

Pathfinder Investment Outlook

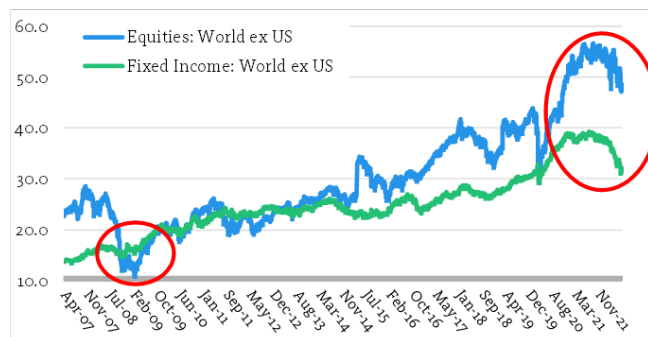
For the week ending August 19, 2022

The Great Global Balancing Effect

We continue with our 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 equity, fixed income and crypto data to the end of June, and had been studying that data in various market stages. We expand the study this week to consider international data. In addition to various indices from FTSE Russell, Bloomberg Markets LP and CoinGeko, we have now added more Bloomberg indices that track aggregate non-US equity market value, fixed income data from Europe and Asia, and aggregate Global High Yield bond data. For this last piece of data, we manually removed US High Yield data to isolate the World ex-US information. We also converted, over time, all of the data to US Dollars so that we have like comparisons. The World ex-US data represents US\$80.2 trillion in assets across 12,390 fixed income securities and 2,185 equity securities as of the end of June 2022.

- In **Figure 1**, we present world equity and fixed income data with the US removed from 2007 through June 30, 2022. Before the **Great Financial Recession (GFR)**, total assets peaked in the fall of 2007 at US\$43.8T and fell to a low of US\$26.5T, for a total of **US\$17.3T in wealth destruction in international markets**.
- The **recent** high for international assets in 2021 was US\$94.8T, and as of the end of June had dropped to US\$80.2T, for a **loss of US\$14.6T**.... not as bad as the GFR, and

Figure 1: International Aggregate Market Values (USD Trillions) August 17, 2022



Source: Bloomberg Markets LP, Pathfinder Asset Management Limited

- on a percentage basis, not as bad as the drop in the United States for the same period (-15.4% vs. -20.3%).
- Much like the US data that we presented in our last issue of the series, we can see that for international markets, fixed income acted as a **balancing effect during the GFR, but did not** do so during this **recent** period. The major difference between the two periods for US and international data was the severity of the equities drop in global stocks during the GFR (-50.8% Intl vs. -59.0% US). For the most recent period, it appears that the wealth destruction from international stocks was not as severe as in the US.

"This means that" we will still hold onto our conclusions as we progress through the study, but there is a correlation between the behavior of financial assets and the two geographic areas (US vs. International). What we have clearly seen is the impact of diversification (both good and bad) on financial returns over time.

Michael Rudd, CFA | President, CEO & Portfolio Manager



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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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