Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

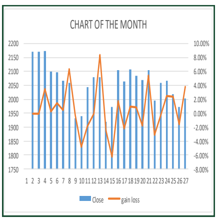
VOL. 9, ISSUE 9 SEP 2020

“The most important quality for an investor is temperament, not intellect.”

Warren Buffett

Sergio Simone
EDITORIAL COMMENT

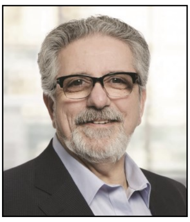
Kristina De Souza
BACK TO THE BASICS OF RETIREMENT PLANNING



MAKING PROGRESS AMID NEW RISKS

Ryan Simone, CLU, CHS
USING SEG FUNDS TO ENHANCE ESTATE PLANNING

Editorial Comment



Sergio Simone

We are a mere weeks away from the political event of the year and perhaps the decade. The U.S. Presidential election on November 3rd is likely to impact the financial markets. To what extent remains to be seen, but I thought this would be a good time to throw my opinion hat into the ring.

My first prediction is that the 2020 election will likely be one of the most controversial in American history.

Continue Reading

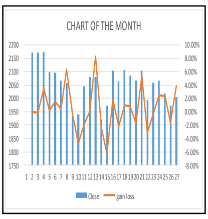
Back To The Basics Of Retirement Planning

Kristina De Souza

September is notoriously a time for starting fresh, as it’s back-to-school for many. On this note, it seems appropriate to re-fresh our knowledge, or build on our current base, as we get back to some of the basics from a financial standpoint. One of the most common questions we face as advisors is when the ideal time is to begin saving for retirement.

Continue Reading

Making Progress Amid New Risks



COVID-19 Daily infections and deaths are declining globally as well as in the U.S. Even the most adversely affected U.S. states are improving which is creating a boost for the economic recovery. On a more negative note, Europe is in the middle of a second wave and cases in India continue to surge.

Continue Reading

Using Seg Funds To Enhance Estate Planning

Ryan Simone, CLU, CHS

Segregated funds invest much like mutual funds do but any other similarities between the two end there. Unlike a mutual fund, a segregated fund (or “seg fund) is an insurance product that can offer a guarantee of principle. Also, since it is an insurance product, seg funds offer unique estate planning tools via beneficiary designations and creditor protection.

Continue Reading

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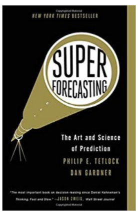


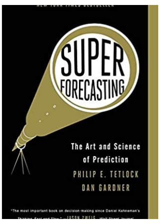
BOOK OF THE MONTH

FUND OF THE MONTH MACKENZIE GLOBAL GROWTH FUND

INVESTMENT TERMINOLOGY

BLOG OF THE MONTH

BOOK OF THE MONTH



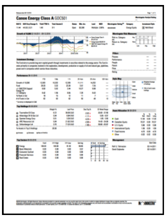
SUPER FORECASTING The Art And Science Of Prediction

- by Philip E. Tetlock and Dan Gardner

The authors show us how we can learn from an elite group of “superforecasters,” chosen based on their ability to beat other benchmarks, competitors, prediction markets, and the collective judgement of intelligence analysts with access to classified information.

FUND OF THE MONTH

MACKENZIE GLOBAL GROWTH FUND



Global diversification for core portfolios with direct investment in emerging markets. The fund owns companies in high-growth sectors that are not as extensive in Canada including healthcare and technology.

Seeks to own fundamentally strong companies with strong financials and a growing market share.

LIQUIDITY RISK

Liquidity is the ability of a firm, company, or even an individual to pay its debts without suffering catastrophic losses. Conversely, liquidity risk stems from the lack of marketability of an investment that can't be bought or sold quickly enough to prevent or minimize a loss.

Continue Reading

MONEY COACHES CANADA Taking the worry out of money

BLOG OF THE MONTH

SETTING NEW FINANCIAL GOALS DURING THE PANDEMIC

It’s been almost six months since phrases like; shelter-in-place, work from home, physical distancing, and social bubbles, have become part of the daily conversation. Wearing a mask in public started out feeling odd, but for most of us it’s become routine. But our ability to adapt doesn’t mean that anything about the COVID-19 pandemic has been easy.

I think it is safe to say that every Canadian has been affected by this virus; physically, mentally, or financially. For the first few months we were all trying to get our equilibrium back; people were out of work, others were working from home, students were learning online, and only essential services were open. Life was very much about the present moment, and what would happen tomorrow. Most long term goals and plans were placed on hold.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

RICHARDSONGMP

COTTAGE SUCCESSION PLANNING

"What is your favorite cottage memory?"

It was this specific question that prompted couple Robert and Marion, both in their late 50s, to have a bigger discussion about the future. After several months of being holed up in their midtown condo during the start of the pandemic, the couple shifted to their spacious, picture-perfect cottage setting once the phased reopening began. The current environment has served as another reminder, they say, of how precious and meaningful this cherished family property is.

INVESTOPEDIA

PRIVATE BANKING VS. WEALTH MANAGEMENT: WHAT'S THE DIFFERENCE?

Private banking and wealth management are terms that overlap. However, the financial services offered through private banking and through wealth management differ slightly.

Wealth management is a broader category that involves dealing with the optimization of a client's portfolio, taking into account his or her aversion to, or comfort with, risk, and investing financial assets according to his or her plans and goals. Wealth management can be practiced on a portfolio of any size, though, as the name implies, it is geared toward the well-off.

RBC Wealth Management

THE FUTURE-EMPOWERED HIGH-NET-WORTH INVESTOR

Across the world, the investment landscape is recalibrating: A new generation of high-net-worth investors is leading wealth ownership and applying their more global attitudes and values to investment strategies. As a result, smart philanthropy, alternative investing and impact investing are on the rise, while some more traditional sectors contract. Signs of a worldwide economic slowdown and trade wars that are chilling business confidence compound this. Change is coming. And as people look to future-proof their portfolios in an increasingly complex environment, there is an even greater need for tech-based tools and seasoned council to help investors leverage insights and dodge risks.

NORTON ROSE FULBRIGHT

SHOULD YOU BE CONSIDERING AN ESTATE FREEZE?

If you own assets that are expected to grow in value, such as shares in a privately held company, a portfolio of investments or land, you may be able to arrange your affairs so as to minimize income tax on any future gain in the value of those assets, lower provincial probate fees payable on your death, and plan for the orderly succession of your wealth into the hands of the next generation. These are some of the objectives that lead people to consider an estate freeze.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

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FUND MANAGER COMMENTARY

NOAH BLACKSTEIN
DYNAMIC FUNDS

KEVIN HEADLAND
MANULIFE FINANCIAL

KEVIN MCCREADIE
AGF MANAGEMENT LIMITED

TODD MATTINA
T. ROWE PRICE

Noah Blackstein, V.P. and Senior Portfolio Manager

Dynamic Mutual Funds

On September 2nd Noah was featured on BNN Bloomberg. Click on the link below to see the interview. Noah discusses how he manages money so successfully during the COVID-19 crisis.

Continue Reading

Kevin Headland, Senior Investment Strategist

Manulife Financial

A(nother) Random Walk Down Pennsylvania Avenue

There are two things that are essentially inevitable every four years, a U.S. presidential election and, not coincidentally, an increase in investors' questions about how the outcome will impact the financial markets. But does it even matter? Elections, economic growth, and markets all move in cycles. Sometimes they coincide and sometimes they don't.

Continue Reading

Kevin McCreadie, CEO and Chief Investment Officer

AGF Management Limited

All Tech'd Out

Equity markets have hit a rough patch recently with technology stocks, in particular, taking a hit. What's behind the increase in volatility?

Continue Reading

Alan Tu, Portfolio Manager

T. Rowe Price

Volatility in Technology Highlights Importance Of Selectivity

The recent pullback in technology stocks strikes us as a normal bout of profit taking after the sector's strong run. Although the broad-based sell-off can be unsettling for investors, we believe that the powerful secular trends underpinning the technology sector's most appealing long-term growth stories remain intact. The digitalization of the economy has shown signs of accelerating, from growing adoption of e-commerce, online advertising, streaming media, and cloud-based software to the proliferation of semiconductors in the automotive and other industrial end markets.

Strong Performance Invites Profit Taking
Over the eight months ended August 31, 2020, information technology (IT) had outperformed the S&P 500 and the index's 10 other sectors by a meaningful margin.

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LINKS

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Investors In Active Funds Outperformed in Q2

For the first time in eight years, flows into active equity funds as a percentage of total assets

Consultation On Estate Law Changes Welcomed By The Bar, Say Lawyers

The government of Ontario is considering significant reforms

COVID-19 Altering Canadians' Housing Needs: RBC

Amid a pandemic-driven shift in demand as well as a surge in

Government Bonds: Today's "Free Parking" Space

One has to sympathize with the plight of Canadian Portfolio

Diverse Yet Together In Experiencing Historic Recession

No economy in the world is emerging unscathed from the

Uneven Rebound Poses Risk For Entire Economy

The slower rebound facing women, youth and low-wage workers could pose a threat to a broader

Outlook Grim For Unincorporated Self-Employed Individuals

Unless they have another job, the pandemic may deal a devastating blow

Top Mistakes To Avoid When Naming A Beneficiary

Naming your beneficiary is a big decision, yet most of us may give

Bonds Ride The Fed Wave As Volatility Returns

We expect short term interest rates to remain near record lows

FINRA Investor Education FOUNDATION

DOES OVERCONFIDENCE INCREASE FINANCIAL RISK TAKING IN OLDER AGE

Using data from the Rush Memory and Aging Project, this research provides new and updated evidence that overconfidence in financial knowledge may lead to excessive financial risk taking in older age.

KPMG

KPMG 2020 CEO OUTLOOK: COVID-19 SPECIAL EDITION

The agenda for the new reality.

The KPMG 2020 CEO Outlook COVID-19 Special Edition finds the world's chief executives using this unparalleled moment in history to lead with increased purpose and impact, both societal and economic. They are protecting their people, building trusted relationships with customers and communities, and defining a new future of growth and success for their organizations.

VIDEO LINKS

Concentration Works Both Ways

Despite a bleak economic outlook, in August, the S&P 500 not only recovered from the COVID-19 dip, but it's actually surpassed its previous highs

Monthly Investment Outlook

Enthusiasm for equities returned in August as COVID-19 cases peaked and declined once again

Can The Stock Market Predict Whether Joe Biden Will Be the Next President Or Donald Trump Wins a Second

J.P.Morgan Asset Management

PRINCIPLES FOR SUCCESSFUL LONG-TERM INVESTING

The key to successful investing isn't predicting the future, it's learning from the past and understanding the present. In "Principles for Successful Long-term Investing", we present seven time-tested strategies for guiding portfolios through today's challenging markets and towards tomorrow's goals.

You will find slides from our "Guide to the Markets", along with commentary providing additional perspective and action steps.

EDITORIAL COMMENT-CONTINUED

We need look no further than how voting procedures are changing as a response to the coronavirus pandemic. Both Democrats and Republicans are already crying foul on the issue of mail-in ballots. This definitely has the makings for a very messy election where either side is already prepped to contest the results. This means one thing for investors: uncertainty! And uncertainty means “VOLATILITY”.

Even perceived uncertainty can have an ill effect on the markets. In 2016 there was no formal contesting of the outcome but the markets briefly panicked after Donald Trump defeated Hillary Clinton in an election that had the media and pundits already coronating Clinton. Hillary’s loss caused U.S. stock market futures to freefall as much as 5% overnight, triggering trading curbs designed to curtail these types of crashes. Once the dust settled the markets recovered and then rose considerably, but the initial shock caused a pullback. I can’t imagine what might happen when the election results are disputed, and investors are left hanging.

Thomas McLoughlin of UBS Global Wealth Management described it perfectly in three words, “Markets abhor uncertainty”. He continued to add that “If history is any guide, we would expect to see some initial equity market volatility as investors grapple with the resulting policy uncertainty.”

Democrats have already voiced their concern that Trump will interfere with the elections. Trump has publicly voiced his opinion on the reliability of mail-in voting, especially considering the U.S. Postal Service seems to be budget-challenged these days. Trump recently postulated at a White House event, “It’ll end up being a rigged election, or they will never come out with an outcome. They’ll have to do it again. And nobody wants that, and I don’t want that.”

The best advice I can give under these circumstances is hold on tight as we may experience a lot of market ups and downs in November.

This situation is not without precedent. In 2000, during the Bush-Gore Presidential contest, George Bush, the Republican nominee lost the popular vote to Vice-President Al Gore. The contest was so close that it was decided in the Electoral College, where the result hinged on the winner of the state of Florida, where the voting tallies were extremely close. In fact, it required the intervention of the Supreme Court to determine that the preliminary count, which had been awarded to Bush, would stand.

While this mess was going on and the threat of litigation permeated the air, the markets reacted as expected, negatively. The S&P 500 fell almost 6% in the two weeks following the election, while the Dow fell around 5%. Litigation is a definite concern for November as well. I would wager that this year’s election will become the most litigated in history. Look no further than the fact that there are already 192 lawsuits filed in at least 41 states arising from changes to voting procedures in the wake of the pandemic.

Thankfully, market volatility occurring from such issues is generally short-lived. McLoughlin notes that subsequent research has shown the worst impact is usually felt within four days of an “uncertain election outcome”.

COVID-19 has overshadowed and dominated the markets over all other geopolitical events in 2020. Now, as the election draws nearer fund managers, hedge fund traders, investment banks and most investment analysts are beginning to gauge what the markets will look like post-November 3rd. What sectors will flourish, and which will fall based on whether the victor is Donald Trump or Joe Biden. A lot of the discussion centers around what will happen if it ends up being a messy, disputed outcome. Most recently, with the passing of Ruth Bader Ginsberg, more fuel is added to the fire because if a contested election reaches the Supreme court, with eight justices a tie could further complicate matters and confuse investors.

Looking back over the summer, we can see U.S. markets weathered the pandemic and marched higher, but more recently I can see the growing nervousness that has been bubbling below the surface concerning the upcoming election, especially over the risk of contested election results. I am sure both sides will be able to make valid claims that will lead to rechecking ballot counts which will lead to a transition that is anything but smooth.

At some point any contention will be resolved and the elected President will inherit an economy that’s been severely damaged by COVID-19. They will face an economy that has suffered record job losses, a potential eviction crisis, business shutdowns and exorbitant medical bills. It will fall on one of these two candidates to deal with the economic and financial fallout. Unfortunately, neither candidate seems to be offering solutions to the problems. Both candidates seem to be running more on their leadership skills and the faults of the opposing candidate than they are on specific resolutions to improve the country.

EDITORIAL COMMENT-CONTINUED

The way I see it is there are four potential outcomes to the election. The first is that Trump wins the Presidency and Congress remains split between Republican and Democrat leadership. I believe the markets would look favorably on this as it would already know who was in there and what to expect. I believe small companies would rally on this news along with energy, financials and technology. What would continue to be a problem is China as Trump may double down on his rhetoric.

The second scenario is a Republican sweep. In this case, an infrastructure bill or further tax cuts would improve the prospects for growth.

The third scenario would see a Democratic sweep. I don't believe the markets would initially accept this scenario and would likely sell off, primarily as a reaction to Biden's tax proposals.

The fourth scenario has Biden winning the presidency and Congress stays split. I believe the market would react favorably to this because not much gets done. I believe equities could rally in this scenario.

So, what to do with your portfolio?

While it may be tempting to react and make some bold moves in anticipation of election results, I believe you should maintain a long-term outlook and approach to your goals. If you are committed to making any moves, try and restrict them to a rebalancing of your portfolio instead of rebuilding and reimagining it. The election outcome will be uncertain until it is over and even then uncertainty may remain while court cases are ongoing. Trying to position your portfolio for a specific outcome leaves it vulnerable to another outcome. It can't hurt to meet with your advisor to discuss potential outcomes, but be cautious of any large movements and instead focus on your long-term goals and stay the course.

Back To The Basics Of Retirement Planning —Continued

Though there are a multitude of dynamic factors at play, uniquely dependent on an individuals' circumstances, when it comes to retirement planning our answer remains consistent across the board: it is never too early to start.

Regardless of what your aspirations are for retirement, the key is to have a robust plan ahead of time that will provide the tools you need to make these dreams become reality. Aside from the fact that starting early is the key to success, in order to make the most of the various tools available to you, it's crucial to have a solid understanding of basic financial concepts surrounding retirement.

There's no denying that there is a lot of information circulating, which may lead one to wonder not only when, but where to even begin. In very simple terms, some of the key factors that will lay the foundation for your retirement planning are these: knowing your sources of income, determining your retirement age, and ultimately calculating how much you will need to save. I can't stress enough that these are simplified explanations of the factors at play, and a thorough analysis of these as well as associated variables is critical.

As mentioned, analyzing your various sources of income is the first step to being well prepared for the retirement you envision. Generally, public pension plans such as Old Age Security (OAS) and Canada Pension Plan (CPP) tend to compose part of your monthly income in retirement.

The misconception that I would like to address and emphasize is that these plans can NOT be relied upon to provide all your retirement income needs. Keep in mind that these can only provide a minimum basic income, which highlights the importance of private plans and personal savings in order to enhance the quality of your retirement.

It is fairly common for employers to offer retirement plans, such as defined-contribution plans, defined-benefit plans, and registered retirement savings plans (RRSP), but this is not always the case. Where private pension plans are not an option for an individual, they will have to rely heavily on their own funds they save over the span of their working years to add to their retirement income.

There are different ways to save for retirement, some of the most common are RRSPs and TFSAs but the key takeaway is this; nearly everyone will have to add more savings to the benefits paid under public or private plans in order to retire comfortably.

Narrowing down the age at which you plan to retire is another important step. This will decipher the amount you will have to save to achieve your objectives and maintain your lifestyle, which is a function of the amount of time one has to save until retirement. If someone chooses to take early retirement before the age of 60, the chances are their private benefit plans and certainly their Government ones will be adjusted downward at a reduced percentage, as they take into account the fact that you will receive your pension over a longer period of time.

Choosing the timing of drawing Government benefits is another one of the most commonly asked questions we face. This topic, again, is highly dependent on one's unique circumstances, and is another discussion all on its own. For all intents and purposes, the facts are this; taking benefits early (between age 60-64) results in reduced benefits, and deferring benefits (age 66-70) results in an increase in benefit amounts. There are pros and cons to each approach, and no one size fits all recommendation in this respect.

There is slight variation in people's expectations for retirement, but experts argue that in order to maintain a certain standard of living, your retirement income needs will be close to 70% of the income you relied on pre-retirement. This brings to the forefront the importance of budgeting.

Although what retirement looks like can vary drastically between individuals, it is important that everyone take the time to acknowledge what is important to them now, and what may be down the road. Ultimately, you need to consider how much you need to budget to cover your fixed expenses and daily activities once you are no longer working. The point is this, you have nothing to lose and only stand to gain by starting to save as early as possible. The longer your savings can earn compound returns the better off you will be, among other factors.

There are a number of factors that play into the amount you need to save, some of which include cost-of-living increases and economic variables during ones saving period. Having a trusted advisor who takes the time to help you navigate and establish a robust financial plan can make all the difference in helping you reach your savings goals.

Using Seg Funds To Enhance Estate Planning —Continued

There are several parties linked to a seg fund contract. The Owner is the party to the contract that is tax reported and the Successor Owner is the replacement owner of the contract, after the death of the original owner. The Annuitant is referred to as the "measuring life" of the contract, meaning if the annuitant dies, the contract ends without a successor annuitant. Often the Owner and the annuitant will be the same individual. Finally, a Beneficiary is also included in the contract. The beneficiary is the party who receives the death benefit of the seg fund when all annuitants have died. The ability to designate a beneficiary is a key feature for a seg fund.

The beneficiary of a seg fund can be named through the seg fund provider or in the owner's Will. If naming a beneficiary to a seg fund in a will, it is important to note that there are special rules such as not being able to create an irrevocable beneficiary (this is because a will is a revocable instrument). I'll share a little-known fact, even amongst financial advisors: a beneficiary can be assigned in the seg fund and in the will. When the owner dies, whatever designation is made most recently, will be the one that is honored. There is a case in which a husband made his wife the beneficiary in the insurance contract but listed his mistress as the beneficiary in his will. At his death, his mistress claimed the death benefit on the contract. If the husband had of named his wife an irrevocable beneficiary in the contract, his mistress would not be given the money.

Thus far, seg funds have provided protection against taxation when an owner dies. Consider a seg fund held as a non-registered asset. Any non-registered asset that changes hands after death is considered a transfer of property in the eyes of the CRA. Unlike a rollover, a transfer of property is taxable according to Subsection 160 (1). However, case law (see Higgins v. R.) has held that a life insurance beneficiary designation is NOT considered a transfer. Seg funds are considered a "hybrid" product but the overriding feature is still the life insurance component. The bottom line is that the Higgins decision reaffirms the legal status of seg funds as insurance policies and provides the same creditor protection to policy owners as conventional life contracts.

The following is an example of using a seg fund as an estate strategy:

Dev is an elderly father with a high net worth and a high tax bracket due to large investment income. Dev wants to save on taxes in any way possible. He also has excess funds not needed for retirement and would like to leave that money to his adult son, Ziggy. The problem is Ziggy spends a bit too much time at the racetrack and more recently has had financial difficulties due to Covid-19.

One solution for Dev to save on taxes and provide his son with income would be through an irrevocable beneficiary designation on a seg fund. First, Dev would gift his son the money and open a seg fund with Ziggy as Owner and Annuitant. Since Ziggy is the owner of the contract, tax reporting would occur on Ziggy (attribution rules do not apply on gifts to adult children and Dev will not be taxed). This solves for Dev's tax problem while Dev is alive.

The problem remains that Ziggy is bad with money; however, if Dev makes himself an irrevocable beneficiary, he will retain control of the money and we can solve for this problem as well. This is because the irrevocable designation ensures that both Dev and Ziggy must sign for most transactions that occur in the seg fund. In other words, Ziggy could not cash out the money without his father's permission and vice-a-versa.

Clearly, seg funds can be much more than a simple investment vehicle. In fact, seg funds are better viewed as an estate planning tool. In this way they resemble a trust more than a mutual fund. I described one strategy for using a seg fund but many more exist for many different types of situations. I would encourage anyone thinking of estate planning to consider implementing a seg fund strategy into their Life Plan.

Volatility In Technology Highlights Importance Of Selectivity —Continued

The companies with the five largest weightings in the S&P 500 at the end of August—Apple, Microsoft, Amazon.com, Facebook, and Alphabet (Google's parent company)—also fared well, contributing more than 800 basis points to the index's return over this period.

For many tech stocks with well-understood growth stories, valuation multiples based on trailing financial results or consensus estimates for the next 12 months reached levels that looked increasingly demanding. On this basis, rapidly growing enterprise software companies appeared to face especially high expectations.

Worries about valuations and the economic uncertainty stemming from the coronavirus pandemic and the upcoming U.S. presidential election meant that investors often wondered how much higher prominent technology stocks could go as they climbed the proverbial wall of worry.

Huge, single-day upswings in shares of individual stocks likewise contributed to fears of a potential bubble in the tech sector and broader market. In some instances, these price moves came in response to robust quarterly earnings that surprised to the upside by a wide margin, reflecting stale earnings estimates from sell-side analysts and a dynamic environment where the coronavirus pandemic has helped to accelerate adoption of some technologies. At the same time, big moves in some popular stocks appeared to be catalyzed by questionable reasons, such as stock splits, that have little bearing on the prospects of a company's underlying business.

Now, investors are questioning the stability of these gains and how far technology stocks could fall before finding a foothold.

Focusing on Fundamentals

We understand concerns about the near-term outlook for tech stocks. However, we focus on the secular trends that we believe can create value over the long term. Especially during periods of volatility, we believe that our deep knowledge of individual companies and business models can give us an edge in identifying and striving to take advantage of compelling opportunities.

The market's recent excesses do not compare to the dot-com boom and bust of 20 years ago, when highflying tech stocks offered more flash than substance, in our view. The technology-driven changes taking place throughout the economy are widely acknowledged, even if there is debate about their durability and magnitude.

Today, the dominant online social media, e-commerce, and cloud services platforms have proved the durability of their businesses. The same goes for the software-as-a-service (SaaS) model, where customers benefit from increased flexibility and lower IT infrastructure and support costs, thanks to cloud-based delivery of these solutions. Meanwhile, the SaaS providers themselves have enjoyed steadier cash flows compared with the pattern of feast and famine that came with selling packaged software under perpetual licenses.

The coronavirus pandemic has accelerated adoption of e-commerce, both in established categories and in large markets, such as food and beverages, that had been underpenetrated—a shift in consumer behavior that we believe has staying power in the U.S. and international markets. This strength has filtered through to the targeted advertising provided by large social media companies; in our view, the resilient demand among direct-response advertisers suggests that these online platforms could capture a greater share of marketing budgets during the recovery.

Over the longer term, we see the potential for enterprises to accelerate their transition to the cloud as they seek to improve business continuity, unlock efficiencies, and enhance their competitiveness. We view the semiconductor industry as another area of longer-term opportunity, as the digitalization of the economy should drive increasing demand for advanced chips in data centers, artificial intelligence, automobiles, and industrial end markets.

The Case for Active Management in the Technology Sector

An actively managed portfolio is not a panacea against volatility in technology stocks, but we believe that our global research capabilities can give us a leg up in identifying stocks with potentially compelling risk/reward profiles and aiming to take advantage of near-term dislocations in the market.

In the software industry, for example, short-term valuations have tended toward the high side in recent years, reflecting the appeal of the SaaS business model and the potential for compelling growth as innovative companies take share from legacy providers and benefit as enterprises embrace the cloud.

We are cognizant that elevated valuations reflect high expectations and can exaggerate moves to the downside when the company in question reports an earnings hiccup or short-term regime shifts favor cyclical industries over secular growers.

Volatility In Technology Highlights Importance Of Selectivity —Continued

But not all software companies are created equal, even if they trade at the same enterprise value (equity plus debt) to sales and have been growing their revenue at a similar rate. In these instances, we believe our bottom-up approach and deep knowledge of individual business models and industry dynamics can provide us with an edge in identifying instances where the market might not appreciate the durability of its core business, the potential for second and third acts to enhance its growth story, or its prospects for margin expansion.

WHAT WE'RE WATCHING NEXT

The coronavirus pandemic has pulled forward significant demand in areas such as e-commerce and cloud-based software, raising questions about the sustainability of these trends and the risk that this near-term tailwind creates a high bar of expectations for next year. We constantly reevaluate the durability of our holdings' and potential investments' growth stories as we seek to lean into areas where our differentiated views give us conviction while aiming to avoid impostors whose growth prospects may not prove as durable.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

DISCLAIMER

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

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

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

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

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.

All non-mutual fund related business conducted by **Kleinburg Private Wealth Management** is not in the capacity of an employee or agent of Carte Wealth Management Inc. Non-mutual fund related business includes, without limitation, advising in or selling any type of insurance product, advising in or selling any type of mortgage service, estate and tax planning or tax return preparation. Accordingly, Carte Wealth Management Inc. is not liable and/or responsible for any non-mutual fund related business conducted by **Kleinburg Private Wealth Management**. Such non-mutual fund related business conducted by Kleinburg Private Wealth Management alone.

Mutual funds and Exempt Market products provided through Carte Wealth Management Inc.

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