

Pathfinder Investment Outlook

For the week ending September 9, 2022

Global Market Cap, our final thoughts

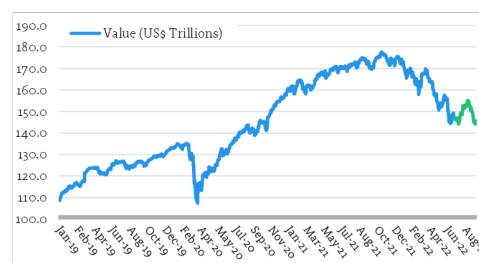
We present our final issue of the aggregate market value series where we explore the change in financial assets across time and geographic regions. As a reminder, we had previously compiled various US and International equity, fixed income and crypto data to the end of June and have now updated that to the end of August. We present below total global market values from various indices from FTSE Russell, Bloomberg Markets LP and CoinGeko, that track both aggregate US and non-US equity market value, crypto and fixed income data. We have converted, over time, all of the data to US Dollars so that we have like comparisons. The global data represent US\$147.2 trillion in assets as of the end of August 2022.

- In **Figure 1**, we present an **update** of the global assets over the summer. The **green line** is the added data and represents how global market cap changed over the past two months. From the chart, one can see that the drop has been substantial since the peak at the end of last year. Indeed, the value has dropped from US\$ 175.4T to US\$ 147.8T for a total **wealth destruction** of US\$ 27.6T. This compares to loss during the peak of the COVID collapse of \$US \$27.9T, **just about the same**.
- Figure 2** presents the same data above but split into what is traditionally called Risk Assets (equity type) and Non-Risk Assets (fixed income type). As you see during COVID, after a “wobble” **fixed income** provided a buffer but during the most recent period, with **increasing interest rates**, it did not. Fixed income losses since the beginning of the year have been US\$ 8.2T versus US\$ 5.2T during the worst of COVID.

“This means that” if we view the potential for total loss of wealth in the context of both the Great Financial Recession (GFR) and the market volatility around the shutdowns from COVID, a further potential loss of equity market cap value is still a real possibility. If we hold the value fixed income the same (no guarantee of this given rising interest rates) then for comparison to the GFR, equities could drop a further 15% from here and we would arrive at a similar loss of total wealth. If we experience that kind of drop, and inflation and interest rates continue to climb, then the total wealth destruction would eclipse that of the GFR. We continue to remain laser focused on this in the context of our mandates.

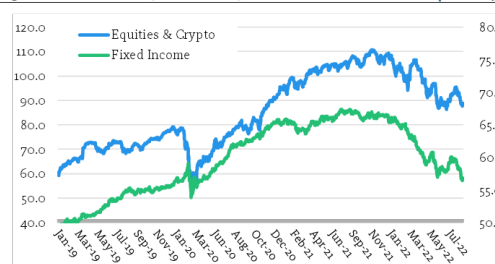
Michael Rudd, CFA | President, CEO & Portfolio Manager

Figure 1: World Equities, Crypto and Fixed Income September 09, 2022



Source: Bloomberg Markets LP, Pathfinder Asset Management Limited

Figure 2: World Assets (US\$ Trillions) September 09, 2022



Source: Bloomberg Markets LP, Pathfinder Asset Management Limited



Pathfinder Asset Management Ltd. | Equally Invested

1450-1066 W. Hastings Street, Vancouver, BC V6E 3X1

E info@paml.ca | T 604 682 7312 | www.paml.ca

Sources: Pathfinder Asset Management Limited

Disclosure

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*All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund and Pathfinder Real Fund are presented based on the masters series of each fund. The Pathfinder North American Equity Portfolio and The Pathfinder North American Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder Chairman (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder North American Equity Portfolio (January 2011), Pathfinder North American High-Income Portfolio (October 2012) Pathfinder Partners' Fund (April 2011), Pathfinder Real Fund (April, 2013), and Pathfinder International Fund (November 2014).

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