

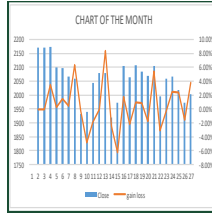
“The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty.” - Winston Churchill



**Sergio Simone**  
EDITORIAL  
COMMENT



**Kristina De Souza**  
PROTECT THROUGH  
A TRUSTED CONTACT  
PERSON



THE IMPACT OF  
COVID-19 ON  
INFLATION  
MEASUREMENT



**Ryan Simone, CLU, CHS**  
THE VIX, A GAME OF  
PROBABILITIES

### Editorial Comment

#### The U.S. elections are over! Maybe!



Sergio Simone

Donald Trump is contesting the results and a legal battle is emerging though it appears that Joe Biden is the 46th President of the United States and this conclusion is unlikely to change. Historically, elections have a limited long-term effect on the markets and whatever impact they have, in hindsight, has been difficult to predict.

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### Protect Through A Trusted Contact Person



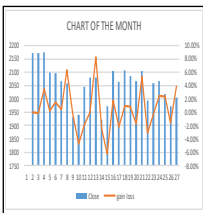
Kristina De Souza

Staying protected and out of harms way is top of mind in the challenging times we are currently facing. As financial professionals, it is our life’s work to collaborate with our clients and assist them in achieving their unique financial goals.

The population is ageing, with life expectancy on the rise thanks to advances in healthcare, among other factors.

[Continue Reading](#)

### The Impact of COVID-19 On Inflation Measurement



Lockdowns, working from home, and physical distancing caused people to spend larger shares of their household budgets on food and housing, while fewer people bought nonessentials, like airline tickets and clothing. And with incomes down as millions have lost their jobs, spending on nonessential items will likely remain depressed.

[Continue Reading](#)

### The VIX, A Game Of Probabilities



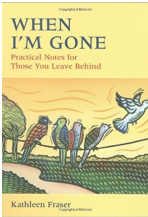
Ryan Simone, CLU, CHS

I believe the investment “business” is more like a game than a business. It is a game of probabilities. We use historical precedent as a tool to increase the probability of an event occurring in the future. Oftentimes, when viewed with a short-term lens these prognostications may appear outlandish.

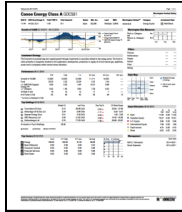
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BOOK OF THE MONTH



FUND OF THE MONTH  
MANULIFE GLOBAL  
SMALL CAP



INVESTMENT  
TERMINOLOGY

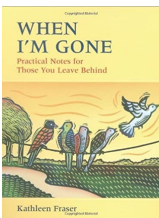


BLOG OF THE MONTH  
ALL ABOUT ESTATES

**BOOK OF THE MONTH**

**WHEN I'M GONE**

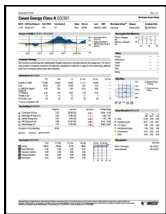
- by Kathleen Fraser



All too often, parents, mates or other family members die or go away suddenly without leaving important banking information, house and car maintenance records, PIN numbers, the location of keys, codes, phone numbers, addresses and so much more. Everyone wants to be more methodical in keeping such records and instructions, and Fraser provides the guidebook to make it easy for those left behind.

**FUND OF THE MONTH**

**MANULIFE GLOBAL SMALL CAP**



The Fund seeks to provide above average long-term returns by investing in securities of global, small-cap companies. The Fund is primarily invested in equity securities of companies located around the world. The amount invested in any one country varies depending upon the economic, investment, and market outlook and opportunities in each area. The Fund may also invest in treasury bills or short-term investments.

**Excess Liquidity**



Let's first look at what we mean by liquidity and the role of the central bank in providing it. Healthy banks may hold long-term assets, such as house mortgages, but face very short-term calls to pay out on liabilities – money out of ATMs, for example. Banks also need liquidity to fulfill. One place that solvent banks can turn to for such short-term liquidity is the central bank. All liquidity available in the banking system that exceeds the needs of banks is called excess liquidity.



**BLOG OF THE MONTH**

**PICK YOUR '3 C's'**

By Audrey Miller

I first introduced my 3'C's in a blog at @allaboutestates which addressed living options and ways to consider what care settings. Some of you may recall that my 3 C's are: Care, Cost, Choice.

I am reposting this article as it continues to be an excellent guide in helping families explore residential options.

There are more and more retirement residence being built and navigating the maze of assisted living, retirement, and long term care homes can be a full time job. As a Geriatric Care Manager, I am often asked by families to help them understand the differences between retirement settings and long term care facilities and how to choose the best one for their loved ones.

[Continue Reading](#)



## PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

### BUSINESS INSIDER

#### [HOW BILLIONAIRES SAW THEIR NET WORTH INCREASE BY HALF A TRILLION DOLLARS DURING PANDEMIC](#)

- 40 million Americans filed for unemployment during the pandemic, but billionaires saw their net worth increase by half a trillion dollars
- This isn't the first time billionaires have seen gains while others dealt with loss, and it tends to tie back to two things. First, the government disproportionately gives more aid to larger companies



#### [RESEARCH REVEALS HNW INVESTORS' MOTIVATIONS](#)

New research reveals that wealthy investors may have fundamentally different motivations and beliefs about investing than less affluent clients do.

A research paper from a pair of academics — James Choi, finance professor at Yale University's School of Management, and Adriana Robertson, head of research and policy at the University of Toronto's Capital Markets Institute — provides rare empirical insight into the investing attitudes of the wealthy.

The research, published in October by the U.S. National Bureau of Economic Research (NBER), examines what drives investors' decisions. ([Link to research paper](#))



Wealth Management

#### [ESTATE PLANNING](#)

A common misconception is that only the wealthy need to concern themselves with estate planning. This misconception can result in significant unnecessary costs to your estate and additional burdens for survivors. In fact, just about everyone can benefit from the development of an estate plan. Young or old, wealthy or middle class, an estate plan can reduce the taxes and expenses of an estate, simplify and speed the transition of assets to your beneficiaries and ensure that beneficiaries are protected.



#### [SERVING THE HIGH NET WORTH INVESTOR](#)

Accenture surveyed 1,200 individuals across seven European markets to help wealth management firms understand how investors are managing their finances digitally. This paper, the second in a threepart series, addresses the unique characteristics and needs of the high net worth individuals surveyed, and the opportunities presented for institutions through these investors' use of digital technology.

FUND MANAGER COMMENTARY



ROBERT VANDERHOOF  
TD ASSET  
MANAGEMENT



David W. Rolley  
LOOMIS, SAYLES  
& COMPANY, LP



ERIC LASCELLES  
RBC GLOBAL ASSET  
MANAGEMENT



TODD MATTINA  
MACKENZIE  
INVESTMENTS

**Robert Vanderhoof, CIO, TDAM**



**TD Asset Management**

**Donald Possibly Trumped**

**Joe Biden Tentatively Wins the 2020 U.S. Presidential Election**

[Continue Reading](#)

**David W. Rolley, VP & Portfolio Manager**



**Loomis, Sayles & Company, L.P.**

Following is an interview with David Rolley, who is co-team leader of the global fixed income team at Loomis, Sayles & Company. With 40 years of investment industry experience, David offers a very insightful perspective on fixed income.

**What are your thoughts on the election results thus far, and their possible impact on the fixed income markets?**

[Continue Reading](#)

**Eric Lascelles, Chief Economist**

**RBC Global Asset Management**



In an eventful week for stock markets, vaccine developments around the world enter their phase 3 trials and Biden is announced the President-elect. Chief Economist Eric Lascelles shares his thoughts on the consequent stock rally and policy implications on economic growth, as well as provides an updated fiscal outlook.

[Continue Reading](#)

**Todd Mattina, Chief Economist, Portfolio Manager**

**Mackenzie Investments**

**Markets Rally On A Split Congress**



- Joe Biden has been elected President and Democrats have about a one-in-four chance of gaining control of the Senate in January based on betting odds.
- A Covid-related fiscal stimulus is still plausible in the near term, though potentially smaller and more dependent on economic developments with the news of an effective vaccine. However, a watered-down version of the Democratic stimulus proposal would still be a boon to aggregate demand.
- We think that a divided Congress will allow the new White House to pass some beneficial policies, while warding off less friendly ones for long-term economic growth.

[Continue Reading](#)

KPW LIFE PLAN—IMAGINE YOUR FUTURE

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LINKS

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[What Biden With A Republican Senate Would Mean For Emerging Markets](#)

It is arguably the best news since

[Expect Volatility As We Await Presidential, Senate Outcome](#)

President Trump has exceeded expectations and polling predict

[Europe's Second Wave To Infect Global Recovery](#)

Renewed lockdowns in Europe in response to the second wave of Covid-19 will weigh on the global

[UK Unprepared For Brexit Even If New Trade Deal Is Agreed](#)

UK government authorities and businesses will not be prepared

[Ranks Of Long-term Unemployed Swell Even As Economy Added 84,000 Jobs In October](#)

Nearly one-quarter of Canada's

[Bank Of England Official Says Negative Interest Rates Have Worked In Europe](#)

A Bank of England official said in

[U.K. Toughens Takeover Rules Over Security Concerns](#)

Boris Johnson will announce the biggest overhaul of British takeover law for two decades to

[Joe Biden Constrained: How Wall Street Positioned For Divided US Government](#)

Shock, patience and a rethink in

[EU Warns No Return To Pre-Crisis Economy Before 2023](#)

A second wave of the coronavirus pandemic has stalled a nascent



[READY AND RESILIENT: INSURANCE STRATEGY FOR A COVID-19 WORLD](#)

With the arrival of the COVID-19 pandemic, insurance companies found themselves in the center of the storm. In a matter of hours and days (not weeks), many carriers had to make their entire operations remote.



[ROADBLOCK TO RECOVERY](#)

Since 1991, rising household debt loads have placed a growing burden on Canadian families and, over time, have created increased risks for Canada's economy. By 2018, the Governor of the Bank of Canada had noted that high debt levels had left individuals and the economy in a vulnerable position. The COVID-19 pandemic and the subsequent economic lockdown has since resulted in job loss or reduced earnings for over 5.5 million Canadians, affecting their ability to meet their financial obligations – particularly those earning lower wages, visible minorities and Indigenous Peoples.

VIDEO LINKS

[Biden Election is 'Good News' For The Global Economy](#)

"First of all, it means re-engaging from the United States. Re-emphasizing

[Europe Could be Facing A Double Dip Recession](#)

Overheated technology stocks and U.S. election uncertainty are near-term headwinds, but positive

[Economy Needs Help Despite Vaccine News, Top Central Bankers say](#)

Three of the globe's top central bankers said the economy



[CASHLESS WORLD SIGNALS A GLOBAL END TO PRIVACY](#)

Countries are moving to digital currencies at lightning speed. This is the future of money. Digital currencies will replace cash on an ASAP agenda. We are witnessing Europe, Canada, Asia, and even China all moving toward this new digital world for (1) total control, (2) taxes, (3) to track everyone and every transaction. We have been witnessing world leaders, including Trudeau, eager to see the fall of Trump because he has stood in opposition to this movement.

Even China has begun trials of a new digital Yuan. They have already outlawed Bitcoin. You are witnessing the same unfolding in Europe.

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**EDITORIAL COMMENT - CONTINUED**

The 2020 election, however, has stood out on a number of fronts, given the extremely different economic and social policies of the candidates and their parties, and the unusually high voter turnout.

After the intense campaigning and the drama surrounding the voting procedures and outcomes, I came away with a few points. First, the Polls were wrong! Pre-election polls were, almost unanimously, calling for a “Blue Wave” of wins for the Democrats. They were supposed to win the White House, retain the House of Representatives, and win the Senate. As I write this, the presidency remains up in the air, but it appears the Republicans will hold on to their Senate majority at this stage, though even this remains uncertain as two Senate seats in Georgia still have to hold a runoff election. If both these seats go to the Democrats, there will be a 50-50 tie in the Senate and Vice-President elect Kamala Harris will be the deciding vote.

Second, the markets did not seem to mind the idea of a Blue Wave. Ahead of the election, the market appeared to price in a Blue Wave scenario and produced some hefty gains in the days leading up to the November 3rd election. Even with a contested election, the post-election markets suggest a positive view of the divided government, potentially with a Democratic White House constrained by a Republican Senate.

Third, the Federal Reserve does matter and in fact, I would suggest it now matters more than ever. With limits expected on the size of a fiscal policy stimulus, the Federal Reserve is expected to continue to aggressively pursue reducing unemployment and normalizing inflation.

While investors are in the process of trying to figure out the meaning of the U.S. presidential election, rising COVID-19 cases, and the prospects for additional policy support on their investments, I believe, when the dust settles, Joe Biden will win the presidency, but the Republicans will maintain their Senate majority. This “divided” government will likely be the most market-friendly of the three potential outcomes as Joe Biden will likely be far more collaborative and less chaotic than Donald Trump has been as president and the Republican controlled Senate would likely be more bipartisanship which would be a necessity to get any legislation passed. A Republican Senate majority would put the brakes on any proposed increased to corporate and personal taxes, as well as tougher regulations. It should ensure that Trump’s pro-business policies stay intact and with a Biden confirmation we should expect an easing of the trade wars, which should boost global trade and corporate earnings growth.

Those two pesky Senate election runoffs in Georgia could create a potential path for a Democratic Sweep, putting Democrats in control of both houses of Congress as well as the White House. I believe this result would be less market-friendly but with a mixed impact.

Based on some estimates, the most realistic components of the Biden policy program could add \$1.5 trillion in additional federal budget deficits over the next 10 years, on top of a larger pandemic-related stimulus of about \$2 trillion in 2021-22. The plus side of all this spending is that it could lead to a 1.2 percentage point increase in the real GDP growth rate next year.

A third, and unlikely scenario, would have Donald Trump winning his court battles and maintaining the presidency, backed by a Republican Senate majority. If this outcome occurs, the result would be the status quo for economic policies.

If Joe Biden is officially inaugurated in January, we can expect a much better global trade scenario. Biden has a long history as a multilateralist so he is less likely to use executive orders to restrain trade. I would expect to see a more friendly view on trade with traditional U.S. allies. A return to trade liberalization would be bullish for global trade and growth, particularly among smaller, more open economies like Canada.

I believe a couple of significant exceptions would remain to this potential trade thaw. One of the few areas of bipartisan agreement over President Trump’s term has been the desire to confront China as a new strategic and economic rival. I also expect Biden to maintain a less friendly relationship with Russia, given his long career in Washington and his strong views on this long-standing strategic rival.

As I mentioned earlier, the Federal Reserve is likely to play a bigger role in the markets than the federal government. The Fed has issued multiple signals that it is extremely interested in maintaining an “easy money” policy, keeping credit ample and cheap across the curve, for both consumers and businesses.

Current Fed Chairman Jerome Powell would likely remain in place under Biden. He is seen as a steady hand and his continued leadership would reassure the markets.

At Kleinburg Private Wealth, we remain committed to tuning out the media noise and focusing on the long-term. To that end, we are maintaining our view that a well-diversified portfolio, exposed to various asset classes, geographies and currencies is the solid foundation that will lead to positive long-term results.

**EDITORIAL COMMENT - CONTINUED**

Like timing the markets, it is a difficult task to capitalize on political risk events. The problem is twofold with elections. You must first get the election results right and then you need to be right about the way the market will respond to those results.

We believe our approach to overweighting in higher probability outcomes and reducing exposure to lower probability outcomes, will continue to create extraordinary returns. As a result, we continue to favor a pro-growth skewed asset mix. We continue to overweight equities relative to fixed income. Within the equities, we continue to overweight the U.S. and to a lesser extent International exposure. I believe the global economy has turned the corner for the better. We are extremely underweighted in fixed income, especially government bonds. Our Canadian exposure also continues to be underweighted for the time being.

The renewed surge in COVID-19 infections is causing me some concern on the immediate economic outlook and is my primary downside risk concern for 2021's economic growth estimates. An offset to this may be that we have been living with the virus for almost a year now and we have learned how to better cope with it. Therapeutics have also improved which is going a long way to healing those infected. I also believe that a stimulus package will soon become a reality.

What does give me a lot of hope for a great year ahead is that the world's policymakers have already entered their most expansive period in history. Interest rates are hovering around 0% by all the major central banks and the size of their balance sheets have exploded higher in response to unprecedented asset purchase programs, and governments around the globe are running record or near record fiscal deficits. These collective efforts have even overshadowed what the policy authorities did during the 2008 financial crisis.

I believe there is more support to come. Policymakers are committed to stimulating the economy and I see nothing on the horizon to change this.

## **Protect Through a Trusted Contact Person —Continued**

Although this challenge has been an issue in our industry for some time, it is becoming increasingly prevalent now that the core of many advisors' businesses is seniors.

Although unimaginable in every sense, it is especially disheartening to learn that one of the most common forms of elder abuse is financial in nature. These concerning statistics are taking place right in our own backyard, as research shows that each year hundreds of thousands of Canadians face this type of abuse in some form or another.

On the bright side, our industry is catching on and has recently been approached by the Canadian Securities Administrators who have recommended that we attain the name of a "trusted contact person" (TCP) that we can get in touch with if we have concerns about a client's financial exploitation or diminished mental capacity.

As our clients well being is our top priority, it is with no hesitation that we are adopting our own procedures regarding the Trusted Contact Person; this is a proposal we embraced with open arms. Designating a TCP for us to connect with, such as a family member or close friend, provides an extra layer of protection in ensuring our clients best interests are upheld.

Although we should also have them on record, it is important to note that the TCP is distinctly different from a Power of Attorney (POA); who has authority to make financial decisions on your behalf under certain circumstances, such as incapacity. The key difference is that the TCP should have absolutely no interest in or involvement in making financial decisions, but rather, is someone an advisor can reach out to if he or she feels the behaviour of a POA is questionable.

What the POA and TCP do have in common, is they should both be trusted individuals whom you are confident will keep your best interest as their top priority. We recommend that careful thought and consideration be given to which individual you will delegate as your TCP and how they would fit the role. Consider whether they would have an open mind when concerns arise, and in turn how you would react to their concern with your financial decisions or memory issues.

Its critical for a TCP to understand exactly what the role entails, which is to offer protection to a financially vulnerable individual, either because of age-related mental health issues or because of people in their life attempting to take advantage.

On the flip side, the role of TCP does not necessitate making decisions or removing control of ones' financial affairs. Equally as important to note is that the TCP role does not permit an advisor to share personal financial information with them unless prior permission is granted separately to do so.

Unfortunately, elder abuse is a sad reality for too many Canadian seniors. For those who are vulnerable to financial fraud and age-related mental health issues, having a Trusted Contact person is highly recommended. However, it is also our view that this can be a valuable additional layer of protection that can benefit everyone.

Designating a TCP is not only one of the ways to safeguard hard earned assets, but it is a vital part of sound financial planning. We, as trusted advisors who pride ourselves on robust and longstanding relationships with our clients, are in an ideal position to see changes in financial behaviour that may be indicative of a problem. By having TCP in place, we will have someone reliable to reach out to as a first step in addressing a potential issue.

We urge you to start considering your options for a TCP and look forward to taking this simple, yet vitally important step towards financial security and peace of mind for our clients.



## The VIX, A Game of Probabilities —Continued

Yet when you look at the success of investors like Warren Buffet, who has amassed a fortune of nearly US\$79 billion, it would benefit us to learn from his philosophies, and one of Buffet's most famous quotes is a philosophy worth paying attention to.

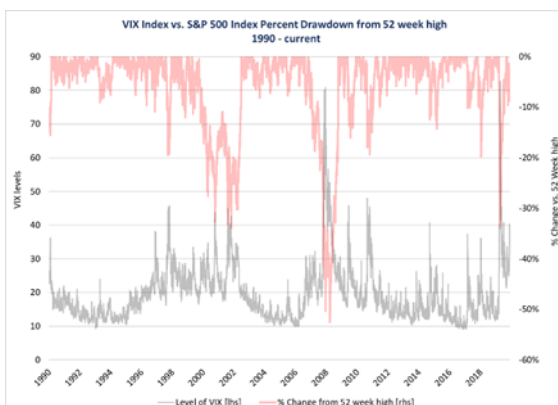
"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." In our hearts, as investors we know this statement to be true, but it is often the most difficult philosophy to turn into action. So, we look for other signals to fortify this investment philosophy. One that I have found worth watching and referring to in the past has been the CBOE Volatility Index (VIX Index). Although I have written about the VIX in the past, I believe now is a good time to remind us that this is a signal that deserves special attention.



<https://www.macrotrends.net/2603/vix-volatility-index-historical-chart>

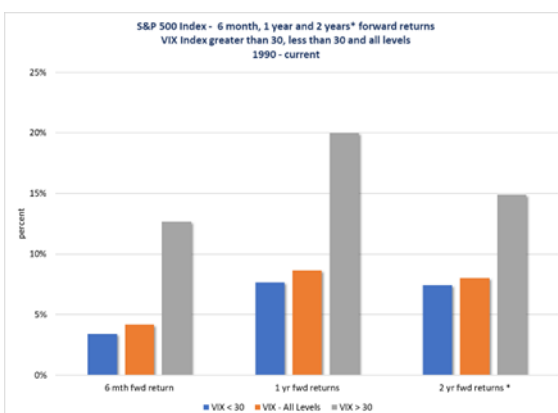
Based on historical information, when the VIX Index breaks above 30 it has marked an inflection point for corrections or bear markets. The following VIX chart goes back to 1990. The current VIX index as at November 13, 2020 is hovering around 23.10. During the last week of October, the VIX broke above 30 which gave us cause to look a little deeper into the VIX Index to see what further insights it offered.

The VIX index measures the expectation of stock market volatility over the next 30 days implied by S&P 500 index options. It has affectionately become known as the "fear gauge" by investors and analysts who follow this index. Since 1990, the VIX has averaged approximately 19 while a measure above 30 indicates an aversion to riskier assets, including equities. Many believe the VIX above 30 provides clues in terms of forward expectations.



Source: Manulife Investment Management, Bloomberg. As of October

This chart contrasts the VIX Index with the percent drawdown from the 52-week high for the S&P 500 since 1990. It is readily apparent that the spikes in the VIX (grey line) often occur during the downside volatility in the S&P 500 (red line). Another observation is that when the level of the VIX rises above 30, the drawdown is approaching its conclusion.



Source: Manulife Investment Management, Bloomberg. As of October

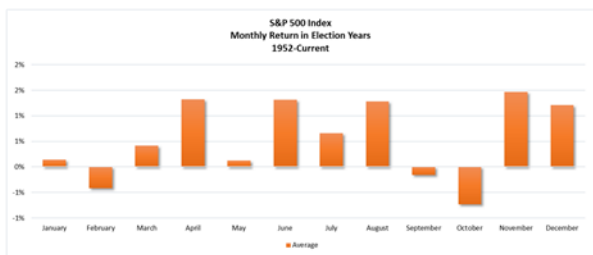
The following table contrasts 6-month, 1 year and 2-year annualized returns for the S&P 500 Index since 1990 in all periods, periods when the VIX is greater than 30, and periods when the VIX is less than 30. History would suggest, as does the inimitable Warren Buffet, that investors can improve their returns by becoming greedy and embracing risk when others are fearful and selling.

A VIX level greater than 30 isn't a guarantee that positive returns are coming, but it does increase the odds in our favor. As I mentioned earlier, investing is a probability-based exercise and as the table below illustrates, when the VIX Index is greater than 30, the odds of a positive return in the future are greater than in other periods.

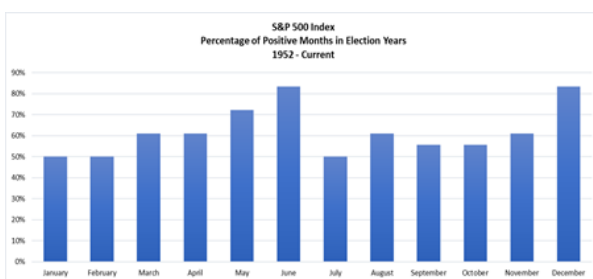
Although a reading of 30 on the VIX Index doesn't always result in a positive forward return, most times investors who embrace risk assets when others are selling in panic have earned above-average positive returns in the future.

**The VIX, A Game of Probabilities—Continued**

Now that the election and the crazy volatility it brought is behind us, and the VIX above 30 as witnessed in the last week of October is quickly becoming a faint memory, we can breathe a sigh of relief.



We believe the market, having climbed the wall of worry, are now looking ahead, somewhat more optimistically to the continuing economic and earnings recovery. After typical September and October seasonality, we are looking forward to a greater probability of a strong November and December for the S&P 500 Index.



If we once again use history as a gauge, we can see that monthly returns following elections since 1952 has produced the highest average monthly returns in November, followed by the highest occurrence of positive returns in the year in December.

Source: Manulife Investment Management, Bloomberg. As of October 31,

positive returns in the year in December.

I will leave you with one last thought. Since 1990, 85% of the time the VIX closed above 30 the S&P 500 Index was higher 6 months later and fell by more than 10% only 4% of the time.

Happy Investing!

**Robert Vanderhooff — Continued**

**AT A GLANCE**

- Joe Biden has, tentatively, won the 2020 U.S. Presidential Election, however, the results have been contested by current President Donald Trump
  - If the results are upheld, we still may not know until January whether Congress will remain split. A split Congress would likely mean gridlock for Biden in the form of significant hurdles to policy achievement and a reliance on executive orders during his term
  - It is expected that this would be good news from the standpoint of market volatility, and we would not anticipate a dramatic negative market reaction despite Democrats controlling the White House
  - We don't believe that positioning portfolios based upon election outcomes is a sustainable investment approach and, as always, have sought to position portfolios to minimize potential negative impacts while also seeking long term opportunities to benefit from attractive valuations, possible market overreactions and the economic impact of policy changes

The U.S. public has "tentatively" declared they will be "ridin' with Biden" as Joe Biden appears to have won the 2020 U.S. Presidential election. One of the most intense, and often hostile, U.S. presidential election campaign seasons finally appears to have come to a close with a Joe Biden win, however, current U.S President Donald Trump, has contested the results. If Biden does eventually take over from a sitting Republican President, we expect that in large measure the status quo will be maintained, particularly as the Republicans likely have retained control of the Senate, ensuring a continuation of the current "divided" government (more on this in a bit). Biden will undoubtedly want to make some policy changes, but the big question for investors is, will he have the power to do so and how will they impact markets?

**A contested result - short-term volatility**

Markets abhor uncertainty and any significant delays to the final results due to Trump's challenge would likely lead to market turbulence. It is possible that the market could be in store for an extended period of uncertainty until the outcome is resolved. In 2000, the Presidential win hinged on the results of a single state (Florida) during a period of much less partisan division; and the markets sold off 8%. This time around, we would expect a sell-off in the 5-15% range. However, investors have been well aware of the risk of a contested result and had already begun to price it in.

**If the Biden win becomes official, what does it mean for markets?**

Overall, if the Biden win holds and Congress does remain split, this should be good news from a market volatility standpoint, and we at TD Asset Management Inc. (TDAM) do not anticipate a dramatic negative market reaction despite Democrats now controlling the White House. Several months of polling strongly predicted a Biden win and the market has had ample opportunity to adjust in advance.

Granted that while Biden's higher tax plan could hinder domestic profitability (with some forecasts suggesting a -12% impact on corporate earnings), his less restrictive immigration policies and globalist approach to trade could increase and diversify the labour market and reduce trade barriers respectively, while contributing to a more balanced expansion of the global economy. A Biden administration would also look to implement changes that benefit environmental sustainability. "Greening of the economy", a Biden focus, would seek U.S. re-entry into the Paris Agreement. His administration would also likely commit to spending approximately \$2 trillion over four years on a green energy plan. The plan includes infrastructure initiatives that cover higher efficiency buildings, sustainable housing and agriculture and carbon free power infrastructure, possibly creating jobs in these emerging sectors of the economy.

**Senate Control: The More Important Election?**

While the Presidential race garners the lion's share of election coverage, we can't overlook the importance of the House of Representatives and Senate seats which comprise Congress and were also up for grabs. Policy implementation for either candidate was always going to depend on whether their affiliated party was able to capture full or partial control of Congress.

Assuming Trump's challenge fails, we still may not know until January whether Congress will remain split. A split Congress would likely mean gridlock for Biden in the form of significant hurdles to policy achievement and a reliance on executive orders.

**Robert Vanderhooff — Continued**

Cynically, this would likely be a good outcome for financial markets. Biden would effectively be a "lame duck" President, unable to enact major domestic change without significant compromise as bills would otherwise die in the Senate. There would likely be some infrastructure spend, but it would be more modest than his ambitious proposals. Foreign policy would be more coordinated with traditional allies, as opposed to unilateral tariffs and tweets, leading to less geopolitical volatility. The U.S. may also return to the bargaining table with Iran, to the detriment of oil prices. Policy volatility would decrease and as a result financial market volatility would also likely decline.

However, one thing for investors to consider is that companies and economies usually have time to adapt to change. While certain policy measures, if possible to enact, could alter the corporate landscape and impact spending, legislative changes are rarely, if ever, implemented overnight. Affected sectors of the economy will typically have months or longer to adapt to the impending changes to their industries, which should help minimize potential negative implications.

**TD Wealth Asset Allocation Committee (WAAC) Perspective**

Our investment teams don't believe that positioning portfolios based on election outcomes is a sustainable investment approach.

**David W. Rolley —Continued**

- The markets have already elected Joe Biden, but the Electoral College hasn't, so we're going to have to wait for another day or two to see how this goes.
- It looks like the market is pricing in a split government – Democratic control of the House, Republican control of the Senate, and a Biden presidency without a strong mandate.
- There was no blue wave and this was not a vote for radical new progressive policies.
- The market has clearly concluded that major tax hikes and major structural changes (e.g., to the economics of health care) are not coming.
- Some of the risk factors that might have been priced into the market have been priced back out.
- We're looking at gridlock in Congress and a small stimulus package in early 2021

**Stock markets have historically performed very well when there's gridlock in Washington. But what about the bond markets – how might they respond under this type of scenario?**

- It doesn't look like we're going to see a \$2.5 trillion stimulus package in January.
- The pandemic is at a point where we may have to start looking at dialing back our expectations in terms of the pace of the economic recovery.
- If there's going to be less in the way of fiscal stimulus, people will then turn to the Federal Reserve.
- So we might see a combination of less fiscal stimulus and more bond buying from the Federal Reserve.
  - We've already seen increased quantitative easing in a number of jurisdictions, including Australia and the U.K.

**Many are of the view that bonds are losing their ability to generate income, and have become more of a capital preservation play. What are your thoughts?**

- Capital preservation is very much a key aspect of what we do, and we currently have a higher-than-normal allocation to high-quality treasuries, including U.S. and Canadian government issues; we also have exposure to some of the Canadian provinces and banks.
- However, in the fixed-income sleeve of the IA Clarington Loomis Global Allocation Fund, we have the ability to look beyond North America, Europe and Japan, which means we have a much wider opportunity set; this allows us to construct a fixed-income portfolio with potential to drive alpha and add to the returns generated by the equity component.
- We're looking for individual security ideas that can generate more than a treasury-market return.
  - In this portfolio you'll see, for example, the government bonds of Uruguay and Paraguay, and the corporate debt of a cell phone company in Turkey.
- So there's still a large opportunity set, but you have to be very selective – more so than usual in the current environment.
- Our average credit quality in the portfolio is currently higher than normal, while maturity and average duration are lower than normal.
  - Our positioning is currently a little more defensive than usual, driven by sluggish growth, a partial recovery and extraordinary central bank liquidity provision.

**For years many have been saying the traditional 60% equity, 40% fixed-income portfolio is obsolete. What are your thoughts on this, in view of the fact that the IA Clarington Loomis Global Allocation Fund is a balanced mandate?**

- About two-thirds of the fund is allocated to a concentrated portfolio of very carefully selected equities – about 40 names.
  - So we're not buying the equity market – we're buying companies that we think have unusually good capital discipline, unusually good product and revenue prospects and therefore unusually good future cash flow generation prospects.

**David W. Rolley —Continued**

- On the fixed-income side, one reason why we're so cautious is that, if you think about what made the 60%/40% approach work, it was that most of the shocks to the system for the last 30 years were deflationary shocks, leading bonds to rally.
  - But clearly, the biggest risk going forward will be an inflationary or reflationary shock, and that will raise yields.
  - If we can dodge that oncoming trolley car and board it once it stops on the corner, we can rebuild yield back into the portfolio – but it's a bit of a dance. The idea is to not get too cautious too soon.
  - Otherwise, you're earning only a cash coupon and that's currently almost nothing. And in Europe and Japan, it's a negative number. So you don't really want to do that – you don't want to destroy investors' value while waiting for better opportunities. Hence, the more eclectic approach to this part of the portfolio

**What catalysts could snap us out of the low rate cycle?**

- I think it will ultimately be driven by successful fundamental economic management, meaning the cycle won't end with innovations on Wall Street – it will end with innovations on Main Street.
- If we see economies flourishing around the world again, then I think real yields will tend to gradually rise to reflect that. If we don't, they don't. In many ways, the low interest rate environment is a reflection of a disappointing underlying economic story.

**Do you see a near-term shift in the Federal Reserve's priorities?**

- The Federal Reserve already shifted priorities earlier this year, telling us that they want to let inflation run on the hot side before raising rates.
- This suggests the front end of the yield curve isn't going to go up anytime soon; but that doesn't mean that the back end will remain static.
  - I think steeper curves could be part of our future if the Federal Reserve is extremely patient with the inflation story.



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