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KPW LIFE PLAN—IMAGINE YOUR FUTURE

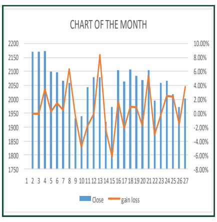
VOL. 9, ISSUE 3

MAR 2020

"Both bull and bear can be your friends."
— Mohit Bansa

Sergio Simone
EDITORIAL COMMENT

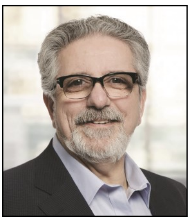
Kristina De Souza
DISABILITY VS. CRITICAL ILLNESS



LONG-TERM INVESTING: A SERIES OF CHARTS

Ryan Simone, CLU, CHS
WHY WE STAY INVESTED

Editorial Comment



Sergio Simone

Next to Corona Virus, "Volatility" seems to be one of the most overused words in the investment industry these days. I can't turn on BNN or CNBC without being assaulted by the dreaded "V" word. The extreme volatility we have experienced over the last month has every Tom, Dick and Mary assessing their portfolios and contemplating ways to protect themselves from the cyclonic gyrations inflicted on their investment portfolios.

Continue Reading

Disability vs. Critical Illness

Kristina De Souza

At this point, I would hope that most understand the need for life insurance, however, an accident or illness that prevents one from working is arguably of even greater importance. Generally speaking, the average 30 year old has quadruple the chance of becoming disabled than he does of dying before the age of 65.

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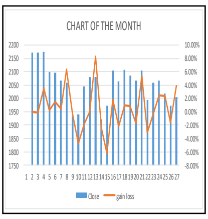
Long-term Investing: A Series of Charts



With the markets experiencing a severe meltdown that will tax the fortitude of even the staunchest investor, I thought it would be a good idea to remind us, through a series of charts, that even a 'bear market' can be our friend if we understand the long-term effects on our portfolios and if we understand how to use this to benefit us.

Continue Reading

Why We Stay Invested

Ryan Simone, CLU, CHS

Welcome to Covid-19. Take note, you'll see this on a market chart in a couple of years. It will look like a ski hill with a very steep decline. It will probably be small compared the upward climb that follows it.

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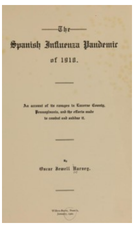
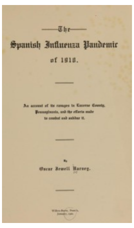

BOOK OF THE MONTH


FUND OF THE MONTH DYNAMIC POWER AMERICAN GROWTH


INVESTMENT TERMINOLOGY

BLOG OF THE MONTH Savvy New Canadians

BOOK OF THE MONTH

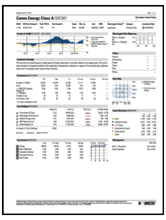


The Spanish Influenza Pandemic of 1918

—By Oscar Jewell Harvey

At least 50 million people were killed by the disease, and roughly one-third of the global population contracted it. Imagine how something like this would have torn through your community. Written in 1920, this is a very real account of how the pandemic ravaged one county in Pennsylvania. The opening paragraph is chilling: "Early in September, 1918, the United States was invaded by a scourge of highly infectious and fatal disease, which spread with rapidity throughout the country. It was pandemic in its nature, and partook of many of the characteristics of influenza, grip and pneumonia. No one seemed to know much about the disease or its treatment, and medical science and public health agencies were alike unprepared to cope with it."

FUND OF THE MONTH



DYNAMIC POWER AMERICAN GROWTH FUND

This is an aggressive, actively-managed, concentrated, high-growth equity fund that invests only in U.S. companies. Noah Blackstein, the lead fund manager is very growth-focused, looking for companies that have the best growth prospects, strong earnings momentum, and a history of upside earnings surprises.

REAL ESTATE INVESTMENT TRUSTS

Some investors prefer to buy real estate through real estate investment trusts (REITs). They trade as if they are stocks and have special tax treatment. There are different types of REITs that specialize in various types of real estate. For example, if you wanted to invest in hotel properties, you could consider investing in a hotel REIT. REITs allow you to invest in real estate without having to buy or maintain actual buildings or land.

nerdwallet

BLOG OF THE MONTH

WILL THE STOCK MARKET CARSH? YES. HERE'S WHAT TO DO NOW

It's bound to happen. Here are five things to do before and during the next market meltdown.

One minute, the market's hitting record highs. The next—blammo– we're in the throes of a stock market correction.

Whether triggered by coronavirus, trade wars or unexpected moves by the Federal Reserve, stock market declines are inevitable. Although history can tell us how long crashes, corrections and bear markets have lasted, no one gets a calendar notice announcing the time, nature and projected magnitude of future dips.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

FINANCIAL POST

WEALTH WIPEOUT FROM MARKET MELTDOWN RESHAPES RANKS OF WORLD'S RICHEST PEOPLE

The wealth destruction caused by Monday's market collapse is reshaping the ranks of the world's richest people. Wildcatter Harold Hamm's fortune plunged 35 per cent to US$3 billion at 11:06 a.m. in New York, a drop that would bump him from the 500-member Bloomberg Billionaires Index if it holds through the close of trading. Fellow oil magnate Jeff Hildebrand is also set to fall off the ranking while Lukoil PJSC executives Leonid Fedun and Vagit Alekperov lost a combined US$5 billion.

Continue Reading

The Guardian

THE SUPER-RICH: ANOTHER 31,000 PEOPLE JOIN THE ULTRA-WEALTHY ELITE

More than 31,000 people joined the ranks of the "ultra-wealthy" last year as the fortunes of the already very rich benefitted from rising global stock markets and increased property prices.

The number of ultra-high net worth individuals (UHNWIs) – those with assets of more than $30m (£26.5m) – rose by 6% last year to 513,244, according to a report by the property consultants Knight Frank. That means there are more ultra-wealthy people around the world than populations of Iceland, Malta or Belize.

Continue Reading

Financial Planning

BIGGEST BLUNDERS MADE BY HIGH-NET-WORTH FAMILIES

A famous line in an F. Scott Fitzgerald short story declares that the very rich are different from you and me. The obvious difference: While the 99.9% strive to make a living, the 0.1% are working out what to do with the wealth they already have.

Preserving and investing and donating and spending wealth is more than a full-time job and requires multiple types of expertise. Pitfalls abound, especially within families.

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10 STRATEGIES TO PROTECT ULTRA-HIGH NET WORTH FAMILY WEALTH

You often come across stories of inspirational individuals who have amassed significant wealth. The journey of such individuals is often comprised of ambition, courage, hard work and relentless consistency. It's extremely difficult to achieve "Ultra-High Net Worth" status in today's ultra competitive world, but achieving "Ultra-High Net Worth" status is an even more difficult – and rarer – feat. After all, only those families whose investable assets are valued over $30 million are considered to be "Ultra-High Net Worth".

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FUND MANAGER COMMENTARY

PHIL TALLER
MACKENZIE FINANCIAL

AVERY SHENFELD
CIBC CAPITAL MARKETS

MARK SCHMEHL
FIDELITY
INVESTMENTS

CLEMENT GIGNAC
I.A. INVESTMENTS

Phil Taller, Senior Vice President, Portfolio Manager

Mackenzie Financial

Conference Call Notes From March 24, 2020

Phil Taller manages the highly successful Mackenzie US Mid-Cap Growth Fund. Yesterday we had the privilege of sitting in on a conference call with Phil. Here is a summary of the call.

Continue Reading

Avery Shenfeld, Managing Director and Chief Economist

CIBC Capital Markets

Thinking Through An Unthinkable Shock: How Deep, How Long

This isn't business as usual, even for a recession. The COVID-19 economic shock will initially be deeper than even the worst quarter of the Great Recession, but at the same time, has a visible end poin in a way recessions don't. Getting there in one piece is the challenge for Canada's healthcare system, economic policy makers, and business sector.

Continue Reading

Mark Schmehl, Portfolio Manager

Summary of Notes from March 23, 2020 Webcast

Opening Remarks

- 2008 was much scarier than this from an investment standpoint (not from a human standpoint obviously).
- There are a lot of unknowables, but this time they are easier to model than '08 and the math is rather simple.

Continue Reading

Clement Gignac, Vice-President and Chief Economist

IA FINANCIAL GROUP

Wall Street: Any sign of hope this morning? Yes Sir! After the fastest 30% decline on US equities ever seen (see following charts), we have started to see yesterday the foundation for capital market stabilization and potentially the beginning of a gradual and sustainable recovery.

Why? Indeed, the Federal Reserve decision to include investment grade corporate bonds via in their new unlimited QE has set the table for a nice rebound on the secondary Corporate Bond market using the LDQ ETF reaction (+7%) as a guide. This bold move, a first in US history, has removed a tail risk to see many US companies with strong balance sheets to go bankrupt.

On the fiscal front, we expect the adoption very soon of this $2-$2.5 trillion package plan to support workers and business! But make no mistake, just like China, we believe that American workers will be invited (or ordered by President Trump)

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LINKS

Stock Market Fall: How Will It Affect You?

Even if you don't own shares or bonds directly, there is a good chance you own them as part of

Negotiators Strike Deal On Massive Coronavirus Rescue Package

Senate leaders and the Trump administration clinched a

Parliament Passes Ottawa's $107 billion COVID-19 Aid Package

The government and opposition parties in Parliament have

Global Stimulus Will Soften The Covid-19 Blow

Government action to mitigate the economic impact of efforts to contain the spread of Covid-19

Is The Mighty Dollar Losing Its Smile?

After years of strength, the US dollar could decline by as much as 8% vs. other major reserve

The Opportunities In A Recession

Are we already in a recession? The answer depends on who you ask. But the general feeling in

Federal Government COVID-19 Tax Relief Updates

The measures announced by the Federal government in response to the COVID-19 crisis

Feds Announce Relief For Retirees Drawing Down RRIFs

The minimum withdrawal rate is being reduced by 25% for 2020

The Coronavirus Economy Lives On In Suspense, Not Free Fall

While on Spring Break from Chapman University, I am now

BBC NEWS

CORONAVIRUS: A VISUAL GUIDE TO THE ECONOMIC IMPACT

The coronavirus outbreak, which originated in China, has infected more than 200,000 people. It's spread has left businesses around the world counting costs.

OECD

CORONAVIRUS: THE WORLD ECONOMY AT RISK

The coronavirus (COVID-19) outbreak has already brought considerable human suffering and major economic disruption. Output contractions in China are being felt around the world, reflecting the key and rising role China has in global supply chains, travel and commodity markets. Subsequent outbreaks in other economies are having similar effects, albeit on a smaller scale. Growth prospects remain highly uncertain.

VIDEO LINKS

Back To Markowitz, Part 1

Industry legends Harry Markowitz (Nobel Laureate) and Yves Choueifaty discuss how Markowitz's revolutionary

What The Crash Of 2020 Means

Considering the Crash of 2020, it's too early to tell whether the worst has

Economic Pain Just Getting Started In Canada After Jobless Spike

New surveys show trouble

RBC

HAVE MARKETS FOUND A BOTTOM?

After one month of declines, 10,000 points off the Dow and a lot of "announcement indigestion," RBC's Chief Economist Craig Wright says markets are still searching for a bottom. They're unsure of how to price so much new risk, all at once. Central banks are also struggling to assert themselves, while governments have not been able to get enough new money into the economy. Even when the trillion-dollar checks are cut, will consumers spend and businesses invest?

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EDITORIAL COMMENT-CONTINUED

I make every attempt not to show my amusement at the “cafeteria experts” as they explain that this “has never happened before” and that they will never recover or that they are so thankful they have cashed out and put their money in a Savings Account.

Volatility is nothing new for equity or bond markets, and although this certainly ranks as one of the worst I have ever seen. Historically, each period of increased volatility has come with its own personality and its own unique mix of sector meltdowns, asset class erosions and unexpected surprises.

From my perspective, the media and social media is contributing to the alarmist perspectives of many investors. The Financial Media’s neon-sign emphasis on volatility continues to heavily influence the investors’ perceptions. All for the sake of keeping viewers glued to their program in hopes of raising more Ad Revenue. As a result, many investors are now succumbing to various degrees of anxiety, worry, panic or fear. And some have even been tempted to make knee-jerk adjustments to their portfolios in order to stop the pain.

There have been many reasons to sell since the crash in 2008/09, as seen in the chart above, and yet every single one of those times would have been a critical error.

I heard an unattributable comment some time ago that has stuck with me: ***“Human nature is the greatest enemy to successful investing.”***

This is the very same human nature that has us convinced that we are smarter than the market and we know the right time to get out and get back in. Unfortunately, hindsight will prove the vast majority of these people wrong. Trying to time the market is an investment decision that almost always results in the wrong outcome.

Investors, as a species, are so predictable without proper guidance. They have consistently demonstrated, since the beginning of time, how they will react when left to their own emotional and psychological devices. They predictably chase past returns, and often jump into the market near the top of a cyclical move. Then they run away from negative returns after they occur, and jump out right near the bottom, after much of the damage has already been felt.

These are not just my opinions. This behavioral phenomenon is confirmed each and every year through sentiment indicators, flow of funds data and many other excellent measures.

This is the time that investors are in dire need of emotional guidance and thoughtful coaching from those fortunate enough to be working with good and trusted advisors. The good news for us is that this guidance does not have to be overly complicated.

We have remained accessible and in contact with our clients, especially those who have exhibited stressful emotions like worry, anxiety or in some cases, even panic. We have offered professional insight and helped them see the opportunities during these chaotic times. Every market has opportunities if you know where to look. This has also been a great time to re-educate our clients on some important core fundamentals by incorporating historical evidence with a compelling visual or two.

Fortunately, there are many excellent charts and graphs that show the long-term history of **“bull markets versus bear markets”;** they illustrate emphatically that bull markets have consistently been longer and stronger than bear markets. There are also great charts that show the impact on portfolio growth by panicking and staying out of the markets during the great recovery days. The takeaway for our clients is that, if they truly wish to take advantage of the tremendous wealth-building opportunities in equities, they will need to remain prudently invested, but that they will also need to be willing to experience a few periods of increased volatility along the way. Most of our clients have been through this before and have come to realize these have always turned into outstanding buying opportunities.

It is unarguable that short-term market action can be scary but in order to take advantage of the tremendous growth opportunities, you simply need to be there with a portion of your assets.

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EDITORIAL COMMENT-CONTINUED

Although our conclusions have invariably leaned to **“staying the course”,** and with good reason, there are some recommendations we have been making. The COVID-19 outbreak and the fall in oil prices unexpectedly squashed the momentum of the outstanding bull market we have experienced since 2009, but there are factors that will soon act as a catalyst for a market recovery. The Fed has reduced interest rates to near zero and and congress has approved a $2 trillion boost to the economy. Governments around the world have begun implementing various forms of easing that will juice their respective economies, ground zero for the Corona Virus, Wuhan, China has gone more than a week without any new cases of infection and China is opening up factories and businesses again.

This is a great time to review your portfolio to see if there are any positions that are underwater and switching them to another fund to take advantage of the tax loss that can be applied to future or past gains.

As difficult as it is to remind ourselves amid such volatility, market declines are a normal part of investing. Severe corrections like the one we are currently experiencing may be less common but tend to occur at least once or twice during any business cycle. Although we can’t predict the timing, such setbacks have historically been temporary, and stocks have inevitably recovered.

If you have a well diversified portfolio, you should take comfort in that fact.

We are also using this time to suggest that it is a good entry point to take advantage of the gains that will be realized during the recovery and in fact clients may also want to consider slightly increasing the risk in their portfolios. This is a better “one-on-one” discussion to have with your advisor.

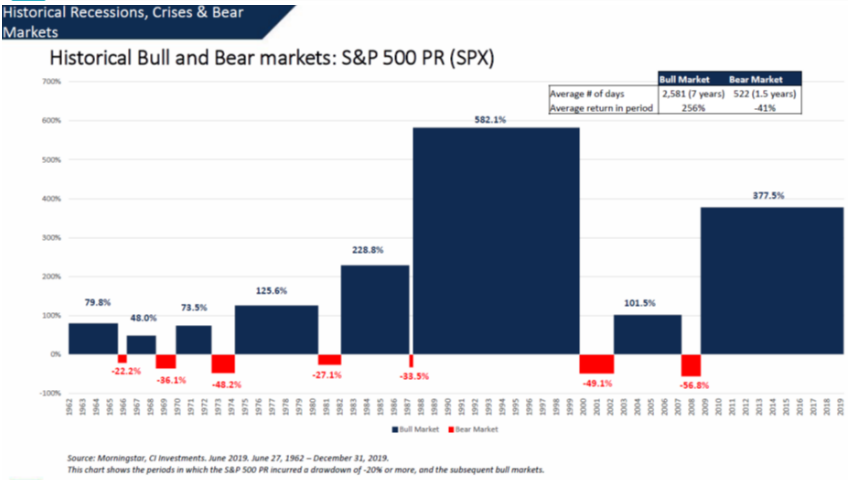
For some perspective in past virus experience, I’ve included a chart below which outlines the market’s performance during the viral outbreaks over the last 20 years, as well as the 12-month return which followed. It is important to keep this data in mind when the markets feel as turbulent as they have recently been.

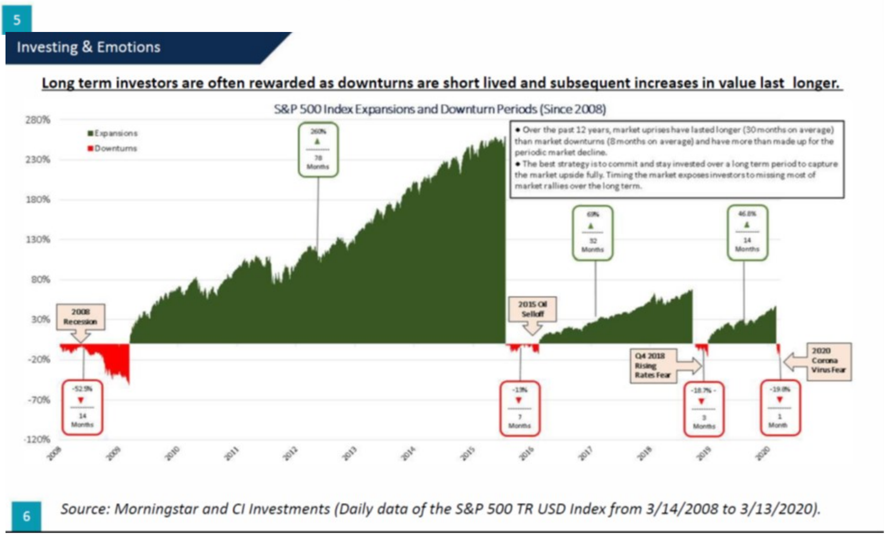
Virus	Start Date	End Date	Trading Days	S&P 500 Return	12-month Return
SARS	Jan-03	Mar-03	38	-12.8%	32.2%
Avian Flu	Jan-04	Aug-04	141	-6.9%	4.4%
MERS	Sep-12	Nov-12	43	-1.3%	16.7%
Ebola	Dec-13	Feb-14	23	-5.8%	16.7%
Zika	Nov-15	Feb-16	66	-12.9%	5.7%

The market moves in the path of least resistance and sometimes that path will bring an unexpected stretch of potholes and boulders. This is when human nature is put to the test, and precisely the time they need to meet with an advisor to get a quality control check on their emotions and receive a solid recommendation grounded in discipline.

At times like these, it is only natural to ask questions about your portfolio results and overall financial plan. if you have concerns about your portfolio, I am here to address them. Please do not hesitate to contact me at (905) 893-2540.

LONG-TERM INVESTING: A SERIES OF CHARTS—Continued





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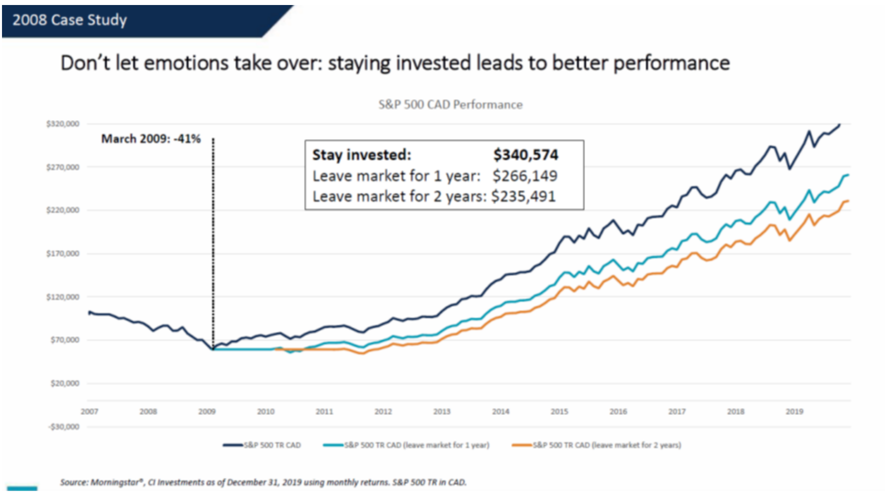
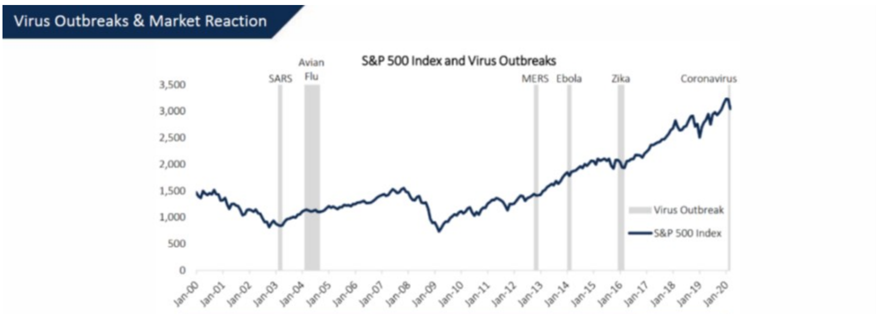
LONG-TERM INVESTING: A SERIES OF CHARTS—Continued





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Ebola	Dec-13	Feb-14	23	-5.8%	16.7%
Zika	Nov-15	Feb-16	66	-12.9%	5.7%
Coronavirus	Jan-20	Present	28	-10.3%	N/A

Source: Bloomberg Finance L.P., CitiResearch, FactSet. As at February 27, 2020. The starting date for the 12-month return is the month each virus was identified.

PHIL TALLER—CONTINUED

PHIL TALLER:

- Has been spending a lot of time talking to the companies about the current situations.
- His team is a very company focused team of investors.
- Phil sees a lot of stimulus in the pipeline and fiscal stimulus will be beneficial (a lot of fuel on the fire).
- Comparison: US Equity Markets in WWII - market didn't bottom when US was winning the war, it bottomed when they started fighting (right after pearl harbour around battle of Midway). World is collectively fighting back right now against COVID-19.
- His teams main focus is spending a lot of time on talking to their focus companies & businesses.
- Constantly stress testing their models to see how their businesses can perform through this.
- Gartner Research longest standing holding of 12 years at various weightings, usually fairly significant size.

◊ Research company focused on research technology and about people that use it.

◊ Majority of it is served online and has been for many years.

◊ 10% of their business is events conferencing which has been affected negatively, creating nice discounts.

◊ They are being forced to absorb costs during this market Vol.

◊ Phil spoke to the business this morning.

◊ They have proven in the past during tough times to be able to cut costs easily.

◊ It's a subscription service where payments are up front for 12 months.

◊ Has a high free cash flow.

◊ Company is down 40% this year - Likely because it's one of those headline companies that has gotten hit like airlines.

- Phil is seeing focus companies with high double digit discounts to a lot of their models.

◊ High 20, 30, 40 discounts.

- Added to a few names in the last few names and added back a few companies they used to own where their price was beaten up and they believe is a good value now.
- Spirit Airlines = Completely trashed in the marketplace (-60+% YTD)

◊ Phil had dinner with the CEO a few weeks ago.

◊ They have a Billion dollars in cash on their balance sheet right now.

◊ Phil has modeled in a very big hit to them and they believe they will still be able to get through it. (modeling a 40% revenue decline).

◊ Biggest expense on their balance sheet was Fuel… but if they're not flying as much then that's going to save them money.

◊ Extreme example of someone very beaten up that they strongly believe will pull through successfully.

- Phil believes every business they own has their unique characteristics and unique ways that they can make it through this.

Q: Holdings Phil is worried about?

PHIL TALLER—CONTINUED

- Small weighting of Dave & Busters (restaurant company)

◊ Business model is food and beverage & also entertainment.

◊ Sports bar (not happening)

◊ Gaming area (all of which is not happening right now either)

◊ Likely the most at risk company that he holds right now.

Q: How does the portfolio look from a value perspective today Vs. the target price you put on the assets in the portfolio?

- When they entered '19 they built in models of a recession that year and just carried it forward.
- Almost across the board there are very attractive valuations available now which is why they aren't holding much cash right now.
- Cash weighting is about 4% right now.
- Wants to be invested while valuations like this are available.

Q: Thoughts on Currency?

The USD/CAD has strengthened overall. Therefore, it was more beneficial to own the standard fund in which Phil puts on hedges as needed. It's been non-hedged for almost two years now which means we got FX appreciation. If the advisor feels the USD/CAD has peaked then he can choose to go into the CN version to protect on FX move the other way. As for Phil, here's what he had to say:

"The good thing is that the USD has done the job we hope it does in tough times – YTD it is up 11.5% versus CAD.

We are going to try to be alert to changing conditions – at some point it will make sense to hedge given that global economic growth will rebound eventually

We have not yet done any hedging however

Q. Why cash was not raised

Cash was close to 3% prior to the drawdown and continues to be at around that level. Phil's position on valuations prior to the market collapse was that although valuations were high, they weren't unreasonable given the move down in interest rates, earnings/free cash flow growth prospects, a dovish Fed and what appeared to be a troughing economy; with the market possibly pricing expectations for expansion.

So why no cash through the latest collapse? The catalyst for the 2020 market collapse was COVID-19 – an exogenous shock that assaulted our world with great speed. This is different than the 2000 tech collapse which WAS valuations driven and 2008 which was earnings driven. In both of the latter cases, there was an ample runway of information that ultimately culminated in raising of cash. Unfortunately, COVID-19 and the speed of the economic implications took the team by surprise.

Q. Spirit Airlines - Has Phil factored in the potential airline bailout?

- Not assuming it yet but is being cautious.
- In his model he is modeling a 40% revenue decline which is an extreme stress test.
- Model doesn't account for potential bailout

Q. What's the best way to enter into the market with these funds. What's the best way to re-enter the market for these existing market clients with cash sitting.

Average in – Dollar Cost Averaging

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MARK SCHMEHL—CONTINUED

- The market will quickly get a handle on this, but I don't think it's going to be a quick recovery.
- The duration is the hard part. It looks as though this is a 12-month problem at least. Think of this as a bad snowstorm.
- The initial shock (that we are currently experiencing) will be the worst. We will have subsequent waves (both human and economic) but the subsequent waves will be more manageable.
- Businesses will adapt but expect 6 months of shock. Then you will have 6 months of very slow recovery, then maybe 6 months of getting a little better. This is not a V or even a U. But my portfolio is set up to do quite well through the snowstorm.
- My favourite pizza place (a family business) has shifted to take-out only. They have less staff but said business is actually quite good. Overall they will be ok.

Overall thoughts on the market

- Anything you buy today, you will make tons of money on in 2-3 years. But I would prefer to own the secular winner stocks because the recovery will be long and I want to beat the market over this period.
- You will have two kinds of businesses, ones that will be doing very well (Zoom, Slack, Amazon, Walmart, Target), and other businesses where the wheels are falling off. They will eventually be great opportunity there but it's far too soon.
- Homebuilders, Hotels, Restaurants, and Canadian Energy - there is lots of opportunity there, but it is too soon and they won't come back that quickly. I will watch it closely, but the question is timing. I don't want to own this stuff now.
- What's going to win? Video game companies, streaming services, stay at home stuff. I just met with Take Two, Electronic Arts, Roku, Netflix. Business looking good.
- Looking closely at infection rate in America, that is the only indicator that matters. It's on the Johns Hopkins website and I watch it closely. Need to see that slowdown before beginning to get bullish, and right now it's going straight up.
- Everything is working as it should - markets come down, fed doing what they're supposed to do, this all makes sense
- What we do, the way we shop, the way we work… this will eventually continue… the trends from the past 5-7 years are still in place… the companies that were already benefiting from a shifting trends will still benefit.

Current Positioning

- Portfolio actually doing pretty well. I already own a ton of 'virus stocks' (Stocks that will do well because of the virus). But I own so much already do I want to add more there?
- Companies I own actually work in this environment. I'm moving the portfolio into things that are going to work through this shock.
- Don't see a whole secular change… but certain companies like Zoom (I own a ton of it - 2.5% of the company) are working and will benefit. I own companies like Slack, TEAM (Atlassian), Fastla, etc.
- Slack is the best stock in the market today
- These were already emerging and will continue to do well.
- There are going to be a lot of new technology companies that emerge from this.
- Large companies (like Fidelity) will have to enable their entire workforce to work from home:
- Previous to this, only 10% of employees at multinationals worked from home.
- Not adding as much beta as previous drawdown, moving to more stability over medium term and trying to find business that are shifting gears and can weather the storm..

MARK SCHMEHL—CONTINUED

- Over the short-term, you need to be very selective… it's all about timing.
- I don't think there is a V bottom but I would be fine with that if there is. I can switch gears quickly. But I am not expecting that and not setting up my portfolio for that.
- Online gaming clearly wins out of this - I just met with Electronic Arts (EA) and Take-Two.
- Holdings that stand to benefit from prolonged social distancing:

◊ Zoom will benefit

◊ Slack will benefit, best stock on the market

◊ TEAM (Atlassian) will benefit

◊ Fastly (Cloud)

◊ Cloud will continue to crush it, extremely flexible business - Zoom would be broken if it wasn't for Cloud

◊ Walmart, Amazon and Target

Thoughts on Oil

- I thought there was a trade there in January… and then it quickly died.
- Suncor, CNQ, etc. are all priced for Armageddon… they aren't coming back anytime soon.
- Its the scariest part of the market right now… which is really bad for Canada.
- I don't know how this gets out… the economy would need to get a lot better.
- Oil is in secular decline. We just won't need as much of it in 20 years as we do now… this is just accelerating the trend.
- But hey oil is cheap… it's challenging and interesting.
- Probably works over 3-years given how cheap it is but over the next 12 months you probably don't want to own these companies.

BioTech/Pharma

- Won't do as well as most people think they will.
- You won't make money in picking the "winner of the vaccine".
- Most of healthcare will suffer… hospitals are crazy busy caring for people through this… that takes away from things like elective surgery which is how hospitals make their money.
- Biotech will suffer as trials are being shut down given the government is occupied.
- So unless you make surgical masks… you probably don't have an opportunity.
- The Federal government has bigger priorities and hospitals are overwhelmed

Opportunity in North American vs International/China

- Still primarily in North America in all mandates, actually buying more Canadian names recently
- Lots of parts of Canadian market that will do good in cyclical recovery
- Canada gets crushed in times of distress - I'm picking away at cyclicals that have been beat up
- Any Canadian high-quality business looks like a buy at current valuations
- With fed buy back - banking system is fine - they are healthy - but way better opportunity outside of financials. I'm looking for companies that can triple and Canadian Banks will likely only be up 30%.

MARK SCHEMEL—CONTINUED

- Life insurers are going to have it tough with low rates
- There is no reason to buy China. As soon as America goes down, everyone goes down. No point in picking away at China it will be a mess too.

A “W” recovery:

- There will be no “V” shaped bounce… this will take time. People who are playing a V will lose their shirts.
- I’m buying the stocks that will do well through this dislocation.
- There is a ton of stimulus and money to be made… but the usual playbook won’t work.
- This is a demand issue… people won’t leave their homes immediately to buy cars, houses.
- We need a different playbook right now.

Closing Thoughts

- This is as bad as it’s ever going to be and the market is pricing that in.
- For me it’s business as usual. We have never been busier. I already worked from home all the time.
- We have the unquestionably the best analyst team in the world. Our analyst team is dialing for dollars right now. There are so many meetings in my calendar right now. If you saw my calendar you wouldn’t believe it. Everyone on the street is quiet and hiding in a bunker. We are working hard!
- Traders are exited, analysts are calling companies left and right and they will find ideas that will work
- Fidelity will do well through this across the complex
- People can’t believe how busy we are and how much work we are doing right now. We are humming. There is a lot of energy. It’s a really great feeling.
- -‘I’M PRETTY EXCITED RIGHT NOW. OUR PERFORMANCE IS GOING TO BE GREAT THROUGH THIS. WE WILL PROVE THAT ACTIVE MANAGEMENT IS CRUCIAL AND WE WILL WIN A LOT OF HEARTS AND MINDS THROUGH THIS.’

Disability vs. Critical Illness —Continued

Prior to reaching the age of 50, one in six Canadians will be disabled for a minimum period of 3 months. In the same respect, one in two Canadians will receive a cancer diagnosis in their lifetime.

While the Canadian healthcare system is robust and acts as a significant safety net for the immediate treatment of illnesses and injuries, our needs often go beyond just medicine. What can be done to mitigate the financial impact of such a risk, given that earnings ability is the most universally critical asset we hold? The simple answer is insurance. The next, and more complex question is, which kind? The two most obvious solutions that come to mind are Disability (DI) and Critical Illness (CI) policies; both of which pay out money in the event of such unfortunate circumstances. However, it's the manner in which the payouts occur that makes them fundamentally different.

I recently attended a seminar hosted by one of the leading insurance companies in Canada. The presenter compared these two forms of insurance in a way that best describes their fundamental differences perfectly; which was, to consider disability insurance in the same way as automobile insurance, while critical illness insurance is more like an air bag. In the event of an accident, the air bag goes off just one time (CI), where automobile insurance can offer ongoing support payments to cover the resulting outcomes of the accident (DI). Likewise, in the event of the diagnosis of one of the covered illnesses, critical illness insurance is like a one shot deal, paid out in one tax-free lump sum to the beneficiary. Disability insurance on the other hand, provides a monthly income stream should one become unable to work due to serious injury or illness.

Now we are faced with another dilemma, when trying to decipher which product is better. Some individuals who work for larger corporations may already have long-term disability in place through their employee benefits package. These plans typically pay out a set portion of monthly income should one become unable to work; with payments ceasing once the individual recovers, turns 65, or dies. With that said, the type of coverage provided can vary drastically among employers, and self-employed individuals or those who work for small companies generally have no coverage.

DI plans tend to cover for "any occupation" or **"own occupation".** It is '**own occupation'** that offers the ideal coverage, where 'total disability' refers to the inability to work one's regular job. Plans typically offer this type of coverage for the first two years of the benefit period and switch to **'any occupation'** after that. 'Any occupation' on the other hand, is defined as the ability to perform the duties of any job. In other words, even upon disability, one may not receive the benefit if they are able to work a less demanding job.

Due to such variability, it is worth confirming with an employer the details of any coverage you may have. An ideal benchmark would be 60% of income replacement in the event of an accident or illness that prevents one from working. This figure is obviously dependent on one's personal circumstances, and is based on expenses such as dependants, mortgage, and so on. The goal is to have enough coverage to meet living expenses.

It's important to keep in mind that many disability plans not only have a 1-3 month waiting period, but also have a cap on available benefits. These caps can be monthly, meaning that the 60% coverage up to a specified maximum (i.e. $2,500) may not actually amount to 60% of one's total income if they are in a higher income bracket. This is where a private or independent disability plan can come into play. For those who earn a relatively high income, it can be useful to supplement employee benefits in this way. When it comes to these stand-alone policies, one thing to note in terms of cost is that generally speaking 'own occupation' policies are about twice the price of 'any occupation'. Another key consideration for coverage is the fact that payments from individual disability plans are tax free, while payments from a company benefit plan are generally taxable.

On the other side of the coin, we have Critical Illness insurance (CI). CI policies are generally stand-alone, offered through independent insurance companies, or can be offered as a rider on a life insurance policy. Again, this type of insurance pays out a tax-free, lump sum benefit, should the insured be diagnosed with one of the illnesses specified in the policy. Be mindful that a critical illness benefit would not impact any disability benefits that one may be receiving at the same time.

The key benefit with CI is that there are no restrictions on how the money can be utilized. The options are somewhat endless; from treatment, to home improvement, to travel, to living expenses, and so on. Whereas DI policies typically do not extend past one's working years, CI policies can provide coverage until death. Given the multitude of benefits CI policies can provide, they can be costly by nature. One must consider whether this expense is worth it, and it can be argued that it most certainly is for some. However, prior to purchasing a policy, it's important to read the fine print, and to thoroughly understand the coverages as well as any restrictions or exclusions that apply.

Disability vs. Critical Illness —Continued

Choosing whether CI or DI coverage is better is not cut and dry. Proponents of disability insurance argue its superiority based on the broader scope of covered illnesses/accidents leading to the inability to work as opposed to CI which will pay out based on very specific circumstances. Some even argue that the paperwork and delays associated with CI policies can be discouraging. However, CI payouts, are not income dependent and avoid lengthy waiting periods. Also, CI may be a great way to supplement income for those who do not receive a regular income for any given reason. Take for example a stay at home parent of young children. Should this primary caregiver become critically ill, despite the fact that they don't 'earn an income' the family would suffer gravely as a result of their inability to continue their daily activities.

Another way of looking at it is that these varying types of insurance policies can actually work together, not against each other. A CI policy can cover any residual that DI policy does not, potentially offering full coverage in certain scenarios. As mentioned, DI typically covers 50-70% of lost wages, and a CI policy can help close the gap. Take for example an individual who is only partially disabled, and able to work part time. They would receive only partial disability benefits whereas CI would pay out regardless of an employees working status.

Deciding what is right for you depends on a multitude of personal factors; but as one can see, both are beneficial and often necessary. The key here is to acknowledge the need for income replacement, and use your knowledge of the types of insurance available in working with a professional to help decide which is best for you.

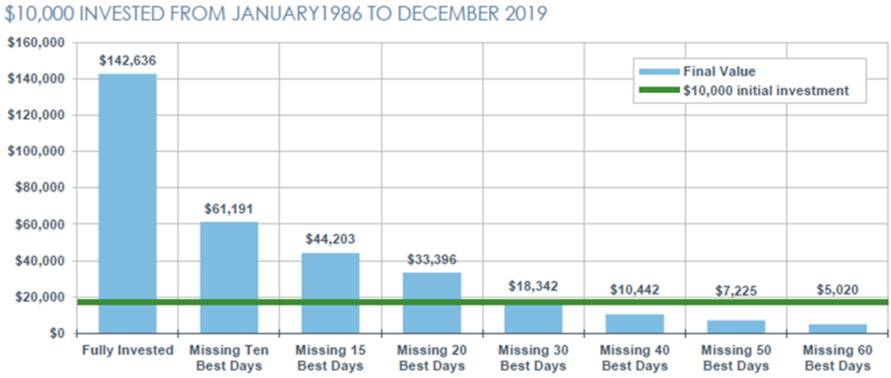
Why We Stay Invested —Continued

When we talk about 2008, we say things like: "the people who sold lost money, but it's the people that didn't sell and the people who bought that came out ok". Do you think Covid-19 will be any different?

Of course, there is the argument that, "I'll just move to cash until the virus is gone or the news gets better". Well, I'm going to show you the truth about money. It's the reason any good advisor wants you to keep your money invested and not move to cash. The truth is, moving to cash in volatile times has devastating effects on your portfolio. You may be able to sleep better at night, but you will pay for that sleep later.

Here's how:

Please, for the sake of your portfolio, look at that second bar on the left. The one that



says $61,191 above it. That bar says that this person missed the 10 best days in the market from January 1986 to December 2019. If they stayed invested, their $10K would be worth $142,636. I'm going to yell something at you because it's important:

JUST 10 DAYS MISSED AND $10,000 is WORTH $81,445 LESS.

The above chart applies to anyone with a diversified portfolio. If you are one of our clients, I guarantee you have a diversified portfolio right now and that this graph applies to you.

Every now and then a little voice in my head likes to wake me up at 2am to convince me to move everyone to cash by 10am the next day. But I know that voice is wrong because I am a professional and there are truths about money that I shouldn't be ignored. It's called sophisticated investing and its sophisticated investors that make money.

So, as a sophisticated investor I will share some simple rules you can follow:

1. Ignore news about the stock markets and try not look at your portfolio
2. Your portfolio is built for these times, let it do its job and avoid the urge to go to cash or safety
3. If you have extra cash sitting around, invest it as soon as possible

Final Commentary

Since the virus news started, Kristina and I have called every one of our clients and spoken to just about everyone by now. (If we haven't been able to reach you yet, please feel free to call). During our phone call, you've probably heard me say the following: "compared to the markets, we're not so bad off". It's the truth because year-to-date none of our portfolios has seen a drop anywhere near what the markets have experienced. But I'm also saying "you're not so bad off" for another reason. I want to get you past all the negative emotions that cause us to make mistakes with our money.

Look at the following chart. I'm trying to get us from "Better call my advisor" to "compared to the markets I'm actually not so bad off" while skipping everything in between.

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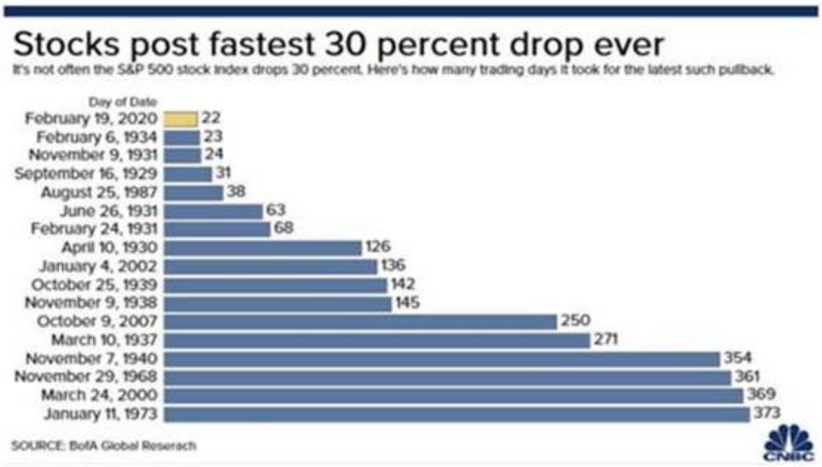
Why We Stay Invested —Continued

The cycle to success

The cyclical nature of investing and emotions

Clement Gignac —Continued

to return sooner rather than later to work across US country (with possible exception for older people). In order to avoid a crisis like the 30's, we are very encouraged by the announcement of the first G20 virtual Finances Minister Emergency meeting yesterday! To fight the economic impact to this Pandemic Covid-19, we need a global concertation among all economic partners! Stay tune!



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Carte WEALTH MANAGEMENT INC.

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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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