earthquake** Triggers Deadly Tsunami
2012	7.2 %	Commodities Boom Ends Cyprus Banking Crisis
2014	10.6 %	Crude Awakening; Oil Price Collapses
2015	-8.3%	Crude Reality; Oil Prices Remain Low China's Economic Slowdown

*The S&P/TSX Composite Index percentage total return per calendar year.

What Has History Taught Us?

Canadian stock market declines and recoveries (S&P/TSX composite total return index)

Those individuals who invest regularly in a diversified portfolio and stay invested for the long term have typically benefitted. The following chart illustrates historical downturns in the Canadian equity market and its subsequent recoveries.

Length of Decline	Depth of Decline[1]	1 yr Later	5 yrs Later	10 yrs Later
4 months ending November 1987	-25.5%	14.5%	31.9%	193.3%
10 months ending October 1990	-20.1%	18.6%	67.9%	294.5%
4 months ending August 1998	-27.5%	28.1%	47.1%	200.3%
25 months ending September 2002	-43.2%	22.5%	152.5%	155.2%
9 months ending February 2009	-43.4%	47.6%	102.4%	–
Averages	-32.0%	26.3%	80.4%	210.8%

Source: Morningstar® EnCorr® Bloomberg Finance L.P.

Get invested. Diversify. Stay on track.

For more information about investing for the long term,
contact your financial advisor today.

[1]Based on the assumption that investments are made at the beginning of the month in which they occur, and the percentage rate in the portfolio decline is calculated through to the end of each month referenced in the above chart. The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. The article does not provide individual financial, legal, tax or investment advice and is for information purposes only. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any fund. Particular investment or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index. TD Asset Management Inc. ("TDAM"), The Toronto-Dominion Bank and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

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The power of staying invested

Trying to time the market may cause an investor to miss out on long-term growth. Let's take a look at the impact of missing the best one percent of days over 30 years while investing $10,000 in the S&P/TSX Composite Price Index ("TSX").

A few days can make a big difference:

A considerable portion of long-term gains can be attributed to a relatively small number of good days. In this example missing the best one percent of days reduced the end value of an investor's portfolio by over $42,000.

The best days typically come after some of the worst:

Many of the best days shown in this example occurred soon after the bad days. An investor who sells their investment on a bad day may miss out on the good days that follow, thus potentially reducing long-term portfolio value.

Source: TD Asset Management Inc. and Bloomberg Finance L.P.

For illustration purposes only. The index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index. The graph is used only to illustrate the effects of the compound growth rate and does not reflect future values of any fund or returns on investment of any fund.

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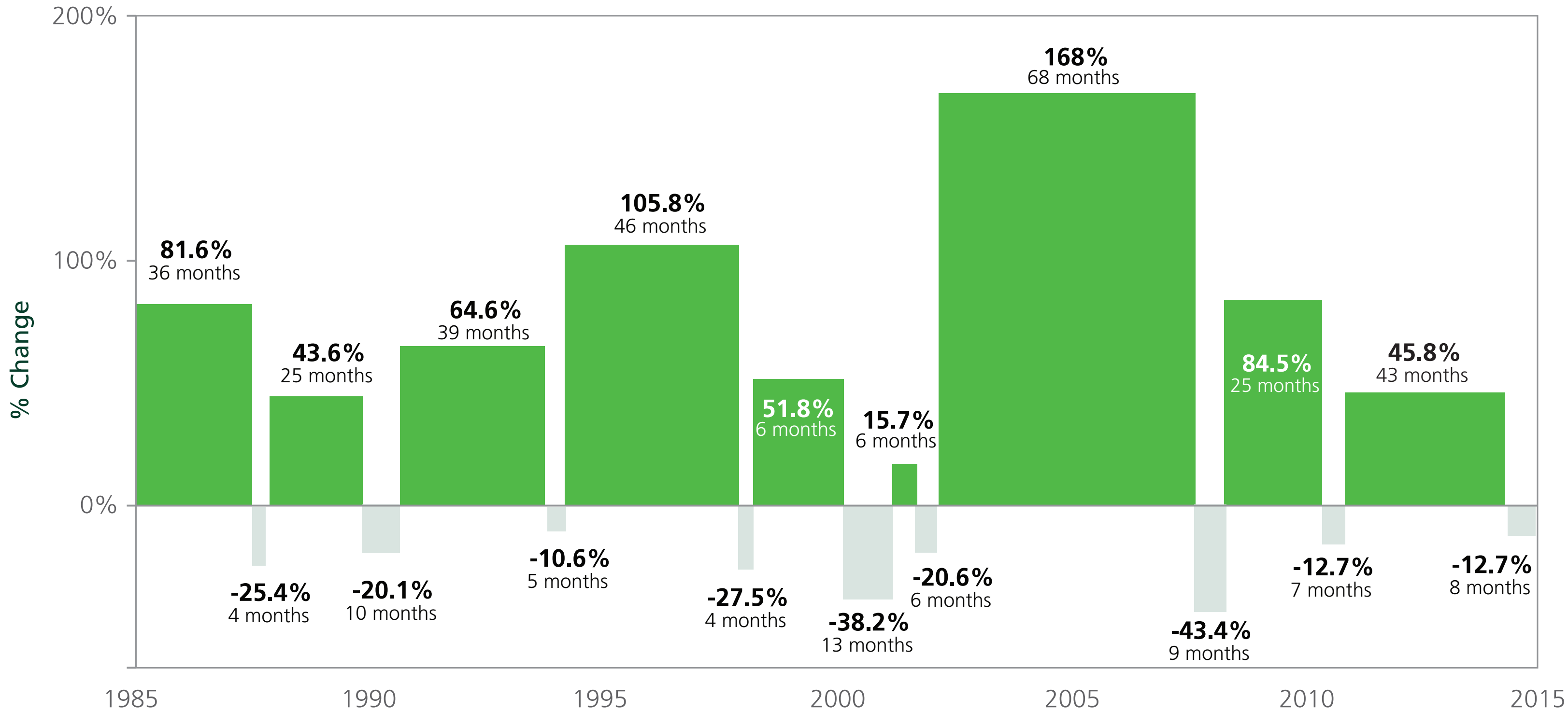
The power of staying invested

As history of the markets has demonstrated, during previous bear markets, Canadian equities eventually recovered and resumed their upward trend. That's why it's important to remain focused on your long-term investment objectives and consider staying invested to allow your portfolio the opportunity to participate in any upward market moves. As you can see in the chart below, investors who attempt to time the market or sell during bear markets, may miss out on significant returns during prolonged recovery periods and bull markets.

Canadian bull-bear market cycles: January 1985 – December 2015[1]



Source: TD Asset Management Inc. and Morningstar® EnCorr. Market returns are based on S&P/TSX Composite Total Return Index. The index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index.

For more information, speak to your advisor today. Your advisor can explain how staying invested can help benefit your portfolio.

[1]The terms bull market and bear market describe upward and downward market trends, respectively. In the illustration above, we classify a price movement of 20% or more (up or down), over any given period as a bull or bear market respectively. In the illustration above, we classify a price movement of 10% or more (up or down), over any given period as a market correction. The information contained in this sales tool has been provided by TD Asset Management Inc. ("TDAM") and is for information purposes only. The information has been drawn from sources believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any fund. The information does not provide financial, legal, tax or investment advice. Particular investment or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. TDAM, The Toronto-Dominion Bank and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

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*current*PERSPECTIVES

Breaking up is hard to do: Brexit Update

A year ago, it seemed likely that debt-ridden Greece would be the first country to exit the 28-country European Union (EU). However, that distinction now looks likely to go to the United Kingdom (UK). In the British leave/remain referendum held on June 23rd, voters decided that Britain should leave the EU, marking the beginning of what is being referred to as "Brexit."

The UK's withdrawal from the political and economic union is unprecedented, and there is no clear path to the exit as the EU does not have comprehensive terms of departure. This likely means that the UK will remain a member of the EU, subject to all its regulations and budget requirements until it can negotiate a formal separation agreement. Given the complexity of the negotiations, we believe reaching a deal will be a lengthy process — potentially years rather than months.

Our View

We at TD Asset Management (TDAM) have been cautioning about the potential for increased financial market volatility for some time, and the immediate shock of the "leave" decision will likely cause it to spike, particularly in the UK and European markets. In addition to higher volatility, Brexit may also result in the following near-term effects on investment assets:

- equities are likely to decline, particularly in the UK and Europe,
- the British pound and euro are likely to weaken, and
- safe-haven assets such as the U.S. dollar, Japanese yen, U.S. Treasuries and gold are all likely to strengthen.

Until the terms of the separation agreement are known, it will be difficult to predict the full economic and fiscal effects of Brexit. However, we do expect gross domestic product (GDP) in the UK to weaken amid lower business investment and exports and, potentially, the consequences of Brexit could push the UK into a recession. Politically, Prime Minister David Cameron, who is steadfastly pro EU, has announced his resignation and we expect the Scottish independence movement may well see a surge in support as Scotland is also pro EU. In Europe, Brexit may fuel anti-euro, anti-immigration and anti-austerity feelings and provide support for populist parties, such as Syriza, Podemos and National Front, which could undermine established political parties.

In the longer term, the key issue for investors is whether Brexit marks a turn toward nationalism. In Europe, the UK's departure is not the only challenge facing the EU, and a number of questions remain unanswered (e.g., will the UK exit make it easier for other countries to leave the EU? How will the EU address weak underlying economic conditions and the continuing fiscal and productivity disparities that exist amongst member countries?). In North America, Donald Trump is advocating vigourously for the termination of the North American Free Trade Agreement. Globally, the Trans-Pacific Partnership is facing stiff opposition from a number of quarters. Equity investors particularly have benefitted from globalization over many decades as companies have been able to move production to lower cost jurisdictions and penetrate new markets, providing a significant long-term tailwind to earnings. A move in the other direction would exacerbate the challenges we have been highlighting for some time, including the persistent low growth environment that is firmly in place today.

In the current environment, there is a broad range of potential outcomes, and we believe it is crucial for investors to retain a long-term perspective and maximize diversification benefits within their portfolios. Within TDAM's investment mandates, our portfolio managers have been carefully monitoring the Brexit situation for some time and have sought to position their portfolios to minimize potential negative impacts while also seeking opportunities to benefit from more attractive valuations and possible market overreactions.

We will continue to monitor and evaluate this situation and to assess conditions with the objectives and best interests of our clients in mind. ■

Bruce Cooper, CFA
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Chair, TD Wealth Asset Allocation Committee