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Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

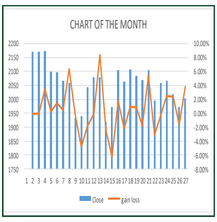
VOL. 10, ISSUE 5

MAY 2021

***"Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair." -* Sam Ewing**

Sergio Simone
EDITORIAL COMMENT

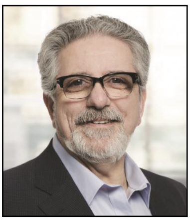
Kristina De Souza
LIFE INSURANCE TOP TRENDS 2021



THE BIGGEST HURDLE TO MAKING MONEY IN THE MARKETS

Ryan Simone, CLU, CHS
THINKING MORE ABOUT THE FUTURE

Editorial Comment



Sergio Simone

Sometimes I would rather be wrong. Since our first editorial of the year, I have indicated that the first half of this year would exhibit high volatility and basically flat markets. So far this is the way it seems to be going. I am hoping and expecting that the last part of the year will also go as predicted earlier in 2021.

The big picture remains the same.

Continue Reading

Life Insurance Top Trends 2021

Kristina De Souza

Capgemini is a global leader in consulting, technology services and digital transformation. They are recognized as being at the forefront of innovation to address the entire spectrum of clients' opportunities in the evolving world of cloud and digital platforms. Recently, Capgemini released their "LIFE INSURANCE, TOP TRENDS 2021" report.

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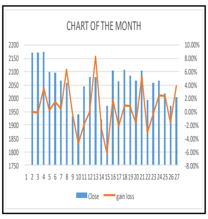
The Biggest Hurdle To Making Money In The Markets



In recent history, the absolute worst time to buy U.S. equities would have been at the peak of the Global Financial Crisis on October 9th, 2007. However, if you stayed the course, your investment would be up as of the end of March 31, 2021, by ~237% or 9.4% annually when factoring in dividends despite 3 contentious US elections, 2 recessions, 2 bear markets and 6 corrections.

Continue Reading

Thinking More About The Future

Ryan Simone, CLU, CHS

I bet at least a quarter of the people reading this have had to deal with messy estate issues for somebody close to them who has died. It's difficult to think about death and easy to put off estate planning. Very often then, we don't plan our estate and the ones we care about the most are left to deal with all sorts of issues. But if you think about it, your estate is your final legacy, so why wouldn't you want to plan its operation now, while you are alive?

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RYAN SIMONE

We are delighted to announce that Ryan Simone's CFP certification has been approved and Ryan is now a **CERTIFIED FINANCIAL PLANNER®** professional. This means that Ryan can now identify himself as a CFP professional.

As a CFP professional Ryan joins a select group of professionals, who have demonstrated the knowledge, skills, experience and the ethics to examine their clients' entire financial picture, at the highest level of complexity required of the profession.

As the most widely recognized financial planning designation in Canada and worldwide, the **CERTIFIED FINANCIAL PLANNER®** designation provides assurance to Canadians that the design of their financial future rests with a professional who will put their client's interests ahead of their own.

There are approximately 17,000 CFP professionals across Canada, part of an international network of more than 175,000 CFP professionals in 26 territories around the world.

To obtain the CFP designation, candidates must complete a rigorous education program, pass a national exam and demonstrate three years of qualifying work experience. To maintain certification, CFP professionals must keep their knowledge and skills current by completing 25 hours of continuing education each year. They must also adhere to the FP Canada Standards Council ***"Standards of Professional Responsibility",*** including a Code of Ethics which mandates that CFP Professionals place their clients' interests first. The Standards Council vigilantly enforces these standards.

Congratulations again and we all wish Ryan great success as a CFP professional!

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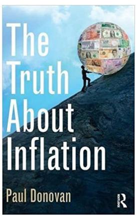


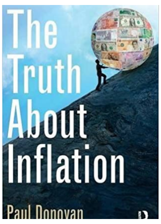
BOOK OF THE MONTH

FUND OF THE MONTH
FIDELITY GREATER CANADA FUND

INVESTMENT TERMINOLOGY

BLOG OF THE MONTH
MANN LAWYERS

BOOK OF THE MONTH



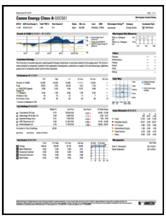
THE TRUTH ABOUT INFLATION

- by Paul Donovan

Inflation is a simple topic, in that the basic concepts are something that everyone can understand. However, inflation is not a simplistic topic. The composition of inflation and what the different inflation measures try to represent cannot be summarised with a single line on a chart or a casual reference to a solitary data point. Investors very often fail to understand the detail behind inflation, and end up making bad investment decisions as a result.

FUND OF THE MONTH

FIDELITY GREATER CANADA FUND



The fund managers employ a contrarian strategy that aims to identify value in out-of-favour stocks. It also has the flexibility to invest up to 49% of the fund in foreign markets.

INFLATION 101: WHAT IS INFLATION?

Statistical agencies start by collecting the prices of a very large number of goods and services. In the case of households, they create a “basket” of goods and services that reflects the items consumed by households. The basket does not contain every good or service, but the basket is meant to be a good representation of both the types of items and the quantities of items households typically consume.

Mann Lawyers

BLOG OF THE MONTH

Proposed Changes To Ontario’s Wills And Estate Law Under Bill 245

On February 16, 2021, Attorney General Doug Downey introduced to the Ontario Legislature Bill 245 – the “Accelerating Access to Justice Act”. Having been carried through First Reading, the Ontario Government proposes some notable changes to Ontario’s wills and estates law:

Virtual signings of wills and powers of attorney

Bill 245 proposes to permanently codify virtual signings of wills and powers of attorney. Public policy has long required that wills and powers of Attorney be executed in the physical presence of two witnesses to as a means to prevent fraud.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

YOUR COMPANY 'DIGITAL READY'?

Most business leaders agree that digitalization, which entails turning manual processes to enhanced, automated ones through digital technology, is essential for long-term business performance. In fact, 91% of all companies have some kind of digital initiative underway. Top-level executives, in particular, recognize the need for process automation. According to a McKinsey Digital Quotient survey from April 2019, 93% of executives state that digitalization is critical to achieving their strategic objectives. Since that time, however, the urgency toward digital solutions has dramatically increased.

2021 WEALTH REPORT: ULTRA-HIGH-NET-WORTH SPENDING

Ultra-high-net-worth (UHNW) individuals form a central part of the market, and can help us gauge the overall temperature. Here's what UHNW buyers are doing with their money. Many people wonder why they should care about the stock market when its numbers can seem unrelated to day-to-day economics. Similarly, you might ask why—amid a global pandemic and the related economic crisis—should we be interested in what the ultra-wealthy are buying? Simply put, if we are to understand and predict market and asset performance then they, both the stock market and ultra-high-net-worth (UHNW) individuals form a central part of the story.

SEARCHING FOR SAFE HAVENS IN TROUBLED TIMES –HOW HIGH-NET-WORTH INVESTING HAS CHANGED

Finding lower-risk investments that provided a reasonable return in a zero-interest rate world was challenging enough. When a pandemic was added to the mix, high-net-worth investors (HNWIs) had to profoundly rethink their investment strategies. Their responses to the economic changes wrought by Covid-19 were both expected and less easily foreseeable. Nandita D'Souza, head of investment specialists at Citi Australia says the investment decisions made by HNWI clients since early 2020 reflect a preference for safe haven assets that can withstand volatility.

AT A GLANCE: KEY FINDINGS FROM THE WEALTH REPORT 2021

In the middle of a global pandemic and the related economic crisis, why should we be interested in the wealthy? Simply put, if we are to understand market and asset performance then they form a central part of the story.

The objective of The Wealth Report is to assess how the fortunes of UHNWIs are changing, where they spend time, what they invest in and what they are likely to do next. From policymakers to investors, a lack of insight into the behaviour and attitudes of the "1%" risks a serious misreading of economic trends. This is the knowledge gap we fill.

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FUND MANAGER COMMENTARY

DAVID L. FINGOLD
DYNAMIC FUNDS

ERIC SAVOIE
RBC GLOBAL ASSET MANAGEMENT

TODD MATTINA
MACKENZIE INVESTMENTS

TOM NAKAMURA
AGF INVESTMENTS INC

David L Fingold, V.P. and Senior Portfolio Manager

Dynamic Funds

A Conversation With David Fingold

Q. What has been driving the market returns during the recovery and what are your thoughts on what has played out?

- The stock market started to trade as if the recession was in

Continue Reading

Eric Savoie, Investment Strategist

RBC Global Asset Management

Trimming U.S. Equity Exposure

The macroeconomic backdrop remains strong and investors have many reasons to be optimistic. Economies continue to rebound from last year's deep recession, leading indicators are at multi-decade highs, risks related to the virus are fading as vaccinations progress and corporate profit growth is accelerating (Exhibit 1)

Continue Reading

Todd Mattina, Sr. VP, Chief Economist, Portfolio Manager

Mackenzie Investments

Canadians, Keep An Eye On The Fed

The Bank of Canada took a hawkish turn at its April policy meeting, pulling forward its first interest rate hike from 2023 to 2022 in reaction to a rapidly improving macro outlook.

Continue Reading

Tom Nakamura, V.P. and Portfolio Manager

AGF Investments Inc.

How The Canadian Dollar Measures Up

It is understandable that Canadian investors tend to laser-focus on the U.S. dollar (USD). After all, the United States is Canada's largest trading partner. It's where we go every winter (and the other three seasons, too), and even in these abnormal times, many Canadians invest and have business and personal relationships there. So the relationship between the USD and Canadian dollar (CAD) is important, both psychologically and economically. And for investors, it has been a rather good story, since the loonie has gained about 14% against the greenback since last May, according to Bloomberg data.

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Finding Alternatives In Fixed Income Lower returns are likely on tap for developed-market sovereigns, analyst says	Introducing The S&P Cryptocurrency Indices For us at S&P DJI, this is an exciting time because this new asset class is bringing unprecedented change to our financial	Mature Single Women Are Wealthier Than Mature Single Men A new report shows that unattached women aged 50+ have
3 Steps To Take If You're In Your 40s With No Retirement Savings Preparing for retirement is tough regardless of your age, but it can	Junk Bonds Headed For 'Shakeout,' Says $238 Billion Fund Manager Don't look now, but trouble is brewing for the red-hot U.S. junk	Two Bets For The Next Decade In 2007 Warren Buffett threw down the gauntlet to the hedge fund industry. He said he would
Intel CEO Says Chip Shortage Will Persist For 'Couple Of Years' The global semiconductor shortage roiling a wide range of industries likely won't be	3 Reasons Lumber Prices Are Surging You may have seen lumber in the news recently for its extraordinary price surges this past year.	Cue The Recovery, But Watch For Inflation As with everything in the pandemic economy, inflation is hard to predict.

RBC Global Asset Management

PUSHING PAST THE THIRD WAVE

Eric Lascelles, Chief Economist with RBC Global Asset Management, offers a report card on the state of the pandemic around the globe.

VALIDEA GURU INVESTOR BLOG

MOVES TO CONSIDER TO HELP PROTECT YOUR PORTFOLIO & PROFITS

Over the past few weeks, I've had conversations with a number of investors about the market's amazing move higher, the astonishing performance in small caps, cyclicals and some of the areas of the market that seem to be the hardest hit during the economic downturn. Not to mention, the market looks expensive based on most traditional market valuation metrics. While most are happy to see their portfolios significantly higher than about a year ago, some investors are asking about strategies that may help protect some of their profits, and that is what I want to focus on in this article.

VIDEO AND PODCAST LINKS

Tactical Rebalancing In Today's Investing Landscape Stocks have climbed to record levels and sovereign bond yields have reversed their	Blockchain And Cryptocurrencies What they mean for our future	McCreath: Fed Minutes Send Stocks Lower Notes in the latest release of the U.S. Federal Reserve's minutes sent stocks lower. Andrew

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.	CANADA MORTGAGE CALCULATOR WITH 40 YEAR AMORTIZATIONS! This mortgage calculator is proudly Canadian made!

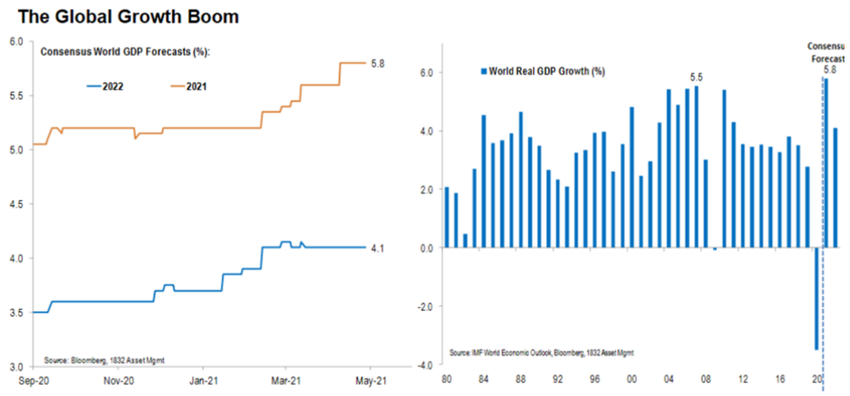
EDITORIAL COMMENT - CONTINUED

The global economy continues to grow, policy makers continue to stimulate, and vaccine programs continue to ramp up higher. All of this will likely set the stage for an extended period of economic growth, albeit fraught with two potential headwinds. The first is that inflation is beginning to become a concern for an ever-growing number of investors. You need not look any further than lumber prices to get a sense of alarm being felt by many investors.

A meme I read recently encapsulates this contemporary issue. Paraphrasing, the meme stated, “I am thinking of buying that house for parts.”

While I expect inflation to accelerate over the next few months, there is very little evidence that it will last for very long or become problematic. I covered this issue in my last Monthly Commentary.

The second issue concerning investors is that economic activity seems likely to slow a little over the last half of the year. When putting it into perspective this is to be expected as the economic growth reverts to the mean from white hot growth levels. Overall, I still expect the post-pandemic economic recovery to continue, and our portfolios are positioned with this in mind. This also seems to be the general consensus among analysts as their community has been busy raising their GDP growth estimates for both 2021 and 2022.



Every major global region is expected to contribute to this growth. North American growth is expected to surpass 6%, Latin America and Asia Pacific will collectively hit close to 5%, while Europe will likely surpass 4% in 2021. On an individual country level, the U.S. and China, are estimated to grow by 6.2% and 8.5% respectively over the course of 2021. These are numbers that the globe has not experienced since 1980. What is astounding is that these growth numbers are expected even while the world is still recording over 800,000 new infections each day.

These growth numbers have been forecast ahead of multi-trillion-dollar spending packages to support jobs and infrastructure. These actions are over and above the already $30 trillion in funds which have been injected into the system since the start of the global pandemic. Policy setters seem to have little concern for inflation as there is no hint of reversing monetary support for the economic system. The International Monetary Fund is fully supportive of this global easing, arguing that policymakers should maintain support until vaccinations have become widespread and capacity in the health care system is restored to pre-COVID levels. They suggest that, as recovery normalizes, the stimulus should be eased back at a measured pace to minimize any long-term economic scarring. The bottom line seems to indicate that ultra-expansionary globally policy settings are likely to linger well into 2022.

For more than four decades the globe has been experiencing a disinflationary trend. Policy settings, business cycles, or the industrial make-up for individual countries have not been able to break this trend as inflation has continued to drift lower and finally converge around the 2% mark all around the world. Many have hypothesized on the reasons this has occurred but whatever the reasons, it will likely take a long time, perhaps two or three full business cycles, before we will be able to state with any conviction that the current upswing in inflation is a longer-lasting systemic issue or whether it is just another cyclical upswing.

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EDITORIAL COMMENT - CONTINUED

I am not yet ready to argue that this current rise in prices is marking the beginning of an inflationary paradigm shift. I still believe low average core inflation rates around the world remain the base case scenario, at least for the time being.

I continue to support the theory that stock markets will have a strong finish to 2021. Stocks have had a very good run and sentiment continues to turn more positive. I am aware that geopolitical shock or higher-than-expected inflation could dampen this outlook and I will not be surprised to see a 10-15% correction but a recession is not on my radar at this time. This does not preclude us from selling off equities if a correction appears to be turning into a more serious market event. To-date, this is a low probability event for us.

Tom Nakamura - CONTINUED

Yet times are changing. As economic recovery takes hold globally, a continuation of the U.S dollar depreciation that has propelled Canadian dollar performance, along with that of just about every other currency in the world, over the past year may come under pressure. Indeed, conditions seem ripe for the greenback to enter a more neutral or strengthening phase. Does that mean the Canadian dollar’s run-up is bound to be short-lived? Maybe not. In fact, late- and post-COVID conditions appear bullish for the Canadian dollar, along with other growth-oriented currencies. Perhaps more importantly, CAD has the potential to continue to outperform the U.S. dollar even if the greenback performs well.

In short, the U.S. dollar is not the only currency story worth following anymore. A year ago, it arguably was. Every developed economy, including the U.S., opened the fiscal and monetary taps to combat COVID-19, and the greenback was no longer buoyed by relatively higher rates and fiscal neutrality. Investors expected USD depreciation, and that is what they got. Every developed-market currency did well against it: the U.S. dollar index (DXY), which measures its value relative to a basket of six foreign currencies (the euro, the Japanese yen, the Swiss franc, the British pound, the Swedish krona and the Canadian dollar) fell by more than 10% between mid-March 2020 and mid-March 2021, Bloomberg data shows. Today, however, further significant USD declines look unlikely. If anything, the United States now looks ahead of its major-currency counterparts, especially Europe, on the path to recovery.

Furthermore, the policy conformity of the COVID era has largely run its course, and economic prospects no longer look equal, not just between developed and emerging markets, but among developed markets as well. That suggests the relevant comparison for currencies like Canada’s is now less with the USD, and more with other currencies. It is not that the greenback does not matter – just that it is no longer the only thing that matters.

When we broaden our focus beyond USD, we begin to see why the outlook for the Canadian dollar is so strong. In the world of foreign exchange, we can think of two kinds of developed-market currencies. One group comprises funding currencies, which are typically low-yielding and stable, and whose issuers tend to be low-growth economies; the yen, euro and Swiss franc fall squarely into this category, while the British pound and Swedish krona lie just outside it. The other developed market currencies are what we could call growth-sensitive currencies. They are traditionally higher-yielding and more aligned with the global economy, and their economies typically have higher growth potential. In this group are the Canadian, Australian and New Zealand dollars, as well as the Norwegian krone.

There are always differences between the way funding and growth currencies perform, but those tend to be masked during periods when the U.S. dollar is very strong or very weak. That has been the case for the past year or so – USD weakness buoyed all currencies – but as argued above, those days may be over. If so, greater differentiation between non-USD currency performance going forward might be on the horizon, with the funding/growth split the important dividing line. And should the global economy continue its path to recovery, led by the United States, with a return of inflation and smoother sailing in terms of COVID-19, then growth currencies could outperform funding currencies, which in turn could underperform the USD.

Even within the growth currency group, the Canadian dollar seems well-positioned. Rebounding oil prices are one factor; the country’s trade relationship with the U.S. and its burgeoning economy is another. Increasing international investor interest in Canadian equities could further support the loonie. In contrast, the Australian dollar outlook seems more problematic, since Australia is heavily reliant on mining and metals – whose recent run-up might be plateauing – and because its economy is tied closely to China, where credit conditions are expected to tighten. Norway, meanwhile, is, like Canada, a petrostate (or perceived to be), but its economic ties to Europe, which is behind the U.S. on the recovery curve, could present a headwind to the krone’s performance.

Obviously, any of these conditions can change at any time. The pandemic is not over, and as Europe’s recent experience suggests, more waves could be coming. Monetary policy reversal could dampen growth, and since central banks are not longer moving in lockstep, policy might present further points of differentiation. (For example, the market has priced in an earlier rate hike from Norway than from Canada.) If the virus stages a comeback or policy tightens, funding currencies could do quite well against growth-sensitive currencies. So could the greenback.

The importance of diversification

Tom Nakamura - CONTINUED

Clearly, currency markets present a complicated landscape. That reality supports the importance of diversification, which investors should apply to currency exposures just as rigorously as they do to equities or fixed income. One rational approach is to gain exposures to baskets of currencies and weight them according to a view. USD, funding currencies, growth-sensitive currencies and Emerging Market currencies can all have a role in a well-diversified portfolio. While current conditions might favour growth-sensitive currencies, the multitude of factors in play suggests that it makes sense to avoid putting all of one's "eggs" in one currency basket.

Diversification might also require shifting focus. Canadian investors often concern themselves with where the Canadian dollar is going relative to the U.S. dollar, but the more appropriate question now might be where the Canadian dollar is going relative to the euro or the yen, Emerging Market currencies or the krone. Of course, it is always important to understand the broad USD backdrop; sometimes, as over the past year, it is all anyone needs to know. But today, as the world emerges unevenly from the pandemic, investors might need to know more than that.

April-May of 2020. We think it ended in August 2020

- April 2020 saw market trends shift to cyclical over defensive, small caps over large caps, copper over gold, and international over U.S. which has persisted to year end
- There was a powerful move in low-quality issues from October through to February/March of 2021.
- International markets had a strong move off the bottom through to December 31st but gave back performance as the U.S. Dollar (USD) rallied.
- The USD has been going down now for roughly 3 weeks - but had an incredibly strong rally from January and February.
- The most important thing to remember is that the market is going up (cyclicals beating defensives & small caps beating large caps) – we expect this to continue for some time
- Since we haven't yet been told that the recession is over - it means we are in the early stages of an economic recovery which often last years, not months.
- We are very bullish and are fully invested in each or our portfolios o We aren't seeing any indication that would cause us to be concerned or to be additionally conservative

- Indications from commodities, credit, and yield curve all point towards being bullish

- Some of our portfolios are deemed low-moderate risk, which means they cannot own as many cyclicals as we might like them to
- Most bullish portfolios are the ETFs o Contain almost no defensive issues

- Healthcare companies in the portfolios are exposed towards discretionary procedures such as Dental (we see this as an "opening up" trade) • Companies like Straumann Group or Hoya Corp - which will benefit greatly once elective surgeries are back on the table

- Consumer Staples weighting in portfolios has been increased as well - these will also benefit greatly from the "re-opening" • L'Oreal with cosmetics

- Davide Campari for distilled spirits
- Our ETFs currently own a lot of cyclical companies

Q. What are your thoughts on the U.S. Dollar on a look forward basis?

- We expect the dollar to weaken pro-cyclically o When importing oil, the U.S. pays for it in dollars, which provides foreign central banks with an influx of U.S. dollars that they diversify across other currencies
  - As the U.S. buys more oil - more U.S. currency is made available to the world
- President Biden and Vice-President Harris have said they intend to end the energy industry o This means they will be importing more oil
  - U.S. has already asked the Saudis to begin producing more oil
- We believe the USD will weaken despite the January and February rally on the USD, which was frustrating to watch because international holdings went sideways o Over the last 3 weeks, these holdings have all started to go up again as the USD has once again begun to weaken
- We see this trend continuing unless the U.S. policy on domestic oil production changes, which is unlikely to happen until at least the mid-term elections
- We won't hedge the U.S. dollar just because we think it's going down
  - Every correction since 1970 has seen the USD go up
  - If you hedge the dollar and the market goes down, you have no protection, and when it goes up you have much less downside
  - Example: In 2008 the S&P 500 lost half its value, the USD went up 20%. If you were hedged, you lost half your money, but if you were unhedged, you lost 30%, because the dollar went up 20%.

Q: What's your outlook on Emerging Markets?

- The benchmark for our International mandates is the MSCI EAFE, which doesn't contain any emerging markets countries
- The country weights of our products look nothing like their benchmarks – we try to be deliberately different
- We can invest in Emerging Markets, but currently we are not finding opportunities there o In the past, EMs required a weaker USD to do well (USD has started to decline)

  - Delisting issues for the Chinese companies in the U.S. also hurt the index, but this has dissipated

- We expect Emerging Markets to do better and will go there when it makes sense – but there needs to be a good reason for us to invest there

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David Fingold - CONTINUED

- We previously owned Taiwan Semiconductor, but exited the position at least for now o We believe ASML Lithography was proving to be a better exposure to the space

  - Taiwanese water shortages and rumblings of a Chinese invasion have also proved to be a factor

- We prefer to own picks and shovels tech names in the international space

  - ASML Holdings (Netherlands) - lithography solutions

  - Nova Measuring Instruments (Israel) - only company that combines optical measurement and x-ray florescent measurement in quality assurance for semiconductors

  - Hamamatsu Photonics (Japan) - dominant in photo multipliers and laser dicing engines • Related to making semi-conductors

  - Hexagon - makes metrology equipment used in quality assurance - coordinate measuring machines, and precision GPS devices • Autonomous farming and mining

  - You face labour disruptions, environmental issues, natural disasters, regulators and protestors

  - Companies like Hexagon and Nova Measuring Instruments are new technologies that are growing

  - Best in class businesses whose sales have been extraordinary

  - Growth in luxury and prestige product is likely to go higher with the re-openin

- Better to be the pick and shovel supplier than it is to run the mine, run a farm, or be cutting trees in forestry.

- We are looking for companies that will have a strong recovery this year but continue to grow afterwards - that is why we look into these themes around the world.

- Companies like Hermes, Luis Vuitton, Campari etc., are only on sale during a recession so we took advantage of that and added them to some of our portfolios

Q: Thoughts on cryptocurrency and blockchain and would you consider getting any exposure?

- Once again, we are involved in this space via picks and shovels companies

- The need for more computing power and storage will only continue to grow within crypto and blockchain spaces

  - Companies need the tools that are built by the likes of ASML, Nova Measuring, and Hoya Corporation (which we own)

- There is a lot of focus on cryptocurrencies like Bitcoin or Ethereum that nobody sponsors

  - We don’t know what will happen with those, but if they are getting mined, some of our companies will benefit

- Not enough time spent on what central banks are doing in the crypto space

  - It’s important for banks to focus on digital transitions

  - Julius Baer, JP Morgan, and First Republic have made tremendous investments in digital technologies

    • If the Fed or Swiss National Bank chose to provide a digital currency, they would have to offer it to clients - and these companies would rise to the occasion

- Winners vs. Losers in banking is about who goes digital and who is prepared to act on digital currencies. From our perspective, not enough banks are looking into this

Eric Savoie - CONTINUED

In this environment, stocks have climbed to record levels and sovereign bond yields have reversed their pandemic-related plunge from early 2020. As a result, we believe that much of the cheerful outlook has been priced in, particularly in the U.S., where valuations are stretched and investor sentiment has reached extremes. As a result, we have decided to take some profits after a strong run by reducing our overweight position in stocks, sourced specifically from U.S. equities, and have placed the proceeds into bonds.

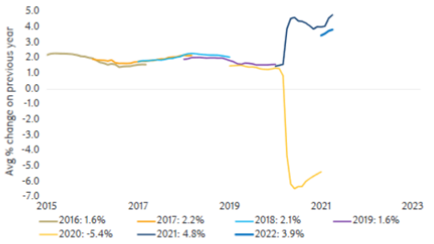
Strong outlook boosted yields, further increases may be limited

U.S. sovereign bond yields have nearly doubled since the start of the year as the announcement of vaccines, better economic growth and firming inflation diminished the demand for safe-haven assets. Valuation risk has been reduced significantly as the U.S. 10-year bond yield reclaimed its pre-pandemic levels and is now trading inside our modelled equilibrium band after falling below the lower boundary last year (Exhibit 2). In an environment where near-term inflation pressures prove temporary and central banks remain highly accommodative, we expect the U.S. 10-year yield could fluctuate within a relatively narrow range. Given that much of the good news is priced into the fixed-income market at this point, we would likely need to see improvement in the economic outlook beyond what is already expected to push bond yields sustainably higher.

Equity valuation risk is concentrated in the U.S.

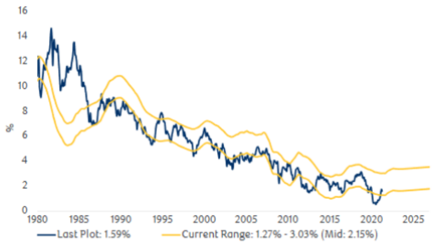
Most major equity indices are trading at or near record levels. The S&P 500 has climbed about 5% in April, bringing year– to-date gains to 12% and extending an already impressive performance from 2020.

Exhibit 1: Weighted average consensus real GDP
Growth estimates for major developed nations



Note: As of April 23, 2021. Source: Consensus Economics

Exhibit 2: U.S. 10-year T-Bond yield
Equilibrium range



Note: As of April 23, 2021. Source: RBC GAM, RBC CM

Valuations have inched higher and the S&P 500 is now more than one standard deviation above our modelled fair value at levels not seen since the late 1990s (Exhibit 3). While we don't believe the market is as dangerously overvalued as it was during the tech bubble, there is some cause for caution, particularly with respect to investor confidence. Ned Davis Research tracks a variety of sentiment metrics and their Crowd Sentiment Poll indicator has reached levels of extreme optimism not seen since late 2017/early 2018. While extreme optimism and stretched valuations can persist for some time, we recognize that complacency may be creeping into markets, creating a vulnerability should that enthusiasm fade or the economic outlook deteriorate (Exhibit 4).

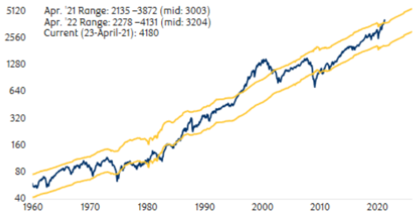
However, equity markets outside the U.S. offer better value. Stocks in emerging markets, Canada and Europe are more or less in line with our modelled fair value, and those in the U.K. and Japan are situated at relatively attractive valuations (Exhibit 5). As a result, global equity markets are not necessarily as stretched as investors focused solely on the S&P 500 may believe.

Asset mix – trimming exposure to U.S. equities, moving the proceeds to bonds

We recognize that economies are experiencing a strong recovery, supported by significant monetary and fiscal stimulus, and the outlook for corporate profits is robust. As a result, we are maintaining an overweight exposure to equities and underweight in bonds in our recommended asset mix. But elevated valuations, particularly in U.S. equities, reduces the future return potential, and moreover, the relative attractiveness of stocks to bonds has been diminished as a result of the rapid increase in bond yields (Exhibit 6). We opted to dial back our equity exposure by 50 basis points, sourced entirely from the U.S. and moved the proceeds to fixed income. Our recommended asset mix for a global balanced investor is 64.0% equities (strategic: "neutral": 60%), 35.0% bonds (strategic "neutral": 38%) and 1.0% in cash.

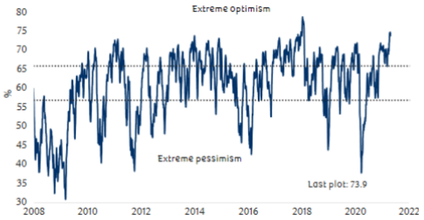
Eric Savoie - CONTINUED

Exhibit 3: S&P 500 equilibrium
Normalized earnings & valuations



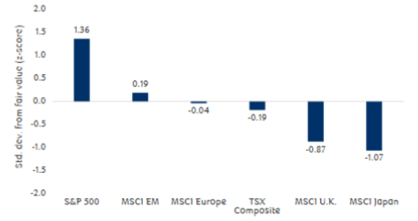
Note: Fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

Exhibit 4: Ned Davis Research Crowd Sentiment Poll
Percent bulls



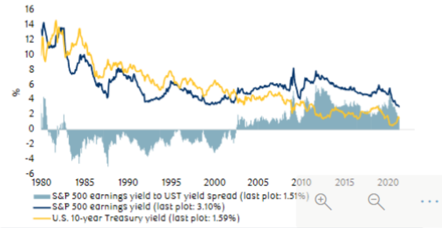
Note: As of April 20, 2021. Source: Ned Davis Research, RBC GAM

Exhibit 5: Global equity markets
RBC GAM fair value equilibrium



Note: As of April 23, 2021. Source: Haver Analytics, Bloomberg, RBC CM, RBC GAM

Exhibit 6: S&P 500 earnings yield
12-month trailing earnings/index level



Note: As of April 23, 2021. Source: RBC GAM, RBC CM

Life Insurance, Top Trends 2021 —Continued

Capgemini is a global leader in consulting, technology services and digital transformation. They are recognized as being at the forefront of innovation to address the entire spectrum of clients' opportunities in the evolving world of cloud and digital platforms. Recently, Capgemini released their "LIFE INSURANCE, TOP TRENDS 2021" report.

This is a poignant report following the impact of the pandemic on the Life Insurance industry. The report discusses how COVID-19 has impacted our lives in the most obvious ways, like the normalizing of previously incomprehensible customs like; social distancing and the wearing of masks. It added new words and phrases to our general lexicon like, "flatten the curve". The pandemic has taken its toll on the mental health of our societies along with increases in alcohol and drug abuse. COVID-19 has virtually touched all our lives.

Another area that has been impacted by this pandemic is the Life Insurance industry. Prolonged lockdowns and social distancing norms have impacted the entire customer experience from acquisition to retention to customer service. While the interest in life insurance policies has grown during the pandemic, the process of entering into a life insurance contract has become much more difficult.

Improving customer preferences and the evolving demographics are driving Insurance Companies to revisit their product lineups and introducing innovative products that stand out. For example, Insurers are creating pre-underwritten products to enable the instant purchase of life insurance without a medical exam. Insurers are adding innovative riders and creating hybrid products to make their offerings more appealing. Millennials and Gen Z's needs are being meet with innovative and entirely digital products while aging baby boomers are getting supportive concierge and long-term care products. In a nutshell, life insurers are offering simple and easy access to coverage products with clear eligibility criteria.

Capgemini concludes that COVID-19 has been, and still is, a catalyst, pushing life insurers to enhance technological capabilities to ensure crisis-proof operations. Life insurers that had already begun their digital transformation journey were able to swiftly respond to changing dynamics and take advantage of emerging market opportunities. Customers will value those insurers as caring partners who have quickly launched protection products and seamlessly engaged with customers via digital channels during a crisis.

"Tomorrow's industry frontrunners will be those life insurers who are customer centric, have adopted intelligent processes, acquired go-to-market agility, and have closely collaborated at scale with ecosystem partners."

Unquestionably, challenging times and black swan events push firms to reinvent themselves to adapt to an evolving future. To succeed, insurers will have to adopt a new mindset, one that focuses their mindset on an attitude that shifts from a product focus to client focus. To succeed, insurers must embrace the customer experience. This new approach must also recognize and leverage data as a critical asset.

To read the Capgemini's report, please click on the link "Capgemini, Life Insurance Top Trends 2021"

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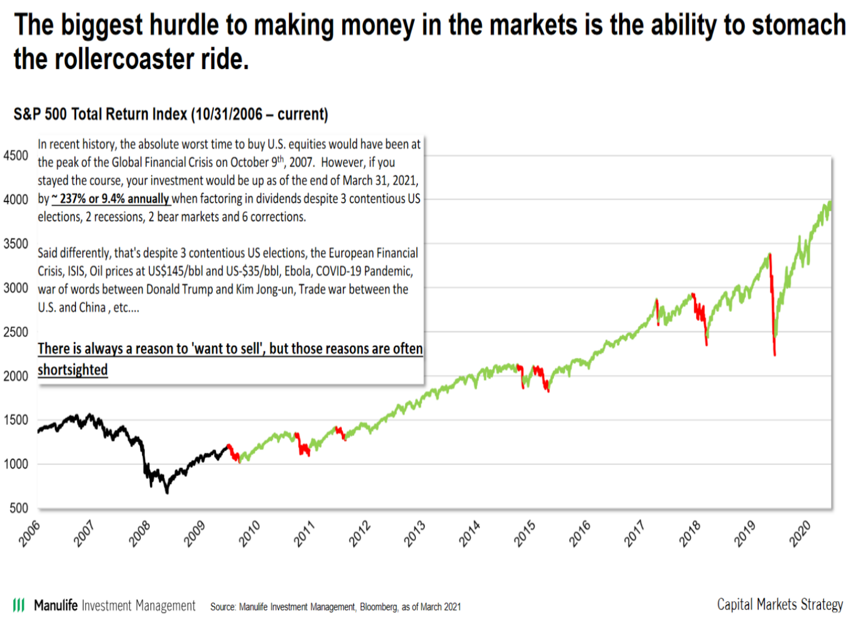
The Biggest Hurdle To Making Money In The Markets—Continued



Thinking More About The Future—Continued

Without proper estate planning, the administration of your estate could encounter long, painful, and avoidable delays. The government could end up collecting more taxes than could have been reduced; and, more significantly, someone, other than yourself, may end up deciding the devolution of your estate.

Every Canadian adult, regardless of level of net worth, should have an up-to-date estate plan. And to make it as easy as possible for our readers, your estate plan should outline the following:

· Who is responsible for distributing your assets.

· Who gets what and when should they get it.

· Who will take care of minor children.

· Who will manage any trust accounts under your Will.

· Who will make financial and medical decisions if you are incapacitated.

When we had our son, a funny thing happened to my line of thinking. I started to think more about the future and less about the past. When it was just my wife and I, I wasn't overly concerned about my own estate plan. Don't get me wrong, I'm always preaching to my clients to update their wills and get POAs, but when I looked at my own situation it just didn't seem urgent. My wife is smart, has a good career and could support herself easily if something were to happen to me. Now that we have our son though, things have changed. If something happens to my wife or I it's a lot more complicated.

Try this thought exercise: instead of thinking about death, just take yourself out of the picture. Maybe you've left all your possessions and jumped on a train to B.C to go live in the mountains and wear Birkenstocks. All that's left is your possessions and someone you had in your life whether its a spouse, kids, parents, or your good buddy Jim. Now ask yourself how does life look for your version of Jim? In my own situation, childcare is the main theme with most assets rolling over to my wife. But your theme is probably different. Maybe you have many grandchildren and are worried about the equality of estate distribution. Maybe you'll be leaving behind a hefty tax bill or maybe you want your legacy to be more charitable by supporting a cause that is close to you. In any situation you need an estate plan. Plain and simple.

DISCLAIMER

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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.

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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