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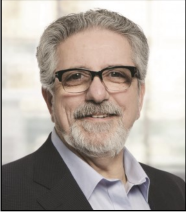
KPW LIFE PLAN—IMAGINE YOUR FUTURE

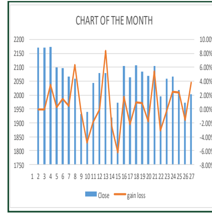
VOL. 8, ISSUE 7 JUL 2019

"THE SYSTEM IS NOT WORKING. THAT IS HOW A PARADIGM SHIFT BEGINS: THE ESTABLISHED WAY OF SEEING THE WORLD NO LONG FUNCTIONS" - *Matthew Fox*



Sergio Simone
EDITORIAL COMMENT

Kristina De Souza
COMMUTING VS MAINTAINING A PENSION



WHAT IS LEFT IN THE TOOLKIT FOR CENTRAL BANKS IN DEVELOPED MARKETS

Ryan Simone, CLU, CHS
WHAT A RECORD BREAKING EXPANSION LOOKS LIKE

Editorial Comment

Sergio Simone

Nothing stays the same forever, in life or in the investment world. Every so often there is a shift in the recognized "norm" brought on by a revolutionary new concept or idea. Sometimes this shift or paradigm can be caused by a new way of doing things that replaces older beliefs and ideologies. This paradigm shift may begin with a political or economic event or it may originate from an invention, a new business or other significant occurrence.

Continue Reading

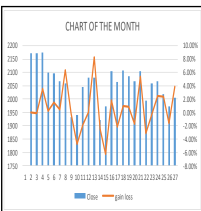
Commuting vs. Maintaining A Pension

Kristina De Souza

Let's start with the basics. A defined benefit pension plan offered by employers is one that promises to pay a predetermined monthly benefit upon retirement until death of the member or their surviving spouse/common-law partner. The benefits are determined based on several factors including years of service, average earnings; and rely on assumptions relating to lifespan retirement age, inflation and investment returns for the plan.

Continue Reading

What Is Left In The Toolkit For Central Banks In Developed Markets



Low interest rates will limit the ability of central banks to cut rates further if the economy turns pear-shaped. We examine the other options available in developed markets. A long and shallow recover since the 2008-09 Global Financial Crisis means interest rates still stand at record lows in many developed countries. The exception is the US, where the Federal Reserve (Fed) has been raising rates. But even there, rates have peaked at a lower level than many expected.

Continue Reading

Ryan Simone, CLU, CHS

What a Record Breaking Expansion Looks Like

Based on information dating back to 1857, the U.S. has officially entered into the longest economic expansionary period in its history. This expansion period started at the end of June 2009 when the Great Recession ended and now, we're in July. That's 121 months of economic expansion.

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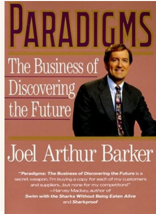
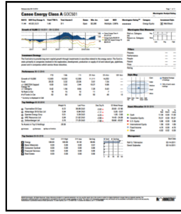
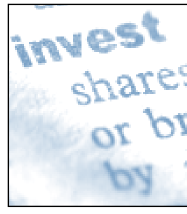


BOOK OF THE MONTH



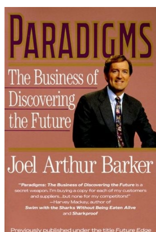
FUND OF THE MONTH MANULIFE DIVIDEND INCOME PLUS



INVESTMENT TERMINOLOGY

BLOG OF THE MONTH ARMSTRONG ECONOMICS

BOOK OF THE MONTH

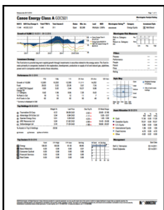


Paradigms, The Business of Discovering the Future

—By Joel Arthur Barker

Paradigms is full of concrete examples of paradigm shifts and predictions for the future, and contains a new introduction detailing recent developments and pointing out areas to watch for paradigm shifts. The Business of Discovering the Future explains how to spot paradigm shifts, how they unfold, and how to profit from them.

FUND OF THE MONTH



Manulife Dividend Income Plus

The portfolio managers believe that in order to beat the benchmark you need to be different than the benchmark. Long term outperformance can be sought by constructing portfolios with high levels of profitability while simultaneously diversifying business risks. The goal is upside potential by concentrating their best ideas and downside protection by spreading risks across different uncorrelated business models.

INVESTMENT TERMINOLOGY

FINANCIAL CRISIS

In a financial crisis, asset prices see a steep decline in value, businesses and consumers are unable to pay their debts, and financial institutions experience liquidity shortages. It is often associated with a panic or a bank run during which investors sell off assets or withdraw money from savings accounts because they fear that the value of those assets will drop if they remain in a financial institution. Other financial crisis include; stock market crash, bubbles, sovereign debt default, or a currency crises.

BLOG OF THE MONTH

Why Nobody Wants To Forecast The Business Cycle

COMMENT: It is fascinating how your work has been so accurate on forecasting the business cycle, yet you are probably the most ignored by the mainstream media. The only possible reason for this is that they are not interested in someone who can forecast the business cycle when the general belief is that governments can manipulate it.

REPLY: You are correct. They are not ready to accept that the business cycle can be forecast. That undermines politics as we know it today.

The OECD's leading indicators on the global economy are still declining with the latest numbers marking the 19th consecutive monthly decline. The global economy is at its weakest point since July 2008, and the probability of a recession is

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

SEVEN REASONS FOR AN IRREVOCABLE LIFE INSURANCE TRUST - ILIT

People buy life insurance for many reasons, and it offers some unique features that are not found in many other financial products. For example, leverage, especially in the early years of a policy, where you pay a small premium to lock in a large death benefit or the ability to time liquidity to an event (the death benefit).

An Irrevocable Life Insurance Trust (ILIT) is created to own and control a term or permanent life insurance policy or policies while the insured is alive, as well as to

Continue Reading

WHY HIGH NET-WORTH INDIVIDUALS NEED GOOD FINANCIAL ADVICE

When sizable assets are involved, going without a detailed, comprehensive plan could put your financial future at risk.

It’s a small group with big assets: Canada’s high-net-worth (HNW) and ultra-high-net-worth population numbers about 320,000 people, or roughly one per cent of the country, according to a 2014 World Wealth Report from Capgemini. This exclusive group boasts an aggregate wealth estimated at US$979 billion.

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FinancialPlanning

BIGGEST BLUNDERS MADE BY HIGH-NET-WORTH FAMILIES

A famous line in an F. Scott Fitzgerald short story declares that the very rich are different from you and me. The obvious difference: While the 99.9% strive to make a living, the 0.1% are working out what to do with the wealth they already have. Preserving and investing and donating and spending wealth is more than a full-time job and requires multiple types of expertise. Pitfalls abound, especially within families. Speak to a few family office experts, and you’ll hear the phrase “When you’ve seen one family office, you’ve seen one family office.” In other words, there’s no uniform method for handling great wealth.

Continue Reading

FINANCIAL POST

HOW THE PATTERN OF YOUR INVESTMENT RETURNS COULD QUIETLY COST YOU A FORTUNE

When it comes to understanding investment risk and return, most people get it wrong – and we can’t blame them as it can at times be very confusing.

We think this is because of a lack of transparency not only among certain asset classes but also in those factors that can influence a portfolio’s ultimate outcome. This is especially important for those in retirement drawing income from their investments as a misjudgement in risk can prove catastrophic when it comes to protecting and growing a family’s hard-earned wealth.

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FUND MANAGER COMMENTARY

MARK SCHMEHL
FIDELITY
INVESTMENTS

DAN BASTASIC
I.A. CLARINGTON
INVESTMENTS

RICHARD TURNILL
BLACKROCK I
NVESTMENTS

FRANK MULLEN
EDGEPOINT
INVESTMENTS

Mark Schmehl, Portfolio Manager

Fidelity Investments

When you look under the hood, there is no question the world economy is slowing. The question is: Does it continue to slow down and we get a recession or is the slowdown baked in and, as central banks start easing, we continue to bump along at the lower growth rate? Following is an interview Mark Schmehl did with The Globe And Mail. Continue Reading

Dan Bastasic, Senior V.P., Investments & Portfolio Manager

I.A. Clarington Investments

High Yield corporate bonds bounced back sharply in June thanks to a broad risk-on rally fueled by a more dovish Fed and a U.S.-China truce on further tariffs while talks resume. Overall yields fell to their 12-month lows while spreads also tightened but remained well off the early October lows. Higher quality credit led the rally, with BB-rated bonds outperforming Bs and CCCs. Continue Reading

Richard Turnill, Global Chief Investment Strategist

BlackRock Investments

We refresh our 2019 investment themes and take a deep dive on China, because it plays a pivotal role in our views on the global economy, markets and geopolitics. We see a narrow path ahead for risk assets to move higher. Yet rising risks could knock markets off this track. This calls for carefully balancing risk and reward in portfolios.

Continue Reading

Frank Mullen, Portfolio Manager

Edgepoint Investments

Forgetting the Forecasts

Investing in the financial markets is often a humbling experience and, so far in 2019, that has definitely been the case. Most fixed income managers have kept their focus on the dramatic decline in interest rates around the globe. Much has been said about the level of low interest rates since the Financial Crisis, but this time last year the consensus was that the economy and central banks were finally in a position to encourage interest rates to rise in North America.

At the beginning of 2019, *The Wall Street Journal* surveyed economists to predict where interest rates would be in June and December of 2019. As you can see from the graphic below, not one of them came close to predicting the dramatic decline in rates and there is no reason to believe that their forecasts will fare any better at the end of the year.

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Bank of Canada Holds Interest Rate Steady at 1.75% Citing Trade Tensions Outlook clouded by trade, central	Synthetic Identity Theft Is The Fastest Growing Financial Crime In The US A new kind of identity theft that combines stolen personal data	Demographic Pressures Facing Governments Across The Americas Population aging is taking place throughout the Americas, with the
Is The Mighty Dollar Losing Its Smile? After years of strength, the U.S. dollar could decline by as much as 8% vs. other major reserve	The Perils of Trumponomics Following two years of fiscally-induced sugar highs, the US economy is slowing rapidly as	China GDP Slump: Economy Growth Cools Further Amid US Tariff War China's economic growth sank to its lowest level in at least 26 year
The Risk Of Too Little Inflation By any account the U.S. equity market is having a stellar year. Stocks have benefited from easier financial conditions,	2019 Q3 Market Outlook: The Divergent Market Years ago, Benjamin Graham—the father of value investing and mentor to Warren Buffett	Foreign Withholding Tax: Is The Credit Always Worth It? Given Canada's relatively small share of global capital markets,

ESTATE ADMINISTRATION BASICS

This advisory provides an overview of the basics of the administration of an estate, which for many is often something of a mystery. It is designed to be helpful in particular for prospective and current executors, estate

INVESTOR STRATEGY—BACK HALF LOOKS TRICKY

Despite continuous geopolitical noise reverberating through the markets, the first half of the year was exceptional. We've witnessed one of the strongest and broadest cross-asset rallies in a decade. The market's collective consciousness took a slowing global economy in stride and instead adopted an optimistic, glasshalf-full mindset rekindled by dovish central bank rhetoric. Markets endured a mild pullback in May only to see the S&P 500 have its best June since 1955 and reached new all-time highs.

VIDEO LINKS

Bank Of Canada Keeps Rate Steady, But Gives Itself Room To Pivot The Bank of Canada isn't an outlier after all.	Powell Signals That Rate Cut Could Be Coming Soon Chairman Jerome Powell signaled that the Federal Reserve is	HSBC Monthly View Chief Market Strategist Willem Sels gives a summary of our latest thinking on the current market trends and the

2019 Global Market Outlook—Q3 Update: China Syndrome

It now looks increasingly likely that the U.S. Federal Reserve (The Fed) will cut interest rates in July and September.

A combination of Fed easing, China stimulus and trade compromise could make the recent yield-curve inversion a false signal. We will take the inversion much more seriously if it persists for a couple more months.

In Europe, the region's long-anticipated growth rebound remains just that—

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EDITORIAL COMMENT-CONTINUED

Whatever the root cause of the new paradigm ideas or concepts, the one constant factor is that the concept is so revolutionary that many people believe it will change the way our future perception of existence will be. Over the last 50 years this seems to have occurred approximately every ten years. Successful investors seem to have been able to identify and tactically navigate these paradigm shifts, usually through portfolio construction and allocation.

Paradigm shifts often occur at the point where investors believe that existing conditions will never end. I refer to these investors as the "eternal extrapolators". When big unsustainable forces are driving up the market long enough, many investors believe this is the "new status quo" and continue to buy into the market, pushing it upwards. Eventually investors seek out new ways of getting money to invest in these markets so they begin to buy on margin or borrow to access funds to invest.

Unfortunately, this can not go on forever because eventually borrowing capacity dries up while the debt service costs rise due to the artificial inflation caused by the excess funds invested in the markets. When this happens, there is a paradigm shift. Credit problems may lead to a credit crisis as we experienced in 2008, which leads to a tightening of lending and spending. This becomes a self-fulfilling dynamic that results in a market that is opposite to the prior paradigm.

In the 1950s affordable credit led to an efficient method for companies and individuals to use leverage to improve the value of their assets. Meanwhile, the strength of the U.S. dollar was dominating most debt and equity transactions. Open market principals led to capital markets that became largely self-correcting, and, as a result, minimized the need for restrictive regulations. The advent and discipline of debt coupled with the free open markets yielded unprecedented sustained economic gains. From an economic perspective, the consensus was that this new paradigm was good. Between 1956 and 1966 the Dow more than doubled surpassing 1,000 points for the first time, gaining 111 percent. And then the Bull disappeared, the Dow fell, and it took until 1980 to break 1,000 again. The takeaway is that in paradigm shifts, most investors get caught overextended doing something overly popular and then get hurt.

A new paradigm is a new way of thinking of things that replaces the old way of thinking of those same things. New paradigms in the investment arena can mean enormous profit potential as investors pile into successful revolutionary ideas. Unfortunately, new paradigms often lead investors to irrationally support these ideas based on hype rather than logic. When reality sets in, the real value of the new idea or technology may be significantly lower than the value of their stock. The Dot-Com boom that occurred between 1994 and 2000 was the beginning of the internet boom but it was also a time of extreme speculation that resulted in many investors losing unfathomable amounts of wealth.

As I stated earlier, "nothing stays the same forever" and it appears that a new paradigm shift is on the horizon, which suggests an about face on the existing paradigm. We seem to be trending towards an economic climate with a lack of regulation, an overuse of debt, and a fall of the dollar as the dominant world currency. Other factors contributing to the change are precipitated economic stability, losses, and a restructuring of economic power across the globe.

While it may be too early to identify all the characteristics of the new economic paradigm, one thing is certain and that is that there will be a destabilization in international markets. We need look no further than the ascendency of new production and consumer markets, such as in Eastern Europe and China, the increasing attractiveness of foreign-denominated securities, an increasing demand for transparency, and the expanded role of government and regulation in the markets.

When you look around the world it is apparent that there is a desperation for change. Listen to the news or participate in social media and you can't help but notice that there is a social, economic and environmental shift occurring. There are over seven billion people on the planet which is expected to grow to approximately 10 billion by 2050. Technology is helping us improve communication, organize and learn on a global scale. Emerging economies are growing and although many will argue that the disparity between the wealthy and the poor is growing, the "global middle class" is becoming larger than ever before.

EDITORIAL COMMENT-CONTINUED

Ecologically, extreme weather events are becoming more frequent and severe, and adapting to changes in climate is now a reality of life. Demand for natural resources is increasing and leading to the degradation of the environment. Meanwhile, food and oil prices have set new records and acute debt crisis which reverberates through the global economy.

I believe that now is the time to consider and prepare for a paradigm shift. We should understand the paradigm we are in and realize that it won't last forever and then we should prepare for the new paradigm.

Since 2009 the Central Banks have lowered interest rates: Applied Quantitative Easing programs: There have been a wave of stock buybacks, mergers, acquisitions and private equity and venture capital investing that has been funded by cheap money and credit: Profit margins have grown due to automation and globalization that reduced the costs of labour and: Corporate tax cuts have increased stock prices because companies have become more profitable: There is a growing awareness of climate change and a willingness to allocate large amounts of money to it to try and control the changes.

It is not a far stretch to imagine that over the next few years that Central Banks will be unable to stimulate the economy further and that government debts will become unmanageably high which could have serious consequences if this occurs when the economy is weak; There will be enormous amounts of unfunded liabilities like pensions and healthcare costs as the baby boomers entire retirement. This will likely lead to large tax increases which will curtail spending even more leading to a recessive market; a recessive market will lead to more restrictions in obtaining debt and hurt those holding debt. The assets held via debt will have to be sold off to repay the debt leading to price devaluations.

My forecast may appear very pessimistic, but there are always opportunities in any market. I have no idea when the new paradigm will begin, but I do know that the best way to prepare for the next shift is to be aware of the changes in the economy and to maintain a well diversified portfolio.

Commuting vs. Maintaining a Pension—Continued

If a member of a defined benefit pension leaves their employer, they are fortunate enough to be faced with the tough decision of whether to keep their pension in place or take the value of the pension out of the plan (commute). Generally speaking, the commuted value is equal to the value of the pension; also known as the principle of neutrality. In other words, it is the present value of the future pension benefit. In the past, it was standard practice to leave the pension in place with the employer, relying on the fact that a stable source of income would come at a later date.

Nowadays, thanks to recent economic downturns, pensions are facing hard times. If they haven't been discontinued altogether, many face the threat of being unable to meet their future obligations. Thus, there seems to be a lot of controversy surrounding which is the better option. Given the pros and cons associated with both options, it is crucial to make an informed decision with the help of an advisor.

It can be said that there are both qualitative and quantitative factors to evaluate. On the quantitative side, with the help of an experienced advisor, a retirement projection should be created that involves the individual and their spouse. The second set of variables are qualitative, and involves the consideration of a client's personal preferences aside from just crunching the numbers. A starting point is to consider ones income and assets. Specifically, if someone is fully relying on their income to cover the cost of living in retirement, keeping the pension may be the best option.

Some people may be more comfortable knowing they will have a fixed dollar amount of income each month, one that will last until the day they (or their spouse) die(s). On the other hand, if the pension is only a piece of the income puzzle in retirement, taking the commuted value may be more beneficial.

Taking the commuted value and investing it may lead to fluctuations and/or variations in the expected values at any given time, depending on market performance. Although this may be a deterrent to some, the fact that market performance may be equal to or greater than anticipated is a valid reason to commute.

Some find comfort in pensions; especially those who are of a novice or conservative investment nature. On the other hand, for those who have achieved financial independence with a higher appetite for risk may find more comfort in investing the proceeds of the commuted value in the search for positive investment returns.

Some argue that life expectancy or spousal protection are justification for opting to keep the pension. Similarly, taking the commuted value may be more appropriate for someone with concerns for their longevity, without a spouse, or who have children at the top of their protection priority list. This is based on the fact that if you do not commute the pension, there typically are no pension assets to leave your children or grandchildren upon your death or partner's death.

For those who find it hard to budget or stay on top of their finances, the stability that a pension provides may prove its merit. It is important to know that despite its perceived benefits, opting to keep the pension in place comes at the cost of any form of flexibility. Where flexibility in income is required, such as the need to cover irregular expenses, the commuted value may be more attractive.

Please be reminded that part of the funds from the commuted value are required to be placed in a locked-in retirement account (LIRA). LIRAs have their own withdrawal restrictions, and in order to take income must be converted to a life income fund (LIF) with its own minimum and maximum withdrawal thresholds (based on age and LIF table payouts). Keep in mind that the maximum withdrawal limits may be lower than what the monthly pension benefit would have been. In Ontario, a LIRA can be converted into a LIF once the member reaches the age of 55; however, pensions may be unlocked early as a result of shortened life expectancy, becoming a non-resident of Canada, or in the case of a small dollar balance.

Taxes are a valid consideration as well. The Income Tax Act's pension income splitting rules allow income to be split up to 50% between spouses or common law partners at the time the pension is taken. Similarly, the LIRAs created by commuted funds only allow for income splitting at age 65 instead of when the pension is first taken. This factor is important to be aware of for those individuals looking to retire prior to age 65 and require income splitting.

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Commuting vs. Maintaining a Pension—Continued

On the other hand, the flexibility inherent in the commuted value allows one to make withdrawals at times that best suit their situation, to avoid interference with government benefits and income tax reduction. Keep in mind that when a pension is commuted, individuals not only receive tax-deferred assets that are transferable to a LIRA but will also likely have a portion that is taxable as income (as it is paid out). In some cases, there are member benefits attached to maintaining the pension, and in these situations keeping the pension in place is the obvious solution.

In the event that a pension plan enhances the benefits for members, only those who maintained the pension would benefit from this. While those who took the commuted value would not partake in any increased pension benefits, keep in mind that the grass may in fact be greener with their commuted value enjoying the benefits of more lucrative investment returns.

One of the most important, and relevant factors to consider in this decision is the stability of the former employer. The likelihood of bankruptcy or buy-outs can lead to the reduction or elimination of a pension altogether; one of the reasons why taking the commuted value may be better. In light of the current economic environment, many companies do not have enough assets on hand in the event that all pensioners took their commuted value. This is one factor leading to the upward trend for individuals to take the commuted value.

Companies themselves have a preference for paying commuted values for a similar reason; it reduces the number of pensioners they are liable for as they ultimately prepare for ditching these plans altogether. Despite all of the apparent risks in commuting a pension, many investors feel that the control over the pension funds that comes with commuting far outweighs any of the risks.

The answer to whether to commute or maintain a pension is that there is no one size fits all recommendation or solution, the answer relies heavily on one's unique set of circumstances. Consideration of the aforementioned factors coupled with the completion of a thorough retirement plan, should allow for an informed decision to be made.

Dan Bastasic—Continued

While gains were generally broad-based on a sector basis, energy and health care were notable laggards. The strong performance attracted inflows of US$3.7 billion, bringing full year inflows to US$12 billion while the strong demand was met with issuance of US$26 billion, the most monthly volume of the year. With a more dovish Fed and somewhat goldilocks macro environment, high yield should remain well supported through year end.

- The U.S. high yield index posted a monthly return of 2.45% in June, bringing the year-to-date total return to 10.16%.
- The YTM on U.S. high yield index decreased 50 bps during the month to 6.44%, while spreads tightened 53 bps to 406 bps.
- The Canadian high yield index gained 0.42% in June, bringing the year-to-date total return to 7.36%.
- The YTM on Canadian high yield was unchanged at 5.66%, while spreads tightened 3 bps to 385 bps.
- Canadian investment grade corporate bonds posted a return of 0.77% for the month of June, bringing the year-to-date total return to 6.84%. During the month, spreads tightened 6 bps to 119 bps while the YTM decreased 6 bps to 2.75%.

Markets: The Fed left interest rates unchanged at the June meeting but signaled a more dovish tilt which added momentum to the broad-based rally in markets, while the U.S.-China cease-fire ensured markets were in full rally mode into month end. The S&P 500 hit new all-time highs and closed the month with a total return of 7.05% while the S&P/TSX produced a more modest 2.52% return. U.S. high yield slightly outperformed U.S. investment grade with total returns of 2.45% and 2.30% respectively, while in Canada high yield lagged investment grade with total returns of 0.42% and 0.77%, respectively.

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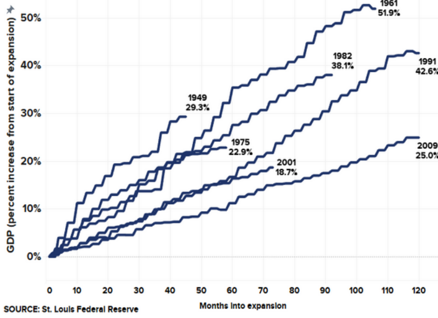
What A Record Breaking Expansion Looks Like—Continued.

The previous record of 120 months occurred from March 1991 to March 2001.

Even though this is the longest expansion in history, when using GDP as a measurement, it is also the weakest expansion the U.S. has experienced since the post-war era of the 1940s.

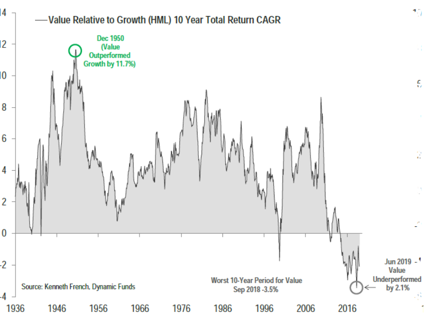
GDP growth

Even though the current economic expansion is the longest, it has not been the strongest in the post-war era. (Label indicates year expansion began)



This record setting expansion contains some unique characteristics in relation to how stocks and bonds have performed. For one, U.S. equities have experienced one of their best decades on record. Using data going as far back as the late 1800s, the S&P 500's rolling 10-year return over this last decade is among the highest percentile with an almost 15% annualize return. Along with other U.S equity benchmarks, U.S. stock have outperformed when compared to their global peers.

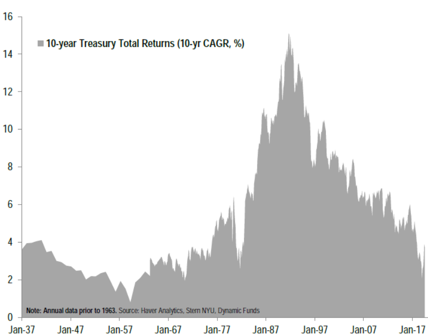
Best Period for Growth Stocks



Although it may seem like volatility is rather dramatic these days (typically higher volatility can be associated with a peak position in the economic cycle), this last decade is in fact marked as a period of shallow drawdowns and low volatility. Not only have performance returns been strong but the overall market has been relatively stable. For example, the drawdown's we've experienced over the last decade have been smaller than previous decades.

Another unique characteristic we're seeing is that value has underperformed growth. In fact, up until the last decade, long-term returns over the last 80 years favored value stocks. Today however, the most successful portfolio's will typically hold mostly growth funds.

Diminishing Bond Returns



Finally, although stocks have performed well, long-term bond returns have been weak relative to the previous decades. Long-bond returns for the 10 year treasury sits at the low end of its historical range, which isn't surprising given that yields have been so low over the past decade.

We have seen some internal weakness and evidence of slowing down in this expansion. Although the first quarter of 2019 saw a 3.2% gain in GDP, estimates for the second quarter are just 1.5% - 2%. Also, the unemployment rate has seen a significant reduction in the least decade from 10% to just 3.6% (the lowest since 1969), however, job growth has been relatively slower than during other postwar recoveries.

At this point, it really doesn't look like a recession is coming soon, not to say that it couldn't. But perhaps instead of worrying about the next recession, we should be focusing more on the downside risks of our investments so that we don't miss out on any growth that may still happen. In this way, focus should be on investments that show a history of lower than average risk and better than average returns. This would be both a cautious and productive portfolio position to take during a time so unfamiliar and unique as the one we are in now.

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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.

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Mutual funds provided through Carte Wealth Management Inc.

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