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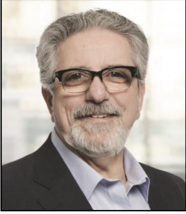
KPW LIFE PLAN—IMAGINE YOUR FUTURE

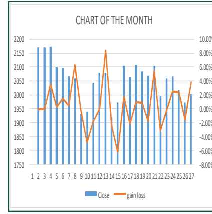
VOL. 9, ISSUE 5 MAY 2020

"You make most of your money in a bear market, you just don't realize it at the time." - Shelby Cullom Davis



Sergio Simone
EDITORIAL COMMENT

Kristina De Souza
STRONGER THAN EVER, THE VALUE OF ADVICE



TRACKING $9 TRILLION FISCAL SUPPORT TO FIGHT COVID-19

Ryan Simone, CLU, CHS
ESG INVESTING: A COVID-19 SUCCESS STORY

Editorial Comment

Sergio Simone

Are we having fun yet?

When I was a child I loved rollercoasters. Especially the Wild Mouse at the Canadian National Exhibition. It was so thrilling I can still feel the butterflies in my stomach and recall how the ride took my breath away. The recent market gyrations have been having the same effect on me, albeit not with the same enjoyment I experienced at the CNE.

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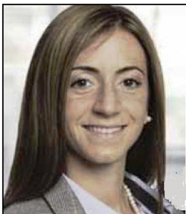
Stronger Than Ever, The Value of Advice



Kristina De Souza

It is often in the most uncertain times, perhaps times like these, when true value really shines through. A wise man (Warren Buffet) once said, "A Rising tide floats all boats, only when the tide goes out do you discover who's been swimming naked", and now (to quote a colleague), "The tide is out".

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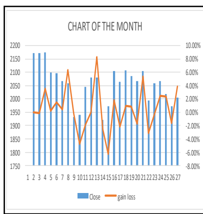
Tracking $9 Trillion Fiscal Support To Fight COVID-19



Many global governments have responded quickly and significantly with emergency lifelines to protect people in response to this pandemic. The total currently stands at about $9 trillion which is $1 trillion greater than estimates about a month ago. The upward revision was due to a second wave of measures by governments as the pandemic proved more severe than anticipated.

Continue Reading

ESG Investing: A COVID-19 Success Story

Ryan Simone, CLU, CHS

Year-to-date market performance has not been great. The DOW is down around 15% at the end of May and the TSX composite is down almost 12%. Most mutual funds across various asset classes are also down year-to-date; although active management has certainly made the drop much less steep for most funds versus their indexes.

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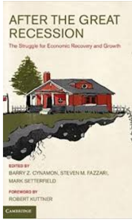
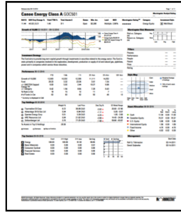
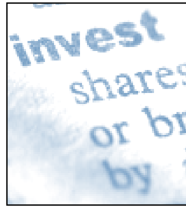


BOOK OF THE MONTH



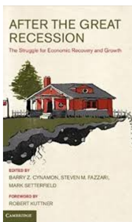
FUND OF THE MONTH
FIDELITY GLOBAL INNOVATORS



INVESTMENT TERMINOLOGY

BLOG OF THE MONTH
IMF Blog

BOOK OF THE MONTH



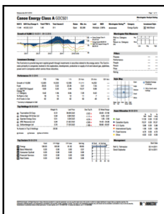
AFTER THE GREAT RECESSION

- by Barry Z. Cynamon, Steven M. Fazzari, Mark Setterfield

The severity of the Great Recession caught many economists by surprise. But a group of Keynesian scholars warned for some years that strong forces were leading the U.S. toward a deep, persistent downturn. What do prominent macroeconomists who developed a perspective that predicted the broad outline and many specific aspects of the crisis have to say. The recovery of employment and revival of strong growth requires more than short-term monetary easing and temporary fiscal stimulus.

FUND OF THE MONTH

CI MUNRO ALTERNATIVE GLOBAL GROWTH A



The fund seeks to generate meaningful, risk-adjusted, absolute returns through exposure to global growth equities over the medium to long term, while maintaining a capital preservation mindset. The fund will use leverage. The leverage will be created generally through the use of short sales and derivative contracts. The funds leverage must not exceed three times the fund's net asset value.

CONSUMER CONFIDENCE INDEX

This is an indication of future developments of households' consumption and saving regarding their expected financial situation, their sentiment about the general economic situation, unemployment and capability of savings. An indicator above 100 signals a boost in the consumers' confidence towards the future economic situation, as a consequence of which they are less prone to save, and more inclined to spend money on major purchases in the next 12 months. Values below 100 indicate a pessimistic attitude towards future developments in the economy, possibly resulting in a tendency to save more and consume less.

BLOG OF THE MONTH

THE IMPORTANCE OF DIVIDENDS AND THE IMPACT OF THE PANDEMIC

The pandemic-driven shutdown of much of the global economy—and the uncertain path to recovery—are weighing on nearly every aspect of the investment landscape. Of particular concern to many investors is the question of what will happen with dividends. It's a fair question, when you consider that dividends have contributed approximately 32% of the S&P 500's total return since 1960.

Paradoxically, if we are in for a period of muted equity returns—an environment where at least some companies' dividends may be at risk—dividends may have increased importance. During the return-challenged 1970s, dividends accounted for nearly three-quarters of S&P 500 returns.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

THE WEALTH REPORT

In the first edition of The Wealth Report, back in 2007, I talked about the rise of plutonomy. This concept was based on the assumption that, if the rich were taking an ever-larger slice of the economic pie, then investing in companies that sold the things rich people bought – like yacht builders and high-end real estate developers – was a recipe for financial outperformance. Thirteen years later, and the dominant investment trends that we're covering in this edition are rather less bling and considerably more virtuous: wellness; impact investing; and three letters that are having a big impact – ESG.

10 REASONS TO HAVE AN UHNW FINANCIAL ADVISOR DURING COVID-19

Going through any crisis alone is much harder than going through it with help. Regardless of how hard your portfolio has been battered, or how well it has withstood the pounding from the COVID-19 pandemic and economic fallout, you will weather the storm better if you're not alone. A poorly planned portfolio – even for ultra-high net worth investors – can lose 50% or more in a crisis like this one. We have seen it happen to numerous clients coming to us from other advisors, as you'll see in a bit. It's possible to lose all the gains from the last ten years of bull markets if you don't respond properly to this crisis.

WARREN BUFFETT & THE 2020 BERKSHIRE HATHAWAY SHAREHOLDERS MEETING (PODCAST)

Warren Buffett is idolized by many as the world's greatest investor of all time. This is well-deserved based on the amazing amount of wealth that he has created for himself and others over decades. Unfortunately, if you were expecting that Buffett's wisdom at Berkshire Hathaway's 2020 annual meeting was going to yield easy answers about the current investment landscape, you are likely to be disappointed.

BREAKING THE WEALTH TABOO: MAKING SUCCESSION A SUCCESS

Over the next 20 years, over £1trillion is due to be passed down from one generation to the next in the UK. While the scale of the transfer is not in itself a problem, the issues surrounding succession are increasingly complex, and a reluctance to discuss the subject among many families puts their fortunes at further risk.

Families are growing in size and complexity – second or even third marriages are increasingly common, with families made up of a wide and intricate set of relationships, involving stepparents, stepchildren and half-brothers and sisters.

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MAY 2020

FUND MANAGER COMMENTARY

ERIC LASCELLES
RBC GLOBAL ASSET MANAGEMENT

DARREN MCKIERNAN
MACKENZIE FINANCIAL

MULTI-ASSET SOLUTIONS TEAM
BMO GLOBAL ASSET MANAGEMENT

MARTIN GROSSKOPF
AGF MUTUAL FUNDS

Eric Lascelles, Chief Economist

RBC Global Asset Management

Restarting Too Soon?

In this world of swirling COVID-19 developments, there are several new positives and negatives to highlight.

Continue Reading

Darren McKiernan, Senior Vice President, Portfolio Manager

Mackenzie Financial

Market Update Podcast

In this episode of Mackenzie Investments Podcast Series, host Matt Schnurr gets an update from Darren McKiernan and how he and his team have been managing over the past five months. This episode also features a new segment called, "over-rated or under-rated" where Matt and Darren discuss current market news and trends.

Continue Reading

Global Asset Management Team

BMO Global Asset Management

Across Europe and North America, efforts toward re-opening the economy are mounting and the normalization goalposts are becoming real with the pandemic getting under control. Without more sophisticated tests and trace models, or more evidence that medical treatments could reduce the strain on healthcare systems, investors will remain anxious.

Continue Reading

Martin Grosskopf, Vice-President and Portfolio Manager

AGF Mutual Funds

Bear markets historically have not been good to sustainability investors. The most obvious example is the fate of cleantech in two previous market crashes. In 2000, when the dot-com bubble went bust, cleantech stocks collapsed. They recovered, however, and equity valuations rode a financing surge from both private equity investors and public markets through the mid-2000s. But when the financial crisis struck in 2007, many cleantech stocks were left in the dust as investors fled capital-intensive and early-stage industries. For skeptics, the collapse of cleantech affirmed a gross but common over-generalization about sustainable stocks – that they are a kind of bull-market luxury.

Pivot to today, and investors are navigating a social, health and economic crisis whose impact might well make us all revise our notions of what a “Great Recession” is.

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LINKS

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A Legal Update On The Government's CEWS and CERB Programs

The COVID-19 pandemic has created many complicated issues

April Unemployment Stats May Not Be Important

April's unemployment numbers are "for the record books," but may not be particularly meaningful, says Darcy Briggs,

Sell In May, Go Away

Of the market strategies known to investors, "Sell in May, Go Away" is often mentioned, not only because of its catchy alliteration

COVID-19 Measures Give Temporary Reprieve From Growing Insolvency

Consumer insolvencies are expected to spike in the wake of the

Canadian Fund Investors Stay The Course

Research shows investors are not susceptible to redemption runs.

Ottawa's Debt Headed For 'Previously Inconceivable' $1 Trillion

We have already heard that Canada's deficit will likely hit a

Feds Pledge COVID-19 Financing Help For The Country's Biggest Companies

The country's largest employers will soon be able to land federal

What Will Demand For ESG Investing Look Like In A Post COVID-19 World?

Before COVID-19, the demand

National Homes Sales At Weakest Monthly Volume In Decades

April home sales were down 57.6% from a year earlier.

Deloitte.

PREDICTING THE POST-PANDEMIC REBOUND

The COVID-19 pandemic is a global crisis without modern parallel. The lack of precedent for a black swan event so broad it its impact across geographic, demographic, and economic sectors explains why many public

news

PATH OF COVID-19 ECONOMY EVEN HARDER TO PREDICT THAN THAT OF VIRUS ITSELF: Don Pittis

When we in the media ask for questions from the audience on the COVID-19 crisis, one that pops up near the top is "when will it all end?"

Whether addressing the disease or its economic effect, while experts try to offer the latest evidence to help us understand, the unsatisfying honest answer is that no one really knows for sure.

VIDEO LINKS

Trudeau Says Wage Subsidy Program To Be Extended Past June

Prime Minister Justin Trudeau says the government

Coronavirus: Pandemic Sends US Jobless Rate To 14.7%

The US unemployment rate has risen to 14.7%, with 20.5 million

Canada's Soaring Deficit May Jeopardize Its AAA Rating, Macquarie Says

Canada's net debt as proportion of its economy is likely to reach

CYCLE, FURTHER INTERRUPTED

"Events, dear boy, events" was how former British prime minister Harold Macmillan described the unpredictability of politics, and the same can be said of investment strategy. As of mid-February, our expectation for a global mini-cycle recovery was on track. Green shoots were apparent in manufacturing indicators and a phase 1 trade deal had been agreed between the U.S. and China.

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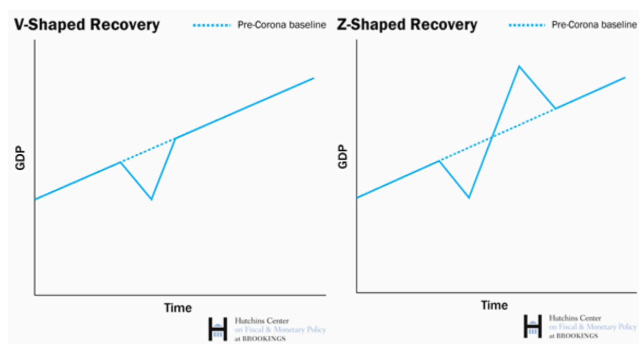
EDITORIAL COMMENT-CONTINUED

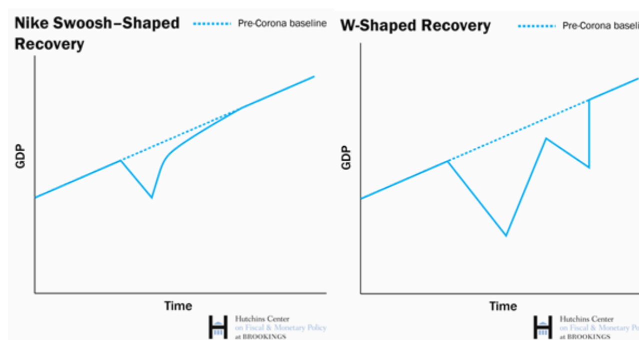
There are now more than 180 countries impacted by the COVID-19 virus. It is almost overwhelming when I look at how quickly countries shut down their economies. It is unprecedented. I am astounded at the job loss numbers in such a brief period of time. The U.S. economy shed 30 million jobs over a six-week period as at April 25th, according to the U.S. Department of Labor. Gross Domestic Product and company earnings estimates are being revised downward as the full impact of the pandemic wave makes its way through the economy. I continue to expect heightened volatility for much of the balance of the year. A large part of this will be created by the media as they report on various financial indicators.

As bad as things appear to be, investors are now focused on the reopening of the economy and the likelihood that a vaccine is imminent. Inevitably, most of the discussions I have been having with Mutual Fund Managers and Analysts concerning the re-opening center around the shape the recovery will take. The silver lining here is that not one person has offered an analysis other than the market will recover. The question is centered around the pattern or shape the recovery will take.

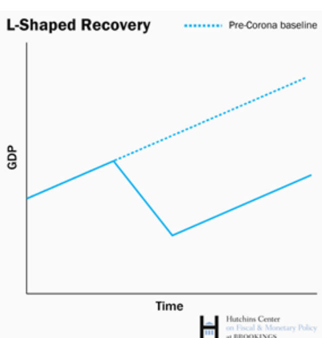
Will the recovery be V-shaped, W-shaped, U-shaped or follow some other letter in the alphabet soup of recovery patterns? This downturn is not a naturally occurring cyclical recession that is what economies generally experience. It is a "man-made, voluntary" recession. Since it is man-made it only stands to reason that it can be "man-unmade". The first question that comes to mind is how long this downturn will last once "man" has decided to unmake it. This is somewhat unchartered territory, so it is fraught with speculation. I am hearing estimates that it could take anywhere from six months to more than a year. With the vagueness surrounding this timeframe we are faced with the perplexing task of trying to determine how we should position our portfolios for the rebound that will surely follow…..some day.



The most optimistic, and in our opinion least likely scenarios are the "V" shaped recovery where the economy quickly returns to its pre-pandemic baseline once social distancing is lifted, or the "Z" shaped recovery. The economy suffers a swift downturn during the pandemic, but then quickly bounces back above the pre-pandemic baseline as frustrated shoppers return to the "way it was before the virus". People immediately get back to shopping, restaurants, vacations and all the other social functions they temporarily delayed.



Ryan Simone recently had the opportunity to speak with Tony Genua, the portfolio manager for AGF's American Growth Fund and Global Select Fund. Tony's expectation closely resembles my own expectation. We believe the recovery scenario will most resemble the Nike Swoosh-shaped symbol. In the initial re-opening period the economy will bounce back sharply as restrictions are lifted and economic activity increases. Unfortunately I also expect consumers, businesses and even local governments to be slow in returning to pre-pandemic spending habits. There will continue to be a lot of concern that the virus will return, creating a new spike in infections and deaths. I believe it will take a long time for the economy to return to its pre-pandemic trajectory.



If we do experience a resurgence of COVID-19 cases and another round of closures later in the year, we fear the recovery will take on a "W" shape.

The most pessimistic, and in our opinion least likely, pattern would be the "L" shaped recovery. The fear would be that the lost GDP is permanent and that governments are going to be forced to rethink the way they do business. It will result in changes to fiscal policy and a slowdown in productivity growth. The projected GDP recovery does not come to fruition and the growth rate remains almost stagnant.

EDITORIAL COMMENT-CONTINUED

This is what the recovery from the Great Recession during the Financial Crisis looked like. Despite the various tranches of Quantitative Easing from the Federal Reserve, it took six years for per capita GDP to return to the levels prior to the Crisis in 2007.

I recall how economists talked about the recovery during the early stages of the pandemic. None had ever experienced this before and their optimism was evident in their analysis. Many talked of a "V"-shaped recovery. How things have changed over the last few couple of months. Many analysts now believe that in the absence of major improvements in COVID-19 treatment, only a vaccine will allow economic activity to return to the pre-pandemic norms.

I fear that even when the economy begins to open, measures will remain in place that will inevitably stall economic activity to some degree. For example, airlines will open but they will reduce their capacity to 50% to maintain social distancing while travelling; Sporting events, concerts, restaurants will also continue to employ social distancing measures thus reducing a large amount of revenue while their fixed costs remain the same. This will have a great impact on earnings and ultimately on stock prices. This will all lead to a slower recovery.

There is an old adage that says, "as one door closes another opens". So, while there will be a slowdown in activity in some industries, there is likely to be a spike in activity in other industries. Auromationa and artificial intelligence businesses will thrive as they enhance the resiliency of supply chains. There are companies that will benefit from the more rapid shift from cash to digital payments. As people increase working and socializing remotely, tools such as Zoom, Slack, Microsoft Team and Houseparty are suddenly becoming mainstream applications.There is an increased demand for personal protective equipment that will likely remain with us for many years and may become part of the new normal. Companies like Dyson have retooled and reinvented themselves as they become a big player in the ventilator and PPE space.

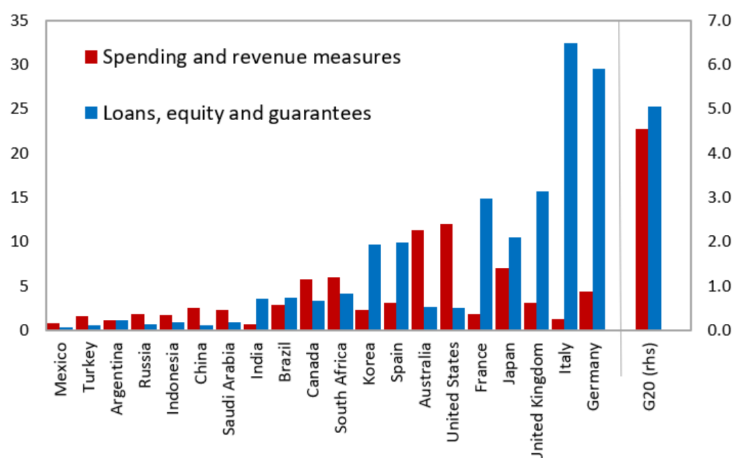
The COVID-19 pandemic will be responsible for culling many outdated practices while others emerge. We will continue to travel, frequent restaurants, attend concerts and sporting events. The question will be in what form these will take in the future. I am convinced that these activities will be changed from what we have experienced in the past.

I am convinced life will never go back to the pre-pandemic norms. We are an evolving species and we will adjust and adapt in the coming years. I do not believe we should categorize our future as being better or worse than it was before COVID-19, it will just be different. Although our societal mores and habits may change, one thing I do not expect to change is the markets. They will continue to navigate through peaks and valleys on a steady long-term rising pattern. This is why we focus on the long-term.

Fiscal firepower

As the pandemic and Great Lockdown continue, countries have now deployed $9 trillion to help people and firms get through the crisis, which is $1 trillion more than in April 2020.

(Announced fiscal measures in G20 economies, % of GDP)



Sources: National authorities; and IMF staff estimates as of May 13, 2020.
Note: G20 = Group of twenty. G20 aggregates are calculated using PPP-adjusted GDP weights. Estimates focus on government discretionary measures that supplement existing automatic stabilizers, which differ across countries in their breadth and scope.

INTERNATIONAL MONETARY FUND

MARTIN GROSSKOPF—CONTINUED

If the putative rules some might have learned from the collapse of cleantech still applied, then sustainable equities should have taken an outsized hit even as the market crashed. Valuations should have been all the more fragile given the rise in green investment in the few years leading into 2020. And the recent outright collapse of traditional energy prices should have sounded the death knell for sustainable stocks – it almost certainly would have a decade ago.

Yet this time around, none of that has happened.

In fact, sustainable equities – which today comprise a far broader and less-capital-intensive set of industries and companies than can be captured by the notion of "cleantech" – have generally outperformed the major indices so far this year. For example, funds based on so-called environmental, social and governance principles – ESG for short – have enjoyed better relative performance, on average, than wider benchmarks. In March, according to separate analyses by Morningstar and Bloomberg, respectively, about 60% of ESG-focused large-cap equity funds and ETFs outperformed the S&P 500. And Bank of America Merrill Lynch research has found that during the sharpest period of index decline, between Feb. 19 and March 25, stocks in the top quintile of ESG metrics beat the S&P 500 by five percentage points.

Granted, ESG metrics include governance and social responsibility scores, which might or might not be directly linked to the imperatives of environmental sustainability. Sustainable funds that take a more focused thematic approach, however, have also proven resilient in the COVID-19 environment. In our own experience, we have found that our long-term strategy of allocating assets according to four main themes – energy and power technologies, water/wastewater solutions, waste management and pollution control, and health and well-being – has proven extremely resilient compared to the MSCI World Index through the pandemic panic.

In short, there has been no evidence of green flight.

No doubt, one reason might be the increasing popularity of ESG in recent years, especially among institutional investors. As well, ESG principles tend to identify companies with better risk mitigation and management practices, and so are better equipped to withstand a crisis. Investors have begun to see sustainability themes as opportunities, and most sustainable funds use some form of ESG criteria these days. Fans of the ESG movement have long argued that it produces lower-risk, lower-beta, higher-performing investments; the current crisis might well prove them right.

Another factor is that the scope of "sustainability" has widened. As the themes in our strategy suggest, sustainable opportunities are not just in battery packs and solar panels anymore, but cut across a broad range of sectors. While there is a high capital intensity to the energy transition required to address climate change, many other themes in sustainability can be less capital-intensive, helping to insulate them from market shocks. And with greater breadth in opportunities comes less correlation to traditional energy prices – a dynamic that overwhelmed the themes in prior recessions.

Some firms, obviously, have fared better than others in the current climate, including specific health and well-being stocks that provide measurement and testing solutions to the healthcare and scientific sectors. Companies developing renewable power projects, meanwhile, have tended to retain guidance in this downturn given the long-term nature of their contracts and ongoing commitment from companies and governments to embrace less polluting energy. There are also opportunities in water treatment for firms to take over underfunded water systems from local governments especially given the strain near term on tax revenues.

Sustainability stocks in other segments, especially those more exposed to the economic cycle, have not fared as well. Yet the robust relative performance of sustainable equities during a crisis is no longer in question. The better question might be what happens once the world returns to some semblance of normalcy?

In our view, the resilience of sustainable equities isn't just a one-off generated by a few outperformers, but rather illustrates secular trends. The rise of ESG is one; the diversification of sustainability is another. Yet more generally, the current pandemic might accelerate an evolved view of capitalism, one where there is more acceptance of government intervention (of which there has been quite a lot lately, of both the regulatory and the fiscal variety) and corporate responsibility towards employees. When this is over, will the body politic more readily recognize that markets are imperfect at directing capital towards the areas of the most pressing social and environmental need? Will people, business and markets more readily accept government action in these areas through incentives and regulation?

We think it's possible and indicative of the recent pledges by U.S. Business Roundtable towards more of a stakeholder focus. Of course, investors are understandably wary whenever someone says, "It's different this time." But when it comes to sustainable investing, the world has changed. And although it comes at a heavy price, the coronavirus pandemic might be the catalyst to make it change for good.

Stronger Than Ever, The Value of Advice —Continued

There was no way to even fathom these unprecedented times, however, for some time there has been an underlying but confident prediction that Robo Advisors and automated investing platforms would underservice and underperform when markets finally took a turn.

There is also ongoing scrutiny surrounding (unwarranted) fees charged by advisors and their firms, pushing for investors to flee the traditional advisor stream and join more automated or 'do it yourself' type platforms in order to reduce costs and somehow still 'retire wealthier'. It's remarkable that this could very well be one of those isolated scenarios where someone can have their cake and eat it too. Or perhaps this is more of a 'too good to be true' type of situation. I am leaning towards the latter; but don't take my word for it, the proof is in the pudding.

Although most of the automated broker platforms are still in their infancy, research and statistics in this area is mounting. From independent research companies to some of the leading mutual fund companies - the results are staggering. I will list some of the key findings from some of the research that I feel are worth noting.

It is well established that advisors help their clients to both save more, and invest better, with most clients attributing their enhanced savings and investment habits to their advisor. Over time, working with an investment advisor has undoubtedly proven to increase wealth. Working with an advisor has helped teach individuals to invest with confidence, and is known to help clients focus on what is most important; establishing their goals and helping to build unique financial plans to name a few. It's important to note that sound advice is based on trust, it was found that nearly all mutual fund investors trusted their advisor. Having a relationship founded by trust is exceptionally important in uncertain times like now.

I mentioned the recent controversy related to paying high or unnecessary fees for mutual funds. The arguments can take many forms, however, one fact is undeniable- there is value in advice. We often ask our clients what is more important to them, value or cost. To put things into perspective, we rephrase the question to ask, would you rather pay more in fees for a higher return or less fees for a lower return?

Of course there are exceptions to every rule, when it comes to both advisors and performance. It would be nothing short of a lie to sit here and say every advisor is worth the money they earn, and to promise higher performance for higher MERs; but that's just common sense. What I am saying is that professional advice is known to add real value, a value that cumulatively, undoubtedly exceeds the fees that investors pay.

When helping someone meet all of their financial goals, an advisor can provide invaluable services. It can even be argued that the actual value of advice is greater than the sum of its parts (if you were to break down the services individually). Professional advisors offer a broad range of services, some of which include; asset allocation, product and market research, personal consultation, financial plan development, systematic rebalancing, estate planning, investing education, behavioral coaching, application of tax efficient strategies, and the list goes on.

Typically, automated investment platforms and Robo Advisors do not offer complete financial advice; but instead offer basic portfolio construction and rebalancing. And much like a discount airline, a discount broker typically charges for any additional service on top of this, including basic administrative costs.

Although I am typically a proponent of reducing expenses where appropriate, doing so at the risk of ones future or families' future just doesn't seem fit. Lower costs associated with alternative trading and investment platforms makes sense given that there is no active management and no experienced, well-trained, proven portfolio managers making active decisions in their portfolios.

Some of them simply use passive investments to mimic an index and slightly underperform the index after fees come into play. Naturally, there are higher costs associated with employing carefully selected investment professionals around the globe, who are trained to outperform over time. As has been proven by several of the leading investment companies we are affiliated with, you get what you pay for- proving their value by providing superior returns net of fees. Thus, consider that inexpensive can sometimes cost more in the end, especially if you need to eventually hire a professional to fix the cheap results- take home renovations as a similar example.

Our jobs as advisors have seen brighter days. When the path is smooth, the markets are trotting along, investment performance is generally a mere snippet in conversations that remain light. It is in those times that to the naked eye, our jobs may seem simple.

Times like these are inherently different; our clients (rightfully so) need and deserve more. Due to the ease of information dissemination nowadays, investors are facing information overload, it is being thrown at them from every angle; much of which has little substantiation. As a result, our duty to advise, educate, guide, instill confidence is critical, now more than ever, and this is no easy feat.

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Carte WEALTH MANAGEMENT INC.

Stronger Than Ever, The Value of Advice —Continued

You've heard it before but I'll say it again, we are truly in this together. At a time when our clients need us the most, we are not hiding. We are doing everything in our power to protect our clients; we are proactive in our approach and readily available as our clients' needs and situations are rapidly evolving. I cannot speak to all advisors, but I can mention that there are reports of hour(s) long wait times for some of the broker platforms.

Fees should not be an issue when they are fair- or in other words- justified. As we have emphasized quite a bit lately, staying on track when the path seems foggy is key to the long term success of a portfolio; keeping focused on your goals without letting short term noise lead you astray. In the same breath, having an advisor gives you access to timely professional risk management and portfolio rebalancing; as protecting capital in periods of falling markets can have a significant impact on the total return of an investment, especially over time.

These are just a couple of the key ways we are here to help. There is a growing consensus among professionals in our industry that is founded by research. The fact of the matter is that there is empirical evidence to conclude advisors add value in excess of the price of advice.

Our goal is not to initiate a retaliation campaign against certain Robo Advisors or automated investing firms. The key is to help clients make educated decisions on the best course of action to take for their future. In the same respect that we are completely on board with transparency and fee disclosure to our clients, we feel it is equally fair to emphasize the importance of understanding the value of advice. In the same breath, buyer beware when it comes to trying to save a buck. We don't need a campaign; the numbers and our clients' satisfaction stemming from our efforts and professionalism speaks for itself.

ESG Investing: A COVID-19 Success Story —Continued

One group of mutual funds that has really proven it's worth throughout COVID-19 are ESG funds. ESG is an umbrella term that stands for Environmental, Social, and Governance. These are thematic mutual funds in which managers build their portfolios to meet certain criteria linked to a better natural environment, more prosperous society, and/or more responsible and fair governance. And boy have they performed well during this crisis.

The MSCI World ESG Leaders Index has outperformed the MSCI World Index by more than a percent and a half. Many of the major ESG mutual funds are outperforming their non-ESG counterparts during the crisis. And if you hold one in your portfolio, you've probably noticed it's one of your top holdings at the moment.

The definition of ESG investing is rapidly evolving. Traditional ESG funds were limited with no real focus on ESG factors outside of a manager not wanting to own a company for some ethical reason or another. The problem with the traditional form of ESG investing was that it didn't really offer anything extraordinary. If anything, a manager was restricted in his or her ability to invest in certain companies.

Today, ESG comes in many forms but two in particular – Socially Responsible Investing (SRI) and Thematic Investing – offer the biggest bang for your buck. This is because not only do you partake in competitive returns and improved risk management, but you'll also contribute to more positive socio-environmental impacts.

I believe the risk characteristics of ESG are favorable going forward. For example, these funds aren't correlated to the oil industry and, if anything, will hold companies that can be viewed as energy sector disrupters. This has proven to be extremely beneficial during the COVID-19 crisis. ESG funds will also avoid companies at risk of being fined by governments or publicly scrutinized and criticized for poor employee management. In a way, ESG investing reduces or eliminates the risks associated with those companies that practice irresponsible corporate behavior.

Here's an example of what one of the ESG funds we use looks for in terms of companies. This particular fund is a thematic ESG fund with four distinct themes: Energy & power technologies, waste management & pollution control, water & wastewater solutions, and health & well-being.

Under the energy and power theme, this manager, for example, is looking for companies that work within automation and process control. Just thinking about this theme, it's not hard to understand why this fund performed well during COVID-19. Post-coronavirus, companies will certainly be seeking out ways to be more autonomous in the event of another pandemic or something similar. COVID showed us that employees' well-being are crucial to a company's well-being. Companies that can capitalize on that will certainly offer greater growth potential to shareholders.

The point is, ESG investing is forward thinking and that is where much opportunity lies. If we can help create a better planet and society with our money while also taking part in competitive returns and better risk metrics, then who wouldn't want a piece of that pie.

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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.

Investors should educate themselves regarding securities, taxation or exchange control legislation, which may affect them personally. This newsletter is for general information only and is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. Please consult an appropriate professional regarding your particular circumstances.

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