AUGUST 2023 EDITION

KPW NEWSLETTER

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

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

VOL. 12, ISSUE 8

“"You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right." - **Benjamin Graham**

Sergio Simone
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WHY IT IS SO HARD TO TIME THE MARKET

EDITORIAL COMMENT

Sergio Simone

I am surprised that there are still people out there denying that the equity markets have been in recovery mode since the beginning of the year. July’s 3.11% gain is the 5th consecutive monthly gain on the index and the sixth year-to-date. (February being the only losing month in 2023). Historically, a five-month consecutive rise would extend to a sixth month rise 78.4% of the time. Unfortunately, as I write this the index is down month-to-date. Let’s see how the last two weeks pan out.

Although returns are negative so far for August, I have faith in a turnaround given recent remarks about cooling inflation, positive earnings, the demise of monetary tightening and a generally positive market outlook.

TAX PLANNING CONSIDERATIONS

Kristina De Souza, CFP

As a lifestyle financial planning firm, we focus on the 6 pillars of financial planning. In recent articles, I have shifted my focus to discussions on topics related to retirement planning, estate planning, and risk management. With that said, one of the main objectives of our firm is to implement holistic financial plans with an emphasis on tax planning. Although tax season is well in the rearview mirror at this point in the year, I feel it is better late than never to touch on some of the most notable changes that this year’s budget brought about.

WHY IT IS SO HARD TO TIME THE MARKET

Ryan Simone,
CFP, CLU, CHS

I was scrolling through an internet investment forum and I came across a group of people who were discussing when to get into the markets. I guess with the rapid rise in stocks this year, this group of people were debating when to invest their savings for retirement. The consensus amongst these six or so people was that it is best to hold cash or a GIC until the market bottoms again. If one were to extrapolate any advice from this group, it would have been to wait until a recession occurred before entering the market. Ironically, this group did not follow their own advice, otherwise they would have been invested last year when things tanked.

Initially I had found the whole conversation absurd but then it occurred to me that to a novice investor this would make a lot of sense. Simply wait until the news headlines claim recession and then invest your money. It’s so simple, so why can’t we do it?

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

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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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BEWARE: FRAUDULENT MANULIFE PRODUCT IN CIRCULATION

A fraudulent product offer is being circulated, featuring Manulife's logo and branding. It falsely promotes guaranteed high returns on so-called **"fixed interest funds",** ranging from 6.22% for one year to 8.60% for 10 years.

We're advising clients not to share any personal information with anyone other than their trusted advisor and to contact the Canadian Anti-Fraud Centre and local police authorities if they've been offered this product.

No employee or authorized agent of Manulife, Manulife Securities, Manulife Investment Management, the Manufacturers Life Insurance Company or any related entity is in any way associated with these materials or actions.

We are actively monitoring and investigating this situation and taking steps to protect our clients and community.

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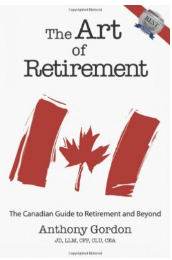
BOOK OF THE MONTH

THE ART OF RETIREMENT

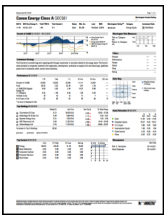
- by Anthony Gordon



Canadians face a variety of growing concerns. Inflation, rising government debt, global politics, significant changes to government programs, and an increasing need for medical care are all factors raising worry—about retirement. The Art of Retirement answers vital questions: Do I have enough for retirement? What happens if I live longer than planned? When should I take CPP, OAS or GIS, and how can I minimize my taxes? Most Canadians ask these questions when facing retirement, and each one is addressed in this book in language that you won't need an advisor to decipher for you. Improving your financial future is only a few pages away.

FUND OF THE MONTH

[FIDELITY GLOBAL INNOVATORS CLASS]



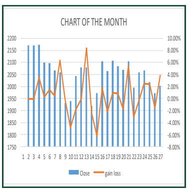
A flexible investment strategy focused on the innovative and disruptive companies in today's rapidly changing world.

Leverages the strength of Fidelity's deep global research platform by seeking to invest in compelling opportunities across developed and emerging markets.

May invest in small-, medium- and large-cap companies, including in private offerings.

CHART OF THE MONTH

[VISUALIZING THE $105 TRILLION WORLD ECONOMY IN ONE CHART]



By the end of 2023, the world economy is expected to have a gross domestic product (GDP) of $105 trillion, or $5 trillion higher than the year before, according to the latest International Monetary Fund (IMF) projections from its 2023 World Economic Outlook report.

In nominal terms, that's a 5.3% increase in global GDP. In inflation-adjusted terms, that would be a 2.8% increase.

IMF Blog
INSIGHTS & ANALYSIS ON ECONOMICS AND FINANCE

BLOG OF THE MONTH

[INFLATION REMAINS RISK CONFRONTING FINANCIAL MARKETS]

Central banks may keep interest rates higher for longer than currently priced; given investors' benign inflation outlook and growing expectations for a soft landing, this could increase financial stability risks and weigh on growth.

Overall inflation has moderated meaningfully in recent months in the United States and euro area, as energy and food prices have fallen significantly. Year-on-year headline inflation is now around 3 percent in the United States and below 5.5 percent in the euro area. However, core inflation, excluding food and energy prices, has declined more slowly. Services inflation has proven to be particularly sticky.

According to market pricing, investors expect headline inflation to continue to decline quite rapidly in coming quarters.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

RISK MITIGATING STRATEGIES FRAMEWORK

Meketa Investment Group's Jason Josephiac and Ryan Lobdell lead a great conversation about how to construct championship grade portfolios for HNW and institutional clients.

RETIREMENT ACCOUNT BALANCES HAVE INCREASED SUBSTANTIALLY FOR HIGH-INCOME HOUSEHOLDS

When it comes to retirement savings, the gap between the haves and the have-nots has widened, according to a new report from the Government Accountability Office.

The median retirement account balance for high-income households was nine times that of middle-income households in 2019 — $605,000 compared with $64,300, respectively, the research found.

That gap is “significantly greater” than it was in 2007, when high-income households had a median retirement account balance that was about four times higher than middle-income households.

PRIVATE ASSETS & THE HIGH NET WORTH ATTRACTION (VIDEO)

In this episode, BMO Global Asset Management's Jeffrey Shell and Lillian Ferndriger join us to discuss newly accessible opportunities in private market assets. Jeffrey is Head of Alternatives, Commercial ESG and Innovation from BMO Global Asset Management. And Lillian is Director of Alternatives Distribution at BMO Global Asset Management.

We delve into the realm of private market investing, now a more widely accessible and vital instrument for portfolio diversification that promises attractive risk adjusted returns.

WHY HIGH-NET-WORTH INVESTORS MAY SWITCH

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.

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CORPORATE CULTURE

OPTIONS FOR SMALL PLANS TO INVEST LIKE THE BIG PENSIONS

For some investors, tradition isn't cutting it anymore. Rock-bottom interest rates are squeezing fixed-income returns, and the need to diversify through sturdy, lower-risk assets is apparent. While low volatility in equity markets is comforting, how long will it last?

More sophisticated assets, like infrastructure, private equity, private debt, credit and hedge funds, have investors' attention. But barriers often keep smaller pension funds out of those types of investments. Given the pressure to seek alternative options, what can smaller players do to think like their larger counterparts?

TAXATION OF INVESTMENT INCOME WITHIN A CORPORATION

For people with cash or investments in their corporations, the tax cost of withdrawing these funds or winding up the corporation can be quite high. To defer these taxes, individuals often choose to keep a corporation going and concentrate on maximizing its investment returns. Having the corporation invest in a tax-efficient manner can make a big difference to its net after-tax return; unfortunately, the taxation of investment income within a corporation isn't always well understood.

WHAT ARE ARTICLES OF ASSOCIATION

Articles of association are critical documents when it comes to governing a business. They can also be considered as a contract between the company and its shareholders.

The articles have been described as 'the user guide' for a business and typically discuss how the company will be organised and the process for shareholder meetings.

The articles set out the rules that govern the company, to which shareholders and directors have agreed.

WHY ARE EMPLOYEE BENEFITS IMPORTANT? TYPES AND ADVANTAGES

The benefits included in a company's compensation package can be significant factors when searching for a job. Benefits help employees pay for healthcare, save for retirement and take time off work when needed. Understanding the importance of benefits packages can help managers provide more comprehensive packages to find and keep talented employees and help employees and candidates determine their priorities in a role. In this article, we explain the importance of employee benefits and common types.

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FUND MANAGER COMMENTARY

Tom Dicker, Portfolio Manager

Dynamic Funds

VIEWS FROM THE GLOBAL REAL ESTATE FUND

Publicly listed real estate is cheap. While there is some truth in the well-known media narrative, we believe fears are now overblown. We see the volatility and pessimism around the asset class as an opportunity to buy great real estate franchises at discounted valuations. In this letter we will discuss the opportunities in real estate and where we are starting to see "green shoots" that makes us optimistic.

Dynamic Global Real Estate fund was down 1.2% in the quarter as bond yields continued to march higher. The US 10-year government bond yield moved up +40 bps to end the quarter at 3.85% and in Canada we saw a move of +35 bps ending at 3.3%. Weakness was broad based.

Robert Wilson, SVP, Head of Portfolio Construction

Picton Mahoney Asset Management

ACHIEVING CLIENT GOALS WITH GREATER CERTAINTY

Insight is Capital Podcast with Pierre Dallie, Managing Editor of AdvisorAnalyst.com.

The discussion focuses on Picton's new math of portfolio construction. A game changing approach that challenges traditional norms. For decades we've relied on a traditional portfolio model consisting of 60% stocks and 40% bonds.

Noah Blackstein, Portfolio Manager

Dynamic Funds

NOAH BLACKSTEIN UPDATE

"Investments that we've made over the years in AI, including the billions of dollars we've spent on AI infrastructure, are clearly paying-off across our ranking and recommendation systems and improving engagement and monetization.

AI recommended content from accounts you don't follow is now the fastest-growing category of content on Facebook's feed. Now, since introducing these recommendations, they've driven a 7% increase in overall time spent on the platform." – Mark Zuckerberg CEO Meta.

David D. Wolf, Director, Portfolio Manager

Fidelity Investments

INFLATION REMAINS AN UNAPPRECIATED RISK.

The managers continue to believe that inflation risk remains a bigger concern than market participants perceive. Headline inflation is starting to come down, as expected, with transitory factors rolling off; however, the managers do not expect core inflation to fall in the foreseeable future to a level with which the central banks will be comfortable. They believe the market's growing belief that inflation may be behind us could be misplaced, and accordingly that inflation remains an underappreciated risk. The managers note that inflation risk presents problems for investors, particularly multi-asset investors.

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LINKS

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ALT MANAGERS SET TO BENEFIT FROM BANKS' RETREAT	FED RAISES RATES AFTER A PAUSE AND LEAVES DOOR OPEN TO MORE	CRA RELEASES REVISED FORM FOR MANDATORY TAX DISCLOSURES
U.S. INFLATION FALLS TO 3%, LOWEST LEVEL IN MORE THAN 2 YEARS, AS PRICE PRESSURES EASE	MORGAN STANLEY STRATEGISTS SAY US STOCKS ARE IN A 2019-LIKE RALLY	HOW THE U.S. ECONOMY IS STICKING THE SOFT LANDING
37% OF BABY BOOMERS HAVE MORE STOCK EXPOSURE THAN THEY SHOULD	S&P 500 HAS A NEW RECORD HIGH 2023 PRICE TARGET.	FITCH DOWNGRADES THE UNITED STATES' LONG-TERM RATINGS TO 'AA+' FROM 'AAA'; OUTLOOK STABLE

THE REAL ECONOMY

FED SURVEY OF LOAN OFFICERS SHOWS RISING IMPACT OF HIGHER INTEREST RATES

The Federal Reserve's latest survey of bank loan officers confirms that the dampening effect of monetary-policy tightening on borrowing and lending continued in the second quarter.

Russell Investments

TAX-MANAGED INVESTING GUIDE

Tax-managed investing is an investment approach that aims to minimize distributions from your non-registered funds. Since distributions are taxed, the fewer distributions you receive, the greater your potential after-tax wealth. At Russell Investments, we use real-time, year-round tax-management techniques such as tax-loss harvesting, avoiding superficial losses, and tax-smart yield management to target sources of potential tax liabilities that may erode your investment returns. This may help you keep more of what you earn.

VIDEO AND PODCAST LINKS

RISKS OF TAKING FINANCIAL ADVICE FROM A.I.	WHAT TO DO IF AN EXECUTOR DOES NOT FOLLOW THE WILL	SMART MONEY PODCAST: STRATEGIES FOR ADVANCED INVESTING AND ACTIVE TRADING

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

If you read my previous editorial you will know that I did have some concern about the way the rally was evolving with the majority of the gains carried by a few monolithic companies instead of a general rise in the majority of companies that compose the index. We refer to this as **"Market Breadth"**, or the number of shares rising verses those that are declining. It is a measure of how many stocks are moving in the same direction as an index or stock exchange. For most of this year the S&P 500 index was driven by a few stocks while the majority of stocks were lagging, so the market breadth was negative.

Negative market breadth gives cause to worry because it leads me to conclude that the market may not be as solid as the general overview appears. Positive market breadth occurs when more stocks are advancing than declining, suggesting that the bulls are in control of the market's momentum and helps confirm a price rise in that particular index.

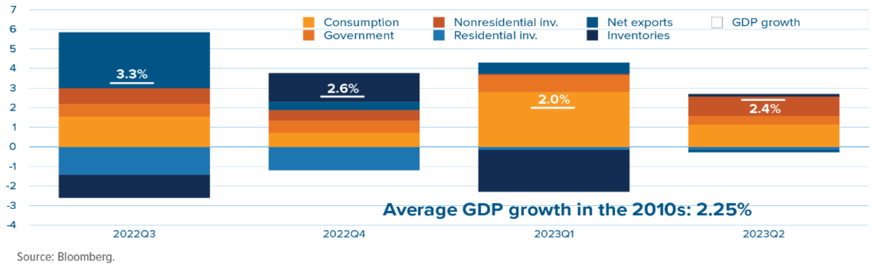
Some analysts take market breadth even further by incorporating "volume" into their equation. They will not only look at whether stocks are rising or falling in price but also at the volume of these moves. The reason is that price moves on larger volumes are considered to carry more weight than price moves on lower volume.

To put this in perspective we can compare the returns of the S&P 500 with those of the Dow Jones Industrial Average (DJIA). The tech-concentrated S&P 500 index has blown the DJIA by more than 12% for the first half of the year.

Let's take a closer look at the current situation. Right in the middle of the Q2 earnings season and the overall picture is significantly different than it was at the end of Q1. With more than 80% of the companies reporting so far, almost 80% of them have beat consensus earnings expectations. It seems that companies are finally benefiting from disinflationary tailwinds and improving margins.

If this trend continues, and we will know soon enough, it may be wise to consider new ways to position your portfolio to stay ahead of the curve. Is your portfolio ready to take advantage of the next Bull Market?

For a year we have heard incessant narratives of an all-but-certain recession to hit in 2023. As this seems less and less likely to occur, the narrative has changed and the all-but-certain recession is pushed out to 2024. In my opinion, if it does eventually arrive it may not feel anything like what traditional recessions have felt like. A large part of this is that the narrative fails to recognize that we seem to be smack dab in the middle of rolling downturns hitting different segments of the economy at different times. The effect of this may be that the market is 'bumpier' for a longer period of time without actually falling into a definitive recession.



A year ago economists seemed to be in either one of two camps, both indicating an imminent recession. The first camp was the hard landing, while the second camp promoted the soft landing. It is time to present a third camp, "delayed-landing." The reason that there is a lot of weight behind this scenario is evident when you look at the economic data over the past few months.

I am sure the strength of the U.S. economy has even surprised the most ardent optimist. The following chart shows that almost all components contributed to Q2's solid GDP growth in Q2. You will have to look really hard to find any signs of weakness in the U.S. real economy.

EDITORIAL COMMENT - CONTINUED

While it is true that job growth has been easing up and will likely continue to do so over the coming year, it continues to remain impressive. What we still continue to see is accelerating demand for gasoline accompanied by rising consumer confidence. One of the biggest surprises for me has been in the construction sector. A few months ago this sector was reeling from the veracity of the rate hikes and yet now it is rebounding, especially in the U.S. sunbelt.

I love hindsight, it is always perfect vision. So, in hindsight why did everyone on all sides get it wrong? I recently read an article by Jules Boudreau, Senior Economist for Mackenzie's Multi-Asset Strategies Team. What he wrote resonated with me. I think he is on to something.

Beaudreau states that "Monetary policy turned restrictive in 2023, but fiscal policy poured fuel on the fire." I am surprised that so many people missed this, including myself.

We were all so focused on monetary policy, that fiscal policy slipped between the cracks. You need look no further than the record setting levels of the U.S. burgeoning government deficits. By the way, Canada is in the same boat.

While there is no evidence of a U.S. recession any time soon, this could change. I do expect growth to continue to slow down. Two other factors will come into play as well. The elevated interest rates will eventually have a restrictive impact on the economy and it is expected that all the "free" Covid money will be exhausted by the end of Q3, so consumers will slow down their spending sprees.

Business investment is accelerating and is expected to boom into 2024, fueled by President Biden's Inflation Reduction Act, which would more appropriately be named Biden's Inflation Conservation Act as it will likely further boost aggregate demand. My new motto describing the Fed tightening syndrome is "elevated & prolonged".

Fiscal policy is very loose, considering the macro environment, and has contributed significantly to the economy overheating as it has. Let's face it, fiscal authorities hardly pay lip service to inflation control. They seem to be at odds with the concept of inflation reduction.

If you follow Canadian politics, you may recall a press conference held in December 2021 by Finance Minister Freeland. She announced the renewal of the Bank of Canada's inflation-targeting mandate while inflation had already more than doubled to north of 4%. Freeland stated that inflation control would be a "joint responsibility" of the Bank of Canada and the Government of Canada. A very encouraging statement, but in the year that followed, the Federal Government announced a total of $80 billion in net new unfunded spending, somewhere around 3% of GDP. So, how is the Bank of Canada supposed to get inflation under control when the Government of Canada continues to add fuel to the fire?

Instead of an about-face in the economy, I am leaning more towards there being a recession or pause in growth as opposed to the hard-landing that many are expecting. Chris Hyzy, CIO for Merrill and Bank of America Private Bank refers to this as a "growth recession", and I happen to agree.

Although the current market conditions may persist for the next 12-18 months it does not mean that you should ignore planning for the inevitable. I agree that the current "bullish market" may be unsustainable in the short term, but relatively speaking, a more sustainable bull market is inevitable, and may be just around the corner.

What I do know for sure is that nobody knows precisely if and when a recession will occur. So, planning both your short-term and long-term moves should not be confused with investing in high-risk positions as you try to time the market. The best approach, as always is work with your advisor to carefully craft a long-term plan that takes into consideration things like, "why are you investing", and "what do you hope to achieve?"

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

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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Disclaimer

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NOAH BLACKSTEIN - CONTINUED

The Alpha Funds posted gains in July despite a snapback in value factors in the middle of July. The Dynamic Alpha Performance Fund is approximately 70% long and 40% short. Of the 40% short, 50% are in individual companies (alpha shorts) and the balance is in index shorts (beta shorts).

Last year we wrote about the divergence between the positive fundamentals of the companies we own, and their stock price performance being widest I've witnessed in my career. In 2022, the companies held in our global growth strategy grew sales 32% despite the economic turmoil. Sales and cash flow growth for 2023 in our global strategy is over 30% and 27% respectively while earnings growth is well over 50% growth. We are always looking out over the next three to five years and are not only comfortable with the sustainability of growth but the significant potential upside.

This year's stock market move hasn't fully rewarded the new leadership of growth stocks but instead the slower single digit plodders in the mega cap technology space. Perhaps a preference for buybacks, operating leverage and terrible underweighting in the sector is to blame. But the year over year and forward sales growth for many of the mega-cap names remains fairly pedestrian. Apple's sales growth has been negative and will only grow mid-single digits. Microsoft wouldn't yet endorse a double-digit top line growth after delivering mid-single digit sales growth. Meta's sales are finally returning to growth, but the sustainability is a question mark. Yes, some of the mega cap stock moves have been more than justified, as several of these companies have had positive inflections in their businesses, for example Nvidia's chips powering AI workloads but many of 2023's leaders simply didn't and don't meet our growth thresholds we followed for the past 30 years - but we believe a major inflection point has arrived.

We believe that bigger opportunity today for investors is in the next generation of technology companies. We see a very long runway ahead for the cloud, driven by continued digital transformation with AI-based business transformation, including automation and analytics being layered on top. All of this is being built on a new modern technology architecture in which we have significant investments. Many of these companies will be direct beneficiaries of more data in the cloud and "free riders" of hyperscale capex – reaping the benefits but not spending the money. For this cohort of companies, we see accelerating topline growth off already high bases and significant operating leverage as they are untethered from increased costs and are direct beneficiaries of the demand it brings. We are very excited about what lies ahead.

	YTD Price Change	Trailing 12M Sales Growth	Est YoY Sale Growth
Apple	46%	-2.5%	-1.72%
Microsoft	40%	6.88%	8.9%
Alphabet	34%	8.8%	7.06%
Amazon	55%	8.5%	9.9%
Meta	157%	0%	17%
Nvidia	200%	-12.4%	64.6%

Source Bloomberg.

Kleinburg PRIVATE WEALTH

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CHART OF THE MONTH - CONTINUED

Signs of a U.S. recession have increased

Legend	
✓	Low risk
!	Medium risk
✗	High risk

Leading		Coincident		Lagging	
Yield curve	✗	Consumer confidence	✗	Unemployment rate	✓
Senior loan officer survey C and I	✗	Housing starts	!	Job openings (JOLTS)	✓
ISM new orders minus inventories	✗	ISM manufacturing PMI	!	Inflation	✗
30-year mortgage rate	✗	Credit growth	!		
New home sales	!	Industrial production	!		
Investment-grade corporate spreads	!				
Financial conditions	✗				
Initial jobless claims	!				

Source: Manulife Investment Management, Capital Markets Strategy. As of June 30, 2023

Global economic activity slowing materially around the world

Economic activity peaked in the summer of 2021 and is now slowing around the world as a result of geopolitical risk, persistent inflation and overall fall in demand.

	Jun/21	Jul/21	Aug/21	Sep/21	Oct/21	Nov/21	Dec/21	Jan/22	Feb/22	Mar/22	Apr/22	May/22	Jun/22	Jul/22	Aug/22	Sep/22	Oct/22	Nov/22	Dec/22	Jan/23	Feb/23	Mar/23	Apr/23	May/23	Jun/23
JPMorgan Global PMI	55.5	55.4	54.1	54.1	54.2	54.2	54.3	53.2	53.7	52.9	52.3	52.3	52.2	51.1	50.3	49.8	49.4	48.8	48.7	49.1	49.9	49.6	49.6	49.6	48.8
United States	62.1	63.4	61.1	60.7	58.4	58.3	57.7	55.5	57.3	58.8	59.2	57.0	52.7	52.2	51.5	52.0	50.4	47.7	46.2	46.9	47.3	49.2	50.2	48.4	46.3
Canada	56.5	56.2	57.2	57.0	57.7	57.2	56.5	56.2	56.6	58.9	56.2	56.8	54.6	52.5	48.7	49.8	48.8	49.6	49.2	51.0	52.4	48.6	50.2	49.0	48.8
Mexico	48.8	49.6	47.1	48.6	49.3	49.4	49.4	46.1	48.0	49.2	49.3	50.6	52.2	48.5	48.5	50.3	50.3	50.6	51.3	48.9	51.0	51.0	51.1	50.5	50.9
U.K.	63.9	60.4	60.3	57.1	57.8	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8	52.1	47.3	48.4	46.2	46.5	45.3	47.0	49.3	47.9	47.8	47.1	46.5
Eurozone	63.4	62.8	61.4	58.6	58.3	58.4	58.0	58.7	58.2	56.5	55.5	54.6	52.1	49.8	49.6	48.4	46.4	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.4
Germany	65.1	65.9	62.6	58.4	57.8	57.4	57.4	59.8	58.4	56.9	54.6	54.8	52.0	49.3	49.1	47.8	45.1	46.2	47.1	47.3	46.3	44.7	44.5	43.2	40.6
Holland	68.8	67.4	65.8	62.0	62.5	60.7	58.7	60.1	60.6	58.4	59.9	57.8	55.9	54.5	52.6	49.0	47.9	46.0	48.6	49.6	48.7	46.4	44.9	44.2	43.8
France	59.0	58.0	57.5	55.0	53.6	55.9	55.6	55.5	57.2	54.7	55.7	54.6	51.4	49.5	50.6	47.7	47.2	48.3	49.2	50.5	47.4	47.3	45.6	45.7	46.0
Italy	62.2	60.3	60.9	59.7	61.1	62.8	62.0	58.3	58.3	55.8	54.5	51.9	50.9	48.5	48.0	48.3	46.5	48.4	48.5	50.4	52.0	51.1	46.8	45.9	43.8
Spain	60.4	59.0	59.5	58.1	57.4	57.1	56.2	56.2	56.9	54.2	53.3	53.8	52.6	48.7	49.9	49.0	44.7	45.7	46.4	48.4	50.7	51.3	49.0	48.4	48.0
Ireland	64.0	63.3	62.8	60.3	62.1	59.9	58.3	59.4	57.8	59.4	59.1	56.4	53.1	51.8	51.1	51.5	51.4	48.7	48.7	50.1	51.3	49.7	48.6	47.5	47.3
Czech Republic	62.7	62.0	61.0	58.0	55.1	57.1	59.1	59.0	56.5	54.7	54.4	52.3	49.0	46.8	46.8	44.7	41.7	41.6	42.6	44.6	44.3	44.3	42.8	42.8	40.8
Poland	59.4	57.6	56.0	53.4	53.8	54.4	56.1	54.5	54.7	52.7	52.4	48.5	44.4	42.1	40.9	43.0	42.0	43.4	45.6	47.5	48.5	48.3	46.6	47.0	45.1
Greece	58.6	57.4	59.3	58.4	58.9	58.8	59.0	57.9	57.8	54.6	54.8	53.8	51.1	49.1	48.8	49.7	48.1	48.4	47.2	49.2	51.7	52.8	52.4	51.5	51.8
Australia	58.6	56.9	52.0	56.8	58.2	59.2	57.7	55.1	57.0	57.7	58.8	55.7	56.2	55.7	53.8	53.5	52.7	51.3	50.2	50.0	50.5	49.1	48.0	48.4	48.2
Japan	52.4	53.0	52.7	51.5	53.2	54.5	54.3	55.4	52.7	54.1	53.5	53.3	52.7	52.1	51.5	50.8	50.7	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8
China (Caixin)	51.3	50.3	49.2	50.0	50.6	49.9	50.9	49.1	50.4	48.1	46.0	48.1	51.7	50.4	49.5	48.1	49.2	49.4	49.0	49.2	51.6	50.0	49.5	50.9	50.5
South Korea	53.9	53.0	51.2	52.4	50.2	50.9	51.9	52.8	53.8	51.2	52.1	51.8	51.3	49.8	47.6	47.3	48.2	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8
Taiwan	57.6	59.7	58.5	54.7	55.2	54.9	55.5	55.1	54.3	54.1	51.7	50.0	49.8	44.6	42.7	42.2	41.5	41.6	44.6	44.3	49.0	48.6	47.1	44.3	44.8
Vietnam	44.1	45.1	40.2	40.2	52.1	52.2	52.5	53.7	54.3	51.7	51.7	54.7	54.0	51.2	52.7	52.5	50.6	47.4	46.4	47.4	51.2	47.7	46.7	45.3	46.2
Indonesia	53.5	40.1	43.7	52.2	57.2	53.9	53.5	53.7	51.2	51.3	51.9	50.8	50.2	51.3	51.7	53.7	51.8	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5
Malaysia	39.9	40.1	43.4	48.1	52.2	52.3	52.8	50.5	50.9	49.6	51.6	50.1	50.4	50.6	50.3	49.1	48.7	47.9	47.8	46.5	48.4	48.8	48.8	47.8	47.7
Singapore	50.1	56.7	52.1	53.8	52.3	52.0	55.1	54.4	52.5	52.9	56.7	59.4	57.5	58.0	56.0	57.5	57.7	56.2	49.1	51.2	49.6	52.6	55.3	54.5	54.1
India	48.1	55.3	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8
Brazil	56.4	56.7	53.6	54.4	51.7	49.8	49.8	47.8	49.6	52.3	51.8	54.2	54.1	54.0	51.9	51.1	50.8	44.3	44.2	47.5	49.2	47.0	44.3	47.1	46.6
Turkey	51.3	54.0	54.1	52.5	51.2	52.0	52.1	50.5	50.4	49.4	49.2	49.2	48.1	46.9	47.4	46.9	46.4	45.7	48.1	50.1	50.1	50.9	51.5	51.5	51.5
South Africa	51.0	46.1	49.9	50.7	48.6	51.7	48.4	50.9	50.9	51.4	50.3	50.7	52.5	52.7	51.7	49.2	49.5	50.6	50.2	48.7	50.5	49.7	49.6	47.9	48.7
Saudi Arabia	56.4	55.8	54.1	58.6	57.7	56.9	53.9	53.2	56.2	56.8	55.7	55.7	57.0	56.3	57.7	56.6	57.2	58.5	56.9	58.2	59.8	58.7	59.6	58.5	59.6
Russia	49.2	47.5	46.5	49.8	51.6	51.7	51.6	51.8	48.6	44.1	48.2	50.8	50.9	50.3	51.7	52.0	50.7	53.2	53.0	52.6	53.6	53.2	52.6	53.5	52.6

High

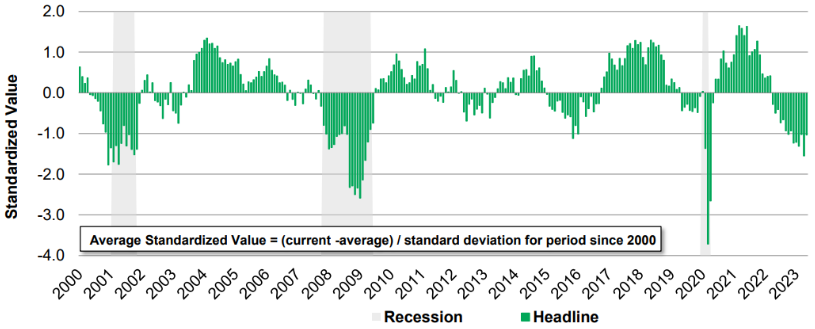
Neutral

Low

Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of June 30, 2023

U.S. Manufacturing is now pointing to a likely recession

U.S. manufacturing activity avg. standardized values: ISM (National, Chicago, Cincinnati) Fed manufacturing (Empire, Philadelphia, Richmond, Dallas) indices

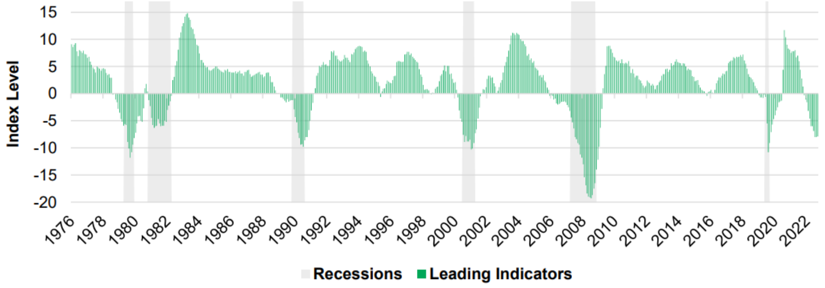


Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of June 30, 2023

Leading economic indicators are showing signs that the odds of a recession have increased materially

Historically, each time the LEI reached the current level, the economy was already in a recession.

Conference Board's Composite Index of Leading Economic Indicators



Source: Bloomberg, Manulife Investment Management, Capital Markets Strategy. As of May 30, 2023

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TAX PLANNING CONSIDERATIONS—Continued

Firstly, on an annual basis, most income tax and benefit amounts are indexed to inflation. Towards the end of 2022, the CRA announced that the inflation rate to be used to index the 2023 tax brackets and amounts would be 6.3%. Increases to the tax bracket thresholds and various amounts relating to non-refundable credits took effect on Jan. 1, 2023. However, increases in amounts for certain benefits, such as the GST/HST credit and Canada Child Benefit, only took effect on July 1, 2023. This year, every federal income tax bracket has been indexed to inflation using the 6.3% rate. As such, the new 2023 federal brackets are: up to $53,359 of income (15%); above $53,359 to $106,717 (20.5%); above $106,717 to $165,430 (26%); above $165,430 to $235,675 (29%); and anything greater is taxed at 33%. Each province also has its own set of provincial tax brackets, and using their respective provincial indexation factors have also been indexed to inflation.

Next, we discuss the basic personal amount (BPA), which is the amount of income an individual can earn without paying any federal tax. In December 2019, the government decided on an increase of the BPA annually until it reaches $15,000 in 2023. After this point it will be indexed to inflation. As a result, for 2023 the increased BPA has been set by legislation at $15,000, meaning an individual can earn up to this amount in 2023 before paying any federal income tax. The value of the federal credit is calculated by applying the lowest federal personal income tax rate (15%) to the BPA, making it's value worth $2,250. Keep in mind, however, that there is an income test resulting in some higher-income earners not getting the full increased BPA. The enhanced BPA is gradually reduced for taxpayers with net incomes above $165,430 until it has been fully phased out once a taxpayer's income is over $235,675 (threshold for the top tax bracket). Therefore, taxpayers in that top bracket who lose the enhanced amount will still get the previous BPA, indexed to inflation, which is $13,521 for 2023.

Then we have the new Multigenerational Home Renovation Tax Credit which came about on Jan. 1, 2023. The federal government is offering this new tax credit to help make it easier for Canadians to care for adult relatives in their own homes. This new credit will provide a 15% tax refund on expenses up to $50,000 (to a maximum of $7,500) incurred for a qualifying renovation that creates a secondary suite to permit an eligible person (such as a senior or a person with a disability) to live with a relative. The secondary suite must be for a related adult over the age of 65 or living with a disability, including a grandparent, parent, child, grandchild, sibling, aunt, uncle, niece, or nephew. It must be a self-contained housing unit that includes a separate entrance, bathroom, kitchen and sleeping area. Additionally, the home being renovated must be inhabited or reasonably expected to be inhabited within 12 months after the end of the renovations.

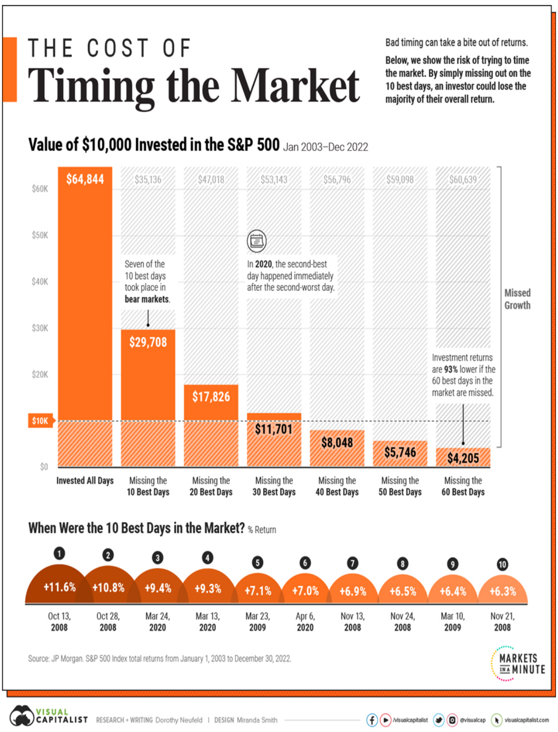
In addition, Canada's new anti-flipping rules for residential real estate, designed to "reduce speculative demand in the marketplace and help to cool excessive price growth", also became effective on the first of January. Ultimately, the principal residence exemption will not be available on the sale of a home if the home has been owned for less than 12 months (with certain exceptions), and gain will be 100% taxable as business income.

Finally, we have the new First Home Saving's Account, which in a recent article I discussed in great detail. In summary, this new registered plan gives prospective first-time homebuyers the ability to save $40,000 on a tax-free basis towards the purchase of a first home in Canada. Similar to a registered retirement savings plan (RRSP), contributions to an FHSA are tax deductible. Withdrawals to purchase a first home, including any investment income or growth earned in the account, will be non-taxable, like a tax-free savings account (TFSA). The new legislation also approves that a first-time homebuyer can use the FHSA along with the existing Home Buyers' Plan (a $35,000 repayable loan from an RRSP) to purchase their first home. Tax planning should be an essential part of everyone's financial plan. By integrating tax planning into an overall financial strategy, we are able to identify opportunities to minimize tax liability and ultimately maximize overall financial well-being.

WHY IT IS SO HARD TO TIME THE MARKET—Continued

Why will this action of trying to wait for a recession, end up costing these 6 or so individuals tens – maybe hundreds of thousands? Why can't we time the market?

For one, these six individuals didn't say what kind of recession to wait for. Were they referring to a stock market recession, a bond market recession, a real estate recession, or an economic recession? Sometimes these things overlap but sometimes they don't. You could argue that the bond market has been in a recession since they started dropping interest rates more than ten years ago. This year bonds started to look good again, but recently in the last week or so investors have sold positions in bonds in anticipation of higher rates – so back down they go. The stock market tends to trade 6 to 8 months ahead of the economy, so a recession in the stock market would probably happen well before an economic recession. Economic recessions are an entirely different beast. The economy is not the same as the stock market. Economies are a measure of gross domestic product, which is the value of goods and services. Stocks on the other hand represent the value of a specific company. The only real similarity between a stock and the economy is that both can grow fast, grow slow, or not at all. When GDP falls, and economies stop growing then we hit a recession. True, this will impact many companies and thus their stock prices, but remember, stock trading is about 'predicting' future growth. Therefore, if stocks are falling today, it means the invisible hand of the stock market sees rough times ahead. This is why people will likely screw up the timing when they say, "I'll wait for the next recession to put my money in". Usually, that time will have passed weeks, months, or maybe even a year earlier. But not only will the timing be off, the timing of good days and bad days in the market will ultimately dictate how well a portfolio does.



Missing good days in the market is worse than participating in bad days in the market. Here's the proof. JP Morgan released an interesting piece illustrating the potential downside of attempting to time the market. In this illustration, JP Morgan shows how an investment of $10,000 into the S&P 500 held from January 1, 2003, to December 30, 2022, would perform under various scenarios.

If the $10,000 stayed invested the entire time, it would be worth $64,844 (annualized return of 9.8%). But if you missed the 10 best days in all those years the money would be worth only $29,708 (annualized return of 5.6%). If you miss the best 60 days, it would be a negative return of -4.2%. In other words, the $10,000 would be worth only $4,205. Add inflation into that mix, and you're money is in pretty bad shape.

Invested All Days: Portfolio Value - $64,844; Annual Return (2003-2022) - +9.8%

Missed 10 Best Days: Portfolio Value - $29,708; Annual Return - +5.6%

Missed 20 Best Days: Portfolio Value - $17,826; Annual Return - +2.9%

Missed 30 Best Days: Portfolio Value - $11,701; Annual Return - +0.8%

Missed 40 Best Days: Portfolio Value - $8,048; Annual Return - -1.1%

Missed 50 Best Days: Portfolio Value - $5,746; Annual Return - -2.7%

Missed 60 Best Days: Portfolio Value - $4,205; Annual Return - -4.2%

Okay, so we shouldn't miss any good days, not exactly rocket science. The drastic difference between numbers is a bit of a surprise but it makes sense. The six internet gurus I mentioned earlier would probably say, "yea but we're not trying to miss the best days, we're trying to miss the worst days – we're trying to get in at the bottom!" Interestingly, it just so happens that the ten best days over the last 20 years occurred during the worst bear markets of 2008-09 and 2020. 2008 was the worst recession since the great depression and 2020 saw markets fall in dramatic fashion over just several months.

WHY IT IS SO HARD TO TIME THE MARKET—Continued

Here are the best ten days over the past two decades:

Oct 13, 2008: +12% (biggest one-day gain ever to this point)

Oct 28, 2008: +11%

Mar 24, 2020: +9%

Mar 13, 2020: +9%

Mar 23, 2009: +7%

Apr 6, 2020: +7%

Nov 13, 2008: +7%

Nov 24, 2008: +7%

Mar 10, 2009: +6%

Nov 21, 2008: +6%

Headlines were so bad and uncertainty so high in those times that most investors ran to the hills – they cashed out. Emotions were high and when reasonable advice said, “invest more!”, people replied, “no way, this is way too bad, I’ll lose my money, this time it’s different!”. It was different but the results were the same.

There is a trend in markets in which the proximity between the best days and the worst days is often within a short frame of time. This makes it almost impossible to correctly determine when to buy and when to sell. However, the good news is that we don’t need to worry so much about when to enter and when to exit. The benefits of staying invested far outweigh the risk of taking part in bad market days.

Now, if you still don’t believe me and you need to try and time things, I have one trick you can follow. I have come across one consistent indicator that the stock market is doomed to recession. This indicator has proven to be accurate 100% of the time and here it is: Every time the Philadelphia Phillies win the world series, the stock market goes into recession. This has happened three out of three times – literally batting 1000. They won during the financial crisis of 2008, the early recession of the 1980s, and during the 1929 Great Depression (they were called Athletics at the time, but it still counts). There you go, just wait for the Phillies to win and you can dump your money into the market – you’ll probably miss the best days, but you’ll be able to time the recession! DISCLAIMER: If there was a bullet-proof way for timing the markets, everyone would be using it, so just stay invested and diversified for the long-term and you’ll be fine. Go Jays Go.

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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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