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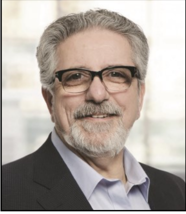
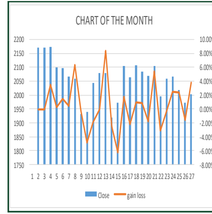
VOL. 8, ISSUE 12 DEC 2019

"THE STOCK MARKET HAS FORECAST NINE OF THE LAST FIVE RECESSIONS" -
Paul Samuelson



Sergio Simone
EDITORIAL COMMENT

Kristina De Souza
ESG INVESTING: ALIGNING FINANCIAL GOALS WITH VALUES



SMALL CAP STOCKS PRIMED TO OUTPERFORM LARGE CAPS

Ryan Simone, CLU, CHS
A PRIMER FOR SRI AND ESG INVESTING

Editorial Comment

Sergio Simone

Before we close out 2019 I would like to acknowledge an error in a position I and many people have taken over the last couple of years. I have stated many times that this is the longest Bull market in history, but my perspective may have been off. I recently read an interview with Josh Brown, CEO of Ritholtz Wealth Management and one of his comments stood out glaringly and got me rethinking my opinion on the length of this bull market.

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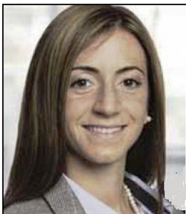
ESG Investing: Aligning Financial Goals With Values

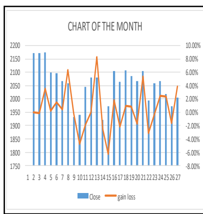


Kristina De Souza

In this complex and ever-changing financial services industry, recent and increasing attention is being given to the fact that "doing good" can also be good for your finances. Sustainable investing, also known as responsible or ESG investing, is an approach to investing that incorporates environmental, social and governance (ESG) factors in the investment process.

Continue Reading

Happy Markets/Mixed Macro Signals



Eric Lascelles, Chief Economist for RBC Global Asset Management outlines a summary of 2019 and an outlook for 2020 in a serious of fifteen charts and graphs.

A PRIMER FOR SRI AND ESG INVESTING

Ryan Simone, CLU, CHS

Sustainable, Responsible, Impact Investing (SRI) is a style of investing that has gained new momentum over the last several years. It is a duel purpose investment strategy of earning superior returns while investing in a socially conscious manner.

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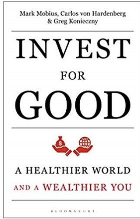
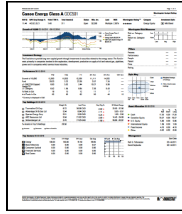
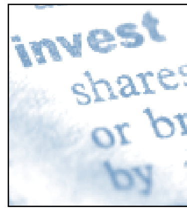


BOOK OF THE MONTH



FUND OF THE MONTH INVESCO EUROPLUS SERIES A



INVESTMENT TERMINOLOGY

BLOG OF THE MONTH THE REFORMED BROKER

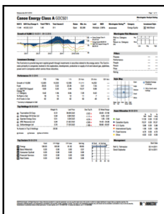
BOOK OF THE MONTH

Invest For Good

—By Mark Mobius, et al

Investors are placing increased emphasis on capital allocation methods to achieve their desired social, environmental and financial objectives, and are targeting investments that not only facilitate economic growth in countries around the world but also do good in terms of aiding human development--from cleaner environments to safer products and better employment practices. There is considerable evidence that if companies adhere to ESG (Environment, Social, Governance) standards, they will outperform companies who do not.

FUND OF THE MONTH



Invesco Europlus Series A

A non-North American fund, with exposure to the most dominant business franchises in Europe. The fund gives access to the largest economic region in the world, with a consumer base of more than 800 million people. It also gives indirect access to emerging markets through global brands or directly, as the Fund can also invest in Eastern Europe, Russia and the Mediterranean region, including the Middle East and Africa.

INVESTMENT TERMINOLOGY

LEVERAGE RISK

Traders also face the endless challenge of how to make the best use of capital, based on their risk tolerance and willingness to use borrowed funds. Investors have to contend with this as well. Do they limit investments to available cash or use margin accounts to virtually double their potential positions? The more leveraged a position, the more profit potential and the greater the risk of loss.

For traders, leverage is just as much of an issue. However, because traders tend (generally) to be willing to assume higher levels of risk than investors, their leverage risk may be greater as well.

Continue Reading

BLOG OF THE MONTH

EUROPEAN STOCKS BREAKING A TWENTY YEAR HIGH

Jon Krinsky made a big call this fall – in late October he titled his weekly technical research note Prestige Worldwide and informed us about some big moves happening in overseas markets. The whole world was likely on the verge of breaking out and Jon stuck his neck out just before it happened. I wrote about it here.
It turned out to have been prescient, with stocks all over planet earth taking out 52 week highs and accelerating their advances.

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INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

THE WAITING GAME: TEN MARKET TRENDS INSTITUTIONAL INVESTORS ARE WATCHING FOR IN 2020

Despite big gains for stocks and bonds during 2019, institutional investors are worried that stalled trade talks, slow global growth, and low yields could hurt portfolio performance in 2020. But the question isn't which risk will do the damage, it's more a question of when.

Continue Reading

Forbes

WHY ESG MATTERS AMOUNG WEALTHY INVESTORS

High net worth Millennials are making ESG a priority in their investment decisions. Private bankers would do well to take heed.

Wealthy individuals in Asia today are increasingly seeking out investments that are guided by Environment, Social and Governance (ESG) principles. This is especially true for younger investors who are seeking higher returns from products that are compatible with their own lifestyles and value systems.

Continue Reading

InvestmentNews

VOLATILITY EXPECTED TO RISE IN 2020, SAY ULTRA HIGH-NET-WORTH INVESTORS

Nearly two-thirds of ultrahigh-net-worth investors expect volatility to increase in the next twelve months, and a similar number say that market volatility will increase their likelihood of working with an adviser.

Those are among the key findings from Nationwide Advisory Solutions' fifth annual study of nearly 1,600 RIAs, fee-based advisers and individual investors.

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Bloomberg

WHAT WEALTHY CANADIANS WANT

High-net-worth individuals have different needs than the average investor. Here's what you need to know about working with these kinds of clients.

You might think that the world's wealthiest also take the biggest stock-market risks – after all, they seem to keep growing their nest eggs – but you'd be wrong.

In fact, studies have shown that high-net-worth individuals actually take fewer risks than the average retail investor who wants to reach a new level of affluence, says Craig Strachan, Vice-President, Head of Product, at Fidelity Investments

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FUND MANAGER COMMENTARY

ALEX BELLEFLEUR
MACKENZIE FINANCIAL

PHILIP PETURSSON
MANULIFE INVESTMENTS

PHILIPP M. HILDEBRAND
Et Al .
BLACKROCK
INVESTMENTS

TONY GENUA
AGF MUTUAL FUNDS

Alex Bellefleur, Chief Economist & Strategist

Mackenzie Multi-Asset Strategies Team

ECONOMIC IMPACT OF CANADA'S FEDERAL ELECTION

With a Canadian federal election producing a minority government, several investors have asked us to comment on the possible implications for the Canadian economy and markets.

Continue Reading

Philip Petursson, Chief Investment Strategist

Manulife Investments

20 Charts For 2020

"The Yield Curve ALWAYS inverts before a recession." - goes the phrase...but what if it doesn't?

Debate continues to rage with the inverted yield curve, or lack thereof, as reason why we are not headed to a recession.

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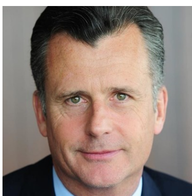
Philipp Hildebrand, Vice-Chairman, Et Al.

BlackRock Investments



Growth should edge higher in 2020, limiting recession risks. This is a favorable backdrop for risk assets. But the dovish central bank pivot that drove markets in 2019 is largely behind us. Inflation risks look underappreciated, and the lull in U.S.-China trade tensions could end. This leaves us with a modestly pro-risk stance for 2020.

Continue Reading

Tony Genua, Portfolio Manager

AGF Mutual Funds

Q. You've experienced various market environments through your long tenure in the industry. With a new decade about to start, what do you believe equity investors are in for over the next 10 years?

I'm so glad that the question is about a 10-year horizon versus one year. An examination of a century of U.S. market history leads to several observations relevant to what one might expect for the coming decade. First, 10-year returns for the S&P 500 index are positive 94% of the time over the past 100 years, according to Bloomberg data.

There have been three occasions when 10-year market returns were negative: the 1930s (Great Depression); the early 1970s (Arab oil embargo); and the 2000s (bookended by the dot.com bubble bursting and the global financial crisis).

Continue Reading

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LINKS

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TFSA Limit For 2019 Released

The TFSA contribution limit for 2019 is $6,000, up from $5,500 in 2018.

Bank Of Canada Holds Interest Rates Steady

The Bank of Canada kept its key interest rate on hold where it has been for more than a year as it said that ongoing trade

The Evolution of ESG And Responsible Investing

Investing using environmental, social and governance (ESG) principles is garnering much

Negative Interest Rates Are Worrying The ECB

Five weeks since Mario Draghi retired from running the European Central Bank, finding an outright

Global Fund Managers Remain Bullish On EM Equities

Morgan Stanley has raised their stance on EM equities to equal

What Will Boris Johnson's Majority Mean For Brexit?

Well it is truly remarkable. Not so much the result of the election, which is surprising enough.

Global Sustainable Investment Alliance

Sustainable investment professionals are generally unsatisfied with publicly-traded companies climate-related disclosure

Will Canadian Capital Markets Disappoint Investors in 2020?

While a recession may not be likely, institutional investors can

Report Urges Changes To Tax Treatment Of RRSPs, DC Plans

Proposed changes would increase RRSP limits and better

CANADIAN BUSINESS LEADERS UNCERTAIN ABOUT ECONOMIC OUTLOOK

Optimism and pessimism about the economy are running neck and neck, according to a new survey conducted for Chartered Professional Accountants of Canada (CPA Canada).

THE RECESSION ROADBLOCK

It's a fact: recessions hit young people and others with less-developed skillsets especially hard. What's less well known is that the effects of graduating into a recession last long after the recovery has taken hold. They can have long-term, negative career consequences for those who had the unfortunate timing of starting their careers amid deteriorating economic conditions. Those consequences include slower wage growth and delayed career progression compared with cohorts who graduate in better economic times.

VIDEO LINKS

How Negative Interest Rates Work

Central banks across the globe are trying a radical approach to boost economic growth: negative

Five Key Tips For Your 2020 Portfolio

How should you invest your cash? What investment principles should you be following?

Market Bull Tony Dwyer Raises 2020 forecast, Sees Record Year

One of Wall Street's biggest bulls is getting even more optimistic.

CYCLE, INTERRUPTED
2020 GLOBAL MARKET OUTLOOK

Hold the epitaphs—this aging cycle seems likely to last beyond 2020. Central bank easing, the de-escalation in the trade war and tentative green shoots in global manufacturing suggest we might be on the cusp of another mini-cycle recovery through the first half of 2020.

We believe that both China and the U.S. have incentives to reach a phase one deal on trade soon. U.S. President Donald Trump would like to declare victory in the trade war ahead of his 2020 re-election bid.

EDITORIAL COMMENT-CONTINUED

Josh was asked a question by Fortune magazine that began: "We're going on 11 years of a bull market in the U.S."

Josh responded with: "I'm going to start by correcting you. We're in a secular bull market that began in 2013. That's the first time we made a new high since the 2007 crash, and that's important because we don't measure the 1982 to 2000 bull run from the lows of 1974.

How profound! In fact, an argument can be made that the 20% correction in Q4 of 2018 may have ignited a new cyclical bull that's been making new highs since then. One of the key arguments for the bears is that we have had a record-long expansion that implies we are headed into a recession and that the bull market NEEDS to be over.

When we examine the cause of the correction a year ago, we can attribute it, in large part, to the China/U.S. trade war. Most of the fundamentals we follow were indicating positive markets going into 2019 and so, we were unperturbed by the calls for a recession in 2019, though truth be told, we did take a step back when the U.S. yield curve inverted, indicating growth was slowing.

2020 is presenting a different economic picture than the one we experienced going into 2019. Despite the traditional late-cycle signals that dominate our news feeds, we remain comfortable in our view that the expansion can once again weather the storm, provided the global economy remains resilient.

Consumer spending will need to remain solid and perhaps increase as wages increase; fixed income credit spreads need to stay in line and in our opinion, the China/ U.S. trade dispute needs to de-escalate with some form of an agreement coming into place. I know that a Phase 1 agreement seems to have materialized but this will not be enough to keep investors happy. A China/U.S. trade agreement will likely trump all other issues in delivering a positive outcome in 2020.

2020 is an election year in the U.S. and since 1928, only four of 23 presidential election years have experienced negative returns in the S&P 500 and three of those years occurred during recessions years. At this time we do not anticipate a U.S. economic recession. Even though we are in an aging cycle, the fundamentals still indicate economic expansion. Even if geopolitical shocks create risk to economic growth, the Fed still has interest rate cuts available in its arsenal of tools to combat this uncertainty. We are confident that U.S. companies can weather any economic slowdown and increase their earnings in 2020.

One concern that is predominantly front and center is that low yields are complicating the search for income with conservative investors. My fear is that the exceptionally low-yield environment may be encouraging some investors to take increased risks in their search for higher yield opportunities. I'm not suggesting that they will switch to equities, but even fixed income securities come in varying risks. For example, high-yield debt class is at or near historically expensive levels, yet their historic numbers can be very enticing.

Our growth expectations for 2020 are clouded with some economic, political and monetary policy uncertainties which are likely to lead to a continued heightened volatility. I cannot stress enough that as painful as market downturns can be, they are a normal part of long-term investing. 5% to 10% drops are not unusual. Historically, large cap equities have experienced pullbacks of 5% or greater three to four times per year and corrections of 10% or more about once a year on average.

Even though we are Financial Advisors, we cannot always accurately predict geopolitical events that will create either positive or negative investment results. What we can do is advise our clients to remain diligent and resilient. We can advise our clients to maintain a well-diversified portfolio allocated across equities, fixed income and real assets especially with a late-cycle view to investing.

ESG Investing: Aligning Financial Goals With Values —Continued

Despite the recent surge in demand for these solutions, the practice of investing for competitive financial returns combined with positive social impact is not a new concept; this has been going on for decades, and in doing so investors have been able to align their investment needs with their values.

How a company performs with respect to the natural environment is considered the environmental factors, and themes include climate change, clean energy, and resource sustainability.

How a company manages its relationships including suppliers, customers, employees, and the communities where they operate are considered social factors; including such issues as human rights, diversity policies, and work/safety standards.

Finally, the quality and fairness of a company's leadership, executive compensation, and shareholder rights are considered governance factors including themes like corporate culture and corruption policies.

These ESG factors are important drivers of change in the world and tend to influence the environment in which companies operate; creating both opportunities as well as risks. So the analysis may focus on specific themes such as clean energy, and the investment approach will select companies as such, based on their clean energy policies. Another example of an ESG initiative would be a mutual fund that aims to invest in companies that promote gender diversity within their executive leadership.

There are numerous benefits associated with sustainable investing. As I mentioned, these strategies allow investors to align their investment objectives with their values and beliefs, by generating returns while contributing to positive social and environmental outcomes. Evaluating ESG issues provides a more holistic view of risks that companies face and can help reduce exposure to risks that may not be visible on a company's financial statements. Integrating ESG issues can also help uncover opportunities that would be difficult to identify through traditional financial analysis alone and thus has the potential to enhance long-term returns.

In the past, it has namely been institutional investors; pension funds and other large investors that have utilized sustainable investment criteria as important factors in their investment decision-making. Recently, however, there has been a shift; whereby retail investors are significantly increasing their exposure to this area.

Although the recent surge in the ESG space is being felt across the board with investors, research shows that there are two specific groups taking the lead. It has been found that both millennials and females are driving significant interest in this area.

Although it has been suggested that investing with ESG factors can lead to diminished returns, research shows that this certainly is not the case. Sustainable, Responsible, and Impact (SRI) Investing combines the objectives of seeking positive investment returns while addressing global social challenges.

Studies show that in comparing SRI funds with traditional mutual funds, there is no real performance penalty associated with the SRI funds. As I mentioned, here in Canada sustainable investing is growing exponentially. It is notable that over ¾ of Canadian Investors are interested in sustainable investing and agree that companies with ESG practices are better long-term investments, while over 80% report wanting to dedicate a portion of their portfolio to sustainable investing.

To date, Canadians have invested billions of dollars in sustainable funds. It is wonderful to see things moving in the right direction within our industry, and it is certainly a movement we support heavily here at Kleinburg Private Wealth. Please keep an eye out for the ESG section of our KPW Financial website in the New Year.

A Primer for SRI and ESG Investing—Continued.

Although a version of SRI investing has been around for centuries (typically tied to faith based or religious principals), a more modern approach to SRI began during the 1960s with focus on socially responsible investing. It started with themes relating to women's rights, the Vietnam War and civil rights in which investors would look to avoid companies that promoted and profited from gender and labor inequality and human rights abuses.

SRI experienced another growth period in the 1980s as the health of the environment became a greater concern to people. Fueling this growth were environmental issues stemming from a number of catastrophic incidents such as Bhopal, Chernobyl, and Exxon Valdez. In the 1980s, human rights issues were also a concern to groups of investors such as schools, churches, and other groups who were looking to put pressure on the South African government and the racist system of apartheid.

Today, SRI investing is a far more developed concept with an even broader socio-environmental framework. As a result, we are seeing an increasing number of SRI related investment products and new ways of measuring the sustainability of investments. For example, Morningstar now rates on a scale of zero to five, each mutual fund's level of sustainability based on its underlying holdings. Many mutual fund companies offer SRI funds with no limitation on themes. For instance, an investor can still create a diversified portfolio of equities and fixed-income assets under an SRI umbrella. Some fund companies go a step further and offer funds with SRI specific themes. One fund may avoid purchasing companies tied to guns, tobacco, or liquor; whereas, another fund may avoid companies with large climate change footprints.

According to the Forum for Sustainable and Responsible Investment's 2016 report on SRI trends, as of year-end 2015, more than one out of every five dollars under professional management was invested according to SRI strategies. That amounts to over $8.72 trillion. As the millennial generation grows into more wealth, it's likely that SRI strategies will continue to gain favor with a generation known for its deep concern about social and environmental issues.

But can limiting one's investment choices to socially and environmentally responsible companies also limit returns? In other words, can SRI funds perform as well as their counterparts?

A few may be surprised to find out that research shows SRI investment strategies outperform non-SRI strategies on both a consistent and long-term basis. One way this is measured is by comparing an SRI index to its counterpart index. For example, the S&P 500 is measured against the KLD 400.

RBC GAM has an excellent and well cited research report that highlights how SRI strategies compare to traditional strategies. The quick conclusion on performance is that SRI compliant companies tend to be undervalued by markets and investors.

SRI's superior performance, however, comes into question when comparing SRI mutual funds to traditional mutual funds. The empirical evidence provided on this is contradictory, but most research points to a slight performance advantage for mutual funds that have a higher SRI tilt.

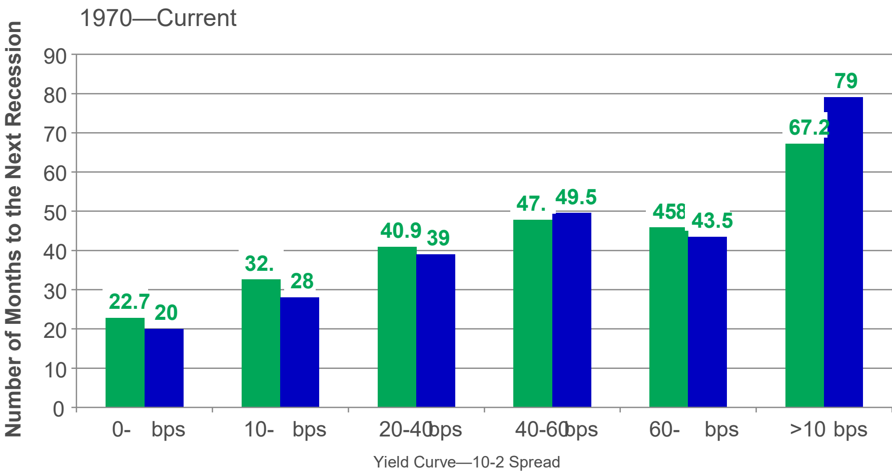
I'd like to make one final comment: At the beginning of this year, pot stocks were all the rage. Pot was being legalized and a whole new market was opening to Canadian investors, many of whom wanted in on the ground floor. As we know now, about one year later, the smart money avoided pot stocks, citing reasons like: "overvalued", "wildly popular with little to offer from a fundamental standpoint", "no identifiable clear winner", "pure speculation". I think the biggest problem with the pot gamble was that everyone was talking about it and that it happened all too quickly. This is where ESG differs and I think it is where smart money is going. To the general public, ESG investing is not widely known yet. Few advisors would be educating their clients on this type of investment, and most Canadians probably don't know it even exists. With that in mind, I would argue that ESG investing offers a less speculative opportunity to get into the ground level of what could be the norm for investing in the upcoming decades. Just some food for thought.

GO TO PAGE 1

Philip Petursson—Continued.

We would agree that a broad-based US economic recession is a low probability event in the next 6-12 months. However, just because the yield curve isn't inverted (the 10-2 spread) and may not invert doesn't mean that a recession isn't possible. Since 1970 when the 10-2 spread flattens on a yoy basis, and is within 10 bps, a recession follows on average 22.7 months and with a median of 20 months later.

The spread of the yield curve fell below 10 bps in August of 2019 which according to history, would put the next recession in the middle of 2021. We are getting ever closer to the next recession, but it probably won't be 2020. Debate continues to rage with the inverted yield curve, or lack thereof, as reason why we are not headed to a recession. We would agree that a broad-based US economic recession is a low probability



Source: Bloomberg, Manulife Investment Management. As of November 30, 2019

TONY GENUA—Continued

Since there has never been a negative return over a 20-year holding period, the 10-year returns following a poor period have been positive in all instances.

While negative-return decades have been followed by positive-return decades, it is interesting to note a lack of correlation between how good a past decade return was and the subsequent decade return. Some have suggested that with equity market returns from 2010-2019 being so high, the 2020s are unlikely to be a healthy period for returns. This may be the case, but in my opinion, the next decade will see equity market returns in-line with historical experience of roughly 9-10%.

This return forecast is particulary attractive relative to what can reasonably be expected from most fixed income instruments, given the very low starting level of interest rates as we enter the 2020s.

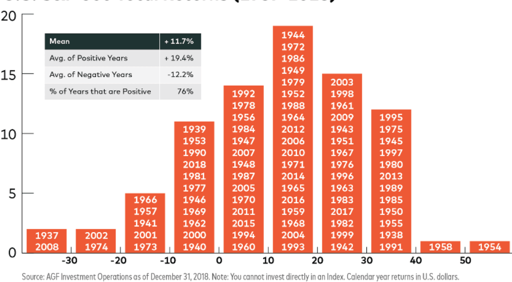
Q. What do you believe were the trends fueling the past returns and how might that change in the coming year and decade ahead?

There is no question several significant trends have emerged in the past 10 years. This includes social media, e-commerce and streaming content such as video, music and podcasts as well as innovations such as cloud infrastructure and solutions; artificial intelligence; electric, hybrid and autonomous vehicles; and personalized medicine. These noted trends and others will continue to impact the global economy as they result in the introduction of new products and services.

What is interesting from an investment perspective is the twin dynamic of some of these trends being relatively established and perhaps vulnerable to disruption while other trends are still relatively early in benefiting from the significant addressable market that has yet to develop.

Q. It seems many of these trends are associated with growth-style investing, which has had a good run over the past 10 years. Can that continue?

Growth has indeed had a very good past decade and that should come as no surprise considering the improved fundamentals of the companies that have participated in many of these trends. Moreover, the economic recovery from the depths of the global financial crisis has been the longest on record, but also the shallowest in the past 75 years. As such, the sectors, industries and companies that typically comprise the value style approach have not had the cyclical uplift associated with past economic cycles. Other considerations in the growth/value debate range from the shift towards a service-oriented economy and the changing behavior of younger consumers to the significant investment in non-tangibles versus fixed assets and the definitional aspects of what constitutes growth versus value. There is also a matter of having a very long-term perspective in looking at how growth has performed relative to value. From this multi-decade viewpoint, growth still has a long way to go since growth has only outperformed value two out of the last nine decades, according to FTSE Russell research.



Q. Any final thoughts?

Often, it is suggested that one should be cautious on U.S. equities in the year ahead given the length of the current economic expansion and subsequent bull market. There are, of course, the usual suspects to blame for a challenging economic environment. These include: the U.S.-China trade war; Brexit; political candidates unfriendly to the market; the ever-so-brief inverted yield curve and low CEO confidence. Most of these concerns relate to the end of the economic expansion. Despite these risks, I'm not expecting a recession in 2020 and corporate profits should make progress, fueling higher stock prices. Investors should stay the course in having U.S. equity exposure that is appropriate for their portfolio. As Warren buffet said: "the stock market is designed to transfer maoney from the active investor to the patient investor."

GO TO PAGE 1

ALEX BELLEFLEUR—Continued

Our view on this issue is that Canadian political developments, from a macro perspective, represent largely noise that should be broadly ignored by investors. From a historical perspective, the implications of federal elections on Canadian markets (the Canadian dollar, bonds and the local equity market) have generally been close to nil. We think this time will be no different. Here is why.

Canada is a relatively small open economy. As such, it is much more driven by swings in the global economy and macro trends among its largest trading partners (think the United States) than it is by its own political developments.

The Canadian dollar, as the currency of a relatively small open economy, is therefore much more driven by factors such as the terms of trade (think commodity prices) and by global growth, than it is by domestic federal fiscal policy.

While the Prime Minister's Office holds significant executive power when compared to other systems with more checks and balances (again, think the United States), the very nature of the federal system limits the power of the federal government and relies on significant inter-provincial consensus to implement policies. For this reason, sweeping economic changes generally do not tend to arise out of federal elections, and what happens at the provincial level is often just as important, if not more.

On the issue of the federal government's ability to implement economic policies unilaterally, one contentious issue which might affect markets is the construction of pipelines going through many provinces. We say "might" affect markets, because a narrowing of the Western Canadian Select / West Texas Intermediate crude oil spread would improve Canada's terms of trade, while a better ability to export crude oil may improve Canada's balance of payments, potentially helping the currency. However, there is absolutely no certainty of that, and even if the federal government had the power to impose the construction of pipelines (which isn't clear at all), the impact on the Canadian dollar likely would prove limited.

The size of the federal deficit has been an issue during the election campaign, with various parties promising various paths to balance. However, from an economic standpoint, we would argue that at about 1% of GDP, the federal deficit is not a significant issue for markets. To put things in perspective, this compares to a federal deficit of about 4.5% of GDP in the United States. With Canadian bond yields near all-time lows, there is hardly a fiscal crisis and it is very unlikely that markets would worry about Canada's budget deficit regardless of which political party is in power.

So, overall, we believe the results of the federal election are unlikely to influence our investment decisions when it comes to Canada. At the moment, we hold a slight overweight in the Canadian dollar in the active currency management component of our Symmetry portfolios.

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

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

An investor proposing to borrow for the purchase of securities should be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. The extent of that risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

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Mutual funds and Alternative Investments provided through Carte Wealth Management Inc.

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