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Portfolio *Confidential*

Barbara Stewart

Here are three real world confidential portfolio discussions.

My husband is a former pilot and he has Air Canada stock worth approximately \$250,000 (\$500,000 pre-pandemic). Obviously we are deeply concerned about the future of air travel. I wish we knew what was going to happen over the next five or ten years so that we could make an intelligent decision about what to do with the shares. What advice can you offer?

If Air Canada stock was trading above \$50 in early January of this year, hit a low of \$12 in March, and was at \$18 at the end of August. Depending on how you look at it, the stock is either down over 60% or up about 50%! If air travel returns to normal (say by 2023 or so) the stock probably goes much higher, but if travel doesn't return to normal the stock will not go up, and the company could even go bankrupt.

One thing to remember is that having information – even 100% accurate information – about the future is less useful than you might think. Pretend there was a time machine and someone told you on Aug 31 2019 what the world looked like a year later? “There will be a global pandemic from a disease you’ve never heard of, almost 190,000 dead in the US alone, the economy will have contracted by the most in history in Q2, and there is no vaccine or cure yet.” Any reasonable person would have not merely sold their entire portfolio, they would have likely shorted the market. But even with that perfect foresight, the S&P500 is actually up about 21% in the last 12 months!

I don't know the size of your overall investment portfolio and that is relevant. Another point I'll make is that your husband likely has an Air Canada pension so he has company risk there as well. I would pare back your weighting in AC shares to 5 percent or less of your overall portfolio. This isn't because I have an inkling about the future of travel, this is simply prudent portfolio management. If the shares are held in a taxable account you may want to trigger your sell transactions over two tax years (2020/2021) depending on your need for realizing capital losses in each of the years.

I have loved the run up in tech stocks but now I'm worried that this sector weighting is too high in my portfolio. What do you consider to be a “normal” weighting for tech in today's environment?

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