Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 11, ISSUE 6 JUN 2022

"History Doesn't Repeat Itself, But It Often Rhymes." **- Mark Twain**

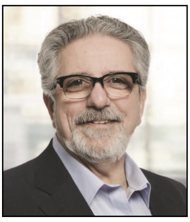
Sergio Simone
EDITORIAL COMMENT

Kristina De Souza, CFP
STRATEGIES TO SAVE FOR YOUR CHILD'S FUTURE

Roberta Di Petta
MAINTAINING EMPLOYEES THROUGH BENEFIT SOLUTIONS

Ryan Simone, CFP, CLU
WHAT IS A BEAR MARKET AND WHAT SHOULD I DO?

EDITORIAL COMMENT



Sergio Simone

The beginning of 2022 seems like eons ago. We began the year with mixed feelings as we carried a tinge of optimism at the thought that COVID-19 seemed to be coming under control. It was expected that inflation would reset above 2% after peaking in Q1 – 2022, an outcome that would have been welcome for central banks that continued to view inflation as "transitory".

Six months later we are happy that part of these scenarios has played out according to expectations.

PLANNING STRATEGIES TO SAVE FOR YOUR CHILD'S FUTURE

Kristina De Souza, CFP

I would like to take this opportunity to revisit a topic near and dear to my heart, saving for your child's future. In past months, I have touched on various strategies, most notably Registered Education Savings Plans and Life insurance. The one I have yet to discuss is "In Trust For" accounts (ITF), which are important savings vehicles for families who wish to set aside money for a child's future while achieving tax benefits. Allow me to explain how these accounts work, when they are appropriate and how to properly set one up.

MAINTAINING EMPLOYEES THROUGH BENEFIT SOLUTIONS

Roberta Di Petta

The way employers and companies treat their workforce has always been a growing concern and now it has become crucial, especially over the last two years. The workforce has experienced a massive shift: not enough workers, higher wage demand, less loyalty due to high demand of employees and many other factors.

WHAT IS A BEAR MARKET AND WHAT SHOULD I DO?

Ryan Simone,
CFP, CLU, CHS

It's official, rising interest rates and fears about inflation have led us into a new bear market. There are also other contributors: war in Ukraine, slowing Chinese economy, aggressive monetary policies, and so on.

Technically, the last bear market only happened two years ago when Covid sent the markets tumbling to their lowest in March of 2020.

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Congratulations!

Katrina Van Rhee

Kleinburg Private Wealth is happy to announce that Katrina Van Rhee has successfully completed her exam for the Canadian Investment Funds Course. The CIFC is unlike any in the industry. The sequence of instruction mirrors the typical process used with clients in the real world, and a challenging Case Study helps put knowledge into practice.

Katrina began working with Ryan almost two years ago and she will continue working with Ryan under the title of Licensed Advisor’s Assistant. The successful completion of this course will enable Katrina to add valuable client support to Ryan and the entire KPW team.

Katrina had previously earned a BASc degree in Gerontology from the University of Guelph. Prior to working with Ryan and KPW Financial, Katrina spent almost two decades working with vulnerable and aging individuals in the Durham Region community. She also holds a Certificate in Volunteer Management from Sir Sanford Fleming College.

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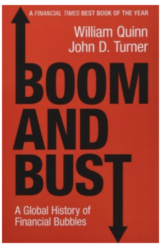
BOOK OF THE MONTH

BOOM AND BUST

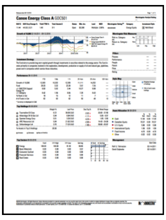
- by William Quinn & John D. Turner



Why do stock and housing markets sometimes experience amazing booms followed by massive busts and why is this happening more and more frequently? In order to answer these questions, William Quinn and John D. Turner take us on a riveting ride through the history of financial bubbles, visiting, among other places, Paris and London in 1720, Latin America in the 1820s, Melbourne in the 1880s, New York in the 1920s, Tokyo in the 1980s, Silicon Valley in the 1990s and Shanghai in the 2000s. As they do so, they help us understand why bubbles happen, and why some have catastrophic economic, social and political consequences whilst others have actually benefited society.

FUND OF THE MONTH

FORGE FIRST Long Short Alternative Fund

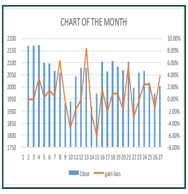


The investment objective of the Fund is to provide a positive net total return, regardless of market conditions or general market direction, with low correlation to North American equity and credit markets. The Fund uses alternative investment strategies, such as equity long/short, pairs trading, arbitrage trading, thematic trading, the use of derivatives for leverage and/or borrowing for investment purposes, and seeks to achieve its objectives by investing primarily in equities, ETFs, fixed income and listed options in North American markets.

CHART OF THE MONTH

AGING CANADIAN POPULATION

HomeEquity Bank



Insight 1:

Accessing home equity could be a key source of retirement funding.

From 2016 to 2021 the average Canadian home price increased from $490,495 to $796,000 (62% increase)

r/EconMonitor
Macroeconomic News & Commentary

BLOG OF THE MONTH

SLOWBALIZATION, NEWBALIZATION, NOT DEGLOBALIZATION

IMF Managing Director Kristalina Georgieva's message to the Davos meeting last week referred to the upside risks of "geoeconomic fragmentation" due to the war in Ukraine. Considering the ongoing rivalry between the United States and China and the alliance between the latter and Russia, the narratives about a West-East division in the global economy – with an end and reversal of globalization - have become louder.

After the 2008 global financial crisis, the belief that globalization and the transfer of manufacturing jobs to Asia would be responsible for the difficulties of progress faced by middle- and lower-income classes of some advanced countries grew among their inhabitants. That culminated in electoral victories of populist leaders like Trump, who knew how to take advantage of such sentiment. The vulnerability to shocks attributed to globalization during the pandemic, after disruptions in global supply chains began, added another argument in favor of its reversal.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

5 INVESTMENT STRATEGIES FOR HIGH-NET-WORTH INDIVIDUALS

What I am going to write about today does not solely apply to High Net Worth Individuals (HWNIs) or Ultra High Net Worth Individuals (UHNWIs). The title may be suggestive of the same, but the guide is helpful to anyone who wishes to have a comfortable post-retirement life. Things, however, become relatively complicated for these individuals because of the complexity of assets, liabilities, and commitments. Thus, before retirement, all of these things must be sorted out. Today's guide is not the technical one. It is simply a guidebook for the HWNIs and UHNWIs out there.

LOOKING TO BUY CANADIAN STOCKS TODAY? HERE ARE 5 RATIOS TO HELP MITIGATE YOUR RISK

Throughout the first half of 2022, uncertainty has increased significantly, which means that the risk in markets has also increased considerably. Therefore, several of the best Canadian stocks you can buy have fallen in value, as investors are worried about the potential for an economic slowdown later this year or potentially even in 2023.

It's always crucial to manage your risk and do a tonne of research before making any investment. However, it's even more important in this environment.

THE FUTURE-EMPOWERED HIGH-NET-WORTH INVESTOR

Across the world, the investment landscape is recalibrating: A new generation of high-net-worth investors is leading wealth ownership and applying their more global attitudes and values to investment strategies. As a result, smart philanthropy, alternative investing and impact investing are on the rise, while some more traditional sectors contract. Signs of a worldwide economic slowdown and trade wars that are chilling business confidence compound this. Change is coming. And as people look to future-proof their portfolios in an increasingly complex environment, there is an even greater need for tech-based tools and seasoned council to help investors leverage insights and dodge risks.

ESTATE PLANNING FOR HIGH NET WORTH INDIVIDUALS

The idea of Estate Planning can be unnerving due to the morbid nature of the conversation. However, Estate Planning is an essential part of planning for your future to guarantee that all of your assets are in order in case you find yourself in an unexpected situation. Estate Planning is also important to protect your minor children and also ensures that your wishes regarding your health decisions are met.

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CORPORATE CULTURE

OSLER

EMPLOYER-SPONSORED RETIREMENT PLANS

With the exception of Québec (discussed below), there is currently no legislative requirement for employers to establish or participate in any type of employer sponsored retirement plan for the benefit of their employees. The decision to establish an employer sponsored retirement plan is a voluntary business decision. However, where employers decide to establish retirement plans for their employees, the employer must comply with the governing legislative requirements which contain prescriptive rules regarding the operation of such plans.

Employer sponsored retirement plans (which include private pension and retirement savings arrangements) can be divided between the broad categories set out below.

QUANTUM WORKPLACE

EMPLOYEE RETENTION: STRATEGY GUIDE FOR 2022

Employee retention is top of mind for many organizations as high turnover, across all industries, continues to disrupt the workplace.

Many employers are anxious about the number of employees departing their jobs and organizations, and for good reason. Unwanted turnover can be a costly problem, having negative effects on a wide range of people and business metrics. By 2030, the United States is on track to lose $430 billion annually due to employee turnover.

JDSUPRA

ONTARIO LEGISLATION PROHIBITS NON-COMPETITION PROVISIONS AND INTRODUCES EMPLOYEES' RIGHTS TO DISCONNECT

The Ontario government's Bill 27, Working for Workers Act, 2021, received royal assent on December 2, 2021. The bill contains a broad range of amendments to the Employment Standards Act, 2000 (ESA), including non-competition provisions and the "right to disconnect" from work. The prohibition against non-compete agreements is effective retroactively to October 25, 2021.

Ontario is the first province in Canada to enact legislation restricting the use of non-competition agreements and requiring employers to have policies allowing employees to "disconnect" from work.

insights

WHAT SHOULD I LOOK FOR WHEN ACQUIRING A COMPANY?

The Canadian business market continues to be red-hot, with the M&A tally for this year already exceeding $255 billion, over double the annual average of the last half decade. Incorporating M&A into your growth strategy can help to consolidate your position in the market. Perhaps you see growth opportunities in a business with technology that could automate current operations or you want to buy out a competitor to grow market share. Whatever your reasons, you'll want to define them clearly, find a good acquisition candidate, conduct due diligence, determine how you'll finance the deal, and consider tax implications.

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FUND MANAGER COMMENTARY

TALLEY LEGER
INVESCO CANADA

DAN BASTASIC
IA CLARINGTON INVESTMENTS

ANDREW MCCREATH
FORGE FIRST ASSET MANAGEMENT

KEVIN HEADLAND,
MACAN NIA
MANULIFE INVESTMENT

Talley Leger, Sr. Investment Strategist

Invesco Canada

Are Stocks Already Sniffing Out An Economic Recession

If you're a blissful investor with a 20-year or longer investment horizon, stay the course and stop reading this blog immediately! If not, you'll have to pardon me for indulging in the doom and gloom that has understandably engulfed the tactical investment community.

Continue Reading

Dan Bastasic, SVP and Portfolio Manager

IA Clarington Investments Inc.

Timing Of A Recession

It's always a tough call to get the timing right for a recession and the markets generally price in the negative growth 6 months or so before it happens. Listed below are some of the reasons we see more risk of recession next year than this year.

Continue Reading

Andrew McCreath, CEO/CIO

Forge First Asset Management

One of the well-known quips about investing is that there are fewer things more humbling than markets. In last month's commentary, we mused that by Labour Day markets would sense a pending shift by the Fed, be it dovish or hawkish.

Continue Reading

Kevin Headland, Macan Nia: Co-Chief Investment Strategists

Manulife Investment Management

When Bears Attack—Rules of Survival

When camping in the woods, the last thing you want to run into is a bear—but if you do, there are things you can do that can help you live through such an encounter. Similarly, when investors face a bear market or the potential for one, there are ways to help protect yourself from being ravaged by a downturn:

Try to overcome your natural panic and fear; don't run.

Be familiar with the environment: Take advantage of opportunities: Don't be afraid of what goes bump in the night—if something is meant to harm you, it'll stalk you silently.

Continue Reading

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LINKS

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THE GREAT RESIGNATION HAS CHANGED THE WORKPLACE FOR GOOD.	14 KEY SIGNS YOU WILL RUN OUT OF MONEY IN RETIREMENT	NATIONAL INDIGENOUS ECONOMIC STRATEGY FOR CANADA 2022
MONEY IS STILL THE TOP SOURCE OF STRESS FOR CANADIANS	ALMOST A QUARTER OF CANADIANS REPORT EATING LESS THAN THEY SHOULD DUE TO RISING PRICES	THE 2022 TECH WRECK IS NOT THE SAME AS THE DOT-COM BUST
HEDGE FUNDS DABBLING IN CRYPTO DESPITE BEARISH TRENDS	JP MORGAN STRATEGISTS SAY EQUITIES ARE FLASHING A BULLISH SIGNAL	RISING PRICES ARE AFFECTING THE ABILITY TO MEET DAY-TO-DAY EXPENSES FOR MOST CANADIANS

AGF

HOW REMOTE WORK IS CHANGING THE CYBERSECURITY LANDSCAPE

The remote and hybrid work models that arose during the pandemic have delivered several benefits—among them, more flexibility and freedom for workers, as well as potentially higher productivity and less demand for physical infrastructure

esma European Securities and Markets Authority

TRV (Trends, Risks, Vulnerabilities) RISK UPDATE

In our last TRV, published shortly before the Russian invasion of Ukraine, we highlighted the geopolitical risks in the region. The invasion and subsequent political and economic developments have since profoundly impacted the risk environment of EU financial markets, we are therefore updating our risk assessment.

As a result of the invasion and the policy responses, funds and investors with Russian exposures have faced substantial valuation issues. There has also been substantial asset repricing, with riskier assets falling in value (equities, corporate bonds, EM debt)

VIDEO AND PODCAST LINKS

BANK OF CANADA HIKES KEY INTEREST RATE BY 50 BASIS POINTS TO 1.5 PER CENT-	INFLATION IS TAKING A BIG BITE FROM RETIREES' PENSION INCOME	EUROPE'S CENTRAL BANK TO RAISE RATES FIRST TIME IN ELEVEN YEARS

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

It seems society has learned to live with the pandemic as lockdowns and shutdowns are being relegated to recent history. Recently, people have been returning to their pre-COVID lives. I am seeing calls for workers to return to the office, I see restaurants are requiring reservations, airplanes are travelling with full capacity and entertainment events are selling out.

However, this return to normal is also the cause of another, more serious problem – inflation! All this additional spending is only adding fuel to the fire that began with all the free money that made its way into the economy, causing a continued strong demand for goods along with strong demand and upward pressures on wages driven by a tight labour market. Rising inflation has persisted throughout the first half of the year to levels unseen in decades. The US Consumer Price Index (CPI) rose 8.5% year-over-year in March which hopefully will be the high for the cycle. Unfortunately we won't know for sure until later in the summer.

To make matters worse, Russia decided to invade Ukraine, forcing much of the world to impose sanctions against Russia which caused price shocks around the world for oil, natural gas and coal. Another industry heavily impacted by the sanctions has been Agricultural commodities due to Ukraine's significant production of these products. This has been a major contributor to the upward pricing pressures on global food prices, as has the costs of other raw goods.

Last year China got beat up pretty badly and I expected to see a turnaround in 2022 and although they continue to dominate the position of "world's second largest economy", they are continuing to suffer as they imposed increased regulations in important segments of their economy, like real estate, technology and education.

Then, surprisingly, COVID hit the nation and they immediately imposed a dynamic zero COVID policy to prevent a national outbreak that they felt would devastate the Chinese healthcare system. The Chinese government-imposed lockdowns in Shanghai and Beijing that severely impacted their domestic economy. The problem is, like Chaos Theory, these policies created a ripple effect that spread around the world causing economic hardships on a global economy already strained with supply chain issues.

President Xi Jinping remains committed to an economic growth target of 5.5% for 2022 so I can only imagine that he will have to apply various stimulus measures to keep the economy growing.

Looking ahead, I expect that supply chain disruptions will persist as long as the conflict in Ukraine continues. The sanctions on Russia will continue to impact energy prices as exports to Europe are curtailed. Many Central Banks will continue to focus on reducing inflation by tightening monetary polices to reduce aggregate demand. Although I do expect inflation to gradually decline this year, the pace of the decline will depend on how much and how fast central banks tighten.

My biggest fear right now is that the combination of global supply issues and policy-fueled slowing of economic growth opens the door for a possibility of a stagflation scenario. The probability is currently very low for this scenario, but it is worth considering.

Going forward, I do not expect the markets to be pretty. They will likely remain choppy and range-bound in the short term for a few reasons.

There is a reversion to the mean occurring in valuations which are in the process of normalizing after years of aggressive and loose monetary policy which has included everything from severely low interest rates to printing exorbitant amounts of currencies. I believe the next challenge the market will face is corporate earnings reset.

Central banks are being very aggressive in their efforts to contain inflation and of course the primary tool is higher interest rates. Unfortunately, this has opened up a Pandora's Box composed of a cocktail of higher rates, higher inflation, a stronger U.S. dollar and optimistic earnings expectations that I believe need to be reassessed.

I also believe it is time to take another look at earnings expectations that have risen to overly optimistic levels. These need to come down, as does "Guidance". Guidance is a company's own best estimates to shareholders of its upcoming earnings. Recently they have risen by 4%. Most investors will find it difficult to buy a stock knowing that the company needs to reduce guidance. I believe this is causing a lot of buyers to sit on the sidelines for now.

Corporations must realize that uncertainty creates volatility and until they can reign in expectations, volatility will likely remain high.

I confess that I don't own a crystal ball, so the best I can do is focus on managing through the current environment and take advantage of long-term buying opportunities during the pullback. With decades of experience behind me I can declare with certainty that my years of experience have taught me that every single bear market leads to a new bull market or cycle somewhere.

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DAN BASTASIC - CONTINUED

Our thesis going into the year was that what we would be going through this year was more likely the result of the unwinding of everything that peaked in the last 2 years (money supply, liquidity, earnings, margins, lumber prices, pass through inflation, valuations), and with it would be a volatile market for at least half of this year. Whenever you have these environments, the adjustment period is corrective and produces some tough market swings. That, coupled with bonds not providing any protection given the re-rate in interest rates, explains why we are in higher quality high yield bonds (less sensitive to changes in interest rates).

Our analysis has a lot to do with liquidity and how long it will take to work it's way through the economy while offsetting some of the causes of markets re-valuing for the new environment.

1. Liquidity is still growing - as of the latest period at 10% - which is as high or higher than every period in the past 20 years (outside of 2020-2021 – highest since the 1970's), there is a long lead time for money supply to work it's way through the economy.

2. Service sector recovery still expected through 2022 - a large part of economy.

3. Consumer debt lowest since the 1980's.

4. China reopening + global growth on the path to about 2.9% growth this year.

5. We believe inflation will peak soon and given the last month / month reading can see inflation next year at 3.5%, still historically high but much more supportive of spending.

6. Yield curve is still positive sloping, banks should continue to lend in this environment.

Why next year if it happens?

The Fed is going to be aggressive in raising the neutral rate. This will slow spending, impact home prices and overall consumer wealth. This should work its way through the economy and if they are too aggressive, especially with decreasing their balance sheet, this will invert the yield curve. This should produce a recession, given the slowdown in all other macro indicators at some point next year or early 2024.

The markets are pricing in a decent amount of the potential downside from inflation, the Fed and a recession at this point. There is still clearly downside risk left if we don't see some relief from the biggest risks to the market in the short term.

We are sticking to what has worked for us during this adjustment period - low fixed income exposure on a relative basis and mostly in higher yield credit to offset some interest rate risk, higher quality and defensive equities (approximately 2x the index weight in these sectors).

We have started to slowly add some exposure to companies more heavily exposed to the services and consumer space as valuations have become compelling in some of these companies.

Dan was part of the Investia conference and here are some Q/A from the event…

Dan what moving goal post scares you the most?

Biggest risks near-term, clearly Fed is committed to 2% inflation, I think it goes 3.5% early 2023 based on changes that I am currently seeing, Fed will be aggressive for longer than the market thinks, saw -1.5% GDP in 1Q, we are on trend for <2% in the 2Q, '22, could put us into a recession by the end of the year, Valuations aren't pricing this scenario in, and many companies are not pricing this in given their business models being less defensive (Strat Funds Defensive exposure >30%)

Biggest long-term risk: Housing and Housing in China , China cap rates very low relative to rest of the world, where housing is relatively expensive to begin with, interest rate increases could cause a pretty serious wealth effect next year in China as well as globally.

I've been calling for a market rally for a few weeks now (seems like it started last week), the clearer it becomes that inflation has peaked the more likely we get a relief rally that will fade towards Aug/September …. A couple of near term goal posts in terms of price movement. If this works out and Fed doesn't stay overly aggressive, should see a cyclical recovery in Stocks / HY bonds in 2023.

Dan - can you comment on the fixed income side of things further - process, entry/exit strategies given the rising interest rate environment? I know your focus has been more corp focused...if at all, do you start looking at IG govt's as rates rise?

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DAN BASTASIC - CONTINUED

- We have increased our exposure to IG over the past month , at levels >3% on the 10 yr bond yields, this is based on the current expectations, higher rates = slower growth = bond prices bottoming and yields lower, reacting to slower growth, at 3% they are not inexpensive given nominal GDP and Inflation, but are looking a bit more attractive tactically given expected slower growth over next 6 months as well as economic risks to the downside, decent short-term hedge at 3-3.25%.

- Our exposure has been concentrated in BB's – safety/quality companies/ access to liquidity, with almost 3% , on average, higher yields than IG, with lower Duration (interest rate sensitivity) than IG

Between increasing IG exposure and our BB exposure I believe we are well positioned for the next 12 months or more to deliver higher risk(volatility) adjusted returns.

An article about Lehman in Bloomberg said managers dump poor performance securities when trouble shows, what do you do? Would you hold such an asset for a better price, most recovered 50%?

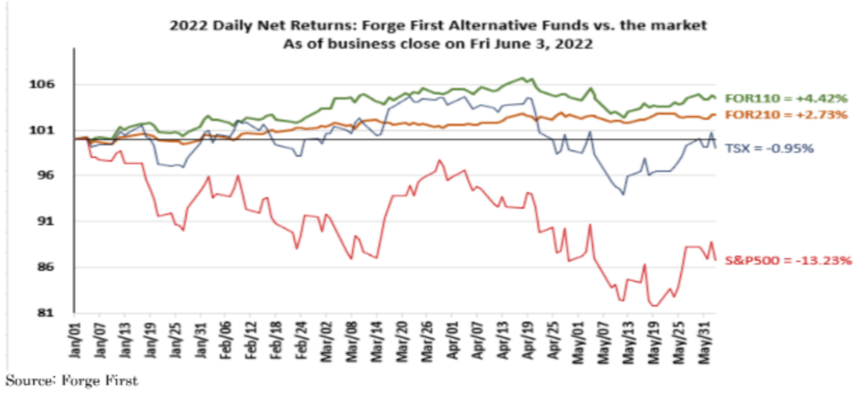
- Our turnover is very low, and our active share is very high (longer term investment thesis on companies) that we allow to play out given our 12-24 month views at any time.

- We generally sell when things have changed and we want to monetize the gains we have had, I reduced our position in Banks early this year, Nutrien a couple of months ago as a couple of examples. When one of our positions sells off, we generally add to the exposure if our review shows that the original thesis has not changed.

- I can't remember a time in 22 years of managing portfolio's that we "window dressed" to get rid of poorly performing securities unless we sold for the long term.

ANDREW MCCREATH - CONTINUED

Then, lo and behold, near the end of April, in light of weakening Chinese data and plummeting U.S. housing data, market psychology assertively pivoted towards growth fears from concerns about inflation. The impact of this shift dominated market action during May, especially after Target Corp. (TGT.US) and Walmart Inc. (WMT.US) tabled sizable overhangs in their inventory positions and the latter joined Amazon.com Inc. (AMZN.US) in announcing a hiring freeze; two companies that employ three million people. As a result, markets exited May amidst a "perfect storm" of P/E multiple compression, profit margins that are rolling over and the rising prospect that revenue growth will roll over thanks to supply issues and the growing prospect of an economic slowdown.



Source: Forge First

Each of our two funds suffered modest losses during May 2022. The Series F of our Long Short Alternative Fund fell -0.31% net of fees, pushing its year-to-date net return to +4.34%. Energy, Financials, Consumer and Industrial sectors all contributed positively to performance during the month, while our positions in Technology, Materials, Real Estate and Utilities posted negative performance. Our Long Short Alternative Fund exited May with delta-adjusted gross and net exposure of 119% and 40%, respectively. Net exposure remains oriented to cyclical sectors, specifically Energy, Materials and Industrials.

The Series F of our lower volatility, multi-asset Conservative Alternative Fund lost -0.43% net of fees during May. This decline shaved the year-to-date net return to +2.25%. In addition to option-based hedging, the Conservative Alternative Fund suffered modest losses in its yield-enhancing alternative strategy sleeve. These losses offset gains in the capital growth sleeve. This fund closed the month with delta-adjusted gross and net exposure of 105% and 15%, respectively, having increased the net long exposure of common equities by the end of the month to 13%. Directionally, the fund owns shares in service companies that benefit from the reopening trade, energy equities and high-quality GARP stocks, while remaining short housing, unprofitable tech (GAAP) and discretionary consumer stocks.

The goal of our funds is to generate a competitive net return, while protecting capital when markets get rougher. One component of our disciplined approach to constructing these portfolios, is to always include a book of listed options, roughly 90% of which protect individual positions or hedge broad market risk. Sometimes, falling volatility and flat to higher markets, combine to create a nasty cocktail for this component of our portfolios. That's exactly what happened during the latter part of May, causing our listed options book to be the largest detractor of fund performance for each of our funds.

In looking ahead at markets, one ever-present challenge in writing these commentaries is the timing of their publication. This month's note was written ahead of this week's U.S. CPI print. With a Fed meeting next week, it's an understatement to say this week's inflation print is potentially market moving. However, even if it's lower than expected, for several reasons, we remain in the camp that inflation is likely to stay stickier at higher levels for longer, and hence be problematic for Central Bankers.

First, we expect many of the existing supply chain issues to persist into 2023 and that's prior to the incremental challenges caused by the war in Ukraine. Further, we believe energy prices will remain "higher for longer". Eight out of the 10 largest OPEC producers are not even producing up to their quotas, defying the usual pattern when crude is above US$100/barrel of countries producing more, not less, than their allocation. In addition, US producers are pumping 1M fewer barrels a day than in 2019, and Russia 1M fewer barrels a day than it did three months ago. Finally, as shown by the light blue line on the right vertical axis on the graph below, labour's share of the economic pie has been increasing during the majority of the past 10 years. The continuance of this trend should serve to further boost pricing pressures.

CHART OF THE MONTH - CONTINUED

Ageing Canadian Population

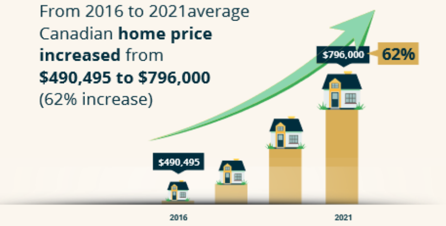
Insights: **Statistics Canada's Demographic and Housing Data** (2021 Census)

How the data impacts your portfolio:

Insight 1

Accessing home equity could be a key source of retirement funding

From 2016 to 2021average Canadian **home price increased** from **$490,495 to $796,000** (62% increase)



Conclusion: Canadian Homeowners will have access to increased equity to continue to age in place, without the need to draw down investments.

Insight 2

The face of the Canadian retiree has changed

- Persons aged 65 and older **rose 18.3% to 7.0 million,** representing nearly **1 in 5 (19%) Canadians**
- They are staying **healthier, active,** and their life expectancy is longer than ever (average **life expectancy** has **increased from 75-82 years** since 1980)

- HomeEquity Bank recently surveyed Canadians 45+ and **92% said they would like to age in place**

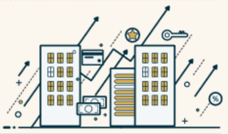
Conclusion: Accessing home equity through the CHIP Reverse Mortgage can become a key financial solution to retirement planning.

Insight 3

The boom in condo living may be funded by the bank of mom and dad

- As home prices have increased, we've also seen an **increase** in the number of **Canadians living in condos and apartments.**
  - From 2016 to 2021 The number of apartments located in high-rise apartment buildings with 5 or more storeys, increased **2x as fast (+14.7%)** as the total number of **private dwellings (+6.4%)**

Conclusion: Canadians 55+ now have more equity in their homes than ever before, and with the CHIP Reverse Mortgage by HomeEquity Bank, the "Bank of Mom and Dad" can provide their family with access to this equity.



Wealth by HomeEquity Bank

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Maintaining Employees Through Benefit Solutions - CONTINUED

The degree of quality employees determines the productivity and success of a company. For most companies, the goal is to hire talented employees and add value to their position to enforce long term employment. A proven, effective way to accomplish this goal is through the implementation of a handsome benefit package.

When employees feel appreciated and know their company has their back it creates positive morale and long-term loyalty towards the company's goals and values. A well put together package of benefits provides employees and their families with health and financial support currently and in the future. Unfortunately, many employees come to work when they are sick because they can't afford to take time off and don't have the means to get additional health care. A benefit package relieves some of that pressure to ensure that the employees take care of themselves. Healthy workers produce more daily which in turn creates better results for the good of the business.

We have been told that prescription drug purchases in Canada is more than $30 billion yearly with an approximate annual increase of 4.3%. We are also experiencing an increase in mental health issues (I.e. anxiety and stress. This is changing the way businesses are being run. It can be extremely challenging to maintain quality workers for small businesses between 2 – 50 employees. With this new norm we can see how powerful a medical plan can be for employers to be able to make it part of their compensation strategy. Offering a benefit package can be very tax efficient and gives the company a competitive advantage when hiring talent and maintaining a positive, healthy environment.

Putting together and implementing a benefit package does not need to be difficult, especially with the help of your advisor. We can compose a customized plan with benefit solutions of your choice. Creating a comprehensive, affordable package with simple administration is what we do. There are many benefits for both the employer and the members alike, such as online access to plan information and direct billing.

When basic health and safety needs are not met in the workplace, then confidence and commitment are compromised. This can cause a negative environment resulting in the character of the company being damaged. This can result in a loss of revenue followed by lower customer loyalty. On the other hand, when employees feel taken care of, they are more inclined to stay in their roles and increase their level of productivity.

Whether or not you have benefits in place, now is the time to sit down with your advisor to review or implement a well-put together package for the good of the company and its employees. Happy employees and customers contribute to an efficiently run business.

Planning Strategies To Save For Your Child's Future —Continued

An ITF account is an informal trust in which money is invested at a financial institution for the benefit of a minor child until the child reaches the age of majority. The legal age of majority varies by province/territory, but in Ontario it is 18. Typically, when money is set aside for a minor, an ITF account is required by the financial institution, given that minors do not have the legal capacity to enter into a binding financial contract, or to accept a gift under a Will. Thus, an adult must take on the responsibility of "trustee" so that he or she can make investment decisions on the account, such as transactions within the account.

When the word trust comes to mind, most people think of formal trusts, but there are key differences with ITFs. Unlike a formal trust, where a written trust agreement outlines all the specifics of the trust, an ITF arrangement has no such document. The only support for an ITF account is the investment application required by the financial institution where it's held.

Even though ITF accounts are considered "informal" trusts, they are required to have the same basic structure as formal trusts. That means an ITF, like all trusts, must have a relationship between three parties: the donor – the individual who contributes to the trust, the trustee – the person(s) holding legal title to the property in trust for the benefit of; and the beneficiary – the individual who will benefit from the account's income and/or capital. Thus, it's important to note that since there is no formal trust agreement to prove the intention to set up these accounts, and that the donor, trustee and beneficiary relationships exist, it is vitally important that the ITF account be set up properly.

Now on to the issue most people are concerned with- who pays tax on the investment income generated in an ITF account. The key takeaway is that the type of investment income earned determines the tax treatment. There are "attribution" rules in the Income Tax Act that must be considered whenever a gift is made to a minor child, either directly, or indirectly through an ITF account. These rules state that when a gift made to a minor is used to generate investment income, any interest or dividends earned is taxed back into the hands of the donor. (Please note that the term child includes any child related to the contributor – children, grandchildren, nieces, and nephews, and more.)

Attribution will continue to apply up until the year in which the beneficiary reaches age 18, at which point the account can be transferred into the child's own name. Any capital gains earned within an ITF account are not subject to the attribution rules and can be securely taxed in the hands of the minor child beneficiary. It is important to note that the attribution rules will only apply when a gift is made to a minor child, but if they have their own source of income (i.e. income from their own employment or child tax benefits received by the parents for the beneficiary child) the attribution rules will not apply and all of the investment income, including dividends and interest, can be taxed in the minor's hands. Regardless, an ITF account is still required, and it is important that any monetary gifts not be commingled with the child's personal money in order to establish clarity on who's responsible for paying income tax on investment income.

As I mentioned, upon reaching the age of majority, the beneficiary is entitled to take control of the funds in the ITF account. The informal trust dissolves and the child simply acquires the investments held in his or her own name. Since the child has always retained beneficial ownership of the assets, there is no change when the assets are registered in the child's name. Hence, there is no disposition for tax purposes and therefore, no tax implications to the beneficiary, the donor or the trustee. Going forward, all future income and capital gains will be taxable to the child, as the attribution rules will no longer apply.

Now I will discuss some of the planning strategies that can be implemented to maximize the benefits of ITF accounts.

1) One recommendation is to focus on capital gain-oriented investments to reduce attribution. Since capital gains earned in the hands of a minor are not subject to the attribution rules, an opportunity exists to split income with a minor child by having the investments within an ITF account focusing on those that generate capital gains. This allows the minor child rather than the contributing parent to be responsible for the tax liability. Since minor children are usually in a low-income tax bracket, having the child claim the capital gains income will result in tax savings to the family. In addition to tax savings from income splitting, capital gains are more tax-efficient than most other types of investment income (i.e., dividends and interest). Only one-half of any capital gains earned are subject to tax, which compares favorably to interest income, where all of the interest income earned is taxable, and in the case of an ITF account, is taxable to the higher income adult donor. Thus, generating capital gains in an ITF account creates a double benefit, it allows a parent to shift the tax liability into the hands of a lower-income minor child and, second, capital gains will result in a lower tax liability because of its tax-preferred treatment. The use of corporate class equity mutual funds are also another way to invest to generate capital gains and minimize interest and dividend income.

Planning Strategies To Save For Your Child's Future —Continued

2) Investing in capital gain-producing investments provides an opportunity to take advantage of a strategy known as "crystallization." Crystallization is accomplished by periodically selling and then repurchasing the investments in the ITF account that have increased in value. Crystallizing investments will trigger capital gains that are taxable to the minor child. Assuming the minor child has no other sources of income, and since only 50% of capital gains are taxable, the child may trigger a substantial amount of capital gains without paying any income tax due to the child's basic personal tax exemption that will offset these capital gains. As ITF accounts increase in value each

year, parents should consider, with the help of their financial advisors, taking advantage of crystallization in order to reduce or eliminate taxes in the future when the money is withdrawn from the account. As the accounts are crystallized each year, the cost base for tax purposes is increased to its current market value. When the funds are eventually withdrawn, the difference between the market value and the cost base will be taxable. However, given that crystallization increases the cost base over time, the tax liability on withdrawal will be lower than it would have been had no crystallization occurred.

3) As mentioned, the attribution rules specify that interest and dividends are taxed back into the hands of the donor who contributed the funds, but these rules only apply on the original funds gifted to the minor in the ITF account. On the other hand, income-on-income, otherwise known as second-generation income, is not subject to the attribution rules. So, second-generation income (interest, dividends and capital gains) can be taxed in the hands of a minor child. It is advisable that any income subject to the attribution rules be placed in a separate ITF account, so that it is clear which income is second-generation, and to keep records to track second-generation income.

As I previously mentioned, in order to take advantage of having capital gains taxed in the hands of a minor, it is extremely important that you set up the ITF account properly at the outset. Otherwise, the Canada Revenue Agency (CRA) will not only apply the attribution rules to interest and dividends, but also to capital gains earned in an ITF account. The following steps are required to avoid a special set of attribution rules: a) The donor should not withdraw money from the ITF account for personal use b) The beneficiary should be named immediately c) The donor, trustee and beneficiary should be three different people.

It is easy to see the ample benefits that ITF accounts present, however, they have their limitations and are not for everyone. One of the more significant drawbacks is that once the child reaches age of majority, they may be entitled to take control of the account and are simultaneously eligible to make all decisions regarding the ITF account. The child can withdraw the money at their discretion and use the funds for whatever the please. Despite the intentions of the donor, there is no guarantee that the child will comply with those wishes. If there are concerns about how the money may be used in the future, or where there are large sums of money involved, an ITF may not be the appropriate savings vehicle. There are instances where a formal trust is more warranted, which would enable you to specify, through terms of the trust, how and when the money can be used by the beneficiary. While formal trusts are more costly to set up and maintain than an ITF, they provide greater control and flexibility over trust assets.

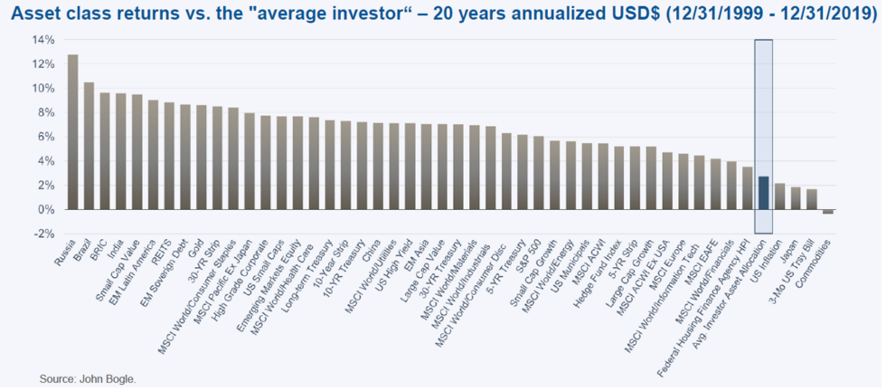
It's important to have a discussion with your trusted advisor to establish which type of strategy is best suited to your needs.

What Is A Bear Market And What Should I Do?—Continued

It may not seem like it, but they are a common occurrence in markets. and are a very normal market phenomenon. So why is it called a ‘bear market’?

Wall street uses the term ‘bear market’ to define a point when an index like the Dow Jones, S&P 500 or Nasdaq have fallen 20% or more from a recent high. The decline must also be sustained for a period, so a one day drop of 20% doesn’t define a bear market. The term ‘bear’ is used for the simple reason that bears hibernate. It’s a representation of a retreating market. In contrast, a bull market defines a period of surging stock prices because bulls charge. The Nasdaq entered bear market territory a little while back, but the S&P 500 and Dow Jones have since joined in. The shortest bear market ever recoded occurred back in February 19 to March 23, 2020, when the S&P 500 fell 34%.

Now for some good news about this bear market. We know exactly why it is happening! Yes, it is different from any other bear market but guess what, they’re all different and the response should always be the same: long-term investors need not worry, stick with the plan, and ride it out. This is not the time to re-evaluate your holdings and make adjustments. Unfortunately, this is exactly what the average investor ends up doing. The result is that the average investor underperforms almost all other asset classes over the long-run because they ‘tinker’ and sell during downturns.



Once markets go back into bull territory is when diversified investors should re-evaluate risk tolerance and make the necessary adjustments. Mostly by asking themselves if the downturn was too much to stomach this time and that a lower risk/return profile is needed going forward.

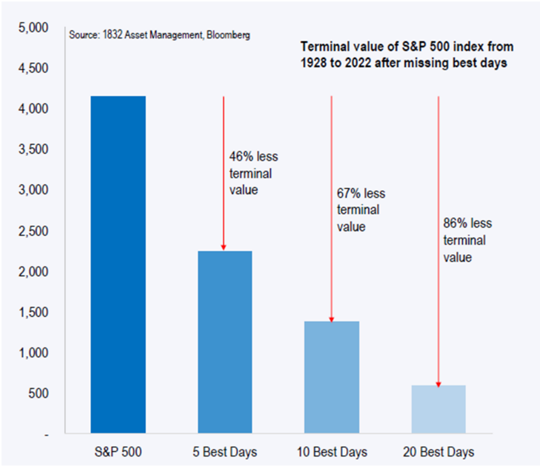
This is particularly true for our client portfolios. We build the core of any of our portfolios under the assumption that big market slumps will happen. We choose seasoned fund managers with proven track records during down markets and when turbulent times happen, we let the manager do the job we hired them to do.

From a technical standpoint. this bear market is happening for a number of reasons, but the big culprit is interest rates that are rising quickly as a result of higher-than-expected inflation. As Stan Choe and Alex Veiga write in **HOW TO EXPLAIN THE BEAR MARKET TO CLIENTS:** “Low rates act like steroids for stocks and other investments, and Wall Street is now going through withdrawal”. Rates need to rise to slow the rate of inflation, but the real challenge is how quickly and by how much. Too little and too slow would lead to much worse inflationary problems amongst other undesirable circumstances. To much and too fast would almost certainly bring the economy into a recession. The reason there is a recession risk is that the act of raising rates is an act of trying to slow down an economy. An economy that is slowing is in a recessive state. And with all these pressures, we still have Russia’s war in the Ukraine which is making inflation worse by pushing commodity prices higher. All very explainable, all very doom and gloom. But it’s always doom and gloom during times like these.

Everybody, myself included, can fall into the trap of being the eternal extrapolator. What this means is that when we are on a certain trajectory, we perceive that trajectory to exist indefinitely. For example, right now the average retail investor see’s no end to the doom and gloom, so they take their losses and run – just to stop the bleeding. The problem is that these investors are working on emotion and fear and that does not work. It never has and it never will. The only thing that works time after time is to remove the emotion, stick to your plan, and stay invested.

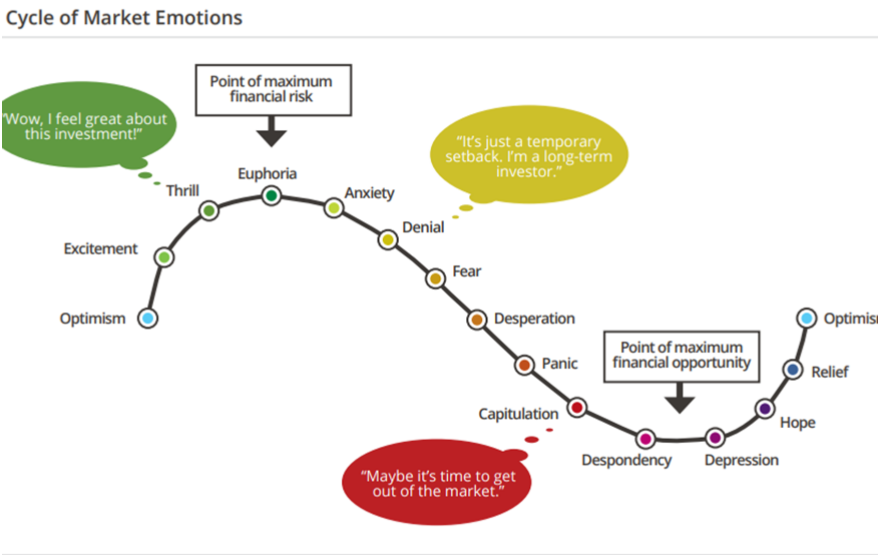
It’s easy to tell someone to stay invested, but I’ll go a step further and show you the science of why that statement is true using the S&P 500. Statistically speaking, missing just the 10 best days in the market means you would lose out on about 67% of total value of the market. If you miss the 5 best days, your portfolio would miss out on 46% of the total market value. And if you missed out on the 20 best days, you would miss out on 86%!

What Is A Bear Market And What Should I Do?—Continued



The real kicker is that the best days tend to happen when the market is in correction! In other words, exiting now to avoid extra losses would actually make less sense than to ride out the bear market (and potential recession). 2008 was the worst recession in most of our lifetimes and any diversified investor that held and waited has since recovered and made a bunch of money. When someone says they lost a bunch of money in 2008 and never made it back it is because they sold during the recession, or they didn't re-evaluate post-recession. Seriously, it is just that simple.

To recap, bear markets are normal, we know why this one is happening, and the numbers show that it always makes sense to hold and wait and do some dollar cost averaging if you can. Lastly, take a look at the graphic below and see if you can figure out where you are in the market cycle and if it makes sense to sell:



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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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