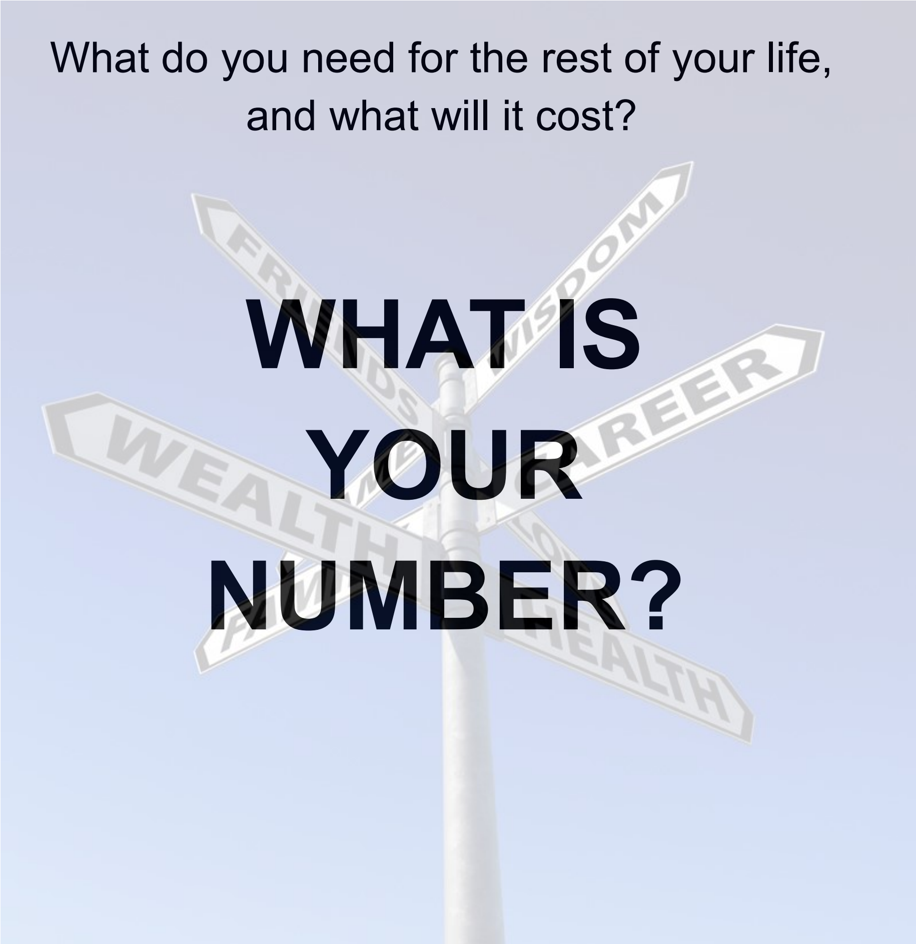
Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

JUNE 2023 EDITION

KPW NEWSLETTER



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.

We place as much Value on Money as we do on YOUR Pursuit Of Happiness

To identify Your NUMBER Call for details: 905.893.2540 or 647.802.9877

IMAGINE YOUR FUTURE

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

WHAT IS YOUR NUMBER?—KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 12, ISSUE 6

"Stop trying to predict the direction of the stock market, the economy or the elections." **Warren Buffett**

Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
THE BENEFITS OF INSURANCE LENDING

Ryan Simone, CFP, CLU, CHS
DISCIPLINE OR REGRET

EDITORIAL COMMENT

Sergio Simone

Since we are at the mid-point of the year, I thought I would begin this editorial with a quick recap of 2023-to-date.

Highest inflation rates in 40-years, rising interest rates, falling profits, stress in the banking sector, Russia/Ukraine war, debt ceiling debate, continual bombardment by media on "inevitable recession" in 2023. With all that has been going around me, if I was the type of person who did not follow my portfolio, I would be convinced that it must be ravaged by now. To look at my portfolio and see that it is up after all of the negative issues, leaves me in awe.

THE BENEFITS OF INSURANCE LENDING

Kristina De Souza, CFP

When most people think about permanent life insurance, it's usually seen as a passive asset. The reality is, as I have recently learned, that it can unlock opportunities for policyholders who are looking for a convenient line of credit. In our experience, individuals tend to seek loans or lines of credit to invest in their business or in the markets, carry out renovations, or meet other financial needs such as creating a source of retirement income. In a rather unconventional way, it's the case that a permanent life insurance contract can provide exactly that flexibility. Many contracts may help generate a significant cash surrender value, which as a reminder, refers to the amount of cash you will receive if you forfeit or surrender the policy.

DISCIPLINE OR REGRET

"You can suffer through discipline, or you can suffer through regret".

Ryan Simone,
CFP, CLU, CHS

I don't know who said the above quote, but it rings true in so many ways. When I first read it, I immediately thought about healthy eating. You can enjoy the pizza and suffer through regret later, or you can skip the pizza and suffer through the discipline of watching everyone else ram that delicious cheesy goodness down their gullets. Coincidentally, this idea of discipline and regret also works with financial plans!

According to Russell Investments 2023 Canadian study 'Value of an Advisor', full-service advisors added 4% of value to their client's overall wealth. A large part of this is through behavioral coaching and helping clients maintain discipline over their money. We all know 2022 was a terrible year for investors, with negative returns not seen since the 2008 recession.

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WHAT IS YOUR NUMBER?—KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 12, ISSUE 6

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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Disclaimer

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The KPW Team would like to Congratulate Bruce for winning our "Book Your Annual Review" contest.

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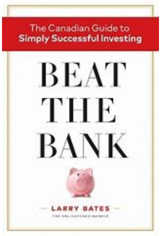
BOOK OF THE MONTH



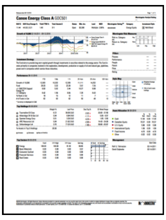
BEAT THE BANK

- by Larry Bates

You work hard. You sacrifice to save. You risk your money in the market over your working lifetime and you trust your bank to treat you fairly. But your bank strips away half of your lifetime investment returns in fees, costing you tens of thousands, or even hundreds of thousands, of dollars. Without realizing it, millions of Canadians are in precisely this position.

How does the industry pull this off? The big Canadian bank, and by extension our entire financial industry, brilliantly capitalize on the combination of individual investors' poor understanding of fees, deep loyalty, and misplaced trust by charging Canadians the highest investment fees in the world. There is a better way!

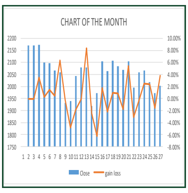
FUND OF THE MONTH



CANOE DEFENSIVE U.S. EQUITY PORTFOLIO CLASS—SERIES F

The Fund aims to achieve over the longer term the highest possible return that is consistent with a fundamental investment philosophy through investment in broadly diversified securities, by region and industry, invested primarily in the US markets. The Fund will, through the use of risk and portfolio management techniques, reduce the draw down potential that is typical of long only equity portfolios. This active management is expected to provide a margin of safety and, over the long term, smooth out the returns in comparison to long only equity portfolio

CHART OF THE MONTH



HOW DO CANADIANS FEEL ABOUT RETIREMENT PLANNING?

The following graphs are excerpts from the **2023 Fidelity Retirement Report—Helping Canadians Think About Retirement.**

The report is focused on how Canadians near, and already in, retirement approach the next stage of their lives. This is the 18th year the report has been conducted.

A WEALTH OF COMMON SENSE

BLOG OF THE MONTH

HOW TO INVEST IF YOU'RE SITTING ON A PILE OF CASH RIGHT NOW

A reader asks:
My wife and I are 42 with a 13-year-old son. We moved to Phoenix, AZ as immigrants 7 years ago with just a couple thousand dollars to our name. Since then have slowly progressed in our careers. At this point, here's what we have accomplished financially:
Annual combined income: $350k; Cash in checking accounts: $230k; Mortgage: $530k (28 years left); Investments through 401k, 529 plans: $100k; Stock Market: $75k; Savings rate/month: $8k/month.

We both plan to work for the next 13 years and then think about retirement. I need your suggestion on what options I have to better utilize the cash in checking accounts. Should I invest them into ETFs or blue chips in a lump sum? Or should I plan to invest in real estate for some passive income?

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

trust&will

WHO SHOULD BE MY BENEFICIARY

Deciding: who should be my beneficiary may be a no-brainer for some people. But for others, it might be a bit more difficult. Do you leave the assets in your estate solely to your spouse? To your children? To a charity? To multiple family members or friends? More importantly, which assets even need beneficiaries?

You'll designate beneficiaries for several types of assets - from your Will to your Life Insurance policies - and while there is no hard or fast rule about who to choose, there are some things you should be familiar with so you can make the best, most informed decisions possible.

Kiplinger

COMPARING ESTATE PLANNING: 'LEAVE IT TO BEAVER' VS. 'MODERN FAMILY'

As a child, I grew up watching Leave It to Beaver with Ward and June Cleaver, Wally, Theodore (the Beaver) and Eddie Haskell. The estate planning goals and challenges for families like the Cleavers are often less complex than those of the blended family today. More often, all assets are left to the surviving spouse with few, if any, restrictions.

There was little or no concern that Ward or June would disinherit the children after the first spouse's death. At the death of the surviving spouse, the kids (Wally and Theodore) would receive their respective shares of the trust estate, perhaps at appropriate ages when they were financially mature enough to manage the wealth. There was little concern then about long-term divorce or asset protection.

Fidelity INVESTMENTS

2023 FIDELITY RETIREMENT REPORT

The inaugural Fidelity Retirement Survey was conducted in 2005, and every year since then we have been providing insights into the attitudes and behaviour of Canadian pre-retirees and retirees. While it may feel like another lifetime, it was just over three years ago that the WHO declared COVID-19 a pandemic, one that has now reached something of an equilibrium. However, as one situation stabilizes, other factors become less so. Many wonder, will volatile markets continue? How high will policy interest rates go? When will inflation return to its 2% target rate? Is Canada in a housing bubble? Where is the Canadian dollar going? These are all good questions, with implications for retirement, but there are no easy answers in sight.

Forbes

STRATEGIES ULTRAHIGH NET WORTH INDIVIDUALS USE TO BUILD WEALTH AND KEEP THEIR WEALTH

Many people chalk up the success of ultrahigh net worth individuals (UHNWI) to luck or trust funds, but the truth is, most of these people have common characteristics and strategies when it comes to guarding and growing their wealth.

And I'm not talking about obvious habits like "start investing early," which I've read in countless lists. There are real, practical tools that multimillionaires and billionaires use.

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CORPORATE CULTURE

RICK ORFORD

FAMILY BUSINESS SUCCESSION PLANNING: ENSURING A SMOOTH TRANSITION

If you're running a family business, you likely hope to pass it on to your children one day. After all, you've invested significant time building it so that you can provide for your family, give your kids a solid start in life, and pass on your legacy. Unfortunately, a majority of business owners don't have a concrete plan in place for succession, and many end up delaying retirement because issues arise during the transition that they were not prepared for.

Though you may not be expecting to retire for decades, it's important to start thinking about your family business' transition today. Your children will need time and support to develop the skills required to take over your business.

indeed

WHY IS A BUSINESS PLAN IMPORTANT? A COMPLETE GUIDE

If you want to build a successful business, you may be interested in learning why a business plan is important. Business plans require reflection on your career goals, the anticipation of challenges, and an overview of the estimated financial information. Knowing more about the elements of a successful business plan can help you write more efficient plans of your own. In this article, we answer the question, "Why is a business plan important?", review its benefits, and provide tips to help you develop your own effective plan.

RBC

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.

CFO.UNIVERSITY

WHY YOUR COMPANY NEEDS A GOOD BANKING RELATIONSHIP

How many times have you heard somebody say, "Banks only lend to companies who don't need the money."? I have heard that comment frequently over the past 10 years. Now, with the benefit of hindsight, I realize it was those companies who valued their banking relationships and were always prepared to talk to the bank who received the funding. The first step in building a solid bank relationship is to value what a bank can mean for you. Many executives still view a bank as a vendor, selling money, rather than a partner, providing ideas and solutions to improve their business.

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FUND MANAGER COMMENTARY

Gerald Du Manoir, Equity Portfolio Manager

Capital Group

MAKING THE CASE FOR INTERNATIONAL EQUITIES

International equities have long been overshadowed by the market's fascination with leading U.S. technology companies. But the tide may be shifting. A confluence of top-down and bottom-up dynamics is making the case for international equities much stronger.

From a macro perspective, the U.S. dollar has weakened significantly against the euro and other global currencies since last October. Currencies can overshoot for extended periods, and the dollar has been overvalued on several metrics for many years. That said, in the past few months, we have seen signs of a turn. And in periods of dollar weakness, currency translation effects can significantly impact total returns from equities.

Kevin McCreadie, President and Chief Investment Officer

AGF Management Ltd.

WHY RANGE BOUND MARKETS MAY BE HERE TO STAY THIS SUMMER

After an up and down start to the year, equity markets like the S&P 500 Index have traded in a much tighter range over the past couple of months. Why do investors seem so directionless? Investors are playing the waiting game right now. In particular, they're waiting for the U.S. economy to soften enough for the U.S. Federal Reserve to cut rates.

Jules Boudreau, Senior Economist

Mackenzie Investments

GLOBAL MACRO UPDATE

Forecasters expect the US economy to trail other major economies next year. But, in our view, Canada is clearly in a worse spot than the US. While both countries have had solid growth numbers to start the year, Canada's economy is showing more cracks. s. In the US, most sectors have maintained positive momentum and consumer spending has held up amazingly well (see Emerging theme). Rates are lower in Canada, which could suggest looser monetary policy.

Dan Bastasic, Portfolio Manager

I.A. Global Asset Management Inc.

ARE WE THERE YET?

We expected in the fall of last year that the level of risk in equity markets would likely be elevated through the first half of the year before falling during the second half. As such we thought it prudent to remain defensive in our equity exposure and add government bonds where we could at levels close to 4.00% on the 10-yr U.S. Treasury. We believed they would act more like the historical hedge they were to risk while providing an opportunity to increase duration and monetize capital gains. As we review our top-down look at these expectations, we believe we are still on track for a better and broader second half of 2023 as earnings, housing and employment are troughing while rates had previously peaked in the medium term late last year.

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LINKS

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MULTIPLE-SECTOR STRENGTH SAYS S&P 500 COULD MOVE HIGHER	GLOBAL REGULATORS COME FOR CRYPTO	HOW THE A.I. REVOLUTION IS LIBERATING WORKERS FROM THE RETURN TO THE OFFICE
BIDEN DEBT-BILL SIGNING SET TO UNLEASH TSUNAMI OF US DEBT SALES	WHY THE U.S. REMAINS FAR FROM RECESSION	THE NEW SCAMS CANADIANS ARE FALLING FOR AND HOW TO AVOID THEM
HOW IS A FHSA TAXED AT DEATH?	SHARE OF SIX-FIGURE EARNERS LIVING PAYCHECK TO PAYCHECK UP FROM LAST YEAR	WHY THE FED MIGHT SINK THE MARKET

BANK OF CANADA
BANQUE DU CANADA

BANK OF CANADA RAISES RATES

The Bank of Canada raises rates by 25 basis points to 4.75%. Their view is that the existing rate was not sufficient enough to bring the economy back into balance.

Kiplinger

WHAT IS INDEXED UNIVERSAL LIFE INSURANCE AND HOW DOES IT WORK

There are three types of polices within the universal life category: variable universal life, fixed universal life and indexed universal life (IUL). In this article, we'll explore how IUL works so that you can determine if it is right for you.

Please note that these are extremely complex products that should be set up and guided by a trusted financial professional. Your current health may have a major impact on the policy and its associated fees, which will influence whether it makes sense for you to fund it. Please proceed with caution when considering an IUL, or any investment product, for that matter.

VIDEO AND PODCAST LINKS

WHAT CHARTS ARE SAYING ABOUT MARKETS	SLOW RETURN TO OFFICE CHANGING THE FACE OF COMMERCIAL REAL ESTATE	WHY VALUE INVESTING IS MAKING A COMEBACK

FINANCIAL CALCULATORS

INVESTMENT GROWTH CALCULATOR	FIDELITY myPLAN SNAPSHOT	RRSP SAVINGS CALCULATOR
Find out how much your savings will grow over time by making regular investments	The Fidelity **myPlan** Snapshot enables you to get a glimpse into your retirement finances in seconds.	Estimate how much your registered retirement savings plan will be worth at retirement

EDITORIAL COMMENT - CONTINUED

The good news is that we have reached the midway point in the year fairly unscathed after the assault put on our portfolios by the Fed and the Bank of Canada. It is true that generally speaking the markets have made gains this year, and since the October lows the S&P 500 has rallied almost 20%; but it is also true that those gains have been driven by a few mega-cap stocks.

The bad news is that when you dig below the surface, the equity markets do not look as healthy as the broad indices would suggest. This does not fall in line with the thinking of those who are convinced we are now in the throws of a new Bull Market. Historically, the onset of bull markets is typically characterized by gains spread throughout various sectors and companies. Even more so, gains are prevalent in the small cap sector, which is something we are not seeing yet.

For those fans of the early Superman comic books, I can characterize today's markets as Bizzaro World. Everything seems to be happening in a topsy-turvy way. While the negative highlights seem to be playing out, earnings have continued to be much better than expected. I am pleasantly surprised at how resilient they are, especially considering how much stress the market is under.

The big question, for me is, **"Can historical patterns guide us in assessing the current situation, or is this time different?"** Other than the arbitrary 20% gain from a previous low point, there are no specific benchmarks, indicators, or thresholds that once passed simply signal the beginning of a Bull Market.

So, as perplexing as our current state of affairs is, with each passing earnings season I see less and less reasons for the markets to take another serious dive. In fact, I am going to go out on a limb and say that "I believe we are already in the beginnings of a new Bull Market…**maybe!**". I apologize for not sounding so convincing, but this call would be much easier to make if the current strength in the markets was more broad-based and less weighted by capitalization.

Unfortunately, the S&P 500 is weighted by market capitalization. Even though this is a broad index made up of 500 of the largest companies that trade on the New York Stock Exchange and the NASDAQ, there are times when the largest of these companies carry the weight of the entire index. The information technology, Health Care and Consumer Discretionary sectors currently account for more than half of the entire index. I would be even more inclined to believe we are at the onset of a new Bull Market if the current rally was more broad-based with a wide range of sectors and underlying stocks in those sectors participating.

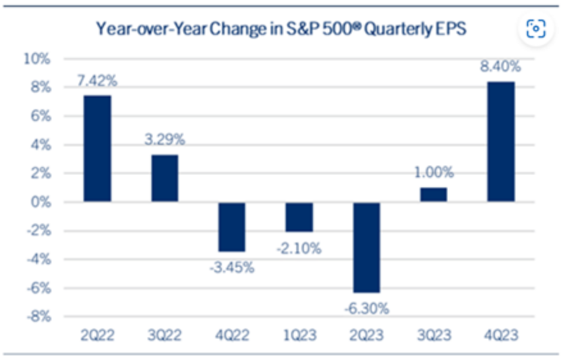
As always, **"Fundamentals Matter"** and no rally can be transformed into a Bull Market without some support from the underlying fundamentals. So, let's take a look at some of these.

Before digging in, I would be remiss not to mention that what we are experiencing could just as easily be the start of a Bull Market as a Bear Market rally!

The 2000-2007 Bear Market experienced four rallies of 10% or more, including some rallies of over 20%. The current 19% rally is not so uncommon. In fact, we experienced a similar rally last summer.

As I have mentioned, the narrow breadth of the current rally does concern me. Bull Markets usually begin with a much broader participation across the various sectors. My concern is that if this truly is a Bull Market, it would be the first one since 1990 to begin with the market-cap weighted S&P 500 index as opposed to the equal-weighted index. What this means is that the rally is being led by a narrow group of mega cap stocks like Apple (+30%), Microsoft (+44%) and Alphabet (+25%). The mega-size of these companies gives their movements extra weight on the index, while almost half the stocks in the index have dropped so far this year.

Some pundits argue that this cannot be a true rally because if it was, we would see the Small Cap sector outperforming but instead we are seeing Technology and Communications Services leading the way. I would argue that the reason we are seeing this right now is that they were the biggest losers last year. In fact, if we look at this year's big losers, Energy and Health Care, we will see they were last year's big winners.



Source: FactSet Consensus Estimates

When I review the trend for corporate earnings, I see that a recession has already begun as profit growth for companies listed in the S&P 500 Index has declined for two consecutive quarters.

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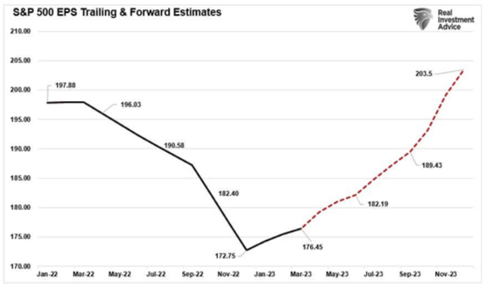
EDITORIAL COMMENT - CONTINUED

This is the view in hindsight. Looking forward, earnings are expected to grow rapidly through the end of 2023 and break above the 2022 peak. I will preface this by stating that such a strong technical and fundamental recovery in earnings would have to come from an economic expansion and right now my view contradicts the current economic data.



While all this mumbo-jumbo is fun to muse about, the factors that really drive the markets are ones like, corporate profits, liquidity, investor sentiment and valuation.

While many investors consider the current rally an early stage of a new Bull Market, if indeed it is, it would be an unprecedented beginning without some sign of improving profit fundamentals, increasing liquidity or much cheaper valuations.

Sources: Capital Group, Bloomberg Index Services Ltd., National Bureau of Economic Research, Refinitiv Datastream.
As of May 25, 2023.

Yet, as I mentioned earlier, we are living in Bizzarro World. One of the most dominant recession indicators is the U.S. Treasury yield curve. For the last year it has been signaling a recession and yet the economy continues to experience growth which has confounded many experts. The strength in employment and consumption is offsetting any weakness in manufacturing and housing.

I can only surmise that at some point, possibly later this year, economic activity will lose momentum as high prices and tighter credit conditions finally weigh on activity. So, I do think we will experience a contraction in economic activity in the last half of 2023. I believe the recession will come in waves instead of a one-time event. I see all the catalysts like inflation, higher interest rates, falling profits, credit tightening will ultimately affect employment, consumption, and capital expenditures. But it may affect different areas at different times thus making it more wave like rather than a tsunami.

For me the first wave occurred when Fed tightening triggered a crisis in the banking sector leading to the collapses of Silicon Valley Bank and Signature Bank. The next wave may likely be the commercial real estate sector. There has been a sharp rise in vacancy rates as more companies embrace a work from home business mode. Today it has become virtually impossible to refinance a commercial real-estate loan that was taken out when interest rates where substantially lower.

Another factor that may extend this recessionary wave is the increasing evidence that inflation in the 4%-5% range could be stickier than previously anticipated which will push out the time frame for the Fed to achieve its 2% target rate.

All of these factors have led the Fed to pause their rate increasing policy in June. I expect they are assessing the damage created by the banking crisis and with a little bit of luck may begin cutting rates by the end of the year.

In the 1950s someone coined the phrase **“stocks climb a wall of worry.”** So, while stocks may be higher for the year, investors still seem to be seeing plenty of reasons to remain cautious. According to data released by Bank of America**, “Bullishness among individual investors has remained at low levels. The share of individuals saying they are pessimistic about the market has exceeded the share of individuals who are optimistic.”**

Bank of America analysts say: **“Some investors call this rally hopeful, but the data suggests a ‘wall of worry’ rather than a ‘slope of hope’.”**

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BANK OF CANADA RATE HIKE - CONTINUED

Goodwood Inc.

Bank of Canada Statement Summary and Commentary

June 7, 2023
Page 1 of 2

Bank of Canada Statement Summary and Commentary: The Bank of Canada today increased its target for the overnight rate to 4¾%. The Bank of Canada stated that "based on the accumulation of evidence, Governing Council decided to increase the policy interest rate, reflecting our view that monetary policy was not sufficiently restrictive to bring supply and demand back into balance and return inflation sustainably to the 2% target."

The Bank of Canada further commented that Canada's economy "was stronger than expected in the first quarter of 2023, with GDP growth of 3.1%. Consumption growth was surprisingly strong and broad-based, even after accounting for the boost from population gains. Demand for services continued to rebound. In addition, spending on interest-sensitive goods increased and, more recently, housing market activity has picked up. The labour market remains tight: higher immigration and participation rates are expanding the supply of workers but new workers have been quickly hired, reflecting continued strong demand for labour. CPI inflation ticked up in April to 4.4%, the first increase in 10 months, with prices for a broad range of goods and services coming in higher than expected. Goods price inflation increased, despite lower energy costs. Services price inflation remained elevated, reflecting strong demand and a tight labour market. The Bank of Canada continues to expect CPI inflation to ease to around 3% in the summer, as lower energy prices feed through and last year's large price gains fall out of the yearly data. However, with three-month measures of core inflation running in the 3½-4% range for several months and excess demand persisting, concerns have increased that CPI inflation could get stuck materially above the 2% target."

In terms of market reaction the Canadian dollar has risen on the news, bond yields have risen by 18bps in the short end and 7 bps in the long end and equities are unchanged.

Goodwood Portfolio Reaction: In a surprise move, the Bank of Canada raised its target for the overnight rate by 25 bps. Most forecasters had expected a continuation of the "pause" that had been put in place in the March and April meetings. Commentators had anticipated that there would be a continuation of the pause, with perhaps some signaling that rates may rise at the July meeting. In addition, what has also surprised the market is that the Bank of Canada appears to be reacting to one month of inflation data, one quarter of GDP data and a couple of months of GTA house price increases. In Goodwood's view, the Bank of Canada has created a great deal of uncertainty regarding future interest rate policy especially with the statement that "concerns have increased that CPI inflation could get stuck materially above the 2% target". Does this imply that the "pause" was ill advised and that the Bank of Canada's forecasting ability is questionable? Goodwood's fixed income portfolios are positioned primarily in the shorter end of the yield curve, where market yields are higher due to the inverted yield curve.

Goodwood Fixed-Income Strategies: The investment-grade portfolios seek to preserve capital and provide a high level of cash coupon income. Goodwood uses a disciplined, bottom-up, and fundamental approach by analyzing Canadian investment-grade corporate bonds that Goodwood expects will receive credit rating upgrades generating capital gains. The strategies are well diversified by the position size, the industry sectors and term-to-maturity. Goodwood's flexible, tactical approach can capitalize on inefficiencies that may occur in the fixed-income markets. The long-only investment-grade mandate invests in 20-30 fixed-income securities. Similar Long-Short mandate: Goodwood Milford Fund. Goodwood also acts as sub-advisor, managing investment grade bond portfolios for third-party clients, institutions, pensions and endowments and recently added an ESG conscious strategy to our long-only investment grade mandate.

Historical Interest Rate Trend and Forecast:

Quarter	BOC	3M	2Y	5Y	10Y	30Y	FED	3M	2Y	5Y	10Y	30Y
Q1'22	0.50	0.73	2.29	2.41	2.40	2.38	0.50	0.50	2.34	2.46	2.34	2.45
Q2'22	1.50	2.09	3.09	3.10	3.22	3.13	1.50	1.67	2.96	3.04	3.02	3.18
Q3'22	3.25	3.78	3.79	3.33	3.17	3.09	3.25	3.27	4.28	4.09	3.83	3.78
Q4'22	4.25	4.24	4.05	3.41	3.30	3.28	4.75	4.00	4.43	4.00	3.88	3.97
Q1'23	4.50	4.38	3.73	3.02	2.90	3.00	5.00	4.64	4.03	3.58	3.47	3.65
Q2'23	4.75	4.75	4.50	3.50	3.30	3.20	5.25	5.75	4.50	3.85	3.70	3.90
Q3'23	4.75	4.95	4.50	3.50	3.30	3.20	5.25	5.75	4.50	3.85	3.70	3.90
Q4'23	4.75	4.95	4.50	3.75	3.40	3.20	5.00	5.50	4.50	3.85	3.70	3.90

Actual Forecast Sources: Historical: Bloomberg; Forecast: Goodwood Inc.

Corporate Spread (i.e., premium over government bonds) Trend and Forecast: Corporate bond spreads have widened by 15 to 20 basis points over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on April 12, 2023.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	2.7	5.4
Goodwood ESG-Conscious Investment-Grade Bonds	3.4	5.1
Goodwood Milford Fund	7.4	9.4
iShares Core Canadian Universe Bond ETF	7.3	4.3
iShares Canadian Corporate Bond ETF	5.8	5.3

Available through Goodwood Inc. Sources: Goodwood Inc., iShares by Blackrock *As at May 31, 2023.
See full disclosure on page 2.

Recent Investment-Grade Additions to Portfolios:
Électricité de France S.A. 5.993% 05/23/2030
George Weston 4.115% 06/17/2024
CARDS II Trust 4.331% 05/15/2025
BMW Canada Inc 4.76% 02/10/2025

Recent Investment-Grade Deletions from Portfolios:
NorthWest Healthcare Properties REIT CV 7.75% 04/30/2028 [sold]

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cscumming@goodwoodfunds.com

For more information: 416-203-2022 / www.goodwoodfunds.com

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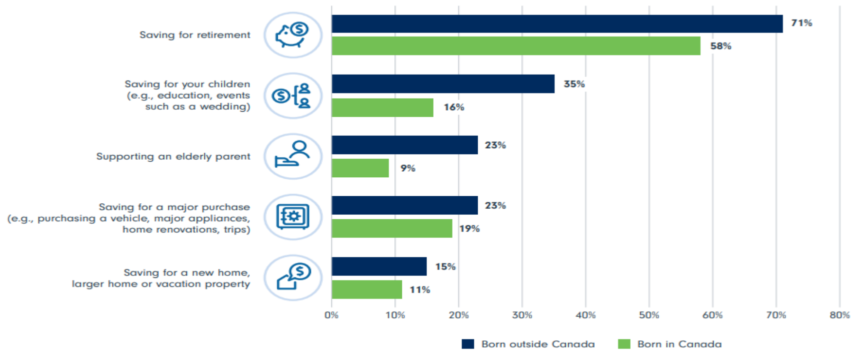
CHART OF THE MONTH - CONTINUED

Retirement remains the most important savings priority for pre-retirees.

Pre-retirees: Please indicate how important each of the following savings goals is for you personally right now.
Answer: Important

61%	20%	20%	12%	12%
SAVING FOR RETIREMENT	SAVING FOR A MAJOR PURCHASE (e.g., purchasing a vehicle, major appliances, home renovations, trips)	SAVING FOR YOUR CHILDREN (e.g. education, events such as weddings)	SUPPORTING AN ELDERLY PARENT	SAVING FOR A NEW HOME, LARGER HOME OR VACATION PROPERTY

Pre-retirees: Please indicate how important each of the following savings goals is for you personally right now.
Answer: Important



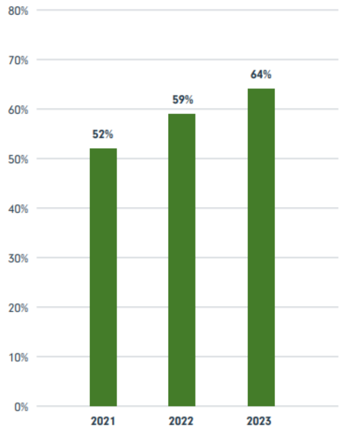
What's holding Canadians back from retiring?

Canadians near and approaching retirement are most concerned about the rising cost of living. It is holding them back from retiring when they would like.

Pre-retirees: Which of these factors is holding you back from retiring when you would like to?

64%	I am concerned with the rising cost of living
58%	I am concerned I have not saved enough
38%	I don't feel I have really planned for retirement and am not sure what I would do
38%	The performance of my investments
32%	I am concerned with the amount of debt I owe
23%	I am helping to financially support a child/children (e.g. education, housing, etc).
15%	I think I will have to provide financial assistance to my parents

Pre-retirees: Which of these factors is holding you back from retiring when you would like to?
Answer: I am concerned with the rising cost of living



The share of Canadians indicating that inflation is holding them back from retiring has increased over the last three years.

The value of professional advice.

Having a financial advisor is a key factor in ensuring retirement success. Canadians working with an advisor were more likely to feel positive about their financial goals and investment opportunities.

All respondents: Please indicate the extent to which you agree or disagree with each one. **Answer:** Agree

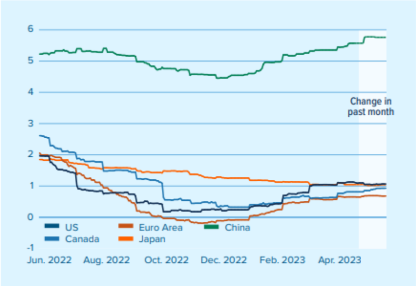
	PRE-RETIREES		RETIREES	
	WITH an advisor	WITHOUT an advisor	WITH an advisor	WITHOUT an advisor
I currently have peace of mind that my financial goals are on track	64%	34%	66%	51%
I feel optimistic that there will be lots of opportunities for future investment growth	52%	32%	55%	30%
I feel I'm getting closer to achieving my financial goals	53%	30%	48%	33%
I feel financially prepared for retirement	63%	38%	89%	67%

Jules Boudreau - CONTINUED

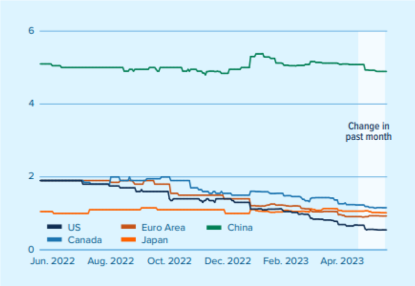
Rates are lower in Canada, which could suggest looser monetary policy. But the neutral rate is also lower in Canada, which means that monetary policy is effectively just as tight in Canada as in the US. Plus, the Bank of Canada will probably resume rate hikes in June or July, putting additional pressure on growth.

Germany formally entered a recession with the release of 2023Q1 GDP data on May 25. The energy crisis cause by Russia's invasion of Ukraine cramped consumer spending at the end of 2022 and into the first months of 2023. But energy prices have since eased significantly and German manufacturing has rebounded impressively. Data on household spending — never a strong point for Germany — is still mixed, but the German economy will probably return to positive growth in the second quarter of 2023.

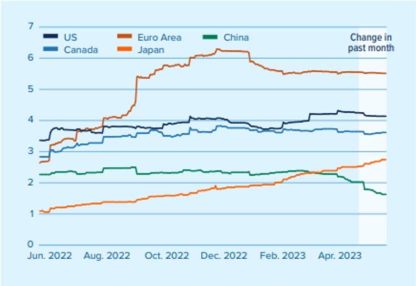
2023 REAL GDP GROWTH FORECAST (%, CONSENSUS)



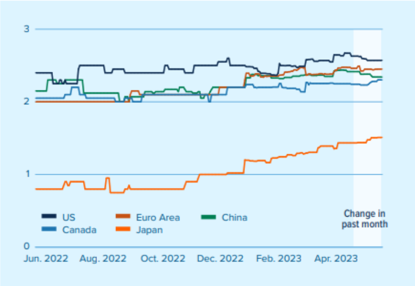
2024 REAL GDP GROWTH FORECAST (%, CONSENSUS)



2023 INFLATION FORECAST (%, CONSENSUS)



2024 INFLATION FORECAST (%, CONSENSUS)



Source: Consensus Economics as of May 31, 2023.

The Benefits of Insurance Lending—Continued

It is calculated by subtracting any outstanding loans, administrative fees, and surrender fees from the current cash value of the policy. Policyholders may use the cash value to secure a line of credit and "activate" the cash inside their permanent life insurance contract. One of the many reasons we feel this strategy is worth discussing is that typically the ideal time to borrow money is actually when you don't need it. Our rationale for this is that the funds are available when the opportune time to utilize these funds arises, whether it's to invest or spend.

As our focus increasingly shifts to financial planning, we see more and more that insurance is a pillar, providing a foundation for other potential strategies.

Insurance lending is just one of these strategies. Although some may view this strategy as complicated, and lending isn't always an initial focus for planning, the reality is this is a fairly straightforward process.

Typically, this process involves confirming the client's personal/corporate income, underwriting, and a relatively quick approval turnaround time. This is not to be mistaken with a 'policy loan', as this is a revolving loan that can be utilized as the borrower sees fit without having to apply each time they require funds. As the borrowed amounts are paid back, the proceeds become accessible repeatedly. If the line of credit is repaid in full, no interest is charged while the opportunity to access low-cost financing whenever required remains in place. Interest-only is the minimum commitment, and there is the opportunity to access competitive rates in this realm that are often less than alternative borrowing tools. Again, interest is only paid on amounts that are borrowed, not on the approved limit.

There are also several cash flow and tax implication benefits to consider. For one, the interest paid on insurance lending provisions may be tax deductible depending on how the money is invested. There is also less potential for tax issues since the insurance lending facility isn't directly attached to the life insurance contract itself (as is the case with a policy loan).

Insurance lending solutions are known to help accomplish a full insurance recommendation, and often to achieve the best of both worlds. This is especially true when insurance needs have been established but a client feels they can make better use of the premium amounts elsewhere. Here, insurance lending can help minimize the impact on the cash flow and allow one to deploy the capital into other places such as a business or investment portfolios.

We also see great value for our corporate clients, where insurance lending can help minimize the impact of an insurance premium on their cash flow, and the actual contract can create a capital dividend account with all the tax advantages that brings. Dipping into the cash surrender value is also a prevalent strategy for retirement. Given the tax advantages of drawing funds from insurance lending solutions, a permanent life insurance contract with cash value can be seen as yet another 'bucket' to draw retirement income from.

To summarize: permanent life insurance is often viewed as a passive asset, but the reality is that it can unlock opportunities for policyholders who want a convenient line of credit. Essentially this involves activating the cash surrender value. A secured line of credit is set up simply by borrowing against the cash surrender value (CSV) of their permanent life insurance policy from approved carriers. Because no withdrawal is being made from the life insurance policy itself, no taxes are triggered.

Clients may also be able to write off interest, so long as proceeds of the line of credit are used for investment purposes. Although I have brought forward some of the basics surrounding the insurance lending strategy, it is always advisable to consult with a trusted tax professional for further advice on structuring the loan and proper use of the funds to ensure tax strategies are efficiently maximized.

When utilized properly, insurance lending is complementary to permanent life insurance. The major value add it can provide is timely access to cash in a valuable but often overlooked asset – their permanent life insurance contract.

Though it may not be right for everyone, having the right knowledge about this strategy is yet another tool we have to meet our clients' unique needs. Please do not hesitate to reach out to our team if you wish to learn more about insurance lending solutions and how they can work for you.

Dan Bastasic—Continued

We still expect inflation to end the year between 3.5% and 3.75% and continue to drop to a "higher" than normal level next year closer to 2.5%.

As we approach the halfway point in the year, we have found that the recent volatility has given us an opportunity to add securities at attractive levels on both sides of the investable markets.

Our strategy and execution are not to try to time our expectations for the second half of the year but to take a slow approach to reducing cash with dividend producing equities first, growth with safety, and using treasuries to hedge against volatility while inflation and recession expectations continue to recede. We have never been in the camp of a deep recession or even a hard recession, instead we noted that unemployment would not jump as in previous cycles and that we would get a rolling recession in lieu of an all-encompassing slowdown. This is the type of environment that has been advantageous for security selection and sector avoidance as the market emerges from the past two years of unwinding the excesses.

Portfolio position changes since beginning of the year and recent:

1. **Strategic Income Fund:** Cash levels have declined from the beginning of the year, more so recently from 9.05% at the beginning of the year to 7.7% more recently. As a point measure cash was 18% in August of 2022.

1. Biggest use of cash was to increase treasuries.

2. Fixed income exposure has reached 43% recently, from an average of about 25% in 2022.

3. Equity exposure declined from 55% at the end of 2022 to approximately 51% more recently.

We have increased exposure to industrials and utilities sectors recently while remaining heavily underweight in energy with no exposure to gold.

2. **Strategic Equity Income Fund:** Cash levels have declined from the beginning of the year, more so recently from 16% at the beginning of the year to approximately 10% more recently.

1. Biggest use of cash was to increase equities from 84% at the end of the year to 90% more recently.

2. Recently increased exposure to U.S. equites related to housing, technology and banking.

We expect to decrease and substitute much of our recent government bond exposure for higher yielding and economically sensitive corporate debt while increasing our funds' exposure to equities and growth as the second half of the year unfolds.

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

Discipline or Regret—Continued

During times like that, the inclination is always to panic, sell, and return later. As an example of this behavior, we need to look no further than at how much money moved into low risk, low return money market funds during the first quarter of 2023. In the U.S. alone it was a whopping $508 billion. Even today, many investors are looking to GICs for returns or leaving cash on-hand in anticipation of more volatility. But for those investors who moved to cash, especially at the start of this year, there is a real pain being felt in their portfolios right now. It's a simple case of trying to time the market: getting out while things are down and getting back in when they go up. The problem is, despite what things look like, the future is not always so clear.

Now that we have the benefit of hindsight, let's look at how things change. Last fall (2022), most forecasters were certain about three things:

1. Europe would experience a recession during winter due to high energy prices resulting from Russia's invasion of Ukraine.

2. The U.S. would also dip into recession in late 2022 or early 2023.

3. China would keep its COVID-zero policies in place until early spring 2023, hampering global growth.

With forecasts like this, it was the perfect time to bet against stocks; and about $500 billion did. But here's what actually happened:

1. Europe experienced its second warmest winter on record, requiring less energy to heat homes; Falling energy prices delayed/avoided the inevitable recession.

2. The U.S. also managed to delay/avoid a recession simply because of how resilient that economy is right now.

3. China ended its COVID-zero policy abruptly and unexpectedly, reopening its economy in mid-December; this immediately boosted the outlook for global growth.

So, instead of watching stock markets burn, we're actually having a pretty good year so far. In fact, The S&P 500 has entered bull market territory again. Most U.S. equity and global equity funds are up double digits year-to-date. Some tech specific specialty funds are hovering around +50% returns on the year!

Let's get this straight, markets fell, money flowed out of the markets, and markets rose again.

The reason the Russell Investments advisor survey came back with such glowing reviews of the advice profession, is for the simple reason that most advisors spend much of their job convincing clients not to do the wrong thing. Often during down periods, the wrong thing is to panic and sell. The absolute right thing to do is to buy more while stuff is cheap or wait for things to bounce back. Discipline and regret.

And herein is the problem. For those holding safe assets until things "calm down", there is a huge negative impact on the portfolio. It is known as the cost of missing out. For example, missing the 10 best days in the stock market will seriously hurt returns. someone who stayed invested in the S&P/TSX in 2022 would have a -6% annual return for 2022; however, if you missed the 10 best days, that same return is now -24%. Since we don't know for certain the exact time to sell, or when the market is going to rise again, or what stock index or asset class will do the best, trying to time the market will most certainly lead to huge drawdowns.

Source: RBC GAM, Morningstar. S&P/TSX Composite TR 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.

Instead of timing markets, investors should keep focused on their financial plan. Discipline hurts now, but it pays dividends in the long run. Just like skipping that pizza may seem hard now, but 6-pack abs down the road will be a lot better. A financial plan is no different. A comprehensive financial plan includes down markets, high interest rates and wonky inflation numbers. It prepares you for the "no matter what happens" part.

Discipline or Regret—Continued

Discipline is sticking to the financial plan, even if it's uncomfortable now because it will pay dividends later – and you'll need those dividends to help pay for that great lifestyle you always wanted. This is why as a financial planner, I can't understand the need to rebalance from equities to GICs. Especially when inflation is higher than the highest GIC rate! It shows me that many people still do not have a financial plan because if they did have one, they would either already be in GICs or some other safe investment if such an investment could be supported in the plan. Let me explain.

Most people who are still working are in a wealth creation phase of life. They are trying to build up a number that will be able to support a chosen lifestyle for the rest of their life. Even if they don't realize it, this is what they are doing. It takes time and effort to get to a number that can support one's lifestyle and most people do not fall into a category in which GICs will get them there faster if at all. For most of us, we rely on the higher long-term returns that equities can offer to build up our number. GICs, even when they are paying 5% on a 3-year term, are really bad at creating wealth. Especially if a person is going to be around for another 30, 40, 50, 60, or 70 years. Simply because inflation alone will eat away at long-term GIC rates. And if you're thinking, "that's ok, I'll hang in GICs for 3 years and get back to equities later", well let's look at it this way. If missing the 10 best days in one year can result in an 18% difference, what the heck would 2 or 3 years of missed best days do to a portfolio over the long run? Now add inflation to that.

At our offices, we talk a lot to clients about **"what is your number?"** and **"how much do you need in your bucket to get that lifestyle you've always wanted".**

Well, if you're going to play the GIC game, then your number will have to be a lot bigger or you will have to make lifestyle sacrifices (work later, reduce your lifestyle, etc.). A smarter move would be to focus on the financial plan, stay disciplined and have no regrets later.

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An investor proposing to borrow for the purchase of securities should be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. The extent of that risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

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