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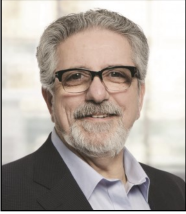
KPW LIFE PLAN—IMAGINE YOUR FUTURE

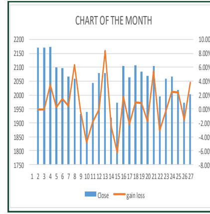
VOL. 9, ISSUE 4 APR 2020

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



Sergio Simone
EDITORIAL COMMENT

Kristina De Souza
ESG AND FINANCIAL PRODUCTIVITY



COVID-19
A BLACK SWAN EVENT

Ryan Simone, CLU, CHS
GOVERNMENT SUPPORT DURING COVID-19

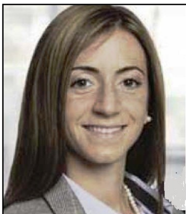
Editorial Comment

Sergio Simone

The history of US recessions show they are a natural part of the business cycle. The U.S. has experienced 17 noteworthy recessions since 1797 and there have been a number of catalysts that triggered these recessions. From real-estate and tech bubbles, bank and railroad failures, wars, post-war adaptation to peacetime production, Federal Reserve’s contractionary policies, wage and price controls, terrorist attacks, financial crisis and now, the most recent a pandemic.

Continue Reading

ESG And Financial Productivity

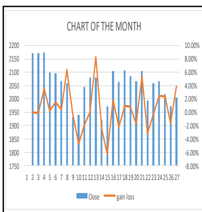


Kristina De Souza

In my previous writings, I introduced the concept of environmental, social, and governance (ESG) investing. I want to reiterate that within our industry there is an increasing trend towards ESG considerations, specifically as it relates to capital allocation decisions.

Continue Reading

COVID-19 A Black Swan Event



Investopedia defines a “Black Swan” as an unpredictable event that is beyond what is normally expected of a situation has potentially severe consequences. Black Swan events are characterized by their extreme rarity, their severe impact, and the widespread insistence they were obvious in hindsight.

Continue Reading

Government Support During COVID-19

Ryan Simone, CLU, CHS

Businesses have been hit especially hard during the pandemic outbreak. Fortunately the government has stepped up to ease some of the pain. I have put together a summary of benefits that businesses have available to them. Please contact me if you require more clarification.

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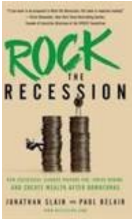
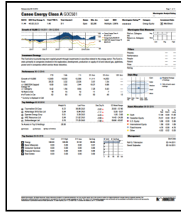


BOOK OF THE MONTH

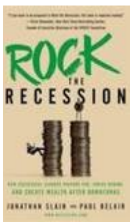


FUND OF THE MONTH FIDELITY GLOBAL INNOVATORS

INVESTMENT TERMINOLOGY

BLOG OF THE MONTH IMF Blog

BOOK OF THE MONTH

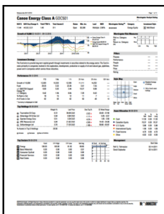


Rock The Recession

- by Jonathan Slain and Paul Belair

Most business leaders coast through strong economic times, never braking to create a plan for the next downturn. What they don't realize is that recessions are unpredictable. If your biggest customer leaves or your best employees start a competing firm across the street, YOU ARE IN A RECESSION. The savvy entrepreneurs are the ones making plans now, so they can be buyers when opportunity knocks.

FUND OF THE MONTH



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SIX SIGMA EVENT

The term "six sigma" originally referred to a quality-control system, developed in the 1980's and widely adopted soon thereafter, in which firms sought to reduce manufacturing defects. Today, this term is also used to describe unexpected events in financial markets. In a downside scenario analysis, a six standard deviation, or six-sigma event occurs only once per one billion opportunities.

Continue Reading

BLOG OF THE MONTH

FISCAL POLICIES TO CONTAIN THE DAMAGE FROM COVID-19

In times of pandemic, fiscal policy is key to save lives and protect people. Governments have to do whatever it takes. But they must make sure to keep the receipts.

The Fiscal Monitor shows how policymakers can offer emergency lifelines to: save lives; protect people from losing jobs and incomes, and companies from bankruptcies; and enable a recovery.

So far, countries have taken fiscal actions amounting to about $8 trillion to contain the pandemic and its damage to the economy.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

Forbes

THE LAWS OF WEALTH AND INVESTING DURING THE COVID-19 PANDEMIC

Unless you have been living under a rock, you are aware that 2020 is off to a troubling start. We have seen an 11-year bull market come to an end. Much of the world is sheltering at home in an effort to flatten the coronavirus curve. At the same time, we have seen the stock market values of some of your favorite companies drop precipitously. When panic sets in, like it has for so many people thanks to COVID-19, a few of us see opportunities to fast track our paths toward financial freedom.

Continue Reading

Bloomberg

ULTRA-RICH FAMILIES POISED FOR SPENDING SPLURGE AFTER STOCK ROUT

The managing director of Demira Gate Partners, the New York-based investment firm of a European family that made its fortune in luxury products, is closely watching consumer goods, hospitality and oil companies amid the Covid-19 pandemic.

But while many investors are still tallying losses from these businesses after the worst stock rout in more than decade, Demira Gate is considering a buying spree.

Continue Reading

I'M SUCCESSFUL, BUT CAN'T TALK TO MY CHILDREN ABOUT MONEY! HELP!

"Are we rich?" Lina was shocked when she arrived home from work to be faced with this question from her nine-year-old daughter Natalie. She had tried so hard to ensure her children led 'normal' lives in spite of the success of her business. Yes, they went on some exciting holidays and lived in a comfortable house, but nothing extravagant. What would happen when the press announced her share of the proceeds from the sale of her company in a few weeks? Would it completely distort the sense of purpose and values for Natalie and her two older brothers?

Continue Reading

COVID-19'S IMPACT ON THE WEALTHY: BEST PRACTICES FOR ENGAGEMENT DURING A GLOBAL CRISIS

The ongoing coronavirus pandemic is being accompanied by huge human toll – and an increasingly large economic downturn as large swathes of the global economy become unviable. Indeed, the pandemic impacts upon every single individual in some way big or small, and the wealthy are no different.

Apart from health concerns for themselves and their families, the vast majority of wealthy individuals own and/or operate a business, or at least hold a significant stake in a publicly owned business.

Continue Reading

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FUND MANAGER COMMENTARY

HARLEY LANK
FIDELITY INVESTMENTS

TONY GENUA
AGF MUTUAL FUNDS

STUART KEDWELL
RBC GLOBAL ASSET MANAGEMENT

CLEMENT GIGNAC
I.A. INVESTMENTS

Harley Lank, Portfolio Manager

Fidelity Investments

Conference Call Notes From April 14, 2020

Harley Lank is Fidelity's President of High Income & Alternative Investments and co-portfolio manager of the American High Yield Fund.

Continue Reading

Tony Genua, SVP & Portfolio Manager

AGF Mutual Funds

An Acceleration In The Virtual World

In the past month, the number of COVID-19 infections has gone up almost 15x, from 128,200 cases on March 12thto more than 1.8 million as of April 12th, according to John Hopkins University. As a consequence we have witnessed worldwide lockdowns, especially in the western world, to arrest the growth rate of global COVID-19 infections. This has resulted in clear winners and losers in the stock market.

Continue Reading

Stuart Kedwell, SVP & Senior Portfolio Manager

North American Equity Update

The COVID 19 crisis caused significant uncertainty about the health of the population and the impact on the economy, causing buyers to step back to evaluate. As markets declined, deleveraging accelerated as different types of structured products and volatility-based instruments were effectively forced sellers. We feel confident that the majority of deleveraging has now occurred.

Continue Reading

Clement Gignac, Vice-President and Chief Economist

IA FINANCIAL GROUP

Positioning For Recovery

Why is your investment approach suitable for the current market environment?

- Active management plays a crucial role in this kind of environment, where it's more challenging to find the best risk/reward return opportunities and protect capital.
- Correlations increase drastically during periods of high volatility, diminishing diversification within asset classes. Allocation decisions between asset classes become the main driver of portfolio returns, so a macroeconomic approach to investing is valuable.

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LINKS

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Bank Of Canada Keeps Key Interest Rate Target On Hold At 0.25%

The Bank of Canada is keeping its key interest rate target on hold

Opening Up America Again

President Trump has unveiled Guidelines for Opening Up America Again, a three-phased approach based on the advice

Is This Time Different?

As an investor, the sudden drop in your portfolio value is likely causing distress and panic. The panic is perhaps magnified by the

U.S. Recession Model at 100% Confirms Downturn Is Already Here

The novel coronavirus has spurred what will likely be the

Why We Are Overweight U.S. Stocks

We see U.S. stocks outperforming their developed market (DM) peers over the next six to 12

Canada—Pandemic And Oil Shock Trigger Deep Recession

The COVID-19 outbreak and ensuing disruptions will likely

Almost 40$ Of Employees Worked From Home In March: StatsCan

StatsCan reported that five million workers shifted to home working arrangements in late

Pandemic Geopolitics—Is China Winning?

This year started horribly for China. When a respiratory virus spread in Wuhan, Communist

Stretching The International Order To Its Breaking Point

The biggest error that geopolitical analysts can make may be

COVID-19 ASSISTANCE PROGRAM CHECKLIST

This checklist is a tool for identifying some financial support measures introduced by various governments and others (the “Programs”.

TRANSCRIPT OF APRIL 2020 WORLD ECONOMIC OUTLOOK PRESS BRIEFING

Now as countries implement needed containment measures to control the pandemic the world has been put in a great lockdown. The magnitude and speed of collapsing activity that has followed is unlike anything experienced in our lifetimes. This is a crisis like no other, which means there are substantial uncertainties about the impact it will have on people's lives and livelihoods. A lot will depend on the epidemiology of the virus, the effectiveness of containment measures, and the development of therapeutics and vaccines, variables which are very hard to predict.

VIDEO LINKS

The Geopolitical & Economic Implications Of The Pandemic

With well over 870,000 confirmed infections and 40,000

COVID-19 World Economy In 2020 To Suffer Worst Year Since 1930s Great Depression

The global economy is then

Bank of Canada Starts Quantitative Easing With $1-Billion Bond Purchase

It’s a moderate start to what some analysts are predicting

MONETARY POLICY REPORT—APRIL 2020

Canada’s economy faces two significant shocks—the plunge in global oil prices and the impact of the COVID-19 pandemic.

What you need to know about the Bank of Canada’s assessment of the Canadian economy in the face of COVID-19, and how we’re responding.

The COVID-19 pandemic is having an unprecedented impact. A significant amount of economic activity in Canada has been shut down.

EDITORIAL COMMENT-CONTINUED

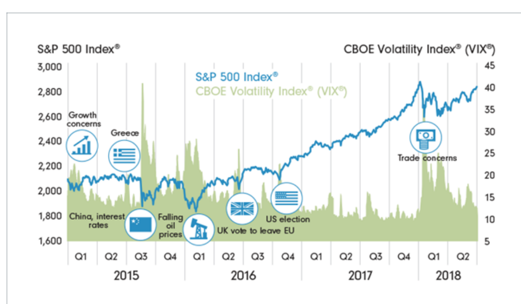
Dramatic moves in the market have an innate ability to rattle the nerves of even the most seasoned investors', even when everyone recognizes that these dramatic moves are a normal part of investing. In many cases the natural reaction to this fear is to root out the cause by reducing or eliminating any exposure to stocks. The thought pattern is that this will stop further losses and calm the nerves. The problem is that this short-term solution may not make sense in the long-term.

There is another approach an investor can take. Instead of stressing over volatility, prepare yourself for it. A well-defined, long-term investment plan tailored to meet your objectives and are in line with your financial situation can help you prepare for the normal ups and downs of the market, and to place you in a position to understand and take advantage of opportunities as they arise.

Anne Dowd, CFP, vice-president at Fidelity Investments says, "Market volatility should be a reminder for you to review your investments regularly and make sure you consider an investing strategy with exposure to different areas of the markets – U.S. small and large caps, international stocks, investment-grade bonds – to help match the overall risk in your portfolio to your personality and goals."

There are rules you can follow to help you prepare for these downturns. For me, the main rule is to "KEEP PERSPECTIVE". Downturns and volatility are a normal part of investing and they are generally short lived. Take a look at a chart that shows the history of an index and these dips will look like insignificant pullbacks over a long period of time.

Here is a fact to take to heart: "There has never been a market setback that wasn't followed with a recovery." Market downturns may be upsetting, but history shows that the stock market has always recovered from declines and been able to provide investors with positive long-term returns.



Over the last five years while in the middle of the longest Bull Market in history, the S&P 500 index experienced five significant downturns. Their causes varied from China's devaluation of its currency to Brexit and more recently trade concerns with China.

Past performance is no guarantee of future results. The S&P 500® Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation. S&P and S&P 500 are registered service marks of Standard & Poor's Financial Services LLC. The CBOE Volatility Index is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. You cannot invest directly in an index.

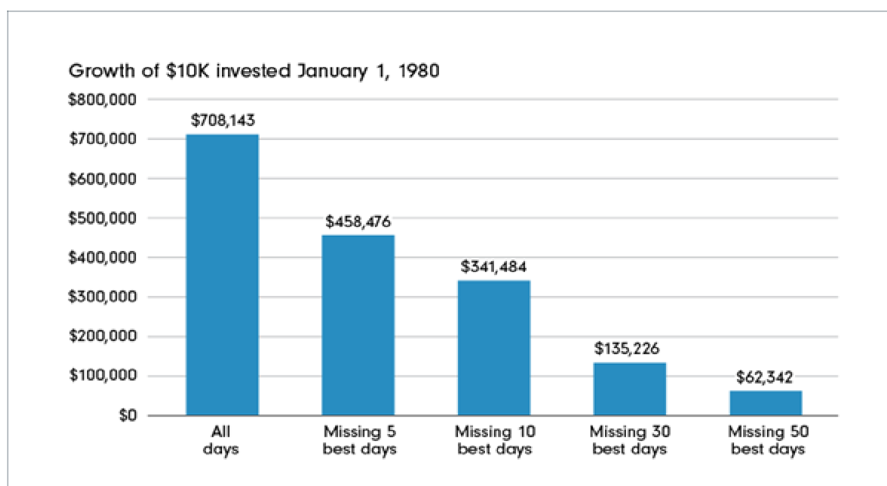
If you become extremely agitated and have trouble sleeping during market declines, perhaps you may not be in the right investments for you. Not every investment is suited for every investor. Your time horizon, goals, and tolerance for risk are key factors in building an investment portfolio. The most critical of these is "tolerance for risk". You may be young and have a long-term outlook and you may have a great desire to retire early therefore realizing your investment strategies may have to be a little on the aggressive side, but if the short-term ups and downs are too nerve-racking for you, consider working with your advisor to re-evaluate your objectives and the strategies to achieve them.

Unfortunately, this may lead to portfolios that are too conservative, especially for those with long-term time horizons. Being too conservatively invested may not provide the growth potential you require to achieve your goals. This conundrum will either force you to abandon your goals or abandon your fears. They both cannot exist in the same financial plan.

Another rule followed by successful investors is "Do Not Try To Time The Market". Research studies from independent research firm Morningstar clearly illustrate that the decisions investors make about when to buy and sell funds cause those investors to perform worse than they would have had they simply bought and held the same funds. (See "Mind The Gap 2019").

EDITORIAL COMMENT-CONTINUED

It would be awesome if you were intuitive enough to invest only during the good days. The problem is that this task is virtually impossible to perform. No one has the ability to consistently predict when those good or bad days will happen. The problem is that this behavior can cause critical outcomes to your investment portfolio and long-term objectives.



Past performance is no guarantee of future results. The hypothetical example assumes an investment that tracks the returns of the S&P 500® Index and includes dividend reinvestment but does not reflect the impact of taxes, which would lower these figures. There is volatility in the market, and a sale at any point in time could result in a gain or loss. Your own investing experience will differ, including the possibility of loss. You cannot invest directly in an index. The S&P 500®Index, a market capitalization-weighted index of common stocks, is a registered trademark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation. Source: FMRCo, Asset Allocation Research Team, as of June 29, 2018.

I have used this chart in past commentaries, but it bears repeating. The graph illustrates what $10,000 would be worth from 1980 by staying the course as opposed to missing some of the best market up days. For example, by staying invested the portfolio would have grown to more than $700,000 yet, missing the best 10 days in the last forty years would have cost you more than half that value.

Do not lose sight of the potential opportunities during a downturn. For example, a declining market may be the perfect opportunity for tax-loss harvesting – that is selling an investment and realizing a capital loss that can be applied against future capital gains.

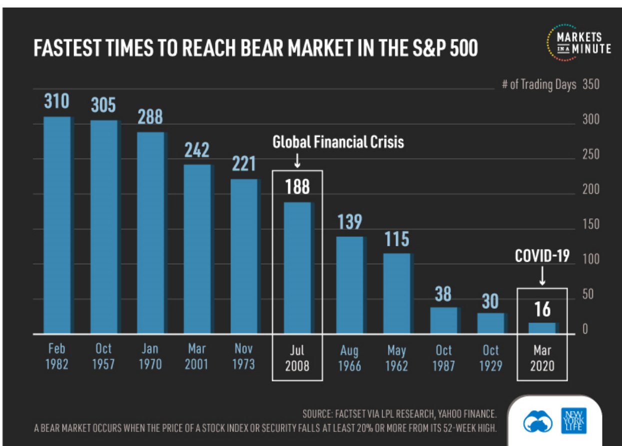
The best piece of advice I can offer to a nervous investor is: Rather than focusing on the turbulence, wondering whether you need to do something now or wondering what the market will do tomorrow, focus on developing and maintaining a sound investment plan with your advisor. A good plan will help you ride out the peaks and valleys of the market and may improve the probabilities of you achieving your financial goals.

LONG-TERM INVESTING: A SERIES OF CHARTS—Continued

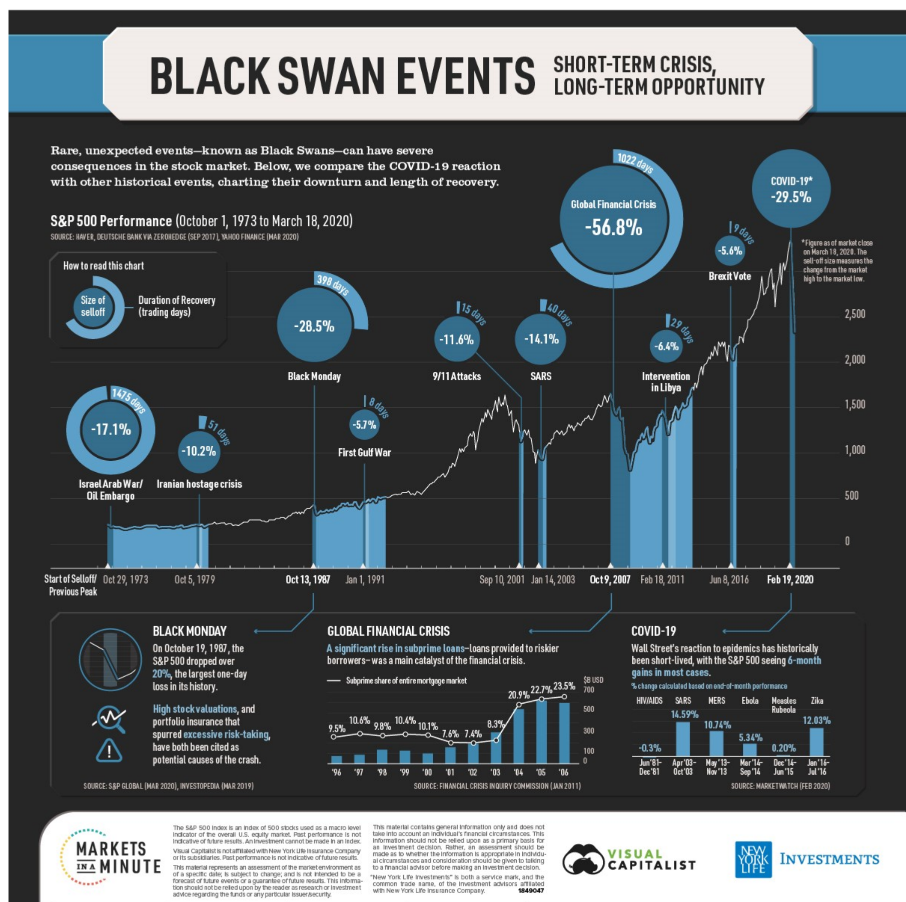
COVID-19 is the definition of a Black Swan event. The impact of this virus is changing the world in ways no one has foreseen and on a scale greater than anyone could have imagined.

Black Swan events may be categorized the same but they all have different characteristics. Historically, sell-offs have ranged from –5% to as high as –50%. Fortunately, while the declines may have been steep the durations have mostly been short-lived. Unfortunately, some of the more memorable ones like the Oil Embargo, Black Monday and the Global Financial Crisis took a year or longer to recover.

It's impossible to forecast how long COVID-19 will last as it is a unique situation that has caused financial disruptions in unprecedented ways. We need look no further than the S&P 500 index that reached bear market status in an unheard of record of 16 days.



The silver lining is that there is also an unprecedented amount of International Government support to ease world economies back into the black. So much so that the International Monetary Fund has declared that 2020 will likely see a decline in World GDP by approximately 30% but will grow by 5.8% 2021 provided that Countries reopen for business by the latter half of the year.



As Warren Buffet is fond of reminding us: "when others are greedy—typically when prices are boiling over—assets may be overpriced. On the flipside, there may be good buying opportunities when others are fearful."

Most importantly, investors need to remain disciplined with their investment process throughout the volatility. As the chart shows, markets will eventually recover, and will reward patient investors.

HARLEY LANK—CONTINUED

VIEWS ON THE U.S. HIGH YIELD MARKET

- The immediate demand destruction caused by COVID-19 and resulting decline of all asset classes largely characterizes this downturn. In addition to the worsening fundamentals and higher valuations, the increase of "working from home" has made it difficult to facilitate market-making by Wall Street.
- As liquidity in the high yield market disappeared, both buying and selling was difficult, and bid-ask spreads widened to 2-4% for major names, and more than 10% for illiquid ones. Things are getting better more recently, however.
- The announcement of the U.S. Federal Reserve (Fed) to include "fallen angels" buying is extremely helpful for the U.S. high yield market. This will stabilize credit markets and provide the capital markets with confidence, which enables companies to raise money from the markets if they need it.
- It's not expected to be a V-shaped recovery for the U.S. economy and instead seems to be becoming a gradual one. While markets are expected to be volatile for a period of time, the spread of the virus is close to the peak level.
- So, overall, from a long-term investment standpoint, it's an attractive time to invest in the U.S. high yield market, in Harley's view.
- Over the last two weeks, the strong inflows into high yield funds, particularly from Fidelity's internal asset allocators, shows consensus that the current dislocation in the high yield market is a good investment opportunity.

VIEWS ON DEFAULT RATES AND DOWNGRADE

- It's hard to know what default rates will be because things are changing so fast.
- It really depends on how quickly the economy recovers after the stimulus by the government and the Fed. One analysis says the current market level (yielding over 9%) is pricing in around 10% default rates. It seems a good estimate at this point, with the peak of default rates being lower than the level during the 2008 global financial crisis.
- The peak of downgrades is probably within the next 6-9 months. One important thing is that we should invest before the peak of downgrades or defaults. Now looks to be a pretty attractive entry point, in Harley's opinion.
- The estimate is that $250-300 billion in investment grade bonds will get downgraded to high yield status this year. We're well positioned to invest in those bonds.

INVESTMENT ACTIONS / STANCE

- Harley was de-risking the portfolio in February because valuations were stretched by historical standards. Unfortunately, regardless of the de-risking, a number of industries have been impacted.
- The Portfolio Manager continues to take a 12-18 months view, and expects things will get better by then, with some developments on healthcare supports (vaccines, masks, etc). A key focus has been on companies that can survive in a downturn.
- As for fallen angels, we have a strong advantage over our competitors because our equity and IG credit groups are covering those companies well. So we are looking for more fallen angels, as these would present good investment opportunities for us.

SECTORS

- The energy sector is already struggling. There were two black swan events: immediate and massive destruction of demand, and Saudi Arabia's oil strategy change. Harley believes that an oil price below USD 40 is not sustainable for Saudi Arabia, Russia, and the shale producers based in the U.S. Historically, the oil price has rebounded within 5-6 months after shocks. This time, it probably needs a longer time, given the very large inventories.
- However, we expect the oil price will get higher within 6-12 months and go back to $50 within 12-18 months, given it has already been reported that OPEC++ (including US, Mexico, and so on) struck a deal for adjusting supply (this has since occurred).

HARLEY LANK—CONTINUED

- The exploration & production sector companies mentioned they must cut back their production, because currently they can't store what they produced. Also, significant amounts of distress have already been priced in the energy sector, so it's a very good chance to invest, based on our oil forecast.

- Wireless & telecommunications companies are far less impacted by the virus and demand destruction. Also, regulated utility companies are relatively immune to the virus. Those defensive industries are very attractive opportunities to invest in, and we're taking advantage of the dislocation.

STUART KEDWELL—CONTINUED

- As expected, the monetary response has been multi-faceted and highly determined in nature and the fiscal response has been significant too. Central banks have been relentless about finding ways to pump liquidity into the market. Even today after a significant rally, additional programs were announced to target some markets that had not responded/normalized.

- The return of liquidity has broadly lifted asset prices and the combination of monetary policy, fiscal policy and better sightlines on the health care front has improved investor confidence. We are mindful that in the early stages of a rally, “bad, but less bad” is often good enough.

- Eventually, we expect the next phase of market activity will focus on what earnings and cash flow look like today, what they could look like upon recovery and what type of sustained growth will be possible when that recovery takes place. Based on what we know about the size of the economic hole caused by COVID 19, we think the economy could get back to 2019 levels sometime towards to end of 2021 or in 2022. However, it’s a moving target. We’re having constant conversations with our economics group.

- The timing of the economic recovery is important. We know what earnings were in 2019, so we 1/ now have to look at when the level of output returns to 2019 levels and 2/ can create assumptions about what level of profitability will exist for different industries when that output returns. Scenario analysis is very important to this process. We measure this against the stock price. We evaluate which scenario is required to drive an attractive level of return. If the price has risen dramatically, then the recovery needs to be robust or sooner than expected and if it declines, then we can still earn reasonable returns even if recovery is farther out.

- Conversations with companies suggest recovery could take longer than some might have initially expected. We need to balance this possibility with the current share price of each business. Other positives to note that confirm improvement - the 30 year U.S. bond yield is higher now than at the end of February. This isn’t something we would’ve imagined going into the crisis. Also, the slope of yield curve is steeper – generally a good indicator of the market’s expectations for better future growth. Credit spreads have narrowed significantly – while this could be mostly a response to Fed programs it does indicate that the Fed’s focus on adding liquidity is reaching the far corners of financial markets. Monitoring the slope of the yield curve and credit spreads will be key in the coming weeks and months ahead.

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CLEMENT GIGNAC—CONTINUED

What type of recovery do you envision?

- We think Q2 economic numbers will be catastrophic, with the unemployment rate soaring to historic levels and company earnings plummeting.
- We anticipate a lot of consolidation across sectors, as many companies with weak balance sheets could have difficulty finding financing – or financing at a reasonable rate of interest – for expansion.
- However, we expect the economy to start recovering in the second half of 2020, driven by massive fiscal and monetary measures. Major central banks added liquidity to the financial system, launched new quantitative easing programs (including corporate bonds) and lowered short-term rates to near 0%, while governments implemented big stimulus packages, representing in some cases more than 10% of GDP – an historical rarity.
- The pace of the recovery is very difficult to gauge, as it will depend on the duration of the current economic lockdown. Based on information from medical experts, our base case is to see global activity restarting gradually in late Q2. We should see positive economic growth in the second half of the year and a bigger recovery in 2021 (a U-shaped recovery).
- However, we expect Wall Street to recover before Main Street. We do not discount the possibility of a V-shaped recovery if COVID-19 cases and deaths start to peak across the globe and a treatment/vaccine is found. Investors will see the light at the end of the tunnel. Stock markets are leading indicators and historically, equities have always rebounded many months before the trough of a recession (see table below).

Economic recessions vs. market lows

Recession Start	Recession End	Duration—In Months	Market Low	Conclusion (months prior)	S&P % Perf From Low to Recession End
July ‘53	May ‘54	10	Sep ‘53	8	28.5
Aug ‘57	Apr ‘58	7	Oct ‘57	6	11.4
Apr ‘60	Feb ‘61	9	Oct ‘60	4	21.3
Dec ‘69	Nov ‘70	10	May ‘70	6	25.8
Nov ‘73	Mar ‘75	16	Oct ‘74	5	33.8
Jan ‘80	Jul ‘80	6	Mar ‘80	4	23.9
Jul ‘81	Nov ‘82	15	Aug ‘82	3	35.3
Jul ‘90	Mar ‘91	8	Oct ‘90	5	27.0
Mar ‘01	Nov ‘01	7	Oct ‘02	11	-
Dec ‘07	Jun ‘09	17	Mar ‘09	3	35.9
			Average	4	24.9

Source: Strategas. "S&P" refers to S&P 500 Index.

How are you positioned for the recovery?

- We were slightly overweight equities before the first leg of the stock market downturn in late February, but we had an overall neutral exposure to equity risk, taking into account our hedges (put options, gold miners, and CAD/USD currency management). These hedges helped significantly reduce the drawdown of our portfolios in March.
- We resumed our deployment of capital into equities mid-March following the announcements of monetary and fiscal stimulus worldwide, which was more than needed to reduce the severity of the economic slowdown caused by the pandemic. However, we think it is too soon to be strongly overweight equities, as volatility remains very high and there is still uncertainty around when the lockdown will end. We thus continue to have some hedges in place to manage our equity risk overall.

CLEMENT GIGNAC—CONTINUED

- We think now is a good time to be underweight government bonds, as yields have been depressed and the term premium is extremely low. We think the yield curve could steepen in the coming months, given the unprecedented fiscal stimulus implemented by G20 governments.

- We recently began increasing our currency hedging on CAD/USD. We think oil may reprice higher as production cuts could be coordinated by several G20 countries to help mitigate the impact of the anticipated demand collapse (over the Easter long weekend, OPEC+ agreed to cut 9.7 million barrels a day, with the deal taking effect on May 1).

Where do you see opportunities in the market?

- We focus on regions and sectors that we believe offer the best risk/reward opportunities over the medium term.

U.S. banks (KRE ETF)

- We see value in the banking sector. We feel the risk premium priced in by the markets is too high, in our view, considering that the banks are better capitalized today than in the past. Furthermore, we think the yield curve could steepen in the coming months.

U.S. equities (SPY ETF)

- We expect the U.S. stock market should do well in this environment, as the index composition is tilted toward sectors that should be less affected by the cyclical downturn (i.e., information technology and health care). We think it is too soon at this stage to invest heavily into cyclical regions such as emerging markets.

- We increased our exposure to U.S. investment grade corporate bonds following the U.S. Federal Reserve's announcement that it will "backstop" this asset class in the new quantitative easing plan. We believe this should put a ceiling on investment grade credit spreads.

Are there any areas to avoid?

- The pandemic that is hitting the global economy illustrates the limits of our globalization-based economic model. The crisis will most likely push world leaders to put the benefits of globalization into perspective, as it is clear that the specialization of production has made the world economy interdependent and vulnerable to a sudden cessation of activity in key countries in the supply chain.

- We think emerging market countries could experience headwinds for some time post-crisis, as there could be an unwinding of globalization in the coming years.

- We recently removed our overweight positions in emerging market equities and bonds.

ESG And Financial Productivity —Continued

Although it has been well established now that ESG issues can affect a company's valuation and financial performance, dedicated ESG strategies have yet to conclusively lead to long term outperformance over traditional equity strategy counterparts.

Some have argued you cannot have your cake and eat it too- that there exists a trade-off between achieving ESG goals and attaining investment objectives.

There is an overarching fear that remains; that the integration of sustainability goals and investment return objectives is nothing short of challenging, and that focusing too heavily on either one of these factors may negatively impact the outcome of the other. There appears to be a solution – that taking an approach which focuses on companies with elevated levels of financial productivity may help mitigate the trade-off between both of these vitally important objectives. There are, in fact, companies that have strong ESG characteristics in combination with the ability to deliver superior long term investment returns.

To support this theory, recent research by Lazard Asset Management evaluated the relationship between companies' financial productivity, ESG characteristics, and equity returns. Generally speaking, a company's financial productivity is closely related to the performance of its share price, often referred to as 'Relative Value Investing'.

Often, companies with the highest levels of financial productivity are undervalued in the market, as economic theory assumes these companies attract high levels of competition which in turn compromises future returns. However, the fact of the matter is that these companies by nature possess competitive advantages that ensure they maintain their position in the market and enhanced levels of financial productivity; ultimately leading to share price outperformance. Enhanced returns can also result from the application of a disciplined valuation approach.

It has also been found that there is a strong relationship between financial productivity and environmental governance ratings. To greatly simplify things, some of the most financially productive companies are found to have the lowest carbon footprint and demonstrate the strongest corporate governance practices. These same researchers argue that the strong relationship between financial productivity and carbon footprint is based on a company's asset intensity (i.e. level of fixed assets on their balance sheet); where lower levels of financial productivity are associated with higher levels of capital intensity (more fixed assets). This is because the operation of these assets (i.e. plants and equipment) typically leads to higher carbon emissions.

Likewise, higher financial productivity by a company is linked to lower capital intensity and cleaner environmental profiles. Thus, companies who are low on fixed assets, for a multitude of reasons, tend to have sustainable competitive advantages, which is vital to both the creation and sustainability of financial productivity.

Another important finding is that strong corporate governance tends to increase management's accountability and transparency, reduce excessive risk taking, and enhance efficiency in capital utilization; increasing long term returns and ultimately creating long-term value for investors. Thus, good governance is a vitally important factor for investors, and financial productivity is a great place to start for investors concerned with ESG. It is both interesting and important to note that although a strong positive relationship has been established between the most financially productive companies and companies with the lowest carbon footprint and good governance practices, the opposite is not true. Thus, the argument is more about focusing on companies with the highest levels of financial productivity which should significantly reduce a portfolio's funding of carbon emissions.

A focus on companies with high financial productivity also results in an improved governance profile compared to the index. It is assumed that by using financial productivity as the basis in the stock selection process, the potential for outperforming global equity markets over the long term and meeting ESG objectives are improved, and that both of these objectives can coexist.

These researchers analyzed the ESG factors they felt could influence a company's share price as part of broader fundamental analysis to establish how this could potentially affect a company's future financial productivity and valuation. They established that measures of ESG practices that are based on publicly available data offer investors the ability to track and compare different portfolios and ensure that the overall ESG approach is producing the kind of portfolio that meets their expectations.

The research on financial productivity, share price performance, and ESG profiles established a compelling case for financial productivity as a starting point for security selection, even when ESG factors are a core consideration. They found notable companies worthy of portfolio inclusion to have high or improving levels of financial productivity and strong ESG characteristics. A rigorous investment approach incorporates ESG analysis into the investment and risk management process and continually monitors and tracks ESG issues. It is believed that this approach to fundamental analysis, which puts ESG analysis at its heart, provides progressive insight with the potential to enhance investors' long-term returns.

Government Support During COVID-19 —Continued

Business owner related questions:

1. If the business does not have a minimum of $50,000 payroll in 2019, can they still qualify for the loan under Canada Emergency Business Account?

A loan under the Canada Emergency Business Account requires the business to have paid between $50,000 and $1 million in total payroll in 2019. However, you can contact your financial institution to see if you would qualify for the "Business Credit Availability Program". Export Development Canada (EDC) and Business Development Bank of Canada (BDC) are working with financial institutions to make loans available to small and medium businesses. For reference, please see the website below:https://www.canada.ca/en/department-finance/news/2020/03/additional-support-for-canadian-businesses-from-the-economic-impact-of-covid-19.html#_New_Loan_Programs

2. Is there any subsidy available for businesses hiring new employees?

At this time, no measures appear to be targeting employers that are hiring new employees. The measures are targeted towards preventing lay-offs and assisting employees to keep employees on payroll.

3. Can businesses receive any wage subsidy if their revenue did not decrease by 30% or more?

Temporary wage subsidy (introduced March 18, 2020 and enacted on March 25, 2020)

- Three month measure available for eligible employers.
- Subsidy is equal to 10% of remuneration paid from March 18, 2020 to June 19, 2020 up to$1,375 for each eligible employee and to a maximum of $25,000 total per employer for the 3 month period.
- Eligible employers include sole proprietors and incorporated individuals (Canadian-controlled private corporations that are eligible for small business deduction). The employers must have an existing business number and payroll program account with CRA and pay salary/remuneration to individuals employed in Canada
- The subsidy must be calculated manually by employer or whoever is responsible for making payroll remittances
- Employers do not need to apply for the subsidy. It is calculated when remitting CPP, EI, and income tax remittances from remuneration and reduces the amount of income tax remittance required (CPP and EI remittances cannot be reduced)
- Subsidy is taxable income to the employer in the year received•Subsidy is not available if the business is closed (i.e. no remuneration is paid between March 18, 2020 to June 19, 2020)
- This subsidy does not require a revenue reduction

Canada Emergency Wage Subsidy (introduced April 1, 2020, would likely require Parliament's approval)

- Available for 12 weeks during the period of March 15, 2020 to June 6, 2020 that willprovide eligible employers up to 75% of subsidy to a maximum of $847 per week peremployee (no maximum subsidy per employer)
- This is available for eligible employers that have lost 30% of revenue due to COVID-19
- Eligible employers include most employers except certain public sector employers such as municipalities, crown corporations and public universities
- Businesses will have to show they experienced a 30% reduction in revenue compared to the same monthly period in 2019 for the months of March, April, or May. For example, employer must attest that their revenue in March 2020 has declined by 30% as compared to March 2019 to be eligible for subsidy from March 15 to April 11 2020.

- Wage subsidy will be paid directly to employers and they are expected to deliver it to their employees otherwise harsh penalties may apply. This subsidy will also be included as taxable income for the employer.
- Legislation is expected to be released soon and will require application on CRA's My Business Account portal as well as a web-based application
- If the employer is eligible for both Temporary Wage Subsidy and Canada Emergency Wage Subsidy, any benefit from the 10% wage subsidy is expected to reduce the amount claimable under the 75% wage subsidy for the same period.
- Employers taking advantage of this subsidy would be required to top up salaries to 100% of maximum wages covered (up to $58,700) or clearly document the reason for not being able to do so

4. If self-employed individuals have less than $100 of income, can they still qualify for CERB?

It is expected that the government will clarify conditions for eligibility in the regulations that are to be released soon. The regulations may include exemptions for certain types of income or de minimis thresholds. Currently, the eligibility criteria and frequently asked questions are listed on the following website: https://www.canada.ca/en/services/benefits/ei/cerb-application.html

5. In regards to your questions on terminating/laying-off employees, the websites below contain information that you may find useful:

- https://www.ontario.ca/document/your-guide-employment-standards-act/termination-employment - general information for employers in Ontario
- https://www.canada.ca/en/employment-social-development/corporate/notices/coronavirus.html - this link contains information on how to fill out the Record of Employment form for Employment Insurance purposes

DISCLAIMER: For information purposes only. We make no claims to the accuracy of this information. Information related to COVID-19 changes rapidly. You should always consult a professional.

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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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