SEPTEMBER 2023 EDITION

KPW NEWSLETTER

VOL. 12, ISSUE 9

***“"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
EDITORIAL COMMENT

Kristina De Souza, CFP
RESP FAMILY TRANSITIONS AND ESTATE PLANNING CONSIDERATIONS

Ryan Simone, CFP, CLU, CHS
SMALL CAP RECESSION COULD MEAN BIG OPPORTUNITY

EDITORIAL COMMENT

Sergio Simone

September already. I feel the morning chills, kids are back to school, and investors are returning from their summer vacations. This is the time of year that investment activity picks up and liquidity returns to the markets. The foremost question on my mind: “Is the Fed tightening finally going to have some impact on the economy.” You wouldn’t know it from last month’s inflation report which showed a rise of 3.7% in August (4% in Canada) which followed a rise in July of 3.2%.

Two consecutive monthly increases should make every investor a little nervous. I am definitely nervous but far from panicking. The reason being that Core inflation actually fell. Not only did core inflation fall but housing starts fell to a three-year low, in large part because of 7% mortgage rates.

RESP FAMILY TRANSITIONS AND ESTATE PLANNING CONSIDERATIONS

Kristina De Souza, CFP

As a new school year is underway, I find my thoughts redirected back to planning for education. We are always looking for innovative planning tools that maximize our client’s financial well being. I recently came across some new information that piqued my interest, as it integrates education planning, estate planning, and family transitions. As we well know by now, Registered Education Savings Plans continue to be an effective tool for assisting family members with education costs. However, what I was recently reminded of is the fact that, unlike the funds from an insurance policy, RRSP or RRIF, opening a RESP is not the same thing as setting up a trust

SMALL CAP RECESSION COULD MEAN BIG OPPORTUNITY

Ryan Simone,
CFP, CLU, CHS

Small caps are in a recession. They are unloved, unwanted, and nobody wants to invite them to the party. Mega-cap companies like Meta and Apple are at the party and Nvidia is asking for another round of drinks. Amazon, Tesla, Alphabet, and Microsoft are all there as well. They call themselves the magnificent 7 and investors are chasing after this “wonderful” bunch. But small cap players have yet to join in the good times this year. In fact, they haven’t really been to the party in a little over two and a half years. Interest rate hikes killed small cap valuations, and this translated to a market sell-off ahead of a potential recession. Adding insult to injury, investors are chasing after the performance of the big seven, further worsening small cap valuations.

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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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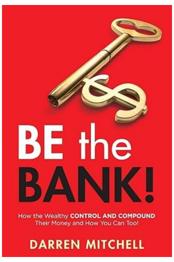
BOOK OF THE MONTH



BE THE BANK!

- by Darren Mitchell

For years, many of us have been brainwashed into thinking that investing in RRSPs and mutual funds is the only way to save money. Year over year, we pay our bills and funnel money into the stock market, hoping that one year, we will see the return of a lifetime, which we think will make us rich.

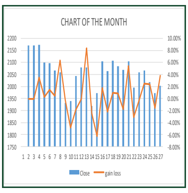
While that's happening, the wealthy are ignoring those rules and instead putting their money to work for them—they are their own bank. They are controlling, growing, and protecting their money, and then multiplying their wealth and their family's wealth, year over year.

FUND OF THE MONTH

IA CLARINGTON LOOMIS GLOBAL EQUITY OPPORTUNITIES

The fund invests in a broad range of equity securities of companies anywhere in the world. The companies can be of any size and in any industry. The fund may invest up to 100% of its assets in foreign securities. Based on the fund's volatility, it has been rated as Medium Risk.

CHART OF THE MONTH



STAYING AHEAD OF INFLATION OVER THE LONG-TERM

Inflation is the rate at which the general level of prices for goods and services is rising, and, subsequently, purchasing power is falling. It is important to stay ahead of inflation to protect your savings and investments from losing value over time. Here are a few strategies that can help you stay ahead of inflation:

BLOG OF THE MONTH

The Real Economy Blog

CANADA'S ECONOMY CONTRACTS AS HIGHER INTEREST RATES TAKE A TOLL

The picture of an economic slowdown is coming into focus as the Canadian economy contracted in the second quarter because of declining housing investments and household spending.

Gross domestic product fell by 0.2% in the second quarter, according to data released by Statistics Canada on Friday. On a monthly basis, GDP fell by 0.2% in June after an increase of 0.2% in May.

This is exactly what the Bank of Canada's restrictive monetary policy is intended to do: Cool the previously overheated economy. Amid other ample evidence of a cooling economy, including falling job vacancies and moderating core inflation, the Bank of Canada will most likely pause rate hikes next week at its meeting.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

FP EXPLAINS: HOW TO USE LIFE INSURANCE TO SAVE TAX AND BUILD WEALTH

Life insurance can be a lifelong financial friend whether it's for estate planning, investing or as tax-free deposits into your account at retirement.

Here are some things to think about when it comes to insurance and financial planning beyond the basic need for life insurance.

THE WEALTH REPORT

It is an absolute pleasure to welcome you to The Wealth Report 2023, the 17th edition of this market-leading report. In last year's edition we described the surge in new wealth creation on the back of the post-Covid bounce-back and its impact on asset price and market performance. The story at the heart of this year's report is driven by the legacy of that economic rebound. We find ourselves in a new investment environment. Rising inflation was the number one risk cited in The Wealth Report 2022. That led to one of the biggest rises in interest rates in history – and a corresponding shift in investor behaviour. Asset prices fell back and, as we confirm in this report, overall wealth levels fell.

BEST INVESTMENTS FOR HIGH NET WORTH INDIVIDUALS

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.

FP ANSWERS: SHOULD I FOLLOW MY BROKER'S ADVICE AND INVEST IN FLOW-THROUGH SHARES

Q: I made about $300,000 last year and expect to earn more this year. I maximize my contributions to my registered retirement savings plan (RRSP) every year, but I'm still paying a lot of tax. My broker says I should invest in flow-through shares, but they seem risky to me. Do you think I should invest in flow-through shares?

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CORPORATE CULTURE

LEARN HOW THE CANADA SMALL BUSINESS FINANCING PROGRAM CAN HELP GROW YOUR BUSINESS

The Canada Small Business Financing (CSBF) program is making it easier for small businesses to get loans from financial institutions by sharing the risk with lenders. It's designed to help more businesses access financing for startup and growth.

When starting or growing a business, owners typically require financing to achieve their objectives and reach that next level. To help more owners access the financing they need, the Canadian government is providing a partial guarantee for lenders on behalf of eligible borrowers through the Canada Small Business Financing (CSBF) program.

RISING INTEREST RATES WILL HURT SMALL BUSINESSES, BUT NOT AS MUCH AS YOU MIGHT THINK JUST YET

Inflation is hitting small businesses hard right now, and data from MetLife and the U.S. Chamber of Commerce found that 85% of small business owners surveyed expressed concern about inflation. Research finds that one-in-three business owners list inflation as their No. 1 business concern.

The reality is that inflation is always happening, so small-business owners need to be prepared. It’s important to understand how inflation affects your business and to produce solutions to manage it.

SMALL BUSINESS EMPLOYEE BENEFITS

Benefits packages can provide a competitive advantage in the quest to attract and retain talent. That’s why it’s never too early for small business owners and startups to explore employee benefits, especially if they plan on growing their team in the future. This guide serves to help employers better understand the options available to them, as well as some of the requirements.

Offering employee benefits that support employees physical and mental well-being can help maintain employee productivity, boost morale, help reduce absences and protect your business.

CANADIAN SMALL BUSINESS TAX PLANNING STRATEGIES

Small business owners are entrepreneurs. Known for having great ideas, they’re passionate about their products or services and want to change the world. This laser-sharp focus often won’t leave them with enough time or energy to handle their taxes. It’s never too early to start thinking about tax planning strategies and how to effectively reduce your tax bill, especially when there’s still time to make positive changes to your tax situation. In addition to understanding the small business tax rate, here are some top tax planning tips for Canadian business owners.

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

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FUND MANAGER COMMENTARY

Dean Orrico, President & CEO

Middlefield Capital Corporation

MACRO UPDATE

Equity markets took a breather in August following an impressive streak of positive monthly returns. The S&P 500 returned -1.6%, one of only two negative months so far in 2023. The sell-off was a function of multiple contraction driven by an increase in Treasury yields and higher volatility. US 10-Year yields climbed to as high as 4.34% on August 21 – the highest level since 2007.

Bond yields have reached multi-year highs on concerns that central banks may keep short-term borrowing rates higher for longer. At his recent speech in Jackson Hole, Fed Chair Jerome Powell listed several key factors the Fed is watching that would cause it to abandon its hawkish stance, including Core PCE inflation dropping closer to 2%, demand for labour matching supply, and a cooling of consumer spending.

Christine Tan, Portfolio Manager

SLGI Asset Management Inc.

SUN LIFE GLOBAL INVESTMENTS SEES BRIGHT OUTLOOK FOR FIXED INCOME.

Volatile markets create increased uncertainty for many investors. For others, however, this volatility is an opportunity – unlocking attractive entry points that will generate value over the long term. This is the investment landscape facing savvy investors in fixed income this year. After a rough 2022, new opportunities are emerging both in Canada and globally for government, corporate, and emerging market bonds.

Macan Nia, Co-Chief Investment Strategist

Manulife Investment Management

THREE INVESTMENT THEMES YOU NEED TO KNOW FOR THE REST OF 2023

Soft landing, hard landing, no landing? These terms seem to be front and centre in the financial media, and many aren't even sure what they mean. In essence, the question is whether we'll experience a recession or not in the U.S. and Canada. Year to date, despite economies absorbing the aggressive policy tightening we've seen so far, economic activity in developed economies have proved to be more resilient and avoided recessions amid potential job hoarding, pent-up savings, and a rebound in the services sector.

Malcolm White, Portfolio Manager, Global Equity

BMO Global Asset Management

HOW AI WILL POWER THE NEXT INDUSTRIAL REVOLUTION

Artificial intelligence is taking the world by storm. In this article, Malcolm White and Jeremy Yeung, Directors & Portfolio Managers, Global Equity, BMO Asset Management, place artificial intelligence within the history of innovation, discuss the many ways it could change how we live and work, and explain how that could translate into attractive investment opportunities.

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AS FINANCING COSTS SURGE, THE REAL ECONOMY FACES A RECKONING.	RRSPs AND RRIFs ON DEATH	HOW CAN COMPANIES TURN AI PROMISE INTO PROFITS?
NEW ALTERNATIVE MINIMUM TAX REGIME TO RAISE $2.6B: PBO	WILL YOU OR YOUR TRUST BE AFFECTED BY CHANGES TO THE ALTERNATIVE MINIMUM TAX?	CRA PRESCRIBED RATE REMAINS AT 5% FOR Q4 2023

Manulife

CORPORATE CLASS MUTUAL FUNDS: REDUCE OAS CLAWBACKS

A little planning can help keep more income in your pocket. A simple case study shows how investors can structure their investments to reduce the OAS clawback and increase their retirement income.

BMO
BMO Global Asset Management

HOW AI WILL POWER THE NEXT INDUSTRIAL REVOLUTION

Artificial intelligence is taking the world by storm. In this article, Malcolm White and Jeremy Yeung, Directors & Portfolio Managers, Global Equity, BMO Asset Management, place artificial intelligence within the history of innovation, discuss the many ways it could change how we live and work, and explain how that could translate into attractive investment opportunities.

VIDEO AND PODCAST LINKS

WHY A DEFENSIVE STANCE MAKES SENSE. RISK MANAGEMENT AND DIVERSIFICATION IMPORTANT IN UNCERTAIN TIMES	Q3 2023 GLOBAL MARKET OUTLOOK	EUROPE'S ECONOMIC OUTLOOK WORSENS AS HIGH PRICES PLAGUE….

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

Core inflation may have little meaning to people trying to feed their families or fuel their vehicles. The reason being that core inflation is a measure of inflation that “excludes” the prices of food and energy. The reason these prices are excluded is because they are more volatile and subject to transitory changes. But, there are many people, myself included, who believe that “Core Inflation” is a measure that forecasts future inflation best.

As much as I dislike the effect of food and gas prices on a personal level, it really is good news that core inflation is falling. This may keep the Central Banks from raising rates more, at least in the short term.

Now for some good news. Equity markets have generally been melting upwards, especially after the banking fears south of the border subsided. Some reasons for this include a rising enthusiasm for Artificial Intelligence and the fact that many investors have been sitting on the sidelines with piles of cash waiting for an opportune time to jump back into the markets. The resilience of the current market may just be the stimulus they need to get invested.

The timing of these factors coming together may be just what the markets need to support it in the near term as the economy begins to feel the effects of tightening and continues to slow down. Despite a slowing economy, my opinion is that you will be better off being invested right now than watching from the outside. Even though I still believe a recession is imminent, I don’t believe we will see it coming in Q4, especially not while American households still sit on about $500 billion in excess savings, and especially not while investors have made A.I. the sweetheart of the markets.

Some recent developments in artificial intelligence have been largely responsible for pushing the heavily tech laden S&P 500 to a 17% YTD performance. Nothing to laugh at! When I put a Pro/Con chart in front of me, I can see the checkmarks growing on the Pro side. Resilient labour market, check; rising stock market, check; inflation falling, check; low probability of recession, check, consumer sentiment growing more positive, check; wage and price pressures heading in the “right direction”, check. The Con side of the page is lacking data to support it. That being said, the biggest fear I have of a coming recession is the one caused by a “black swan” event. These are those nasty, unpredictable and often violent circumstances that come out of left field and are incredibly difficult to forecast. We refer to these as “six sigma events”.

An example of this type of event occurred in 2008 with the collapse of Lehman Brothers, one of the world’s largest investment banks. This event triggered the 2008 financial crisis which had a catastrophic global impact. This stock market crash exceeded six standard deviations, making it an exceptionally difficult and rare event to predict from a probabilistic standpoint.

So, barring another black swan event, the most likely scenario in Q4 is “steady as she goes” with a touch of volatility thrown in to make it interesting. 2024 may be a whole other ball of wax. When speaking of the effects of inflation we tend to focus on the pain felt by the average consumer or investor. What about the effect on the corporate world. We have all been inundated with reports on how the labour market is resilient and the stock market is rising and inflation is falling. An overview would indicate that we are likely heading for a soft landing if we actually experience a recession. Here is what really concerns me.

The issue of Refinancing Risk is looming over us on a personal and corporate level. After 15 years of expansionary monetary policy it has taken the Fed a mere year and a half to bring us back to levels not seen since 2007. Everything is more expensive, including the cost of borrowing. These rate increases occurred with such speed that we have not yet had the time to experience the impact it will have on us.

In my opinion, the “lag effect” of rising interest rates is still to come and when it does it will come with a vengeance. The Federal Reserve Bank of Boston recently published a report that stated it will take five full quarters before the rate increases will be fully discounted in the corporate interest expense ratio. Based on this report, the implications will be staggering in the current macroeconomic environment.

What the report simply concludes is that the effects of monetary policy are in their infancy and the most acute periods are still to come. The lag will last longer for corporations than for individuals. The reason for this is that even while interest rates are rising, companies may not need to take on additional debt in the short term. It may take years before the existing debt they hold matures and a need to refinance occurs. Many companies will exhaust their liquid reserves first before borrowing at such high rates.

This week, Jerome Powell took a pause in raising interest rates but he also issued a caveat indicating that another rise was likely to occur before year end.

EDITORIAL COMMENT - CONTINUED

Both corporations and individuals are facing enormous increases in loan costs from credit cards (near 30%) to mortgages (approximately 7%). With the cost of living to survive rising catastrophically high, the impact of refinancing a loan at the current rates will become unaffordable. Even if a company or individual can afford the higher costs, the banks may not be inclined to offer loans as easily as in previous years. They are already adjusting their standards for commercial and industrial loans and I would not be surprised to see the same occurring in personal loans.

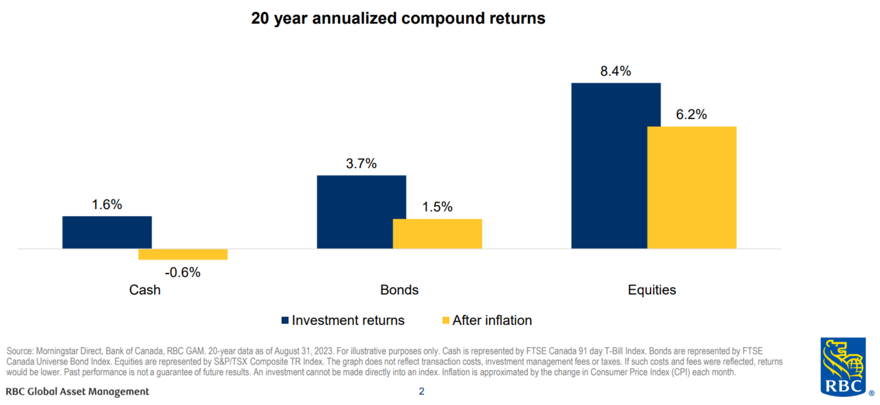
No one can predict the exact impact this will have on the economy but if history acts as a barometer of future events, we may have a maelstrom of economic times ahead of us.

Fortunately, as in every economic scenario, there are those that can benefit from the situation, regardless of the severity of that situation. Recessions are not negative events for everyone. Some astute investors with long-term outlooks will look at a recession as a golden buying opportunity. They will be able to buy stock in great companies at hugely discounted prices. Look back at history and you will see that major indices have overcome a plethora of difficulties ranging from wars, pandemics and terrorist attacks to banking failures and corporate meltdowns. To make this even more palatable, consider that most recessions only last between 2 months and 18 months. Not a very long time in the big picture.

In fact, in most cases the bottom of the market comes before the end of the recession. So astute investors will make great returns even while the economy is suffering. The bottom line is that the term recession will not frighten the smart money. What we are experiencing today and expect to experience over the next year will have little impact on investors who are committed to the long term.

CHART OF THE MONTH - CONTINUED

1. Invest in Equities: The chart below illustrates a comparison of post-inflation returns, over the last 20-years between Cash, Bonds and Equities. Although equities may have the highest volatility of the three, higher returns have compensated for the additional risk. Investing in Cash may be a safe short-term alternative but investing in Cash for the long-term is basically an exercise in “going broke slowly”.



2. Invest in Real-Estate: Real estate has been a good hedge against inflation. Property values and rental income tend to rise with inflation, providing a potential source of income and capital appreciation.

3. Invest in Treasury Inflation-Protected Securities: TIPS are government bonds that are indexed to inflation. The principal value of TIPS adjusts with inflation, providing investors with protection against rising prices.

4. Diversify Your Investments: By diversifying your investments across different asset classes, such as stocks, bonds, real-estate and commodities, you can spread your risk and potentially earn returns that outpace inflation.

5. Consider investing in Commodities: Commodities like gold, silver, oil, and agricultural products have historically been used as a hedge against inflation. These assets tend to rise in value when inflation is high.

6. Review your investments regularly to ensure they are still aligned with your financial goals and risk tolerance. Make any necessary adjustments to your portfolio to stay ahead of changing market conditions.

Remember, investing involves risks, and it’s important to do thorough research and seek professional advice before making any investment decisions.

RESP FAMILY TRANSITIONS AND ESTATE PLANNING —Continued

Moreover, a RESP can face great complications in an estate planning context, particularly with blended families.

Technically speaking, a RESP is a registered contract between the subscriber establishing the plan and the financial institution. RESPs generally provide access to government savings programs, including the Canada Education Savings Grant (CESG) and the Canada Savings Bond (CSB). Within the plan, the subscriber contributions and government grants earn income. The RESP can be set up with a single subscriber, such as a parent or grandparent, or by spouses and partners with “joint subscriber” status. Regardless, individual or joint subscribers allocate their after-tax funds for the benefit of the beneficiary.

Once a beneficiary is eligible, typically once they’re enrolled in post-secondary education, the promoter (the financial institution) pays contributions, as well as income and grants, known as education assistance payments, to the beneficiary. However, if a beneficiary does not become eligible, or the subscriber does not make payments to any eligible beneficiaries, the non-grant portions (capital contributions) may revert to the subscriber.

When we consider the unfortunate scenario where a subscriber dies without a named successor by will (or other form of declaration) the RESP contract is generally terminated. Subsequently, the accounts held within it form the deceased’s estate and its beneficiaries become entitled to the accounts. As a result, the CESG portion as well as other government contributions that may be applicable (such as the Canada Learning Bond and various provincial benefit programs) are lost.

Ultimately, the executor may be obligated to collapse the RESP (especially if those funds are needed to pay debts or taxes), and, unless the beneficiaries of the RESP and will are the same or there are explicit instructions in the will, the executor may be in a conflict if they don’t collapse it to pay debts or taxes.

Oftentimes with blended families, the beneficiaries of the RESP and the will are not one in the same, which is the perfect recipe for significant and preventable challenges. Again, if no successor holder is named on the RESP, it would likely be considered terminated and become part of the estate. As a result, someone other than the beneficiary of the RESP, such as a second spouse, technically would be the beneficiary of the RESP proceeds. Further, the RESP proceeds, less the surrendered grants, could feasibly cover the estate’s debts and taxes, rather than using joint assets or investments.

This has the potential to leave beneficiaries facing questions of technicalities vs. ethics, and questions of who is acting in whose best interest, which could have lasting consequences on relationships. In any case, while the beneficiary of the RESP may feel disadvantaged, their path to a clear legal remedy may not exist and they may be tempted to attack the validity of the will. Ultimately, this situation, and ones just like it, can easily be mitigated with qualified advice from an experienced financial, tax and estate professional.

When a will names the executor as successor subscriber and provides them with adequate powers and authorities, the executor generally gains the power to administer the RESP as the original subscriber would have. A well-drafted RESP clause in a will can also direct the executor to maintain the RESP for the designated beneficiaries as a specific bequest in trust to those named beneficiaries or, in this case, to continue to administer the RESP for the benefit of an existing beneficiary and any subsequent children of the new marriage.

The key takeaway here is that it has become increasingly important to regularly confirm alignment between intention and documentation, particularly in blended families containing plans such as RESPs. It is also crucial to know changes in estate, family and tax legislation occur regularly. As such, financial plans, including estate plans and designations, should be reviewed on a regular basis or any time there is a significant change to one’s life circumstances with your trusted, qualified professionals.

SMALL CAP RECESSION COULD MEAN BIG OPPORTUNITY—Continued

The main reason small caps aren't invited to the party is because of the perceived risk. Smaller companies in earlier growth stages tend to carry more debt and this puts them at greater risk during tight monetary environments like today. Why would an investor take on that additional risk, when the risk-free market (i.e. GICs) is so appealing right now.

Well, if history repeats itself, there is a 100% chance that small caps outperform large caps over the next 12 months. Right now, the valuation spread between large caps and small caps is massive. How massive? Historically speaking, the spread between small caps and large caps has only been this large 5% of the time, aka, we're at peak spread (historically speaking). Said another way, we're within 5% of one of the cheapest periods in time between small caps and large caps. Historically, this puts us in a period in which 100% of the time small caps outperform large caps on an ongoing basis over the next 12 months.

Okay, so let's say history repeats itself, how much outperformance are we talking here relative to large caps? The answer is forty-six percent. In situations like the current one we are in, the Russell 2000 (small-caps) outperforms the S&P 500 by nearly 50%.

Let me be clear about something here: this is not an ongoing thing. The S&P 500 and the Russell 2000 are correlated to each other most of the time. But every now and then, there are occasions when the valuation spreads between these two groups widens so much that one group tends to do much better. Right now, the S&P 500 group of companies is doing better (mostly because of the mega-seven I mentioned earlier), but it stands to reason that there will be a point coming up over the next 12 months where this will change. It doesn't mean the S&P 500 will come down in price and investors will lose money; although they could, but it does mean that the Russell 2000 will probably gain much more. And of course, we don't know the returns going forward, but we know the opportunity is there.

So, what do small caps offer over large caps?

First, they offer better insulation from geo-political tensions. Small caps tend to have a domestic focus and this can lessen the impact of declining exports in an economy or any currency fluctuations caused by geo-political tension. Second, they are attractively valued and, in some cases, just plain cheap. Third, small caps tend to lead large caps during an economic recovery. We may not be there quite yet, but it's on the horizon. The debate right now isn't whether a recession is coming, but rather whether it will be a soft landing or a hard landing. And the one thing that inevitably follows a recession is an economic recovery. Finally, small caps have a lot more room to grow; whereas large cap and mega cap growth will eventually start to slow down.

One final trend about small cap versus large cap is that their market leadership tends to alternate every ten years. For example, from 2013-2022 large cap growth outperformed small cap but in 2003-2012 the opposite was true. That means that we may be heading into the next ten-year cycle in which small caps take the helm. You can see this by looking at the Russell 2000 (small cap idex) vs the Russell 1000 (large-cap index).

DISCLAIMER

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Labour Sponsored Investment Funds ("LSIF") have tax credits that are subject to certain conditions and are generally subject to recapture, if shares are redeemed within eight years. Please note that Mutual Fund Representatives in Alberta are not permitted to sell LSIF.

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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