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KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 7, ISSUE 8 AUGUST 2018

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." - Peter Lynch

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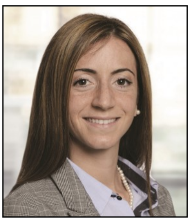
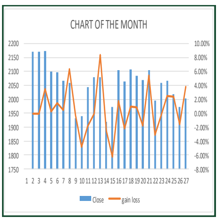
Sergio Simone
EDITORIAL COMMENT



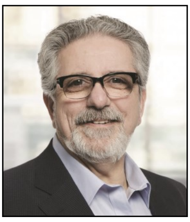
Kristina de Souza
A DEEPER LOOK INTO THE DISABILITY TAX CREDIT



A FLATTENING YIELD CURVE MATTERS

Ryan Simone
USING A TESTAMENTARY TRUST FOR AN INHERITANCE

Editorial Comment



Sergio Simone

With the markets heading towards the longest bull streak in history, many investors find themselves in a quandary of what to do with their portfolios. Some feel that the market has legs and will continue to rise while others feel that a crash is imminent. The optimists are pulling cash together and bolstering their holdings while the pessimists are selling out of equities and moving to cash. Which side is right? Time will tell, though history indicates that bull markets do not suddenly end;

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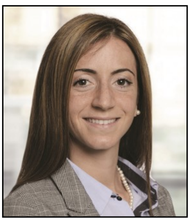
A Deeper Look Into The Disability Tax Credit



Kristina de Souza

I have touched on the Disability Tax Credit (DTC) in the past with respect to the Registered Disability Savings Plan (RDSP), but recently came across some information that made addressing the topic once again seem warranted. There are a large number of Canadians who are currently eligible for the DTC but have yet to claim it.

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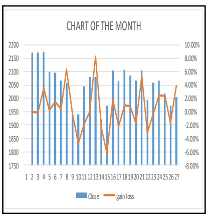
A Flattening Yield Curve Matters



Recently, the Fed has been actively discussing the ramifications of a flattening yield curve. Unfortunately, the opinions are divided. A flattening yield curve has historically been a harbinger of doom for the economy and for the indices.

One side thinks the curve will invert if the Fed continues to hike aggressively, pushing the economy into recession.

Continue Reading

Using A Testamentary Trust For An Inheritance

Ryan Simone

From a financial planning perspective, trusts are a flexible planning tool that can offer both greater control over assets as well as unique tax opportunities to individuals and families. For these reasons, a testamentary trust may be an ideal planning strategy for married or common-law partners with children who will eventually inherit their parents' assets.

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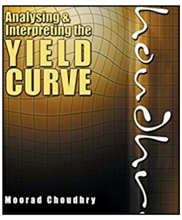


BOOK OF THE MONTH

FUND OF THE MONTH
Desjardins Overseas Equity Growth Class

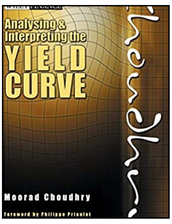
INVESTMENT TERMINOLOGY

BLOG OF THE MONTH
RETIRE HAPPY

Book of the Month

Analyzing and Interpreting the Yield Curve

By Moorad Choudhry



The yield curve is the defining indicator of the global debt capital markets, and an understanding of it is vital to the smooth running of the economy as a whole. All participants in the market, be they issuers of capital, investors or banking intermediaries, will have a need to estimate, interpret and understand the yield curve. Fund managers that accurately predict the shape and direction of the curve will consistently outperform those that do not.

Fund of the Month—Desjardins Overseas Equity Growth Class

This fund's objective is to take advantage of the growth potential of international companies in expansion. The focus is on international companies with a strong commercial image and concentrates on sectors offering high growth potential.

Investment Terminology

Yield Curve

A yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates, and it is also used to predict changes in economic output and growth. The shape of the yield curve gives an idea of future interest rate changes and economic activity.

BLOG OF THE MONTH

How Much Money Will You Spend In Retirement?

retirehappy
Make Retirement the Best Years of Your Life

How much money you need to save to retire is in part a function of how much money you will spend—and for how long.

Let's try to identify some parameters for determining your retirement budget.

According to Statistics Canada, the average Canadian household spent $62,183 in 2016 an increase of 2.8% from 2015. Statistics Canada updates its Survey of Household Spending annually and maintains historical records.

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PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

HOW INVESTING IN REAL ESTATE CAN EASILY GO SIDEWAYS

For many high-net-worth individuals, investing in real estate—whether commercial or residential—seems like a sure bet, particularly after years of double-digit price increases in hot markets such as Toronto and Vancouver.

“As long as it’s producing positive cash flow and you’re getting a reasonable capitalization rate, it’s a great investment,” says Allan Madan, the principal at Mississauga-based Madan Chartered Accountant and himself a seasoned property investor.

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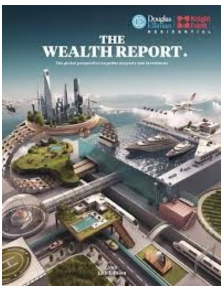
THE WEALTH REPORT 2018



In last year’s “Welcome”, I commented that the world appeared to be at a crossroads. Fast forward 12 months, and we are still waiting for strong global leadership to determine the direction of travel.

The range of events creating political turmoil is more diverse than ever: high-stakes verbal sparring between North Korea and the US; the EU’s need to help Spain navigate the Catalonian crisis and balance the growing East-West schism over migration; food security concerns; and ongoing unrest in the Middle East, to mention but a few.

Continue Reading

ALL IN THE FAMILY: THE FAMILY SHAREHOLDERS’ AGREEMENT

The family (whatever that looks like for you) is the fundamental unit of our society, and the family business a fundamental cog of our economy. Investing in both the family and the business by entering a family shareholders’ agreement, and updating it as family and business evolve, can help maintain family harmony and successfully transition the business to the next generation, at the same time. While unique—but surmountable—tax challenges apply to the family shareholders’ agreement, providing the family with as much certainty as is possible in any entrepreneurial venture, there are also some tax opportunities from which a carefully drafted family shareholders’ agreement can benefit.

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MACKENZIE Investments | CONFIDENCE IN A CHANGING WORLD

INFORMAL TRUST ACCOUNTS (“ITF”) - HOW THEY WORK (AND DON’T WORK)

Informal trusts, or ITFs as they are popularly known have been in existence for a long time in Canada. This type of account can provide a tax-efficient way to provide a savings plan for a minor child, and occasionally an adult. These accounts can be used for funding future education, protection of an inheritance, or as is often the case, tax savings for the contributing adult.

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FUND MANAGER COMMENTARY

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JEFF SUJITNO
IA CLARINGTON INVESTMENTS

PHILIP PETURSSON
MANULIFE INVESTMENTS

DRUMMOND BRODEUR
CI INVESTMENTS

JURRIEN TIMMER
FIDELITY INVESTMENTS

Jeff Sujitno, V.P. Investments, Portfolio Manager

IA Clarington Investments

WHAT ARE SOME CURRENT CHALLENGES WITHIN FIXED INCOME?

Rising credit spreads and interest rates are two key challenges. This is one of the few instances recently where we've seen both happen

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Philip Petursson, CIM, Chief Investment Strategist

Manulife Investments

I recently returned from a three day camping adventure with family and friends. It definitely wasn't a '*vacation*' as we were four young families with 7 children ranging from 1 to 7 years old! The relaxing aspect of the trip was the ability to

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Drummond Brodeur, CFA, Sr. VP and Global Strategist

Signature Global Asset Management

Global Synchronized Economic Recovery vs. U.S. Trade Tantrums—Who Wins?

Writing in the early days of July, more than halfway through 2018, it is time to take stock of how markets have behaved in the first half and what we expect to transpire in the second half.

Continue Reading

Jurrien Timmer, Director of Global Macro

Fidelity Investments

Should We Worry About The Yield Curve?

Everyone's talking about the yield curve! An interesting thing happened during a recent client roadshow: at every Q&A, someone would ask me about the yield curve—stating with absolute certainty that it will soon invert and cause a recession, as outlined in a recent *New York Times* article—and ask why I'm not more worried that the signal that has predicted every recession is about to appear again.

I'm a contrarian at heart, so when I see that even general investors are laser-focused on an impending inversion, I wonder: What are the chances that it will be either a false positive or at the very least highly premature? My guess is that the chances are decent that it will be the former, and rather high that it will be the latter.

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Managing Debt In Retirement Takes Some Planning

Owing money in retirement isn't ideal—but most people do.

Fixed-Income Drives ETF Inflows in July

Floating-rate and short-term fixed-income ETFs re-emerge as market darlings in the rising rate environment

Planning Opportunities With Alter Ego And Joint Partner Trusts

In 2001, Canada introduced two new trusts: alter ego and joint

Schwab Market Perspective: Balancing Act

Markets seem to have found a good balance between economic/ earnings growth and trade

Saudi Arabia Selling Off Canadian Assets:

Saudi Arabia's central bank and state pension funds have issued orders to eliminate new Canadian

US Economic Outlook For 2018 And Beyond

The U.S. economic outlook is healthy according to the key economic indicators. The most

Optimistic Fed Supportive of USD

The U.S. dollar's near term prospects remain good amidst a hot economy that is prompting the Fed to tighten monetary

Golden Years In The Red: The Number Of Seniors Facing Bankruptcy Is Rising

The number of American seniors

Turkey's Economic Crisis Deepens As Trump Doubles Tariffs

Turkey's unfolding economic crisis has deepened further after

Up Or Down: A Look At Where Oil Prices Could Go

Nothing is certain in the oil business—and no matter what

Young People Want To Retire By Age 60 - But Experts Warn The 'New Retirement Age Is 70

Young people are optimistic when

The State Of NAFTA And What It Means For The Loonie

In the past few weeks, Canada has taken a back seat on trade-

Economics and Strategy

NATIONAL BANK FINANCIAL MARKETS

While fundamentals remain good for the world economy, there are ominous signs that warrant caution from investors going forward. A commercial spat now threatens to evolve into a full blown trade war after the imposition of tariffs by the U.S. and retaliatory measures from affected trade partners. Even a small deceleration of trade flows could have negative repercussions on world GDP growth and hence raise the likelihood of financial stress and defaults, more so considering record levels of leverage. One source of encouragement, however, is policy stimulus which will continue to support growth. Enhanced uncertainties to the economic outlook and the persistence of low inflation should limit the extent of monetary policy tightening by central banks while governments could deliver additional fiscal stimulus to sustain growth. Continue Reading

VIDEO LINKS

Yield Curve Will Continue To Flatten But No Looming Recession, Says Pro

David Blanco, DWS Group chief investment officer for the

CPPIB CEO: We're 'Prudently Diversified' Amid Escalating Global Tensions.

Mark Machin, president and CEO

The Origins And Impact Of The US-China Trade War

China and the US are the world's two largest trading

Fidelity Canada

Fidelity Retirement Survey 2018

Your retirement is an exciting opportunity to see and experience the things you've been saving for. At Fidelity, we believe that financial advice and a customized retirement plan provide you with clarity and confidence on your retirement journey. With the right advice and a customized plan, you can make your retirement dreams a reality.

Fidelity's annual retirement survey presents insight into how Canadians near—and already in—retirement are approaching the next stage of their lives.

EDITORIAL COMMENT-CONTINUED

instead there are several corrections greater than 10% ahead of a downturn. These corrections will often initiate the downward trend which characterizes a bear market (a decline of 20% or more from the peak). The best time to prepare for a bear market is before the bull market has reached its end.

It is not uncommon for a bull market to reach its peak and begin a decline well before the business cycle reaches its peak. Remember, the market is often a barometer that anticipates which direction the business cycle takes. Fortunately, there are commonalities between a late-cycle bull market and the end stages of a business cycle. Both typically experience rising interest rates and inflation; the yield-curve will invert and stocks tend to become over-valued.

Since we are in the late stages of this bull market, should we be reducing our equity exposure? Probably not! Research shows that the final stages of a bull market can be lucrative for investors and an early exit can severely impact your portfolio over the long term. The final years of a bull market have historically created strong returns.

Focus on diversification. This may be a good time to consider globalizing your portfolios. While the U.S. began it's recovery in 2009, Europe and Japan did not begin theirs until 2014. Their respective markets have lagged the U.S. meaning that their markets could continue to rally even if the U.S. stock market turns bearish.

Our current economy is a text book case. Economic growth and inflation are picking up steam, the news about stocks is positive, the yield curve is flattening, though still positive, and the Fed is beginning to slow down this growth with interest rate hikes. Another indicator is that sector leadership typically begins to change. Since inflation is at the heart of a bull market end, inflation-hedged sectors like Materials will likely outperform. During a bear market, defensive sectors tend to hold their value more. These include Utilities, Consumer Staples, Energy and Health Care. The demand for these sectors' products and services is not as highly correlated to the economic cycle as these products and services are treated more as basic necessities for consumers.

Although history is no guarantee of the future, it can be a guide to help reduce the probability of failure. Look at what has worked in the past. Look at what sectors outperformed in the final six months of the 1990, 2000 and 2007 bull markets.

It is a no-brainer to avoid rate-sensitive positions since it is certain that the Fed will raise interest rates. Do focus on sectors that benefit from low unemployment.

Volatility often increases in the later stages of a bull market. As the volatility increases it may benefit investors to seek out larger companies with strong profits, and lastly, do not have all your money riding on stocks. Every bull market eventually runs out of steam, paving the way for the next bear market. Hope for the best but prepare for the worst.

Another item must be factored into the equation in 2018, "the Midterm Elections". Every midterm election year since 1962 has experienced a stock market correction, averaging a 19% decline. Typically, the S&P 500 has sold off early in the year, as we have so far experienced in 2018. The third quarter ends flat to slightly lower, as we seem to be experiencing right now and finally, the fourth quarter rallies. According to Wells Fargo data, since 1962 the average fourth-quarter returns for the index during midterm election years has been 7.5%

Many younger investors have not really experienced a severe market correction. The psychological fortitude required to look beyond a bear market is daunting. An investor's best philosophy should be to invest and stay invested with a plan for a long-term outcome. Markets have always bounced back and likely always will. Do not let a short term negative outlook create a long term negative conclusion. At some point the market will go down and when it does, the worst thing an investor can do is to react emotionally. Assess your risk tolerance and time horizon before investing and then make sure to invest in a well-diversified portfolio.

Research has proven that investment portfolios tend to do better when they are adjusted to the investors needs and life changes than to market predictions and forecasts. If you are a long-term investor, stay with the portfolio you have created to satisfy that need. Bull and bear markets come and go, but over a long period of time it makes very little difference in your results.

A Deeper Look Into The Disability Tax Credit—CONTINUED

It is estimated by the Canada Revenue Agency that just over half of eligible Canadians are actually claiming the DTC, leaving a significant amount of funds available to those in need on the table. Despite its name, what many people don't realize is that you do not have to be disabled to receive the credit, and upon approval, one may be entitled to a significant tax refund.

Each year, Canadians who experience difficulties with everyday activities are granted over a billion dollars' worth of tax refunds and credits by the Government. The basis for this funding is to provide financial assistance to cover added expenses for individuals who require scooters, walkers and other devices that make life more manageable or enable them to live in their own home. There appears to be great confusion or uncertainty surrounding what kind of disability one needs in order to medically qualify for the DTC. The fact of the matter is that it is not the illness or disability that matters when it comes to the DTC, it is the effect it has on ones' ability to function on a daily basis. There are some diagnoses that appear to commonly limit ones basic activities to the extent that they qualify for the DTC, including but not limited to; COPD (Chronic obstructive pulmonary disease), Osteoarthritis, spinal stenosis, Degenerative Disc Disease, Rheumatoid arthritis, Hip replacement, Back injury, Knee replacements, and so on.

Though I've mentioned some of the most common illnesses, there is a vast array of other ones that enable one to qualify for the DTC, some of which might come as a bit of a surprise. Some of these include but are not limited to vertigo, stroke, diabetes, heart disease, Alzheimer's, dementia, asthma and many more. Again, one need not be deemed disabled; what matters to the CRA is again the impact an illness has on ones' ability to function on a daily basis. For example, someone who takes an extended period of time to get dressed each day may qualify. The reason behind the impairment is essentially irrelevant, the key is to prove (from a doctor) that the activity is a struggle. Further, it must be proven that the impairment affects daily living at least 90% of the time, must have existed for at least 12 months, and is expected to persist for at least 12 months. The CRA defines the activities of daily living to include: walking, feeding yourself, dressing, hearing, and eliminating.

They state that in order to qualify medically, the impairment must restrict someone in one or more of these activities, even when using appropriate therapies, medications, and devices available. One would qualify if they either cannot walk, or if walking 100 meters takes 3 times longer than the average person. One would qualify if they either cannot feed themselves or it takes 3 times longer than most people to do so. One would qualify if they cannot dress themselves, or if it takes 3 times longer than average to do so. Qualification surrounding hearing is a bit more difficult, however, if while using hearing aids a conversation takes 3 times longer than the average person to understand, then one would qualify. Finally, one would qualify if they required an excessive amount of time to manage bowel functions, or they have an appliance/ need assistance, or spend 45 minutes a day managing the device.

Most people don't realize how large their refund can be for the DTC. Upon approval, a refund of income taxes paid by the individual, their spouse, or a supporting family member is granted. Refunds can be backdated up to 10 years, depending when the doctor confirms the condition became severe enough to qualify. Again, because the payout is a credit against income taxes paid, it is only worth applying for if income taxes were paid during the time that one experienced a severe impairment. Further to that point, because the amount is a refund of income taxes paid, the amount of the refund cannot total more in one year than the amount of taxes paid out. Regardless, qualifying individuals receive a tax credit each year to reduce the amount of taxes owed in future years; and once someone qualifies, they are eligible for the credit every year. The amount of the tax credit ranges depending on one's home province, but can be upwards of $2,400 per year. For those who apply for the DTC for a child (under age 18), the amount of the refund can be significantly higher; as they would also qualify for another significant financial benefit known as the Child Disability Benefit. As previously mentioned, should a qualifying individual or their spouse not be required to pay income taxes, the credit can be transferred to a loved one who provides them with financial support.

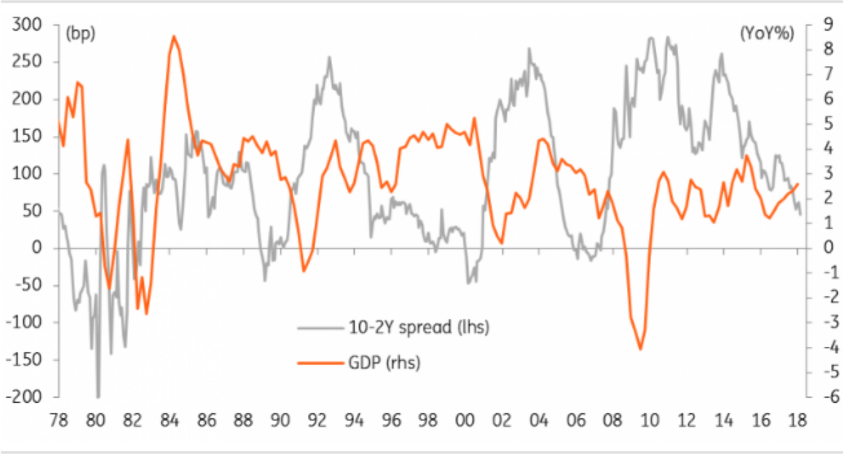
Every year the government provides hundreds of millions of dollars in tax refunds and credits to Canadians with a severe health impairment. The funds are available to those who have trouble walking, difficulty hearing, blindness or other impairments that affect their daily activities. Despite its growing popularity, the majority of the population either does not fully understand the program or is not even aware of its existence. Like most things that are worth it, qualifying for a refund with the DTC can be a complex, challenging, and time consuming undertaking. Due to the application process' difficult nature, it is not uncommon for those who apply themselves to have their application wrongfully rejected by the CRA. Due to its complex nature, it is important to seek professional assistance when applying, so please do not hesitate to contact me if you would like more information on how this program might work for you or a loved one.

A Flattening Yield Curve Matters - CONTINUED

The other side thinks that robust growth will continue to increase inflation which will push long-term rates higher and steepen the curve.

Flattening of the yield curve occurs when short-term rates rise faster than long-term rates due to central bank rate hikes. It is a normal process, but when the curve flattens too much and then inverts (when long-term rates are lower than short-term rates) it begins to cause worry among investors. As ING states, “when the yield curve has inverted previously it’s been an early warning signal of impending doom—the US has typically fallen into recession within 2 years.”

The US yield curve and GDP growth



Source: Macrobond

St. Louis Fed President James Bullard suggests we could see a negative yield curve by early next year if the Fed continues to pursue an aggressive policy of hiking interest rates. Bullard would rather the Fed take a “wait and see” approach to monetary policy, believing that there is little inflation threat in the economy.

There is no question that an inverted yield curve has historically been a powerful signal of an upcoming recession, but currently the signs of an inverted yield curve are not present.

To date, Fed Chairman Jerome Powell has not shared his opinion on this topic however, given his view that inflation will rise, we can assume he expects long-term rates to increase over time. This would steepen the curve again and negate the danger signals.

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Using A Testamentary Trust For An Inheritance—Continued.

Using a testamentary trust means parents can maintain a certain level of control over an inheritance while taking advantage of tax specific strategies available through the flexible nature of the trust. However, it is crucial that individuals incorporate the trust into their wills in such a way that when the second spouse dies there are specific instructions given to a properly named trustee.

There are many types of trusts, each suited to a family's or individual's particular goal or objective. For example, one common type of trust is an Inter-Vivos trust which is created while the settlor, who is the creator of the trust, is still alive. Popular as family trusts, they are often used for business succession planning. Alternatively, a testamentary trust is created when the settlor dies, most often through the settlor's will. This means that the last surviving spouse in a relationship would become the settlor of the testamentary trust. Other parties involved in the trust would be the trustee and beneficiary. The trustee holds the legal title to the trust and the beneficiary is the person or persons who receives the property from the trust. For example, a couple's three children may be the beneficiaries to a testamentary trust. In wealth planning, testamentary trusts have two main purposes: control of assets and tax savings.

There have been recent changes to the taxation of testamentary trusts. Prior to January 1, 2016, these trusts were taxed on a progressive or graduated basis meaning there were income splitting opportunities for the trust's beneficiaries.

The tax rules on testamentary trusts are now different. As of January 1, 2016, when a settlor dies, progressive taxation is only available in two circumstances: through a Graduate Rate Estate (GRE) or through the Qualified Disability Trust (QDT). In many cases, these two circumstances should be planning considerations for their potential tax benefits assuming an executor would be authorized to do so. For example, the GRE gives access to graduated rates of tax if an estate meets certain conditions as a testamentary trust. The main conditions include that the estate cannot exist for more than 36 months from an individual's death after which point all income earned in the estate will be taxed at the highest marginal tax rate. The estate must also designate itself as a GRE of the individual in its first T3 tax return, with no option for filing a late designation. By meeting these conditions, when the last spouse dies, assets within the trust could take advantage of income splitting opportunities. As a GRE, the trust could also opt for a non-calendar year-end which would allow the trust to utilize its 36 months of graduated tax rates over parts of four calendar years.

Like a GRE, the QDT can also take advantage of preferential tax treatment through graduated tax rates. QDT's should be considered if there is a child in the family with a physical or mental disability. To be eligible for the QDT, the trust and/or trustee must be a resident in Canada for the entire trust year and at least one of the beneficiaries to the trust must qualify for the disability tax credit.

The tax advantage of a QDT eligible testamentary trust is that it will be taxed at a graduated rate for any year in which election is filed. As such, the QDT offers an income splitting opportunity because income flowed out to a beneficiary will be taxed at the beneficiary's marginal tax rate. Moreover, income generated in the trust will maintain its character as capital gains, dividend income, or interest income. This creates flexibility when deciding how to distribute income to beneficiaries.

As with a GRE, it is important that the instructions to use this vehicle are clearly set in the will. In the will, the disabled child must be clearly named as primary beneficiary of the trust assuming he or she is eligible for the disability tax credit.

One thing to note about some trusts is the 21-year deemed disposition rule in which all assets in a testamentary trust are deemed to have been disposed of at the 21-year anniversary. Under this rule, proper planning will be needed to prepare for the potential tax outcome of this disposition. For example, this could be managed by clearly identifying which assets will be used to pay for any taxes realized upon the 21-year deemed disposition. Alternatively, the settlor could authorize the trustee to roll assets out to a beneficiary's RRSP and/or RDSP on the 21st anniversary of the trust. Although this would not eliminate any taxes, it would defer them to a later date. Insurance policies can also be used in a trust to help pay taxes at disposition. This is particularly useful when passing down property like a cottage to children.

'disconnect' from the outside world since there was limited internet access. Once I returned to civilization and turned on my phone, *'relaxing'* quickly turned to irritation as it quickly became apparent that President Trump had gone on several twitter tirades against China (threatening to impose tariffs on all of Chinese imports totaling close to $500 billion), Iran (threatening in ALL CAPS) and the Federal Reserve. Market reaction was muted for the most part, but added to the anxiety blanketing the markets when it comes to trade and geopolitical risks.

The challenge for us as Investment Strategists and for you as financial advisors is differentiating between 'speculation' and 'risk' in the current environment. Risk is easier to deal with, it's measurable and we can assign a probability to it based on history. For example, there is a risk of a negative S&P 500 return in any given year but the likelihood of a positive return on the S&P 500 Index over the next twelve months is 68% and excluding recession it is 78% when looking at data since 1929. Excluding recessions, the probability of a negative return worse than -20% over 12 months since 1929 is 1.8%, between -10% and -20% is 8% and between 0% and -10% is 11.7%.

The risk of recession is clearly the main factor when looking at market risk. When we look at our recession indicators, we believe the risk of a global recession to be less than 10% over the next year, as a result, the risk of a new dollar invested today to be negative in one year's time is very low. Although 'risk' sounds ominous, with the right perspective, risk, as in lack of, can be quite reassuring.

The challenge with 'speculation' is that it is not measurable and more often than not, speculation often results into nothing of substance. It was assumed that a Donald Trump victory would be very negative for the US stock market. However, under his first full year, the S&P 500 total return was approximately 20% and it was one of the least volatile years in the last 30! Where were you during the May 6, 2010 Flash Crash, August 2011 S&P Downgrade of US AAA Rating, May 2012 Grexit, or May 2013 Taper Tantrum? If one focused on the 'speculation' of these events as opposed to the fundamentals at that time, you would have missed out on the current bull market which will likely becoming the longest in history.

The availability of information today has created many new challenges. Not all information is good and this is no different when it relates to investing. However, we strongly believe that information relating to the holy trinity of Fundamentals, Earnings and Valuations are crucial in forecasting forward returns. Today, despite the constant negative news the holy trinity paints a positive story which is highlighted below.

We are very mindful of daily events that cause speculation, however, history has shown time and time again that those investors that focus on the fundamentals rather than speculation reap the benefits of investing, over time.

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Disclaimer

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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