

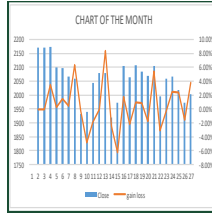
“A correction is a wonderful opportunity to buy your favorite companies at a bargain price.” - Peter Lynch



Sergio Simone
EDITORIAL
COMMENT



Kristina De Souza
STAYING PROTECTED
WITH TRAVEL
INSURANCE



**HISTORICAL
MONTHLY STOCK
MARKET RETURNS**



Ryan Simone, CLU, CHS
SMALL BUSINESSES
FACE UNFAIR TAX
TREATMENT

Editorial Comment



Sergio Simone

The economy is evolving as it is prone to do.

It seems the expectations for a rapid uptick in markets after the rollout of the COVID-19 vaccine has not quite gone as expected. Unfortunately, neither has the vaccine rollout. Nations that are vaccinating are experiencing lower than anticipated numbers of people getting vaccinated.

[Continue Reading](#)

Staying Protected With Travel Insurance

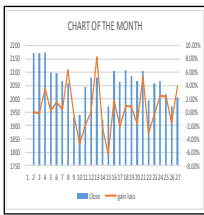


Kristina De Souza

As things slowly continue on the trajectory towards a sense of normalcy, health and safety continue to be top of mind. I'd like to take a moment to discuss a topic that I've been rather quiet about over the last 18 months or so. As summer comes to a close, the word travel is increasingly becoming less taboo, though we are not out of the woods yet.

[Continue Reading](#)

Historical Monthly Stock Market Returns



“I don't know why people sell in May and go away. There is still some meat on the table until July. It seems to me that September is the worst month rather than May. And the thing about Santa rally and New Year rally from Nov to Jan seems quite accurate.” Chang Yue Sin “The Babylonians”.

The following chart illustrates the S&P500 monthly returns over a 45 year period ending in 2020.

[Continue Reading](#)

Small Businesses Face Unfair Tax Treatment



Ryan Simone, CLU, CHS

This is going to sound a bit funny, but there is a section in the income tax act with the sole purpose of stopping individuals from taking advantage of the lifetime capital gains exemption (LCGE). It is known as Section 84.1 of the Act, and to small business owners and various stakeholders, it is viewed as unfair. This is because, Section 84.1 will apply when corporations are sold to a spouse, sibling, or child.

[Continue Reading](#)

KRISTINA DE SOUZA

You did it!
Congratulations



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

As a CFP professional Kristina 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.

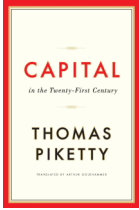
There are approximately 17,000 CFP professionals across Canada, part of an international network of more than 175,000 CFP professionals in 26 territories around the world.

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.

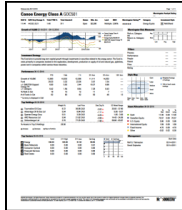
Congratulations again and we all wish Kristina great success as a CFP professional!

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BOOK OF THE MONTH



FUND OF THE MONTH
FIDELITY GREATER CANADA FUND



INVESTMENT TERMINOLOGY

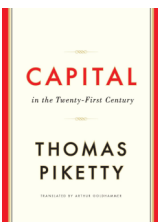


BLOG OF THE MONTH
CONTRARIAN EDGE

BOOK OF THE MONTH

CAPITAL IN THE TWENTY-FIRST CENTURY

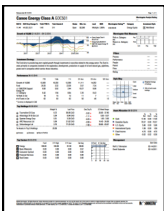
- by Thomas Piketty



The central thesis is so provocative because it contradicts the fundamental beliefs that have enabled capitalism to become the dominant economic system of the last century. Capitalists have always argued that its main virtue is that it is meritocratic: anybody can become rich under capitalism if they work hard and demonstrate business acumen. This book proves this theory to be true.

FUND OF THE MONTH

ARROW CANADIAN ADVANTAGE ALT CL A



The investment objective of the fund is to achieve superior capital appreciation over both short and long term horizons primarily through the selection and management of a concentrated group of long and short positions in Canadian equity securities and equity derivative securities.

WHAT ARE GOLD FUTURES?



Putting it simply, futures are a financial contract between an investor and a seller. The investor agrees to purchase an asset from the seller at an agreed-upon price based on a date set in the future.

In 1972, the Chicago Mercantile Exchange launched futures trading in seven currencies, but it wasn't until 1974 that the first gold futures contract was traded on the COMEX in New York. Since then, gold futures have continued to grow in popularity as an investment strategy on various stock markets.



BLOG OF THE MONTH

Inflation Is Here. But For How Long?

This letter is going to be long. I blame the word inflation, be it transitory or not, for inflating its length.

The number one question I am asked by clients, friends, readers and random strangers is, are we going to have inflation?

I think about inflation on three timelines: short, medium, and long-term.

The pandemic disrupted a well-tuned but perhaps overly optimized global economy and time-shifted the production and consumption of various goods. For instance, in the early days of the pandemic automakers cut their orders for semiconductor manufacturers, who, like the rest of the economy, run with little slack and inventory, to produce enough chips to keep up with demand.

[Continue Reading](#)



PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

Kiplinger's PERSONAL FINANCE

HOW DO WE PROTECT THE NEXT GENERATION FROM BLOWING OUR MONEY?

Can you even imagine a billion dollars? If you earn \$45,000 a year, it would take you 22,000 years to amass such a fortune. Well, now imagine \$1 trillion. That's 1,000 billion. One trillion divided evenly among the U.S. population would mean that everyone in the U.S. would receive a little over \$3,000. Now imagine \$68 trillion. If we use the same math, each person would receive about \$200,000.

What is so magical about \$68 trillion? It is the amount of money that is projected will transfer from Baby Boomers (born between 1946-1964) to their heirs over the next 25 years, according to Cerulli Associates.

Bankrate®

LIFE INSURANCE FOR HIGH-NET- WORTH APPLICANTS

If you own at least \$1 million in cash or assets apart from the property value of your home, which can easily be converted into cash, you are considered a high-net-worth individual. Most high-net-worth individuals have a good amount of savings in their account and investments. This does not eliminate the need for life insurance, however.

Savings and investments are one part of the equation, but high-net-worth individuals may also need to account for liquid assets such as businesses, real estate, property and collectibles when considering financial protections for family members you may leave behind.

PBY Capital

THE DOUBLE-EDGED SWORD OF INVESTING CHOICE FOR THE WEALTHY

In this era of volatile, hard to predict economic change, making the right investment choices can be complicated. This is especially the case when managing a portfolio for ultra-high-net-worth investors — those with at least \$30 million in investable assets.

This class of investor has more choices than simply stocks, bonds and funds, ranging from buying a business outright to private equity, venture capital, infrastructure funding, foreign real estate, commodities, different currencies, cryptocurrency and hedge funds.

The Motley Fool MAKING THE WORLD SMARTER, HAPPIER, AND RICHER

81% OF ULTRA-HIGH-NET-WORTH INDIVIDUALS USE ALTERNATIVE INVESTMENTS

It's no secret that the ultra-rich have access to alternative investment opportunities that seem unavailable or unobtainable to the average investor, like expensive wine, vintage cars, fine art, equity in private companies, and real estate.

What may come as a surprise is that ultra-high-net-worth investors (those with a net worth of at least \$30 million) have, on average, 50% of their assets in alternative investments. And they are likely to allocate even more of their portfolio toward alternative investments in coming years, despite the recent strong performance of major stock market indices.



CORPORATE CULTURE



PROTECTING YOUR CORPORATE INFORMATION THROUGH SECURE ACCESS FROM WITHIN AND OUTSIDE YOUR COMPANY

The need for access to corporate information is broad and growing, both from within and outside your company. This need can look like an employee at a remote manufacturing site accessing data across a corporate network, an employee working from home accessing a cloud application, a third-party supplier engaged in joint design accessing design requirements through a supplier portal, an internal global product design team accessing results from confidential research or design programs, and more.



WHAT ARE THE MAIN TYPES OF EMPLOYEE PENSION PLANS?

If you have an employee pension plan, it's likely one of two kinds. Find out how each type of employee pension works. And see how understanding your own pension plan can help you make the most of your retirement savings.

Simply put, if your employer offers an employee pension plan to help you save for your retirement, it's likely one of two main types of pension plans:

A defined benefit plan, or

A defined contribution plan.



PRIVATE WEALTH
MANAGEMENT
CIBC WOOD GUNDY

USING INSURANCE TO FUND BUY/SELL AGREEMENTS

Ensuring you have a proper Buy/Sell Agreement in place for your business can help you avoid potential business disruptions that may arise. Of the various alternatives available to fund a Buy/Sell Agreement, life insurance provides the best solution. By using a Universal Life policy, the cost of the insurance premium is considerably lower than other options. With a Universal Life policy, the insurance and the savings elements are unbundled, and the policy owner can choose between a wide range of investment options in which to allocate the savings portion of the premium. There are three main methods to fund these types of agreements:



GROUP BENEFIT (WELFARE) PLANS

Things to know

Canada has a universal health care system funded through general tax revenues. All Canadians are covered and receive medically necessary hospital and doctors' services without direct charges at the point of service.

Some services are not covered under the public health care plan, including prescription drugs outside hospitals, dental care, vision care, medical equipment and appliances, and the services of other health professionals such as physiotherapists.

FUND MANAGER COMMENTARY



KRYSTYNE MANZER
RBC GLOBAL ASSET
MANAGEMENT



DR. ZIAD BAKRI
T. ROWE PRICE



KEVIN HEADLAND
MANULIFE
INVESTMENT
MANAGEMENT



DAVID STONEHOUSE
AGF INVESTMENTS INC.

Krystyne Manzer, CFA, VP, Portfolio Specialist



RBC Global Asset Management

Canada Votes

Canadians went to the polls yesterday to elect the country's 44th Parliament. While at the outset of the campaign, it appeared as though the Liberals might walk away with a majority government, the polls narrowed as the campaign progressed.

[Continue Reading](#)

T. Rowe Price



Investing In Health Sciences Breakthrough Therapies

When Dr. Ziad Bakri is researching an investment idea within the biotech industry and the mounds of financial data on his desk don't reflect what he believes comprises the entire story, the portfolio manager of the T. Rowe Price Health Sciences Equity Strategy puts aside the spreadsheets and heads out of the office.

[Continue Reading](#)

Kevin Headland, Sr. Investment Strategist



Manulife Investment Management

Commentary On Evergrande

Among other concerns (fiscal cliff, emergency of delta variant), negative risk sentiment surrounding Evergrande's solvency issues continue to weigh on markets to start the week. (and the world's most indebted property developer) and has

[Continue Reading](#)

David Stonehouse, Senior V.P. and Portfolio Manager

AGF Investments Inc.

Is This “Peak Transitory”? Why Inflation Might Be More Persistent Than Expected



Inflation has been one of the key topics of 2021 for central bankers, politicians and market participants. Indeed, prices skyrocketed this past spring compared to the spring previous, driven by easy comparisons to the nadir of the pandemic, when the global economy essentially shut down and inflation was so suppressed that oil prices even turned negative. And yes, that base effect, coupled with reopening as vaccines were rolled out, drove the economy to run hot in the second quarter. In the 12 months through June, Canadian and U.S. GDP climbed at blistering double-digit paces, while the U.S. Consumer Price Index (CPI) rose by 5.4% term trend, according to

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KPW LIFE PLAN—IMAGINE YOUR FUTURE

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SEPTEMBER 2021

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LINKS

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[Severance Planning: What Your Client Should Consider](#)

As a result of COVID-19, some clients have lost jobs and receive

[RRSPS, RRIFs And Withholding Taxes At Death](#)

Why do withholding taxes not apply to RRSP and RRIF

[BoC Holds Key Rate Unchanged, Sees Economy Strengthening In H2 2021](#)

The Bank of Canada (BoC) opted to keep the overnight rate at 0.25

[Long-Term Bullish Trends Are Intact](#)

Economic growth downshifted slightly to a moderate pace in early July through August. The

[Four Common RESP Mistakes](#)

You might call the Registered Education Savings Plan the forgotten tax-sheltered account.

[The Financial Resilience And Financial Well-being Of Canadians During The COVID-19 Pandemic](#)

As Canada begins the path to

[Surge In U.S. Consumer Prices Slows In August, CPI Shows. Has Inflation Peaked?](#)

The cost of living has risen this year at the fastest pace in a

[October Surprise?](#)

It has been 11 months since the last 5% correction in equity markets, and the coming weeks present a number of significant

[Banks' Shrinking Shelves No Surprise To Regulators, Industry](#)

Loss of third-party fund distribution seen as "unintended



JOINT ACCOUNTS

Things to consider before placing assets in a joint name

CONTROL: Absolute control of the asset may be lost. In the case of real property



MISTAKES PEOPLE MAKE WHEN CHOOSING A FINANCIAL ADVISOR

Choosing a financial advisor is a major life decision that can determine your financial trajectory for years to come. A 2020 Northwestern Mutual study found that 71% of U.S. adults admit their financial planning needs improvement. However, only 29% of Americans work with a financial advisor.

The value of working with a financial advisor varies by person and advisors are legally prohibited from promising returns, but research suggests people who work with a financial advisor feel more at ease about their finances and could end up with about 15% more money to spend in retirement.

VIDEO AND PODCAST LINKS

[Stocks Could Be Due For A Correction Of Up To 20% 'By Fire Or Ice'](#)

Morgan Stanley's Chief Investment Officer, Mike Wilson, says investors should always be

[September Outlook: Uncertainty At New Levels As Fed Policy...](#)

However, one thing we can probably count on is at least some

[The Economic Pulse](#)

In this special edition of the Economic Pulse, RBC Deputy Chief Economist Dawn Desjardins provides an in-depth summary of

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.

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EDITORIAL COMMENT - CONTINUED

The US economy, like many others around the world is continuing to recover albeit at a more gradual pace. In my opinion this is not so bad. I tend to prefer a gradual recovery than a robust recovery. It tends to stick better.

Equity and bond market volatility has been grinding higher recently. Much of this is a reaction to geopolitical events like China’s regulatory crackdown, the rise of the Delta Variant, and concerns over inflation, to name a few.

Looking ahead, I believe that the excess savings that have been accumulating over the last couple of years as the pandemic curtailed excessive consumption and spending, will result in stronger consumption throughout the balance of 2021 and going into 2022. While I expect this growth to continue, the rate of growth will likely begin to taper over the next few quarters from this currently unsustainable, hot pace.

We have seen signs that the global economy may have bottomed and is shifting from contraction to recovery. The US is on the road to recovery and will be led by all this pent up demand and well-funded savings accounts. Not to discount the fundamentals, the markets have staged a very strong and impressive rally driven mostly by valuation or price/earnings ratio expansion. This is very typical of an equity market recovery following a recessionary bear market. If history is an indicator, the next phase of equity market performance will be driven by a recovery in earnings growth.

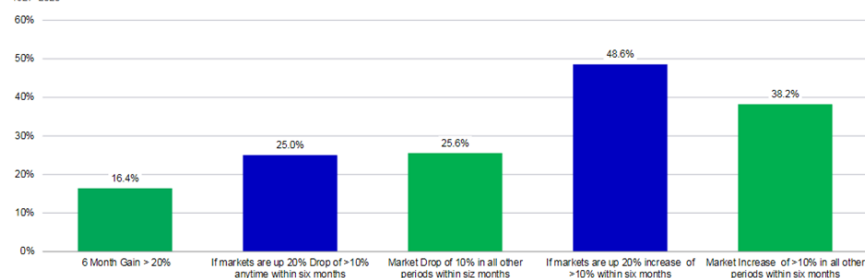
Macro indicators are suggesting that we are likely to see a continuation of strong earnings growth for the balance of this year and well into next year. I wouldn’t be surprised to see growth reaching 2019 levels given the release of pent-up demand and burgeoning savings accounts. My caveat about your investment choices is to focus on fund managers who trend towards high quality names as this cycle matures and earnings growth begins to moderate.

Once again, using history as a barometer of future markets, the following graph indicates a high probability that we could see 10%+ growth over the next six months in US equities.

Momentum begets momentum.

Equity markets often follow Newton’s First Law of Motion, “an object in motion, remains in motion”. Historically, when the S&P 500 Index is up over 20% in a six-month period, there is a 48.6% chance that it will be up more than 10% in the following six months. This is a 10% higher probability than the chance it will be up over 10% in any six-month period.

Historical Occurrence of Market Events
S&P 500 Index Following a Gain of >20% Within 6 months
1927-2020



This is the time for investors to put any investment emotion aside and look to the future. I expect higher than normal volatility will continue to cause havoc to investor emotions as the stronger earnings growth leads the markets higher for the remainder of this year and the first part of next year. Although I still have confidence in the US economy, I believe there are better opportunities elsewhere. For this reason, we will continue to reduce our exposure to the US and increase it in other parts of the world.

Canada is a prime example of a country where we will increase exposure. We have been severely underweighted in Canada for the better part of the 2010’s but, are feeling very confident in the Canadian markets looking ahead. My outlook for the S&P/TSX Composite Index remains positive. This is driven by the demand for commodities, including oil. I believe their prices are currently a base to grow on as the global economic recovery takes hold.

Where commodities go, the S&P/TSX usually follows.

The S&P/TSX Composite Index has often been referred to as a commodity-linked index given that two of its largest sectors are commodities and energy. As the global economy continues to recover from COVID-19 and government-forced lockdowns, the demand for commodities is expected to continue increasing. The increased demand should bode well for S&P/TSX returns.



EDITORIAL COMMENT - CONTINUED

There is a very high correlation between the price of oil and the year-over-year change in the S&P/TSX earnings and if my thesis for the price of oil is correct, we should expect some decent returns from Canada over the next year. The global economic recovery should lead to higher crude demand and prices will contribute to higher S&P/TSX earnings growth.

Across the pond, Europe continues to face challenges with increased COVID-19 cases, because of the Delta variant, and a potential aftereffect from the Brexit deal. Meanwhile, Emerging Markets, led by Asia, should continue to improve. Although this sector has struggled of late, the longer-term focused investor may benefit by maintaining exposure in this sector. Unfortunately, the delta variant is proving more problematic for these developing economies where the vaccine coverage is generally lower.

Inflation and tighter monetary policies have also weighed on the growth outlook for the region, but perhaps, the largest obstacle EM economies face is the Chinese regulatory crackdown. Beijing has recently adopted more oversight for on-line finance, e-commerce, and property and education companies. This is a snippet of the onslaught of new regulations in China.

Our expectation is that this is a temporary issue. My thoughts are that the long-term drivers in China are excellent and remain intact.

According to Eric Glober, VP and Investment Director, Mackenzie Investments, "China has adopted capitalism, in increasingly open versions, over the past 40 years. This brought hundreds of millions out of poverty. Continuing to enhance prosperity is the government's mission. Ensuring that prosperity is shared is clearly a concurrent priority today and is at the roots of the steps taken by the government. Fighting "income inequality" is something all governments will have to deal with, this is China taking steps to benefit their people long term."

The uncertainty has burdened the performance of Chinese equities. The S&P China ADR Index has fallen almost 40% since February and given that China has a 38% weight in the Emerging Markets Index, it is easy to conclude that this policy uncertainty has directly contributed to the sector's lackluster year-to-date performance.

When building an investment portfolio we have been proponents of allocating a small part of the portfolio to a specialty fund. For the better part of the last decade we have recommended allocation to a Technology Fund. We have been rewarded handsomely as this sector has soared. This has been a sector that required solid fund management to achieve spectacular returns. The reason that management has been so important in Tech funds is based on the nature of the underlying companies that the managers are investing in.

Technology on its own is not a recipe for success. Companies in this sector are often faced with disruptive trends that are responsible for changing the face of global commerce and equity markets. It is not uncommon to see market leaders, across a range of sectors, become usurped by new entrants that have rapidly challenged those "old" business models as many of the old stalwarts struggled to adapt.

The economic and social consequences of the pandemic have caused an acceleration in some technology platforms in various industries like retail, social media, streaming content and remote conferencing. Successful Tech fund managers are those that have reweighted toward companies that have innovated successfully.

We still feel there is room for growth in the Tech Sector and are continuing to recommend this sector to clients.

Inflation continues to be our biggest concern. In the 12 months through June, Canadian and U.S. GDP climbed at blistering double-digit paces, while the U.S. Consumer Price Index (CPI) rose by a solid 5.4% - well above the long-term trend, according to Bloomberg Data.

This data has created considerable angst with Financial Advisors and Planners who are concerned about a new inflationary era, however, monetary policy makers, especially the U.S. Federal Reserve, have maintained their position that any spike in inflation is "transitory". As cautious as we are about the inflation issue, we are following the Rule of "Don't Fight The Fed". This is an investing mantra that suggests that our choices and actions should align with the Fed's policies rather than against them. For the time being, we will continue to embrace the Fed-approved "inflation is transitory" narrative. After seeing July's deceleration on a month-over-month basis, perhaps it is the right tactic to take though from my point of view I will still continue to adopt a skeptical view of "transitory inflation", at least for now.

Dr. Ziad Bakri - CONTINUED

He visits specific biotech companies and their research labs to learn about discoveries from the people who are making them. He also regularly attends medical conferences to gain insights about new therapies. The best insights, he says, have come from a variety of sources. "I love meeting with entrepreneurs and scientists who are experts in their field and developing the latest breakthroughs in medicine. And I'll fly wherever I need to get the complete investment picture."

Going Beyond The Numbers Reveals The Full Story

At T. Rowe Price, our investment approach is to go beyond the numbers when evaluating which companies offer the best future investment potential. By meeting with executives and employees firsthand, we can ask the right questions to get a deeper understanding of where a company stands and where it could go in the future. This rigorous research strategy is integral to Ziad's investment process within the health sciences sector.

Field Research Helps To Identify Opportunities Faster

Ziad, a former emergency room physician, and his investment team travel regularly to medical research hubs, where, during a recent trip to Boston, they visited nearly a dozen companies. He met with senior executives, including chief scientific officers and chief medical officers, and toured research labs to get a sense for what is going on at the companies. Ziad also meets with others in the health care industry to find new investment ideas, validate assumptions, and compare what he's learning in site visits with the fundamental analyses that he conducts. "You can quickly tell if what you're hearing is real or if what the company is telling you is just on paper," he says.

Ziad believes that opportunity often comes from identifying trends early in the process. He aims to have a front-row seat and track developments as they happen. His strong research process helps him focus on the therapies that could offer the best potential for really good returns. He is particularly excited by immunotherapy companies that seek to use a patient's own immune cells to fight cancer. The process is a complicated one but essentially it works like this: A physician extracts a patient's own immune cells, ships those cells to a company's manufacturing facility where they are altered through genetic engineering, and then the physician places those cells back into the patient to attack the cancer.

Positioning For Change

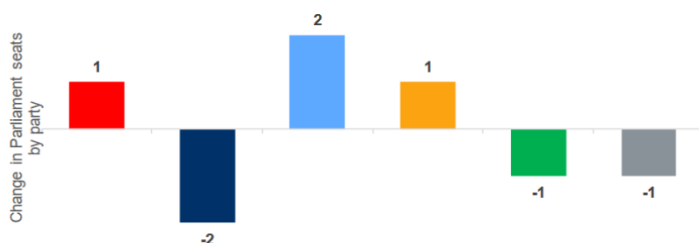
As the need for more innovative drug therapies grows, Ziad is keeping watch on the industry and key companies so he can respond quickly to take advantage of industry shifts and, when necessary, adjust his thinking to get ahead of change for his clients. Combining fundamental analysis with his on-site research allows Ziad to gather deeper insight that can help him make better informed investment decisions. "It's like people who were looking for gold in 1800s. It's just a different type of gold. You've got to do a lot of sifting and figure out if you're looking at gold or lead," he says.

Krystyne Manzer - CONTINUED

the polls narrowed as the campaign progressed. Temporarily they even pointed to a Conservative victory. The final outcome – re-election of a Liberal minority government – highlights an electorate that ultimately opted for the status quo.

Canada votes: the Parliamentary breakdown

	Liberal	Conservatives	Bloc Québécois	NDP	Green Party	Independent
Seats in 2021 election	158	119	34	25	2	0
Seats in 2019 election	157	121	32	24	3	1



Source: CBC. RBC GAM. Seats include leading or elected as of 6am, September 21, 2021.

The world has changed considerably since Justin Trudeau and the Liberal government were handed their last minority in October 2019. Yet political preferences seemingly have not. Only a handful of seats changed hands across the country, results that are likely disappointing to for all parties involved.

As of this morning, the Liberals appear to have gained a total of one seat in the House of Commons, 12 seats short of the 170 required for a majority. They captured 32.2% of the vote, down from 33% in 2019 -- although with an unusual number of mail-in ballots still to be counted, those figures may change slightly. Meanwhile, the Conservatives collected 119 seats, down a couple of seats from the last election.

Five out of the last seven elections in Canada have resulted in a minority government. This is partly a function of an increased number of parties vying for power – six received a significant share of the vote in the election. It’s also partly a reflection of an unusually divided public. This will have to be resolved in Parliament, where compromise and debate are necessary ingredients for progress.

Typically a minority government would raise questions about how much might be accomplished. However, the Liberals have shown to be adept at working with fellow left-leaning parties to maintain the confidence of Parliament. While some of that has been due to the necessity of passing critical legislation during the pandemic, the NDP are likely to be fairlly supportive of much of the Liberal’s expansive mandate.

What lies ahead

While the Liberal platform contained an exceptional number of promises, several now come into focus from an economic and investment perspective:

- The Liberals campaigned on a platform of increasing government spending, to the tune of an additional \$78 billion over the next five years. Given that the pandemic isn’t yet resolved, some further policy measures are arguably justified. It’s also important to note that minority governments tend to be more fiscally expansive as they attempt to meet the spending objectives of multiple parties. When combined with low interest rates, this strategy is unlikely to encounter near-term concerns about debt sustainability.
- The party proposed increasing the tax rate on large banks and insurance companies from 15% to 18%. If passed, this would generate an additional \$5.3 billion in revenue for the government over the next four years.
- All of the parties campaigned on introducing measures to increase affordability in the housing market, and it’s likely we will see some measures introduced. Key Liberal pledges include placing limits on foreign ownership and instituting an anti-flipping tax on houses owned for less than one year. There is also a focus on affordability, with plans to build more homes, encourage cheaper mortgage insurance and create a tax-sheltered program for down payments.
- In addition to continuing many of their existing pandemic support programs, the Liberals plan to provide wage and rent support for the tourism sector, subsidizing cultural events facing reduced capacity.

Elsewhere, the new government has also proposed support for working Canadians and families, including:

Krystyne Manzer - CONTINUED

- Continue rolling out its new \$10 childcare program.
- Expand the number of individuals who are eligible for the Canada Workers Benefit. •Increase the generosity of the guaranteed income supplement for low-income seniors.
- Lower the threshold for repayment relief on federal student loans.
- Finally, the Liberals promise to continue implementing a suite of green initiatives, including a gradually rising carbon tax. They have also committed to reduce emissions in the years and decades ahead.

What it means for markets

Elections rarely lead to a large deviation from the prior economic trajectory, particularly when the incumbent wins. While the formation of a minority government often creates greater potential uncertainty, Canada is no stranger to minority Parliaments and this outcome is virtually identical to the representation that existed prior to dissolution. Thus financial markets have responded to the results of this election in a muted fashion, focused more on other events. History further suggests there is no definitive path for rates during or after elections, and the Canadian dollar tends to take its primary cue from commodity prices and other market variables rather than political changes.

Our indicators suggest considerable work remains to be done to get Canada back to its full economic potential. However, with the growing adoption of vaccine mandates and passports, further economic restrictions are now less likely to occur. In addition to the continuing pandemic supports, an important factor for robust growth ahead is the Liberal commitment to accelerated immigration over the next few years

Kevin Headland - CONTINUED

Evergrande is the 2nd largest property developer in China (and the world's most indebted property developer) and has been the center of attention since it wasn't able to meet a bond payment and delayed several future payments. This has raised questions on its ability to service its debt. The concern is that a liquidity event may unfold due to a potential Evergrande default and it may negatively impact economic growth in the regions (we believe this is a small probability event).

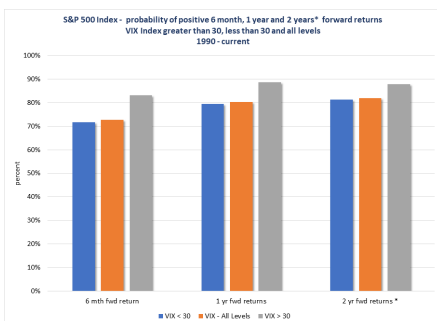
It's an exercise in futility to determine how long this will remain a headline risk, it's easier to determine that it is unlikely to negatively impact the broader economy in the medium term. Evergrande has ~\$300 billion in liabilities, the People's Bank of China has nearly \$3.3 trillion in FX reserves. From our view, it's not whether the government has the resources to step in, but the question 'to what extent' are they comfortable with investors taking losses.

From our perspective, our solutions hold no direct exposure to Evergrande and/or material positions to the other Chinese Property Developers. Property and Financial firms may experience collateral damage in the short term but we also hold minimal exposures to these sectors.

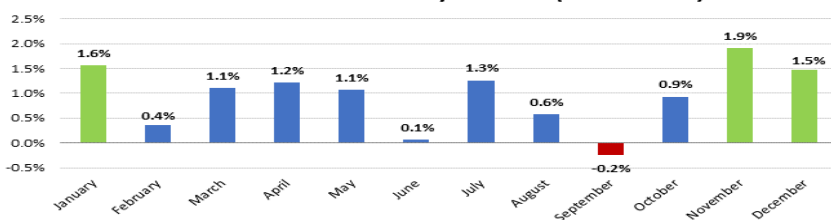
The VIX (an index representing the market's expectations for volatility over the coming 30 days) has spiked this morning to 25 (a daily increase of ~ 20%). Our work suggest that outside of recessions, medium term investors are well served to 'buy the dip' when this metric of risk exceeds 30. The 6 month, 1 year and 2 year forward returns for the S&P 500 when the VIX is above 30 is ~ 13%, 20% and 15% respectively. You are positive more than 80 percent of the time during those same periods.

Think Warren Buffet 'when others are fearful, I get greedy and when others are greedy, I get fearful'

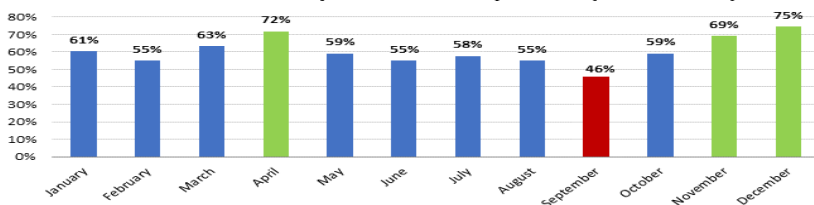
As we highlighted in our 'back to school' investment note, September is historically the weakest month for the S&P 500 (and S&P/TSX too). Since 1950, September has been provided investors with the weakest monthly return, averaging -0.2 percent. However, November through January has historically been a very positive period. The odds of positive monthly return for September are also the lowest at 45%. December by comparison has been positive 75% of the time since 1950. There's some truth to the Santa Claus rally.



S&P 500 - Median Monthly Returns (1950 - 2020)



S&P 500 - odds of a positive monthly return (1950 - 2020)



Reasons to remain optimistic in the medium to long term.

- Global economic activity and company earnings have likely peaked but remain strong
- Global central banks will continue to remain accommodative
- Valuations are more attractive than at the beginning of the year

Staying Protected With Travel Insurance —Continued

There continues to be travel advisories in place for Canadians travelling abroad, but the time has come where many travelers have begun contemplating their winter exodus.

Before heading to warmer climates, now more than ever it is crucial to ensure the right protection is in place.

As Canadians, we often take for granted how much travel coverage outside of Canada really costs because we're fortunate to have provincial health care plans while at home. Most don't realize that provincial health plans will simply not be enough to cover you while you are abroad. These plans typically cover less than 10% of costs while abroad, and basic things like ambulance rides, ER fees, and prescription drugs, to name a few, are not covered at all.

It's easy to see the value in emergency medical travel insurance when considering the costs can surmount to hundreds of thousands of dollars when travelling. Let me start by saying that aside from the usual coverage for hospitalization and treatment for medical emergencies offered by the major travel insurance companies, COVID-19 coverage is now also included in coverage for those who are vaccinated. For those who are not, there are various optional plans available.

An example would be certain providers who offer separate COVID-19 travel insurance plans, which covers emergency medical and related quarantine expenses if someone who is not vaccinated tests positive while travelling. Added features include trip interruption benefits if the Government's travel advisory changes, and one wishes to come home early. It's hard not to get excited by thoughts about travel, but for those who are over the age of 60, there are extra considerations when it comes to finding the right medical travel insurance.

The key is to understand your specific needs as well as all the options available. As an example, travelers with unstable, pre-existing medical conditions need to ensure they fully comprehend a policy to avoid misunderstandings and potential denial of claims.

Different insurance carriers have varying definitions of what qualifies as pre-existing, and likewise there is variation in the required length of time a medical condition is considered stable. Many aren't aware that something as simple as a prescription change can affect stability of a condition, so its important to ensure the right checks are in place.

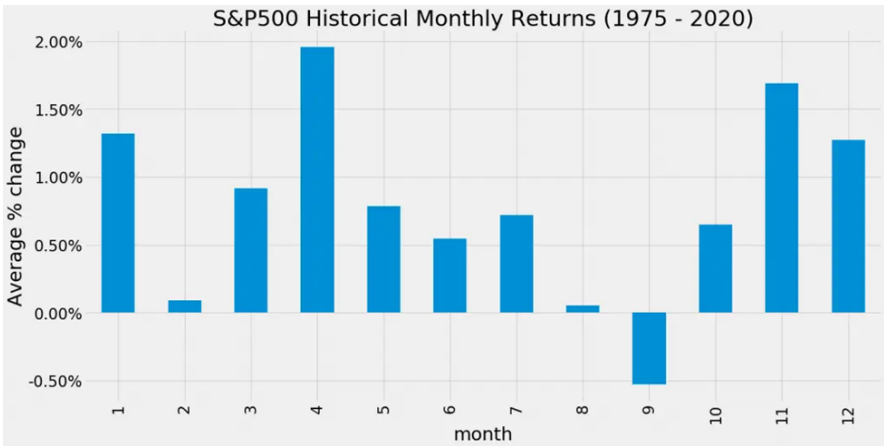
Another point I know I've mentioned before that I really want to drive home, is the fact that credit card travel insurance is not created equally. This is especially the case when it comes to emergency claims assistance, pre-existing medical conditions, benefit limits, and so on.

And for all of the snowbirds or long-term travelers, you want to find out how long you can stay out-of-province to stay eligible for provincial healthcare benefits.

Regardless of which insurer you decide to go with, be sure to consult with your doctor if you have any health concerns, consult insurance experts, and read your policy in detail including all fine print to ensure you have the coverage that you need.

As always, please feel free to reach out to me if you need assistance navigating it all, or if I can help ensure you are making the most of the benefits and features available to you.

Historical Monthly Stock Market Returns—Continued



We can see that September is the only month that has averaged negative returns over the last 45 years. April and November are the best months to be invested, while February and August tend to have low positive returns.

This chart can persuade us to conclude that there is a seasonality associated with investing. The historical stock market returns by month do illustrate some recurring patterns. Certain months tend to perform better than others.

Based on September's month-to-date returns, this pattern may be continuing. Hopefully so will the rest of the year.

Small Businesses Face Unfair Tax Treatment—Continued

In other words, if you want little Suzy to take over the family business, you can forget about using the LCGE when you sell it to her.

Fortunately, there is a bill in the works known as Bill C-208, that will amend the Act thus creating an exception for intergenerational transfers of shares. Politician Larry Maquire, who argues for the bill, sums it up best when he says: “No longer will parents be given the false choice of having to choose between a larger retirement package after selling to a stranger, or a massive tax bill after selling to a family member, their own child or grandchild” (see <https://openparliament.ca/bills/43-2/C-208/?page=1>). Unfortunately, we’re not quite there yet as the bill faces opposition from the federal government in both the House of Commons and Senate. The opposition is based on Finance Canada’s concerns that the bill could facilitate corporate surplus stripping arrangements, resulting in the loss of significant tax revenue (as reported by Kevin Wark in Edition 326 of COMMENT).

The good news is that the bill has reached Royal Assent, which puts it on track to becoming a fully realized amendment. However, given the results of the recent federal election, and the need to address the remaining concerns about the bill, we could still be some time away from a finalized and approved version.

If you’re so inclined, you can check out the arguments for and against the bill here: <https://openparliament.ca/bills/43-2/C-208/?page=1>.

Since we don’t officially have the benefit of Bill C-208 quite yet, here is an example of how things are set up right now and why small business owners view Section 84.1 as unfair:

Mr. Mann own 100% of the common shares of XYZ Co. The shares qualify for the lifetime capital gains exemption. Little Mann, his son, has been working in the business for many years and is interested in acquiring his dad’s shares when his dad retires. The shares are worth \$1.2 million and have an ACB of zero.

Mr. Mann is subject to a 47% tax rate on dividends he receives from XYZ Co. and a 26% tax rate on any capital gains he receives. Mr. Mann is entitled to claim a lifetime capital gains exemption of \$800,000 when he sells the XYZ Co. shares.

Mr. Mann is approached by an unrelated stranger (i.e. an arm’s length individual) who owns a company called Arm Co. (A spouse, child, or sibling would be a non-arm’s length individual; a stranger is considered an arm’s length individual). Arm Co. is interested in purchasing all of Mr. Mann’s shares for \$1.2 million. If Mr. Mann accepts this offer, he would realize a capital gain of \$400,000 after utilizing the lifetime capital gains exemption. The resulting tax liability would be \$104,000, leaving Mr. Mann with after-tax proceeds of just under \$1.1 million. A sizable retirement sum.

Let’s suppose, Mr. Mann tells Little Mann about the offer. Little Mann says to his dad that he can match that offer. Little Mann is very clever and he figures that he can set up a corporation to purchase the

shares of XYZ Co. and use the future profits of XYZ Co. to finance the purchase on a more tax-efficient basis.

Now enters Section 84.1 of the Act.

If Little Mann goes through with his clever plan, Section 84.1 will ensure that Mr. Mann is deemed to receive a taxable dividend of \$1.2 million. And you can’t use a lifetime capital gains exemption on a dividend. This would result in a tax liability of \$564,000, meaning Mr. Mann would walk away with only \$636,000. Mr. Mann just lost 40% of his retirement money because of Little Mann’s clever little plan.

To avoid the application of section 84.1, Little Mann figures he could directly purchase the shares from his father and then his dad’s tax bill would be equal to what would arise on the sale of the shares to Arm Co. However, section 84.1 results in Little Mann not having “hard basis” for \$800,000 of the purchase price for the shares (the amount of Mr. Mann’s capital gains that are offset by the LCGE). This means that although Little Mann has paid \$1.2 million for the shares, he cannot implement steps to get a return of \$800,000 of that investment tax free (unlike Arm Co. which will be able to do so).

If Little Mann needs to borrow the \$1.2 million to pay for the shares of XYZ Co., XYZ Co. would need to distribute more than \$1.9 million in non-eligible dividends. This would give Little Mann enough to enable him to net \$1.2 million after tax to repay the loan. This requires a 60% increase in cash flow requirements in relation to an arm’s-length purchaser since XYZ Co. could otherwise flow profits to a corporation controlled by Arm Co. on a tax-free basis to repay the amount owing to Ms. Smith.

The bottom line, as long as section 84.1 remains as it is, selling a business to a stranger will be vastly cheaper than selling it to a child

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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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