

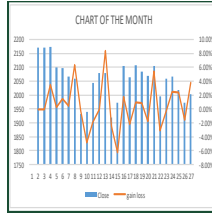
“In the rush to get back to normal, use this time to decide which parts of normal are worth rushing back to” - Dave Hollis



Sergio Simone
EDITORIAL
COMMENT



Kristina De Souza
FIRST TIME HOME
BUYER INCENTIVE



INVESTING AND
EMOTIONS



Ryan Simone, CLU, CHS
WHAT YOU SHOULD
KNOW ABOUT THE
UPCOMING BUDGET

Editorial Comment



Sergio Simone

I am proud to say that this is the 10th anniversary of KPW’s monthly newsletter and it comes at a time of change and most definitely challenges.

Without doubt the world is changing. It is changing economically as we enter a new cycle; it is changing socially as we continue to live with a worldwide pandemic, and it is changing emotionally as we struggle to survive in a world with less social contact than we, as a species, are accustomed to.

[Continue Reading](#)

First Time Home Buyer Incentive

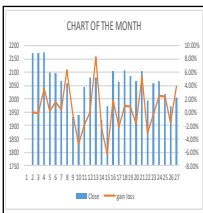


Kristina De Souza

In the past, I have touched on a popular program offered to Canadians known as the Home Buyer’s Plan (HBP). This program allows first-time homebuyers to borrow funds with no tax implications from their own RRSP, and repay these funds over a 15 year period. This has been a great incentive and value add for many homebuyers over the last several decades.

[Continue Reading](#)

Investing and Emotions



Investor sentiment can swing wildly based on headlines, and it is not uncommon to see investors making irrational financial decisions during periods when they should see past the negative headlines. Emotion-based decisions lead to buying high and selling low (see slides 10 & 11: as markets trend steadily higher over the long term, investors tend to redeem at the low of the downturns and purchase at the top when the market recovers).

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What You Should Know About The Upcoming Budget



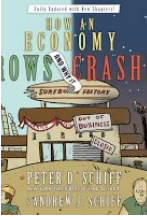
Ryan Simone, CLU, CHS

The 2021 Federal Budget is shaping up to be a big deal this year, and we could see some significant changes to tax planning. Canadian COVID-19 response relief provides \$1.5 billion to help with pandemic recovery. And although the full costs of COVID-19 are not yet known, there are estimates that an additional health cost of \$40 billion split over the next two years.

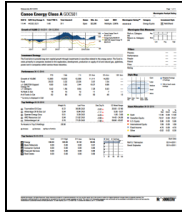
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[To Page 1](#)

[To Links Page](#)



BOOK OF THE MONTH



FUND OF THE MONTH
MANULIFE GLOBAL
SMALL CAP



INVESTMENT
TERMINOLOGY

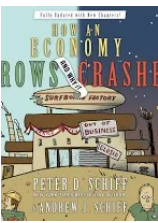


BLOG OF THE MONTH
THE BALANCE

BOOK OF THE MONTH

HOW AN ECONOMY GROWS AND WHY IT CRASHES

- by Peter D. Schiff and Andrew J. Schiff



Straight answers to every question you've ever had about how the economy works and how it affects your life. Peter Schiff, economic expert once again teams up with his brother Andrew to spin a lively economic fable that untangles many of the fallacies preventing people from really understanding what drives an economy. The 2010 original has been described as a "Flintstones" take on economics that explains the beauty of free markets.

FUND OF THE MONTH

RENAISSANCE GLOBAL SMALL CAP



The Fund seeks long-term growth through capital appreciation consistent with preservation of capital through investment primarily in the common shares of smaller, less established companies in developed markets around the world. The Fund may also invest in smaller, less established companies in less developed markets around the world, and may invest in companies that are suppliers or clients of smaller companies.

CRYPTOCURRENCY



A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurrencies are decentralized networks based on blockchain technology—a distributed ledger enforced by a disparate network of computers. A defining feature of cryptocurrencies is that they are generally not issued by any central authority, rendering them theoretically immune to government interference or manipulation.

[Continue Reading](#)



BLOG OF THE MONTH

STEEPENING AND FLATTENING YIELD CURVES AS INDICATORS

The terms “flat yield curve” and “steep yield curve” crop up frequently in financial media, but what do they mean? Why are they important, and what do these changes in the yield curve indicate? Understanding these changes and their implications can be critical to a solid investment approach.

The Yield Curve: A Review

A yield curve is simply the yield of each bond along a maturity spectrum that's plotted on a graph. It provides a clear, visual image of long-term versus short-term bonds at various points in time.

The yield curve typically slopes upward because investors want to be compensated with higher yields for assuming the added risk of investing in longer-term bonds.

[Continue Reading](#)

[VIDEO INTERVIEW WITH PAUL TAYLOR](#)

Recently I had the pleasure to discuss the current state of the economy as well as the outlook for 2021 with Paul Taylor. Click on the link to watch the interview.— Sergio Simone

[Watch Interview](#)

Paul Taylor, Vice-President, Portfolio Manager

Mackenzie Multi-Asset Strategies Team



Paul Taylor, Vice President, Investment Management, joined the Mackenzie Multi-Asset Strategies Team in October 2019 and is a Portfolio Manager and a member of Mackenzie's Global Investment Committee.

Paul has significant investment experience in the areas of multi-asset allocation, Canadian equity management, and manager evaluation, selection and oversight. Prior to joining Mackenzie, he worked for 14 years at a major Canadian bank as Chief Investment Officer, where his responsibilities included making tactical asset allocation decisions across institutional, high net worth and retail

lines of businesses and leading large teams of investment professionals, which included equity, bond and asset allocation managers.

Paul earned an MBA at the Smith School of Business at Queen's University and holds a BA (Economics) from the University of Western Ontario. He is also a CFA charter-holder.

As a member of the Mackenzie Multi-Asset Strategies Team, Paul believes in the importance of delivering attractive returns without taking undue risk. Their expertise, technology and approach are similar to those found in leading, world class pension plans. This means that risk management is present at every step of a highly disciplined investment process that fights for every basis point. To help attain repeatable results, the Team utilizes a systematic decision-making process, based on years of accumulated research and driven by sound investment insights and strong economic foundations. This assists with the identification of attractive investment opportunities and better diversification of exposures in terms of factors, assets, geographies and strategies.



PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

CEOWORLD Magazine

[WHY THE RICH ARE GETTING RICHER](#)

The title of today's article is the same as the successful book of Robert Kiyosaki. The system works like that; capitalism is based on the idea that if you have an initial capital, you can invest it and get further profit. Banks are an excellent example that works like that. They basically take your capital and they reinvest it for their own benefit. In the meanwhile, they provide the service of keeping your money safe. The reality of this function is more visible if you see how things work for the poor. The less money you owe, the hardest it is to start a business and prosper from that. It does not have to do with how intelligent or capable someone is; it is just how things work for everyone.



[THE GREAT WEALTH TRANSFER—BILLIONS TO CHANGE HANDS BY 2026](#)

Here comes the boom. What is 'The Great Wealth Transfer'?

This term has been coined by several major wealth managers across North America; referring to the tremendous amount of wealth that will be transferred to younger generations over the next decade. Wealth amassed by baby boomers will eventually be passed down to their families or beneficiaries, typically with the aid of a trusted wealth manager or financial advisor. Similar in a way to climate change, when we visit some of the data that has been reported in both Canada and the US, this issue seems to be far more pressing than most people are aware.

Institutional Investor

[ONLY THE UBER-RICH CAN AFFORD THIS ASSET CLASS. IT MADE THEM EVEN RICHER THIS YEAR](#)

The Covid pandemic of 2020 created one of the most lopsided economic environments in recent memory, with the rich getting richer while unemployment and bread lines soared. In such an environment it may come as little surprise that the ultra-luxurious, multi-billion dollar art world produced some of the biggest market gains this year.



[DEBUNKING THE MYTH THAT THE RICH DON'T NEED LIFE INSURANCE](#)

There are many who mistakenly believe that High Net Worth Individuals (HNWIs) don't need life insurance because their high levels of wealth mean that they are able to effectively 'self-insure'. In this article, Brandon Caneer, Head of Proposition Development & Advanced Marketing, Transamerica Life (Bermuda) Ltd, shares why HNW life insurance needs are greater than ever.

The last few decades saw a rapid increase in the number of High Net Worth individuals (HNWIs) and Ultra High Net Worth individuals (UHNWIs).

FUND MANAGER COMMENTARY



FRANCES DONALD
MANULIFE FINANCIAL



PHILIP PETURSSON
MANULIFE INVESTMENT
MANAGEMENT



ERIC LASCELLES
RBC GLOBAL ASSET
MANAGEMENT



NOAH BLACKSTEIN
DYNAMIC FUNDS

Frances Donald, Global Chief Economist



Manulife Financial

We're squarely in phase two of our three-phase framework: the stallout.

We introduced our three-phase recovery framework last July, outlining key pillars of the recovery—a road map to help navigate a complicated economic rebound.

[Continue Reading](#)

Philip Petursson, Chief Investment Strategist



Manulife Investment Management

Episode 47—The Eternal Optimist

An insightful and lively Podcast with your host Philip Petursson. Sandy Sanders, Head of the U.S. Core Value Equity Team at Manulife Investment Management, joins host Philip Petursson for this Investments Unplugged episode. Sandy and Philip talk about where we've come from in 2020, where we are now, and what we're looking toward in 2021.

[Continue Reading](#)

Eric Lascelles, Chief Economist



RBC Global Asset Management

Hope Swells For 2021

Through a series of charts, Eric shares his latest views on the global economy and offers insights into today's economic issues.

[Continue Reading](#)

Noah Blackstein, Vice-President, Senior Portfolio Manager

Dynamic Funds

2020 Year End Commentary



Over the past several years we have articulated that the best growth prospects were focused on: the re-platforming of technology, the digital transformation of enterprises, new gene editing treatments, combination drug therapies, new medical devices, as well as retailers focused on brand, convenience, and experience. The evidence has been clear for years that we are at the beginning of an unprecedented maelstrom of innovation and disruption that cuts across industries and geographies.

[Continue Reading](#)

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 10, ISSUE 1

JAN 2021

[To Page 1](#)

LINKS

[To Page 2](#)

[Tax Consequences When Your Client Leaves Canada](#)

Whether your client is a retiree seeking a warmer climate or a

[A Road Map To The Coming US Economic Cycle](#)

For the first time since COVID-19 outbreak, the basic contours

[Powell Signals Federal Reserve Will Keep Aiding Economy With Bond Buying](#)

Federal Reserve Chair Jerome

[Where Are We In The Current Business Cycle](#)

Many people who failed to recognize the state of the business cycle did not get out of the market

[The Biden Fiscal Plan For The Economy](#)

The change in administrations is coming soon and the fiscal approach to the running of the

[Business Outlook Survey](#)

In the winter Business Outlook Survey, firms pointed to a continued recovery supported by strengthening domestic and

[Consumer Confidence Sags Thanks To Linger-ing Pandemic](#)

MNP's Consumer Debt Index recorded its lowest score since it started measuring in 2017

[A Tech Bubble? Tech Could Be Undervalued](#)

There has been much talk of a tech bubble lately. That might have caused some worry for you

[How U.S. Policy Will Drive Markets This Year](#)

Markets are "forward-looking mechanisms" that focus on longer term fundamentals, says Todd



[FIVE STRATEGIES FOR DEALING WITH DIFFICULT MARKETS](#)

When markets are volatile, it's natural to be worried about the impact on your portfolio. And when you're worried, you want to take action. However, it's important to recognize that sometimes the best course of action may be to do nothing.



[2021 GLOBAL ECONOMIC PROSPECTS](#)

Following the devastating health and economic crisis caused by COVID-19, the global economy appears to be emerging from one of its deepest recessions and beginning a subdued recovery. Beyond the short term economic outlook, this edition of Global Economic Prospects makes clear, policymakers face formidable challenges—in public health, debt management, budget policies, central banking and structural reforms—as they try to ensure that this still-fragile global recovery gains traction and sets a foundation for robust growth and development in the longer run.

VIDEO LINKS

[No Taper, No Tantrum: Powell Alleviates Worries Of Scale-back In Quantitative Easing](#)

Fed chairman stresses continuance of asset-purchasing

[DBRS Morningstar Confirms Government Of Canada At 'AAA' Stable Rating](#)

Michael Heydt, vice-president of

[Swirling Events](#)

In this video, Chief Economist Eric Lascelles looks at the economic impact of growing COVID-19 infections in Canada and the



[OUTLOOK ON EMERGING MARKETS](#)

The recovery in emerging markets equities that began in late March picked up steam in the fourth quarter thanks to COVID-19 vaccine breakthroughs and the US election outcome. The MSCI Emerging Markets Index outperformed global developed markets equities in 2020.

We expect that emerging markets economies will benefit further as the vaccine is distributed in developed markets during the first half of 2021 and in emerging markets later in 2021 and 2022; value companies, in particular, are poised to benefit from higher global growth.

[To Page 1](#)

[Disclaimer](#)

[To Page 2](#)

EDITORIAL COMMENT - CONTINUED

To grow and reach new plateaus we must accept that change is a constant that we can learn to adapt to, provided we have a malleable attitude.

We kicked off 2020 with aspirations of a solid year of growth and good times. Unfortunately, it wasn't long after the echoes of "Happy New Year" faded that Qasam Soleimani, the major general of the Iranian Quds Force, was assassinated by a U.S. drone strike. The world response to this geopolitical event was eerily similar to the assassination of Archduke Franz Ferdinand which was the catalyst to spark a chain of events leading to World War I. This all occurred against the backdrop of a Presidential impeachment and uncontrolled, catastrophic bushfires raging across Australia. January was an epic month of heartbreaks, ending with the tragic death of basketball legend, Kobe Bryant and his daughter in an horrific helicopter accident.

February came along and hope sprang back into our lives. The Kansas City Chiefs won their first Super Bowl in 50 years while Parasite, a non-English speaking film won the Academy Award for Best Picture. The #MeToo movement experienced an enormous boost as the Harvey Weinstein saga came to a fitting conclusion when he was found guilty of his criminal sexual behavior.

In hindsight, February was the "calm before the storm".

On March 6, twenty-one people of 46 who were tested aboard a cruise ship off the coast of California, for a new coronavirus, tested positive. There were 3,500 people on board that ship that still had to be tested. The ship was held at sea to prevent the disease from reaching the mainland. Five days later Tedros Ghebreyesus, director general of the World Health Organization declares COVID-19 a global pandemic and all of our lives changed.

COVID-19 has shaken the world economic order. It caused a shock many times worse than the Financial Crisis in 2008 in terms of GDP decline on an annual basis. Europe and emerging market countries have been economically devastated. Shops, schools and borders have been shut down. Virtually half of humanity was living under some form of lockdown during the spring of 2020.

Lockdowns became an acceptable measure for trying to control the spread of the pandemic. Pharmaceutical companies were being tasked with fast tracking a vaccine. There was hope that with the general acceptance of social-distancing, face masks and lockdowns that we may see the enormous and rapid growth of infections reduce to the same levels as the common flu.

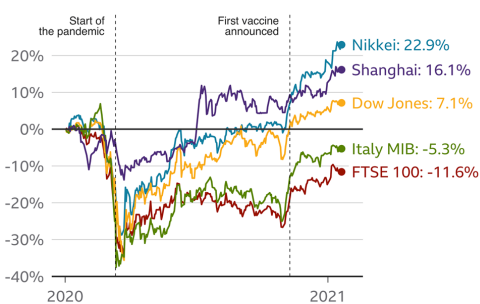
This was not to be as a national reckoning of racial injustice set the background for June protests that enveloped the United States and spread around the world. Statues of European colonizers and prominent Confederate figures were torn down as the Black Lives Matter movements gripped the world. By July these public protests had evolved into riots. These mass public gatherings fueled the pandemic and mounting infection and mortality numbers.

After a socially distanced holiday season, the pandemic is still front and center in our lives. Even with the onset of several vaccines the infection numbers are spiking, and lockdowns are popping up around the globe.

There is still much to do ahead of us before we can put the pandemic behind us but there has been a silver lining emerging through this cornucopia of tragic events. Surprisingly stock markets, especially those in North America, have experienced whiplash causing movements resulting in extraordinary gains for investment portfolios.

Stock markets around the world saw huge losses as the number of COVID-19 cases grew in the early months of the crisis.

The impact of coronavirus on stock markets since the start of the outbreak



Source: Bloomberg, 24 January 2021, 00:01 GMT



Central banks around the world stepped up to do their part and slashed interest rates in an effort to prevent their economies from self-destructing. Federal governments issued trillions of dollars in relief funds to help businesses stay afloat and to help the mass of unemployed people put food on their tables.

Unfortunately hope was mired in confusion. The numbers involved were staggering. A Trillion Dollars rolled off the tongue with ease, and yet, no one seemed to have any understanding of how all the aid was going to help the economy.

New data often contradicted itself. For example, in early December the federal government released a fiscal update with GDP figures and job numbers.

EDITORIAL COMMENT - CONTINUED

The fiscal update had built all its projections on an average of the forecasts from the big banks. The next day Statistics Canada released quarterly GDP numbers that missed the forecast by a staggering seven points. When the jobs data came out at the end of the same week, they showed Canadian employers added three times as many jobs as expected. We are all trying to make sense of these numbers. What has become blatantly clear is that we cannot depend on these numbers for guidance.

"Economists have never been more wrong about where the data would come through," said Frances Donald, chief economist and head of macro strategy at Manulife Investment Management in Toronto.

Economists are used to relying on this data so they can make sense of the solution. The problem is that statistics tell us what happened in the previous months and current market conditions are faced with crisis occurring on a daily basis. This is something the economists are unprepared to deal with. They do not have a functional precedent they can rely on.

Fortunately, stock markets tend to view the world six months out. We should also view our portfolios the same way. So, while the short-term economic conditions may look horrible, the medium term looks better and the markets are responding accordingly.

No doubt the world appears to be headed into a long, dark season as COVID-19 cases rise and government-imposed restrictions spread. But, households and businesses will receive government support and record-low interest rates to provide a pathway to the second half of the year. There is a lot of promise in this second half. Much of the economic crisis is due to the fact that people are not spending as much as they normally would. Lockdowns seem to have that effect.

Looking ahead, a large part of our hope for economic success in 2021 rests on this spending issue. In Canada alone, it is estimated that \$170 billion is sitting in savings accounts. There is a high probability that once the virus comes under control, this money will begin to spill back into the economy. It is just a matter of time.

As investors, we owe it to ourselves to ignore the conflicting minutiae of daily economic data. The "Smart Money" is following this advice. As COVID-19 case counts soar and government-imposed lockdowns spread, nothing seems to be interfering with the rise of the major stock market indices. The markets are looking beyond the short- and medium-term unknowns and expecting a solid return by year-end. What may be different during this recovery is the change in emerging leaders in various market categories.

It will not be business as usual during the post-pandemic recovery. Changes have occurred which will create a new normal. Although these may not occur overnight, the trend will be evident. For example, the pandemic will accelerate the timing of the "green" economy. This is an ideal time for many companies to look at modernizing technologies and they will lean towards green technologies. This will have a very positive effect. Unfortunately, a side-effect of this is that we are likely to see labour replaced by capital. The pandemic made business owners aware that skill and labour-intensive industries are vulnerable to any kind of virus that affects humans, so they will place greater emphasis on robotics.

The process of urbanization has slowed down, and I don't believe this is a short-term reaction to the pandemic. I believe that the flight to the suburbs is a trend of the future. Another trend will be reduced business travel as software Apps like Zoom are almost as effective as in-person meetings at a fraction of the cost. I recently spoke with a client who told me that his company saved more than \$2 million in travel costs during 2020. They were able to successfully have all their meetings virtually. That is \$2 million that will be added to the bottom line. I really doubt his companies travel budget will ever approach this number again.

Other previously sedate industries will continue to thrive. Manufacturers of Personal Protective Equipment, Online meeting platforms, Dating apps, Cybersecurity, Online teaching, E-learning resources, online fitness, video games and entertainment streaming services, online supermarket deliveries, food delivery and one of the biggest trends that is unlikely to revert back to the "old ways" is Online shopping. These are only the tip of the iceberg of businesses that will flourish post-pandemic.

COVID-19 has been a painful and course-altering event in our lives but it may also be the catalyst for needed change that will make our lives better.

First Time Home Buyer Incentive —Continued

Over this time, we have been watching the price of homes in Canada rise steadily and significantly, especially in large urban centers. Although this is a great benefit to some, it is making it increasingly difficult for first time homebuyers to enter the market.

In order to help counter this substantial housing price increase experienced in the last decade or so, in 2019 the Canadian government introduced a new incentive for first time home buyers. The premise of the First Time Homebuyer Incentive is to make home ownership more affordable, by decreasing overall mortgage costs, for those who qualify.

When engaging in the First Time Homebuyers Incentive, the Government provides you with a loan of either 5 or 10% of the home's purchase price, to go towards the down payment on a property. The value of the incentive, or loan, is considered a 'shared equity mortgage' because the government is sharing in the increase or decrease in the fair market value of the home, which I will explain further.

As mentioned previously, there are factors that allow one to qualify for the incentive program. In order to be eligible, one must be deemed a first-time home buyer in Canada, and the eligibility requirements are as follows: you have never purchased a home before; you have never lived in a home owned by you or your current spouse/common law partner in the previous 4 year period; or you have recently experienced a breakdown of a marriage or common-law relationship.

On top of the buyer or their spouse being deemed a first time home buyer, there are additional criteria in order to qualify for the incentive program; annual income no greater than \$120,000, a total mortgage no greater than 4 times income, you must be a Canadian citizen, permanent resident, or on a Canadian work permit, the down payment must come from 'traditional sources' such as savings, RRSPs, or a gift, and the mortgage must be CMHC-eligible and over 80% Loan to Value.

Should you meet the eligibility requirements, you can receive a loan for 5% of the home's purchase price on a resale home, or 10% of the purchase price on a new build.

Ultimately, this reduces the mortgage amount and in turn the cost of borrowing. The loan itself is interest free and does not require regular payments, thus having no impact on cash flow for the home buyers. The loan is required to be repaid in full only after 25 years, or if the home is sold, whichever occurs first.

The actual amount to be repaid is 5% or 10% of the home's fair market value at the time, which explains the shared equity aspect I discussed earlier. Thus, if a home increases in value, so does the required repayment amount. Should the value of the home decrease, the amount required to be repaid to the government will actually be less than what was borrowed. Thus, the government can share in either the upside or downside risk of your home's equity.

There are other scenarios in which the incentive will require repayment including; mortgage refinancing, breakdown of a relationship resulting in buyout of the partner, partial release of a mortgage security, or a change in intended use of property (investment property, rental etc.). It is also important to note that the buyer has the option to pay off the loan at any point in time without incurring any penalties.

The benefits of this incentive are plain to see, but like anything, before entering into such an agreement all of the factors need to be carefully considered. I'd argue that one should be especially mindful of the fact that a large lump sum repayment may be required upon the sale of your home. With all of this said, this incentive undoubtedly provides the opportunity to bring many Canadians one step closer to the affordability of home ownership.

What You Should Know About The Upcoming Budget —Continued

By 2030, COVID-19 is expected to cost and additional \$80 billion to \$161 billion in health care expenditures (study conducted by the Conference Board of Canada).

The additional cost of the pandemic means the Federal Government will be looking to earn extra tax dollars. The following are being considered for the upcoming federal budget:

An increase in the capital gains inclusion rate. Currently, 50% of a capital gain is included in taxable income for the year. By increasing the inclusion rate, the federal government will look to earn more from capital gains tax. This was proposed by the NDP in the last federal election. They campaigned under an inclusion rate of 75% (i.e. 75% of a capital gain would be taxable), arguing this would raise an additional \$8 billion in tax revenue in the first year. Since the Liberals are currently in a minority position, they may look to favor this tax change to gain support from the NDP.

The introduction of a new wealth tax. Also campaigned by the NDP, this type of tax would charge a percentage to families whose net worth was over a certain threshold. This would likely apply to all assets including real estate. The wealth tax would probably be a charge of 1% tax on any assets above the threshold (the NDP campaigned for a \$20 million threshold). If this is the case, it would be estimated to effect 13,800 families and generate \$5.6 billion. therefore, I see this as having a strong probability of making it into the budget.

A change to employee stock options. This proposed change would only effect stock options issued after July 1, 2021. If you already have stock options, you will more than likely be grandfathered in on the proposed tax change. The proposed change will put a dollar limit on employee stock options that can be taxed at a preferential rate. In other words, it will limit amounts claimed on employee stock option deductions. This was supposed to occur in the 2020 budget, but was delayed due to COVID-19, so it is highly probable that we will see this change for the upcoming budget.

A proposed change to the principal residence exemption. Given the extent of growth seen in real estate in this country, I have major doubts that this government is willing to commit to political suicide by eliminating the principal residence exemption entirely. Eliminating this exemption would surely help eliminate voters from your voter base. However, what we may see is a move to a system closer to the United States. This would mean a capped amount such as \$250,000 would be excluded from taxation, but the remainder would be taxable. I wouldn't worry too much about this thought. I'd wager that if any tax increase were going to be tabled in the upcoming budget it would be this one.

The upcoming Federal Budget will be a tricky one for the Liberals this year. On the one hand, massive sums of money have been spent and will be spent on COVID-19 relief. This money will have to be repaid through taxation in some form or another. On the other hand, people have lost jobs and had their businesses shuttered and closed. To increase taxes at such a time will certainly create new animosity towards the federal government and make the situation seem even more dire. In any case, should any one of these changes occur, it will certainly require updating the tax strategies of our financial plans

Noah Blackstein — Continued

While 2020 saw some incredible volatility driven by the COVID-19 pandemic, it was a positive year for Dynamic Power Global Growth Class (Series F CAD) with returns of 92.1%, and Dynamic Power American Growth Fund (Series F CAD) of 63.3%.

The secular growth for many of our holdings remained intact during the pandemic and we believed it would not only continue but accelerate as the virus' impact waned. We observed that the speed that companies were going at to digitally re-platform their businesses regardless of industry, in the wake of the virus, was beginning to meaningfully expand. This was as true globally as it was in the United States. As business spending eventually begins to normalize, these areas will continue to offer investment opportunities. Worldwide, we are hearing corporations desire to prioritize digital transformation of their businesses. While we are hopefully at the beginning of the end of this catastrophic pandemic; the economy that lies ahead will be very different in many ways, and the acceleration of secular and digital transformation in many industries, will be a permanent feature of the new world.

When looking out into 2021 there are several risks including the terribly slow rollout of vaccines for COVID-19, even in the face of multiple mutations. While mass vaccination is a herculean task, failure would be catastrophe. Second, as the economy begins to further recover, there are concerns of a resurgence in inflation. While I am less concerned about inflation, this crisis has impacted both demand and supply, and a demand resurgence in the face of limited supply leads to the possibility of an inflation surprise in 2021. Lastly, tax policy of the new administration remains an uncertainty into 2021.

Markets have come a long way from the March lows. The equities of many of the virus impacted industries have rallied substantially, but there is a difference between a rebound and a full recovery. While current valuations on the market look expensive, we are at the beginning of an earnings recovery, not at a peak. From here, I believe that delivering on earnings will be the largest driver for equity returns in 2021.

The year 2021 will represent my 23rd year managing Dynamic Power American Growth Fund and 20th year managing Dynamic Power Global Growth Class. I have seen many types of markets and managed through some of the worst periods in history, but a global pandemic is a first. My experience managing through very difficult times has led me to the conclusion that successful investing over time is the adherence to a proven and disciplined process – so even though the calendar changes, the investment process does not.

DISCLAIMER

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.

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.

Investors should educate themselves regarding securities, taxation or exchange control legislation, which may affect them personally. This newsletter is for general information only and is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. Please consult an appropriate professional regarding your particular circumstances.

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[RETURN TO PAGE 1](#)