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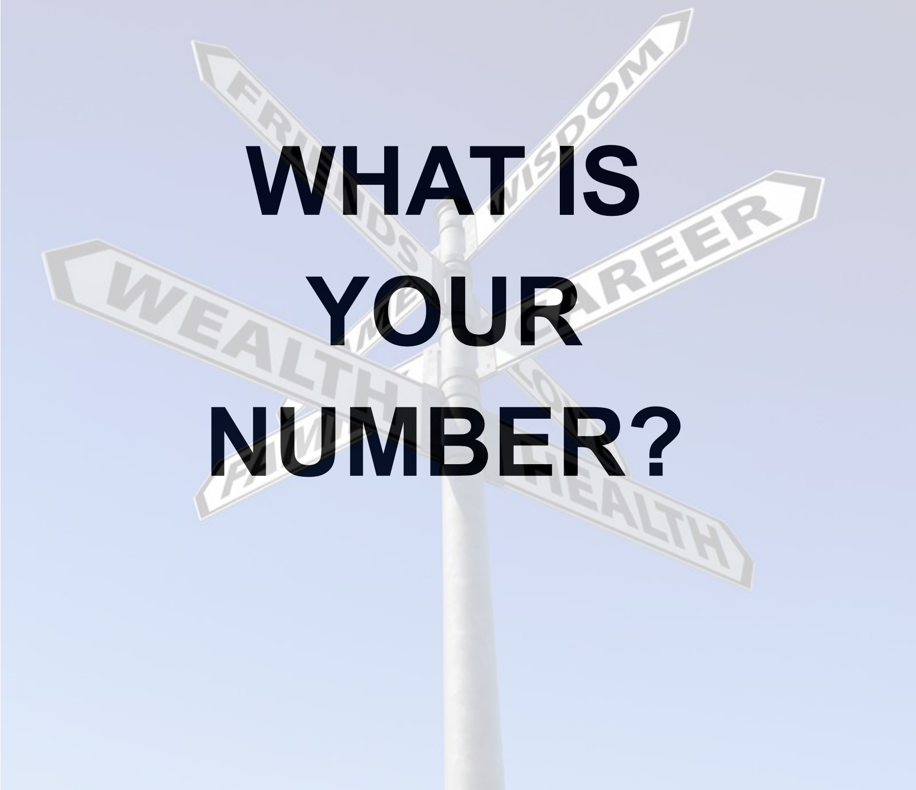
KPW NEWSLETTER

What do you need for the rest of your life,
and what will it cost?



WHAT IS YOUR NUMBER?

At KPW Financial, we are trained to sort through the Fancy Jargon and translate your NUMBER into COMMON SENSE ADVICE that resonates with everyone.

We realize that your NUMBER is as much about Self-Worth as it is Net-Worth.

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IMAGINE YOUR FUTURE

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KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 12, ISSUE 5 MAY 2023

"If you put the federal government in charge of the Sahara Desert, in 5 years there'd be a shortage of sand" **Milton Friedman**

Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
PATIENCE IS A VIRTUE

Ryan Simone, CFP, CLU, CHS
MARKET REVIEW—SEEING OPPORTUNITY

EDITORIAL COMMENT

Sergio Simone

Since my high school days when I was introduced to the writings of Charles Dickens, I have been a huge fan. The first Dickens book I read was "A Tale of Two Cities". The opening line of the first paragraph has become an iconic phrase. Dickens wrote this book in 1859, but the sentiment of the words of that opening paragraph are equally applicable in today's world.

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us".

PATIENCE IS A VIRTUE

Kristina De Souza, CFP

Especially in the investment world!

Being a successful investor requires a specific skill set and not necessarily that of an academically trained investor. It requires discipline, focus, and a long-term approach. Investing reminds me of the old fable about the race between the Tortoise and the Hare. The overly confident Hare would sprint way ahead of the Tortoise and with a significant lead would feel comfortable enough to fall asleep before the finish line while the Tortoise steadfastly continued the race and eventually reached the finish line before the Hare. The sound byte headline would read: "Slow and steady wins the race".

MARKET REVIEW - SEEING OPPORTUNITY

Ryan Simone,
CFP, CLU, CHS

North American stock markets have had a bumpy and mixed year so far. For example, the S&P/TSX is up +3.93%, the DOW is down -0.28%, the S&P 500 is up +7.97%, and the NASDAQ up +11%. We're also seeing this variation within mutual funds as well. Some of the low-medium risk dividend paying and balance funds we monitor are in the range of -1% to +4% year-to-date. These funds are more closely tied to the DOW which partially helps to explain why the numbers are a bit lower. Dividend funds also tend to invest in banks which we know haven't had the best start to the year. The tech funds and large cap equity funds we monitor are also mixed but within a much wider range. For example, some are performing as high as +30%; whereas others are around +8% to +12% year-to-date. The result is that some portfolios that are sided towards lower risk, dividend paying funds are hovering around +3 to +4%; whereas portfolios tilted towards large cap equity funds with technology focus (Microsoft, Google, Amazon, META, and Apple) are performing closer to +10% to +15%.

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VOL. 12, ISSUE 5 MAY 2023

GETTING A HEAD START ON HOME OWNERSHIP WITH THE FHSA

Introducing the Tax-Free First Home Savings Account (FHSA)

The FHSA offers Canadian residents at least 18 years of age who are prospective first-time home buyers the ability to contribute up to $40,000 tax-free.* Contributions to an FHSA are tax-deductible like an RRSP, and like a TFSA, income and gains inside an FHSA, as well as withdrawals toward the purchase of a first home, are tax-free.

THE TAX ADVANTAGES OF THE FHSA

TAKE ME TO 2023 CIBC TAX TOOLKIT

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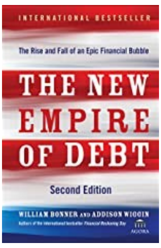
BOOK OF THE MONTH

THE NEW EMPIRE OF DEBT

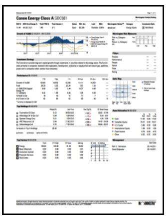
- by William Bonner and Addison Wiggin



Throughout the book, the authors offer an updated look at the United States' precarious position given the recent financial turmoil, and discuss how government control of the economy and financial system-combined with unfettered deficit spending and gluttonous consumption-has ravaged the business environment, devastated consumer confidence, and pushed the global economy to the brink. Along the way, Bonner and Wiggin cast a wide angle lens that looks back in history and ahead to the coming century: showing how dramatic changes in the economic power of the United States will inevitably impact every American.

FUND OF THE MONTH

BMO CONCENTRATED GLOBAL BALANCED FUND

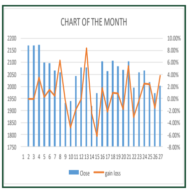


This Fund invests in a balance of high conviction global equity and fixed income securities using a disciplined, Fundamental bottom-up approach to security selection. The target asset allocation of the Fund is 60% equities and 40% Canadian fixed income securities although the allocation will vary over time.

The fund is classified as low to medium investment risk.

CHART OF THE MONTH

MARKET DATA



The chart depicts the returns of 17 equity indices, 5 fixed income indices, 5 Commodities indices, 8 currencies relative to either the CAD or USD, 3 inflation numbers and 2 bond yields to April 28, 2023.

The comparisons illustrate 1 WK, MTD, YTD and 2022 returns in local currencies as well as in Canadian dollars compared to their relative 2022 returns.

BLOG OF THE MONTH

The Real Economy Blog

CANADIAN RECESSION TRACKER: PREPARING FOR LANDING

As the Bank of Canada tries to tame inflation and simultaneously guide the economy to a soft landing, most market participants are skeptical that it can pull off the feat.

After months of steep interest rate increases, the higher borrowing costs are only beginning to be felt in Canada’s real economy.

A recession, albeit mild and brief, is likely. Our forecast puts the chance of a recession at 60% by the middle of the year, with the downturn hitting the economy unevenly.

We will not be able to determine if a recession has officially begun until the C.D. Howe Institute’s Business Cycle Council—an arbiter of business cycle dates in Canada—announces its decision.

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MAY 2023

PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

Seeking Alpha

BILLIONAIRE INVESTORS BUYING REITs WITH BOTH HANDS

Steve Schwartzman and John Gray are two of the most influential investors of all time. They are both self-made billionaires and they run the world's biggest private equity group: Blackstone Inc. (BX). So, needless to say, it is worth following what they are doing! Fortunately for us, Blackstone happens to be a public company and so they need to regularly release results, disclose their latest moves, and also hold quarterly conference calls to discuss them. The last one was just 2 weeks ago, and it once again reaffirmed what we already knew: Today, Blackstone is seeing the best opportunities in the publicly-listed REIT (VNQ) sector right now. These are listed real estate investment trust ("REIT") firms that allow investors to invest in real estate by buying their stock.

Manulife

MINIMIZING TAXES ON DEATH

Nobody likes to think about their death, and who wants to pay more tax than they have to on their death? With a little planning, you can minimize the taxes your estate might pay at death and make sure of a smoother transition of your assets to your loved ones. Here are eight top strategies to deal with that potential tax bill.

If you leave your assets to your spouse or to a spousal trust for that person's benefit, you'll manage to minimize taxes on your death. Assets left to a spouse or spousal trust are deemed to be disposed of at the deceased's adjusted cost base (ACB), thereby deferring tax until that spouse (or trust) sells the asset or until the surviving spouse's death.

smartasset™

HIGH-NET-WORTH INSURANCE

Insurance is designed to protect you financially in case the worst happens. If you've accumulated significant assets, you may consider purchasing a high-net-worth insurance policy to cover your belongings and property. High-net-worth insurance, also known as high-value insurance, is designed for people who need coverage beyond what a standard policy might offer. Working with a financial advisor can help you get answers to what is the best insurance set up for your financial situation and long-term goals.

pwc

AS THE HIGH-NET-WORTH SEEK OUT NEW WEALTH MANAGERS, HOW DO YOU RETAIN CLIENTS AND CAPTURE MONEY-IN-MOTION

Wealth management relationships with high-net-worth individuals are not as sticky as once believed.

Many high-net-worth investors are reconsidering their wealth management relationships as they seek personalized experiences, increased access to products and services, and improved digital capabilities to meet changing needs and expectations.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 12, ISSUE 5

MAY 2023

CORPORATE CULTURE

14 EFFECTIVE EMPLOYEE RETENTION STRATEGIES

A top performer resigns out of the blue, and you're at a loss. You lean on your remaining team members to take on more responsibility while you search for their colleague's replacement. That becomes the tipping point that pushes them to think about leaving. At the very least, it may affect employee morale, which could undermine work performance and employee engagement.

So, now is the time to confirm that your business is doing the right things to help drive employee job satisfaction and, ultimately, the retention of highly valued talent. First, you need to understand why your employees might be looking for a new opportunity — and consider why some team members may have already tendered their resignations.

WHY FINANCIAL PLANNING IS KEY TO A SUCCESSFUL STARTUP

What is financial planning? And why is it essential to consider when starting up a new business?

It almost goes without saying that yes, financial planning, the practice of strategically managing one's financial affairs, is the key to launching, owning and growing a successful startup, but why? Admittedly, for less fiscally-minded individuals, financial planning may be the last thing on their minds when developing their new business concept. However, it has been proven that financial planning is crucial to managing your business's cash flow and overseeing your business's expenditure, revenue, and profit.

WHAT BUSINESS OWNERS NEED TO KNOW BEFORE APPLYING FOR THE NEW CANADA DIGITAL ADOPTION PROGRAM (CDAP)

In a digital world, businesses need e-commerce capabilities to become and stay competitive. The Canada Digital Adoption Program (CDAP) offers two grants to help owners leverage technology to get online, reach more customers, operate more efficiently, and propel their businesses forward.

Even if you own a brick-and-mortar business, the benefits of implementing digital capabilities are undeniable. Not only can you reach a broader range of customers when you take your business online, but digital technology can also help you automate tasks, develop more efficient processes, boost your brand presence, and access a greater selection of inventory and suppliers.

WHAT IS A GROUP RRSP AND WHY DO YOU NEED TO GET IN ON THE ACTION

A group RRSP gives you strength in numbers. It can make sure you save for retirement, provide a welcome tax break and cost less than a non-group plan. You know you should do it – but saving for retirement isn't always at the top of your to-do list. It's easy to forget about emails from HR reminding you to sign up to your employer's group registered retirement savings plan (RRSP). But the earlier you start saving, the bigger the benefits you'll enjoy over the long term.

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FUND MANAGER COMMENTARY

Rob Almeida, Global Investment Strategist

MFS Global

PREPARING FOR THE NEW PARADIGM FACING INVESTORS

Kim Hyland, Head of Global Institutional Relationship Management at MFS, joins MFS' Global Investment Strategist Rob Almeida in this podcast to discuss the four main challenges facing clients and, as investors, how we think about some of those challenges.

Rob Almeida Intro: Welcome to another edition of the Strategist Corner Podcast. I'm Rob Almeida, MFS' Global Investment Strategist and Multi-Asset Portfolio Manager. In this episode, I chat with Kim Hyland, head of MFS' Global Institutional Relationship Management team. We discuss trends and common concerns she's hearing from clients across the global institutional market and how we as investors think about some of those risks.

Myles Zyblock, Chief Investment Strategist

Dynamic Funds

THE HOUSING MARKET IS A "TOP FINANCIAL RISK"

One of the intended consequences of the Bank of Canada's aggressive rate hikes was to cool the economy to force down high levels of inflation. From the latest CPI report, it appears that the Bank is succeeding (currently the inflation rate is at 4.3% versus 8.1% last June). However, the economic price for their actions has not beenfree. The housing market has taken a toll, with both sales and prices under significant downward pressure (see Chart of the Week).

Michal Marszal, Portfolio Manager

CIBC Asset Management

RENAISSANCE GLOBAL SCIENCE & TECH Q1 2023

Though markets trended higher throughout the first quarter of 2023, significant volatility was experienced. Global equity markets started strong in January, with investors encouraged by central bank progress towards fighting historically high inflation. Sentiment quickly turned negative in February with inflation and employment figures appearing stickier than initially anticipated. Finally in March, we started to see the impacts of the extraordinary monetary tightening implemented by central banks globally.

Stephen H. Dover, Chief Market Strategist

Franklin Templeton Institute

QUICK THOUGHTS: PREPARING FOR A PAUSE

There is a wide disconnect between the Federal Reserve's (Fed's) message and what the futures market is pricing in for the likely path of interest rates. How will the gap be narrowed? How should investors position around these potential scenarios? I looked for answers on both the drivers and impact of the future path of interest rates on fixed income markets in a conversation with Mark Lindbloom, Portfolio Manager, Western Asset Management; Rick Klein, Head of Multi-sector and Quantitative Strategies, Franklin Templeton Fixed Income; and Bill Zox, High Yield Portfolio Manager, Brandywine Global. Below are my key takeaways from the discussion:

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LINKS

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CANADIAN DB PENSION PLANS SEE MEDIAN RETURN OF 4% IN Q1 2023

ASIA POISED TO DRIVE GLOBAL ECONOMIC GROWTH, BOOSTED BY CHINA'S REOPENING

DATA BREACH EXPOSED MACKENZIE CLIENTS' PERSONAL DATA BUT NOT HOLDINGS, FIRM SAYS

U.S. CENTRAL BANK HIKES RATE BUT SIGNALS IT MAY BE DONE WITH THEM

BANKS WOBBLE AND BONDS ARE BACK TO BEING A HEDGE

CANADIAN RECESSION TRACKER: PREPARING FOR LANDING

T1135 REPORTING: WHAT YOU NEED TO KNOW

ROYAL BANK OF CANADA: PLUMMETING HOME PRICES COULD TRIGGER MORTGAGE DEFAULT RISK EVENT

BoC MIGHT HAVE TO RETHINK RATE PAUSE AS UNEMPLOYMENT REMAINS VERY LOW: ECONOMISTS

CIBC Asset Management

WHY DIVERSIFICATION MAY BE KEY IN 2023

Similar to the majority of last year, market sentiment and performance over the last quarter continued to be dominated by the trend in inflation and expectations around the path of interest rates.

MACKENZIE Investments

MACKENZIE ANSWERS YOUR QUESTIONS ON SUSTAINABLE INVESTING

Is sustainability the next wave of opportunity?

The drive for sustainability—making sure the planet is livable for future generations—will revolutionize much of what we do and how we do it today, including how we get around, what we buy, what we eat, how things are made, how we heat our homes ...

Forbes magazine calls the transition to sustainable energy "The $100 Trillion Investment Opportunity."

VIDEO AND PODCAST LINKS

WILL THE 60/40 PORTFOLIO REBOUND IN 2023?

VALUE INVESTING BRINGS OUT THE INNER CONTRARIAN

WHAT IS THE DEBT CEILING? WHY IT'S IMPORTANT AND HOW IT AFFECTS YOU

FINANCIAL CALCULATORS

INVESTMENT GROWTH CALCULATOR

Find out how much your savings will grow over time by making regular investments

FIDELITY myPLAN SNAPSHOT

The Fidelity **myPlan** Snapshot enables you to get a glimpse into your retirement finances in seconds.

RRSP SAVINGS CALCULATOR

Estimate how much your registered retirement savings plan will be worth at retirement

EDITORIAL COMMENT - CONTINUED

Dickens seems to be parodying our current economic and market conditions. Some investors believe we are in the "best of times" as they see the recent growth in the U.S. as a positive. They look at the low unemployment levels and believe inflation has peaked and see interest rates coming down soon. They also believe the end to the war between Russia and Ukraine is imminent. It seems there is no end to their optimism.

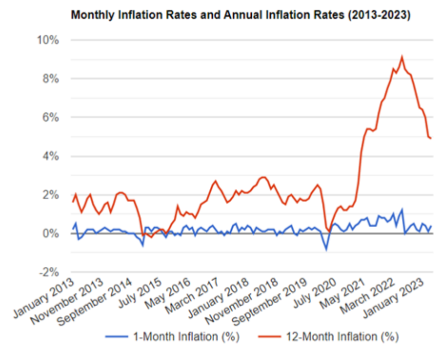
Despite the current rosy macro picture, others can only see two clouds on the horizon: Inflation followed by Recession.

My view is somewhat more pragmatic. We acknowledge there is an abundance of good news on the horizon but are also aware enough to keep one eye on those clouds since the pendulum can easily swing the other way. With so much macro uncertainty in the world, I feel that we are only one headline away from tipping the markets in either direction.

The uncertainty that pervades the current market environment has encouraged us to fall back to our "go to" position. Let's look at the FUNDAMENTALS and hope they shed more light on where we are and where we expect to be going.

INFLATION

There is no question that inflation is high. We are all feeling the pain at the grocery stores, gas pumps, virtually anywhere we spend money. But, more recently inflation has clearly established a downward trajectory. My view is that inflation has peaked, and the burdensome easing implemented by the Fed is finally beginning to have its intended effect on the economy, albeit more slowly than we had anticipated or hoped for. The following chart displays both the monthly inflation rates alongside the 12-month inflation rate since January 2013. The red trendline for 12-month inflation clearly shows the inflation trend is downward.



Typically, this type of trend would be considered very good for the markets. This type of backdrop should support revenue and earnings growth, and easing inflation should take cost pressures out of the system. Unfortunately, the Fed is not quite onside as they raised rates at their last meeting, albeit by only 25 basis points. Powell's guidance indicated that there may be a rate increase pause though this was not set in stone.

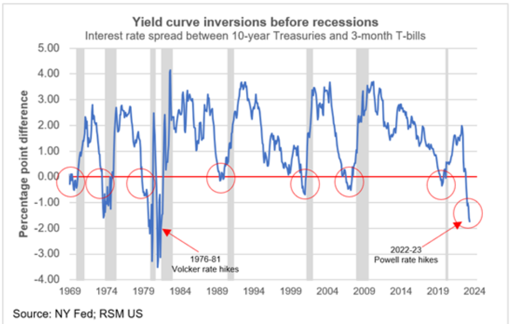
His concern is that tight labor markets will exert renewed upward pressure on inflation going forward. My fear is if inflation changes course and pushes upward in the coming months, coupled with an anemic growth environment, we could face stagflation which would be a death knell for financial assets across the board.

In my opinion, while this is certainly possible, every month that passes with wages and prices looking more and more contained, stagflation appears less and less likely. Although inflation continues to be a risk for the markets, that risk continues to fade as benign data continues to be reported.

RECESSION

Joseph Brusuelas, chief economist for RSM US LLP said, "We have made the case for some time that the "R" word that best describes the American real economy is resilience, not recession."

I agree! Despite high inflation and interest rates, and a Fed that has implemented tightening with a vengeance, and despite souring financial conditions, the economy just keeps chugging along. Most likely this is due to strong consumer spending.



Source: NY Fed; RSM US

Barring a default on the U.S. debt, it is difficult to imagine that the NBER will declare a recession anytime soon with unemployment rates at an all-time low of 3.4%. If an imminent recession is on our horizon, I don't see it occurring until early 2024. As long as the labor market continues to remain robust and as long as the $500 billion in excess savings sitting on household balance sheets remains intact, we should continue to see solid spending levels through the end of the year.

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EDITORIAL COMMENT - CONTINUED

One of the primary recession indicators is the yield curve. It is a line that plots interest rates of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives us an idea of future interest rate changes and economic activity. While normal curves point to economic expansion, downward sloping or inverted curves indicate an economic recession.

The shape of the yield curve first became concerning in 2022 as it was flirting with falling into negative territory. The yield curve was beginning to flatten even while the Fed was pushing short-term rates rapidly higher while increases in long-term interest rates were moderating. By the end of 2022, the yield curve had inverted as short-term rates were higher than long-term yields, a condition I consider abnormal.

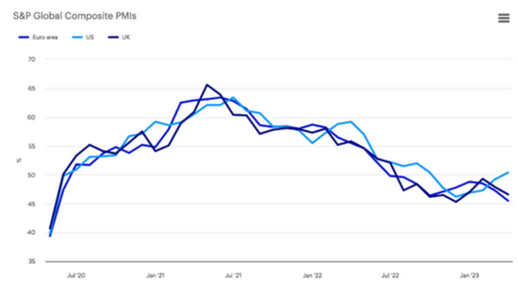
This condition has some historical clout. It has occurred before every recession in the postwar era. There is currently a 175 basis-point difference between short-term and long-term rates and this difference is screaming RECESSION! Or at least one in the making.

According to a model produced by the Cleveland Fed, the probability of a recession in one year increased from 4% in April 2023 to 75% in April 2024. What makes this recessionary environment different from most others is that companies continue to hire new employees, households continue to spend money and the economy continues to grow though at a more moderate pace.

The way I see it, until companies quit hiring and begin laying off employees and until the higher-end consumers, that 40% niche of households that account for 60% of the spending, stop buying discretionary goods, the economy will continue to muddle through.

PURCHASING MANAGERS INDEX (PMI)

The PMI dataset features a number which indicates the overall health of the economy. It aids in providing insight into other key economic drivers such as GDP, inflation, exports, capacity utilization, employment and inventories. It gives us a better understanding of where the economy and markets are headed. A number greater than 50 indicates expansion while a number below 50 indicates contraction.



Source: Macrobond. Data from May 1, 2020, to April 1, 2023.

The J.P. Morgan Global Composite Output Index posted 54.2 in April, a rise from 53.4 in March. This marked the third consecutive expansion of the global economy and at a clip not seen since December 2021. The most recent reading is indicative of global GDP rising by approximately 4.0%.

JOB CREATION

The U.S. economy added a surprising 250,000 jobs in March which is significantly higher than the 200,000 average monthly increases experienced during the 2009-2020 recovery period. This is suggestive of a resilient economy that continues to expand, even in the face of a series of adversarial blows.

REAL PERSONAL INCOME

Inflation adjusted personal income continues to grow albeit at a slower pace than earlier in this business cycle. Since the onset of COVID in 2020, real personal income has grown at an average rate of 2.3% per year. This is over and above the effects of inflation.

THE BIG PICTURE

For those wondering how severe a recession will be, step back and take a look at the big picture. You will see an unemployment rate hovering around 3.4%. If the recession does hit us next year I expect it will be limited by the strength in the labor market and a continued moderation in inflation. It is a wonder that the economy is still able to generate 250,000 jobs each month while real personal income continues to rise in the face of declining inflation. This trifecta alone should shed some of the worry from our shoulders.

Recent growth has been stronger than expected and the labor market has shown resiliency in the face of rising rates. Worries about energy availability have also eased.

The bad news is that this optimism is contingent on the government avoiding a default on its debt and on whether the banking system can survive the mismanagement nightmare and the effect the bursting of the zero-interest rate lending bubble has on the economy.

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EDITORIAL COMMENT - CONTINUED

SUMMARY

The U.S. economy will most likely slow down, and a recession seems imminent in the next 12-18 months. Although this is what I expect, I also expect that the path towards recession will not be a linear one as there are many factors that can amplify the time frame or the severity of a recession. My evaluation of the data leads me to believe that a recession would likely lean towards the mild to moderate side. I do not see any reason to worry about a hard landing.

The best advice I can offer is to stay disciplined to your long-term plans and do not feel compelled to stray from your core investment philosophies. Your strategic beliefs can and will help you better manage this challenging investment environment we are currently dealing with and the upcoming recessionary economic climate we are likely to be facing over the next year-and-a-half.

The current investment climate has an aura of uncertainty surrounding it causing unease for investors. Depending on how you choose to interpret the current data, or how you extrapolate it in market forecasts, today can be seen as either **“the best of times or the worst of times”.**

CHART OF THE MONTH - CONTINUED

As at April 28, 2023			Local Currency Returns				Returns in CAD			
Index	**Close**	**Local Currency**	**1 Wk**	**MTD**	**YTD**	**2022**	**1 Wk**	**MTD**	**YTD**	**2022**
S&P/TSX	20636.54	CAD	-0.27%	2.67%	6.46%	-8.66%	-0.27%	2.67%	6.46%	-8.66%
S&P500	4169.48	USD	0.87%	1.46%	8.59%	-19.44%	0.94%	1.68%	8.77%	-13.83%
NASDAQ	12226.58	USD	1.28%	0.04%	16.82%	-33.10%	1.35%	0.25%	17.01%	-28.44%
DJIA	34098.16	USD	0.86%	2.48%	2.87%	-8.78%	0.93%	2.70%	3.04%	-2.43%
Russell 2000	1768.99	USD	-1.26%	-1.86%	0.44%	-21.56%	-1.18%	-1.65%	0.60%	-16.10%
FTSE 100	7870.57	GBP	-0.55%	3.13%	5.62%	0.91%	0.68%	5.25%	9.96%	-3.52%
Euro Stoxx 50	4359.31	Euro	-1.12%	1.03%	14.91%	-11.74%	-0.58%	2.75%	18.54%	-11.19%
MSCI Europe	156.86	Euro	-0.53%	1.97%	10.08%	-11.86%	0.01%	3.71%	13.55%	-11.31%
DAX 30	15922.38	Euro	0.26%	1.88%	14.36%	-12.35%	0.81%	3.62%	17.96%	-12.17%
Nikkei 225	28856.44	JPY	1.02%	2.91%	10.58%	-9.37%	-0.35%	0.62%	6.64%	-15.66%
Hang Seng	19894.57	HKD	-0.90%	-2.48%	0.57%	-15.46%	-0.86%	-2.27%	0.12%	-9.62%
Shanghai Comp.	3323.28	RMB	0.67%	1.54%	7.58%	-15.13%	0.45%	1.13%	7.54%	-16.35%
MSCI ACWI	655.00	USD	0.37%	1.27%	8.20%	-19.80%	0.44%	1.49%	8.37%	-14.21%
MSCI World	2835.93	USD	0.46%	1.59%	8.96%	-19.46%	0.53%	1.81%	9.14%	-13.86%
MSCI EM	977.05	USD	-0.38%	-1.34%	2.16%	-22.37%	-0.30%	-1.13%	2.33%	-16.97%
Russell 1000 Growth	2484.67	USD	1.14%	0.93%	15.13%	-29.81%	1.21%	1.15%	15.31%	-24.93%
Russell 1000 Value	1523.90	USD	0.29%	1.37%	1.79%	-9.58%	0.36%	1.59%	1.95%	-3.28%
Fixed income	**Close**		**1 Wk**	**MTD**	**YTD**	**2022**	**1 Wk**	**MTD**	**YTD**	**2022**
FTSE Canada Univ.	1095.61	CAD	0.80%	0.98%	4.23%	-11.69%	0.80%	0.98%	4.23%	-11.69%
BBG Global Agg.	461.35	USD	0.74%	0.44%	3.46%	-16.25%	0.85%	0.70%	3.45%	-10.19%
TSX Pref	1636.81	CAD	-1.52%	0.27%	2.54%	-18.08%	-1.52%	0.27%	2.54%	-18.08%
BBG U.S. Agg	2122.20	USD	0.83%	0.61%	3.59%	-13.01%	0.94%	0.87%	3.57%	-6.71%
BofAML U.S. HY Index	1467.33	USD	0.48%	0.93%	4.68%	-11.22%	0.59%	1.19%	4.67%	-4.79%
Commodities	**Close**		**1 Wk**	**MTD**	**YTD**	**2022**	**1 Wk**	**MTD**	**YTD**	**2022**
Oil	76.78	USD	-1.40%	1.47%	-4.34%	6.71%	-1.29%	1.73%	-4.35%	14.44%
Natural gas	2.41	USD	7.93%	8.75%	-46.1%	19.97%	8.04%	9.03%	-46.15%	28.66%
Gold	1990.00	USD	0.35%	1.05%	9.10%	-0.28%	0.42%	1.27%	9.06%	6.84%
Silver	25.05	USD	-0.12%	3.96%	4.59%	2.77%	-0.07%	4.20%	4.58%	10.25%
Copper	387.00	USD	-2.76%	-5.48%	1.56%	-14.63%	-2.66%	-5.24%	1.55%	-8.45%
Currencies	**Close**		**1 Wk**	**MTD**	**YTD**	**2022**	**1 Wk**	**MTD**	**YTD**	**2022**
CAD/USD	0.7379		-0.11%	-0.26%	0.01%	-6.75%	-0.11%	-0.26%	0.01%	-6.75%
USD/EUR	0.9075		-0.31%	-1.64%	-2.85%	6.23%	-0.31%	-1.64%	-2.85%	6.23%
CAD/EUR	0.6701		-0.30%	-1.79%	-2.80%	-0.86%	-0.30%	-1.79%	-2.80%	-0.86%
USD/JPY	136.3000		1.60%	2.59%	3.95%	13.94%	1.60%	2.59%	3.95%	13.94%
USD/CNY	6.9126		0.31%	0.57%	0.20%	8.54%	0.31%	0.57%	0.20%	8.54%
USD/MXN	18.0003		0.07%	-0.25%	-7.69%	-5.01%	0.07%	-0.25%	-7.69%	-5.01%
GBP/CAD	1.7040		1.25%	2.18%	3.93%	-4.16%	1.25%	2.18%	3.93%	-4.16%
GBP/USD	1.2567		1.09%	1.86%	4.01%	-10.71%	1.09%	1.86%	4.01%	-10.71%
Inflation	**Close**			**Mar'23**	**Feb'23**	**Jan'23**		**Jan'23**	**Dec'22**	**Nov'22**
U.S. CPI YoY				5.00%	6.00%	6.40%		6.40%	6.50%	7.10%
U.S. CPI ex Food and Energy (YoY)				5.60%	5.50%	5.60%		5.60%	5.70%	6.00%
Canada CPI YoY				4.30%	5.20%	5.90%		5.90%	6.30%	6.80%
Bond yields	**Close (%)**		**YTD Change**							
10 yr Canada Govt.	2.8410		Decreased by 46 bps							
10 yr U.S. Govt.	3.4220		Decreased by 46 bps							

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Disclaimer

MYLES ZYBLOCK - CONTINUED

Furthermore, construction activity has cooled and is threatening the health of the economy while economists now have a technical recession penciled in for 2023.

More recently, the housing market was named the top risk to the financial system by the Office of the Superintendent of Financial Institutions (OSFI) in its annual report. The concern revolves around the potential for defaults in response to sharply higher interest rates.

Is it all doom-and-gloom? Ultimately, if recession can be avoided, or if it is shallow enough and the labor market manages to remain resilient, then the risk levels surrounding the housing sector should start to dissipate. Currently, we are noticing leading indicators of house prices showing signs of promise for the latter half of 2023.

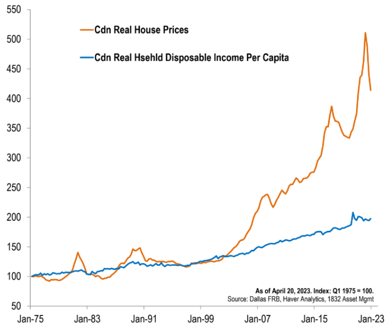
Chart of the Week: Home prices have declined by ~19%

The rapid rise in interest rates has cooled construction activity. New permits have been in decline and this has led to a fall in actual housing starts. For the month of March, residential starts declined 11% and are down by 12.5% versus a year ago levels.

This latest data is likely to feed negatively into the residential-investment series in GDP. Note that consensus already has back-to-back quarters of mild contraction penciled for Canadian GDP in Q2 and Q3.

Contributing to the headwinds facing the housing sector is the pace at which home prices have climbed versus disposable incomes in Canada, especially when compared to our southern neighbors.

After adjusting for inflation, Canadian house prices have been growing at 3.0% compared to 1.4% for disposable income –more than double the rate.



Interest Rate Hikes Weighting On Households

OSFI has cited the housing market, with the potential for bankruptcies, as the top financial risk for banks. The rapid rise of interest rates in Canada has been felt by households via higher borrowing costs. For example, the mortgage debt service ratio has spiked alongside banks raising their interest rates.

Ultimately, the households' ability to service their mortgages is directly tied to being employed. The proportion of residential mortgages in arrears is sitting at low ebb and is unlikely to rise absent a deterioration in the economy and employment levels. At this juncture, the labor market remains on firm ground.

Are The Clouds Parting For The Housing Sector?

While the level of uncertainty surrounding the housing sector remains elevated, the outlook could be brightening. One positive sign is the Bank of Canada effectively taking a pause in their rate tightening cycle. The fixed income futures market has a rate cut priced in by years' end.

A second positive sign, and in a similar vein as the upturn in the Canadian aggregate for residential sales-to-listings shown in the prior page, is the sales to listing for cities such as Toronto and Vancouver, where a recovery is being flagged for the second half of 2023

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Patience is a Virtue—Continued

While sprinting does offer a quick burst of speed that will take the runner far out ahead of the pack, the sprint can work against you over the full length of a long race and investing is a marathon. As an investor you know you are on a long journey that is required to reach your financial destination. Unfortunately, investors too often succumb to the lure of “quick money” to help get them ahead of the game. They may think that a perfectly timed trade could reduce the time it takes to achieve their goals.

There is no way I can argue against the benefits a perfectly timed trade could have on your portfolio, but as investors, making a big call on a short-term trade could quite easily backfire and put you behind the eight ball. In fact, this scenario is more likely to occur than not, especially when these short-term trades are reliant on sound bytes or unsound information.

Towards the end of 2022, the majority of forecasters were certain about three geopolitical events.

1. China would certainly keep their COVID-zero policies in place until at least the early part of spring in 2023.
2. The ongoing war between Russia and Ukraine would create a winter recession in Europe as energy prices were expected to rise beyond affordability by many Europeans.
3. The U.S. would inevitably fall into recession before the end of 2022 or early 2023 at the latest.

Source: RBC GAM, Morningstar. For the period of October 1, 2022 to May 4, 2023. Cdn Equities: S&P/TSX Capped Composite TR Index, U.S. Equities: S&P 500 TR Index, Intl Equities: MSCI EAFE GR Index. An investment cannot be made directly into an index. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

Given these forecasts, the short-sighted investor may have been tempted to time the markets by betting against them, after-all based on the forecasts this sounded like a sure bet. They were convinced they could steer clear of the inevitable market decline by selling their positions and waiting to re-enter the markets ahead of the recovery. This was going to be a piece of cake.

So, what happened?

1. China ended its COVID-zero policy in mid-December 2022, quickly and without warning, which immediately raised the outlook for global growth.
2. Europe came off of its second warmest winter on record. The requirement for energy to heat homes was significantly lower than expected which helped the continent avoid a recession while markets surged.
3. The U.S. has managed to avert a recession, at least for the time being, thanks to the phenomenal resilience of their massive economy.

So, instead of a decline in the stock markets, we experienced an unexpected rally. Those investors who elected to move their money to the sidelines to await the “guaranteed market decline” missed out on double-digit returns while the market continued to plod forward.

The moral of this story is that we, as investors, must realize that the future is not guaranteed. We can never be certain of what’s going to happen until it does.

Successful investors are those that evaluate the current situation and make small but impactful decisions that are focused on improving their long-term results. You cannot go wrong by; Investing Early, Investing Regularly, and Investing Enough.

While it takes a certain type of fortitude to avoid the temptations of quick gains, the most successful investors are those who stay focused on their long-term goals and work steadily towards them.

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Michal Marszal—Continued

On Friday, March 10, 2023 Silicon Valley Bank (SVB) was taken over by the Federal Deposit Insurance Corporation (FDIC). On Sunday, March 12, 2023 the FDIC also took control of Signature Bank, a regional US commercial bank with a focus on cryptocurrencies. Market volatility that started with US regional banks expanded into Europe. Creditors, investors and depositors of Swiss bank Credit Suisse lost confidence in the bank's ability to operate. In an effort to restore stability and confidence in the European banking sector, Swiss regulators structured a bailout and Credit Suisse was acquired by UBS. While central bank intervention did help improve market liquidity and modestly improve valuations, markets do remain on unstable footing. Afterwards, we saw the Fed get closer to the end of its hiking cycle with an additional 25 basis-point rate increase in March. While the Fed has signaled the likelihood of one more rate increase, the economy is digesting the fastest and most aggressive rate hiking cycle of this generation. On a positive note, inflation is slowly heading in the right direction as many key economic inputs have fallen, suggesting future improvements in cost pressures. In addition, employment levels have remained strong. Although a period of sluggish growth is probable, the risk of a recession remains real.

In this environment, all major regions including Europe, the US, Canada, Asia-Pacific, and Emerging Markets experienced positive returns throughout the quarter (CAD). Information technology was the best performing sector with health care ranking 10th out of 11 sectors. This highlights the importance of having both exposures within an innovation portfolio. In a positive quarter for markets, the information technology sector outperformed. However, in a period like December 2022 where markets were down, stable and mature health care businesses outperformed. Health care has traditionally served as a defensive equity sector as it is better positioned to hedge against rising inflation and interest rates, and slowing economic growth. In recessions, people still need drugs, the prevalence of disease stays fairly constant, and long-term secular growth trends from rising health care spending and aging populations remain regardless of where we are in the economic cycle. When markets do eventually rebound, information technology is well-positioned to take advantage of it due to its attractive valuations and strong long-term growth and cashflow generation. Therefore, holding an innovation portfolio that has exposure to both of these risk profiles should be an important consideration for investors in this type of market environment.

Given these developments, the Renaissance Global Science & Tech Fund Class F performed largely in-line with its blended benchmark over the past three months and significantly outperformed the Global Equity Category Average. Stocks within the information technology sector contributed to relative performance, while the portfolio's holdings within the health care and communication services sectors detracted. The Fund continues to outperform the category average over both 3- and 5-years.

We selectively took advantage of the volatility experienced to invest in high-quality businesses that were trading at very attractive valuations. Portfolio turnover was slightly elevated with three new buys, and four outright liquidations from the portfolio. Although we have opportunistically traded when opportunities have emerged, we continue to remain quite defensive. We have tilted the portfolio towards large-cap stocks which are more defensive and help limit downside risk.

Our thoughts on our positions

All of the top contributors throughout the quarter were within the information technology sector given its strong performance. NVIDIA was the top contributor, as a leading manufacturer of products and platforms supporting Artificial Intelligence (AI). Last quarter, we commented that we believed the worst had been factored into the company's stock price and continued to have high conviction in the stock. In Q1 2023, the company benefitted from the strong interest in AI, and Microsoft's introduction of ChatGPT into Bing. One of the biggest beneficiaries of the surge of interest in Generative AI is NVIDIA, because they supply the world's leading platform in AI, which should provide another leg of growth for the company.

Another top contributor was Palo Alto Networks, which is a US-based cybersecurity company that is well-positioned to grow in areas with best-of-breed products that have significant runway for market penetration. Even in an environment where IT spending is being deferred, companies rarely cut their cyber security spending given its importance to operations and the significant costs associated with breaches. As a result, the company reported strong quarterly figures in its most recent release, illustrating its insulation from recessionary pressures. Lastly, ON Semiconductor Corporation (Onsemi) was another top contributor throughout the quarter. Onsemi is a US semiconductor company that is capitalizing on the shift to electric vehicles and renewables, which drives demand for the power semiconductors that Onsemi specializes in. They have significant exposure to the automotive sector and have continued to experience strong demand throughout the first quarter. Most of their orders are non-cancellable, which ensures good visibility of demand over the medium term. Amidst the market volatility, a few of the names within our portfolio detracted from Fund performance. Johnson & Johnson is an American pharmaceuticals and medical devices company. There was no meaningful news throughout the quarter.

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Michal Marszal—Continued

A lot of the weakness associated with the company's stock was driven by a lack of meaningful catalysts for the remainder of 2023 and a sell off in the medical technology sector which the company has some exposure to. Given our long-term orientation, we continue to have high conviction in the stock. Roche Holding AG (Roche) is a global pharmaceutical and diagnostics company which has an attractive pipeline of developmental assets across multiple therapeutic categories. Roche has a robust R&D engine in drug development innovating across all areas of the market including small molecules to large molecules, gene and cell therapy, etc.

The company's stock continued to sell-off throughout the quarter with the market concerned with its base business and declining sales related to its COVID-19 products. However, Roche remains a core holding within our portfolio and over the medium term its pipeline is quite robust. It has a strong mid to long-term growth outlook with important pipeline readings expected over the next 12 to 18 months which can provide a strong boost to the company's prospects.

Finally, UnitedHealth Group Inc. is an American managed health care company. The company underperformed throughout Q1 2023, but we largely identified this as temporary weakness based on fee structure uncertainty related to the US government. Right after the end of the quarter, the government announced higher fees which caused a surge in the company share price which was welcomed by the market

Market Review—Seeing Opportunity—Continued

There is a reason this is happening. The Nasdaq and S&P 500 are moving up on the coattails of those few large-cap companies. The heat map below shows this. This heat map looks at the stocks in the S&P 500 over the last three months. The darker green (see AAPL) represents a number above +6% and the brightest green (see MSFT, NVDA, GOOGL) represent returns above +18%.

Figure 1 Source: .l., Narrow Markets, And The New T.I.N.A. – AdvisorAnalyst.com

The problem (or opportunity as I see it!) is that the market cannot continue to rally without the small and mid-cap troops. It doesn't mean that the markets will fall sharply, it just means that we could see a period of flatness (or up and down movements) for a part of this year. And herein lies the opportunity. The bigger market rally can only happen when the small and mid-cap companies participate. So, while many investors are putting money into these large cap companies hoping to participate in a "perceived" market rally, the smart money will be moving towards the small and mid-cap companies. We're seeing this now with our best performing fund managers. Year-to-date, these managers seem to be underperforming their peers who are in these large cap companies like Microsoft and Apple. But when we examine the investment style of the best managers, we see that they have shifted their funds from being large cap growth funds to small and mid cap growth funds. The crazy part is that these managers are being ignored, sold, and criticized because they're coming off a bad 2022 and are underperforming the NASDAQ and S&P 500 year-to-date. But I see it very differently.

I know that these are managers with 10-year and 15-year compound returns above 10%. Considering the Financial Planning Council says the highest risk assumption to be used in long-term planning should be around +7%, these managers are clearly able to produce greater growth than should ever be planned for. It just comes down to these managers being able to stick to their investment philosophies and finding companies with the biggest and best growth potential over the next 3 – 5 years. Historically this growth potential comes from properly positioning portfolios to benefit from the next phase of the market cycle which is exactly what we're seeing these managers doing.

In the heatmap below, we see those same companies that have resulted in this year's 'market rally', but this time we see which companies are considered 'over-priced' in red, and which are 'under-priced' in green.

Figure 2 A.I., Narrow Markets, And The New T.I.N.A. – AdvisorAnalyst.com

You'll notice that all the large caps that have pushed the S&P 500 and Nasdaq into positive territory this year are also the same companies that are being measured as expensive.

While conducting my due diligence of one of our more aggressive fund managers, I noticed a trend with his investment style. Every so often, the fund he managed would switch from being a large cap growth fund to a small/mid-cap growth fund.

Since the fund's inception in 1998, there have only been a few instances in which the fund operated in this small/mid-cap space for two years in a row. Mostly this occurred after a huge market upswing followed by a big down swing; most recently being 2019-2021 after which the fund went to a small/mid-cap style in 2022. The fund is now in its second year as a small/mid-cap fund. The interesting bit is that some of the biggest periods of growth this fund has had is the period following the lower cap investment style.

It makes sense if you think about it: the manager moves towards smaller companies with huge growth potential; the type of growth that the bigger companies like Apple and Amazon have already experienced. Eventually these smaller cap companies grow as the manager hoped they would, and the truly successful ones will ultimately become those larger cap companies like the ones we see in the heat map.

Market Review—Seeing Opportunity—Continued

At that point, the manager is now holding large cap companies and the fund inevitably becomes a large cap growth fund. Then, through buying and selling in the fund, the manager starts the new cycle of moving into the next generation of growers; thus, becoming a small/mid cap fund again. Rinse and repeat.

The point I'm trying to make is that, for someone with a 3, 5, 10 or longer investment time horizon, this may be the biggest money-making opportunity we've seen since 2008. Even though a portfolio's returns may seem lower than they should right now (to the point that a 5% GIC has become an enticing place to put one's money), I see evidence that we're approaching a period of growth that most people would kick themselves for missing out on.

The type of growth that gives people the +6% to +12% 10-year compound return. I've heard the comment, "yea but let's go into GICs just until that happens". The problem is that NOBODY CAN TIME THE MARKET! The fund I'm referring to above spent January to April between +1.5% and +4%. Today the fund is up nearly +11%. That's a +6% jump in one month. Is this the run we've been waiting for or are we still too early? I don't know, you don't know, and the talking heads on BNN doesn't know.

The only thing we know is that we're somewhere near the starting point, either in front of it or behind it. We know that the best thing to do is put on our planning hats and decide whether we want to be invested over the next three to five years in something with growth potential or something that can protect your capital. Can't be both. And having now done many financial plans for people, I can say that most people's NUMBER (that number you need to get the lifestyle you want for the rest of your life no matter what happens), can not tolerate timing the market and being invested in GICs over the long-term.

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