Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 7, ISSUE 5 MAY 2018

"This is what corrections are supposed to do, shake investors' confidence and reset equity markets back to reality." - ***Jamie Robertson, Sr. Portfolio Mgr., Portfolio Solutions Group***

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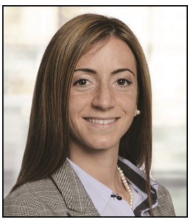
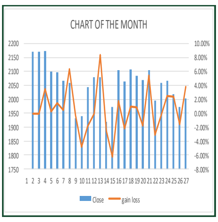
Sergio Simone
EDITORIAL COMMENT



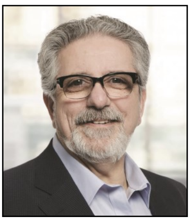
Kristina de Souza
BUILDING A CORPORATE LEGACY



STOCK/BOND MIX
A CHANGING REGIME

Ryan Simone
WHAT HAPPENS TO AN RRSP BENEFCIARY?

Editorial Comment



Sergio Simone

Recently, I was involved in a discussion with a couple of prospective investors who were concerned about the excessive volatility in the stock markets and their trepidation that we were about to enter recessionary times. These were sophisticated investors who were interested in my opinion on the subject.

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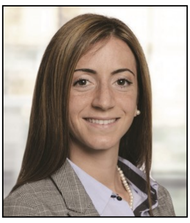
Building A Corporate Legacy



Kristina de Souza

Currently, various entities such as holding, operating, and management companies are the vehicles most often used to hold cash and investment assets that are not used in active business. Typically these assets are locked in the company and can only be paid out to the shareholders as taxable distributions, unless of course there is a credit balance that exists in a capital dividend account.

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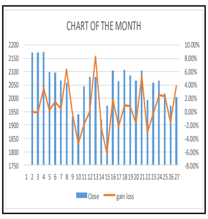
Stock/Bond Mix—A Changing Regime



At Kleinburg Private Wealth, our asset allocation strategy begins with a global macroeconomic perspective. Over the last decade the negative correlation between stocks and bonds has been one of the best diversifiers for any portfolio. Even so-called Alternative Investments have been unable to provide the same amount of diversification coupled with respectable returns.

Continue Reading

Ryan Simone

What Happens To An RRSP Beneficiary?

Since the 1970s, the RRSP has been a popular retirement planning vehicle. It was created with the intention of giving all Canadians the ability to plan for retirement. This was, and continues to be, particularly important for people who are not part of a company pension plan.

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Kleinburg Private Wealth
91 Anglewood Ct., Kleinburg, ON L0J 1C0
(905) 893-2540
info@kleinburgprivatewealth.com

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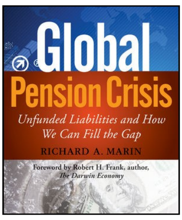


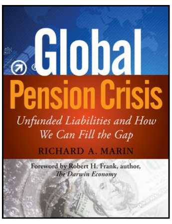
BOOK OF THE MONTH

FUND OF THE MONTH RENAISSANCE GLOBAL SCIENCE & TECH

INVESTMENT TERMINOLOGY

PRIVATE WEALTH BDO TAX BULLETIN

Book of the Month



Global Pension Crisis: Unfunded Liabilities And How We Can Fill The Gap

By Richard Martin

The Global Pension Crisis will set the tone for prosperity in the U.S., Europe, Asia and in fact, most emerging markets in years to come. Unfunded liabilities, once abstract, pose an all-too-real-threat to prosperity. Martin explains that this is not a can that can be kicked down the road any longer.

Fund of the Month—Renaissance Global Science & Tech

The Fund seeks long-term capital appreciation by investing in a diversified portfolio of global companies involved mainly in telecommunications, biotechnology, computer hardware and software, and medical services and other scientific and technology based companies. The manager continues to invest in companies with strong business models that are capable of delivering consistent double-digit earnings growth.

Investment Terminology

Momentum Investing

Momentum Investing is an investment strategy that aims to capitalize on the continuance of existing trends in the market. To participate in momentum investing, a trader takes a long position in an asset that has shown an upward trending price, or the trader short-sells a security that has been in a downtrend.

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INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

U.S. ESTATE TAX ISSUES FOR CANADIANS

Death and taxes—two sure things in life. Did you know that even if you're resident in Canada when you die, if you own U.S. property—perhaps a vacation home in Florida, a ski chalet in Idaho or U.S. securities—you may be subject to U.S. estate tax?

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FUND MANAGER COMMENTARY

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Catherine Stanley
BMO Global Asset Management

PHILIP PETURSSON
MANULIFE INVESTMENTS

JURRIEN TIMMER
FIDELITY INVESTMENTS

ERIC LASCELLES
RBC ASSET MANAGEMENT

Catherine Stanley, Director & Head of Global Small Cap

BMO Global Asset Management (EMEA)

Longstanding misperceptions about small-cap investing have many Advisors missing out on what has become a core asset class in truly diversified global portfolios. With the primary attraction of alpha, and a less appreciated diversification benefit, increasingly investors are strategically allocating to the global small cap sector.

Continue Reading

Philip Petursson, CIM, Chief Investment Strategist

Manulife Investments

This week we saw the US 10-Year Treasury Yield break above 3%. There has been a lot of discussion in the past few days and weeks for that matter, regarding the increase in yields across the US Treasury curve. More specifically, the discussion has centered around how the yield curve continues to flatten and whether that will be as it has been in the past, a signal of an oncoming recession. Continue Reading

Jurrien Timmer, Director of Global Macro

Fidelity Investments

Time For Lower Expectations

From March 2009 to January 2018 the S&P 500 gained 364%, generating a compound annual growth rate twice the historical average amid much lower volatility.

Continue Reading

Eric Lascelles—RBC Global Asset Management

Putting Recent Volatility into Perspective

After an extended period of strong performance, volatility has returned to the equity markets with the S&P 500 Index down 7.8% since January 26. Volatile markets tend to take over media headlines, so it’s important to isolate the facts that have been driving market performance to provide perspective during periods of volatility.

Eric Lascelles, Chief Economist at RBC Global Asset Management, shares the following thoughts on recent developments:

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5 Real Life Financial Risks You'll Never Find In A Textbook

Most investors know the traditional risks, but there are others that

Canadians Rank Money As Greatest Stress

More than a third (41 per cent) of Canadians rank money as their greatest stress, according to a new survey commissioned

Why Bond Markets Go Up And Down

Whether it's building infrastructure, growing a business or investing in equipment, governments and corporations often

Mortgage Rate Increases At Big Six Banks Could Trigger Rise In Qualifying Rate

Canada's Big Six banks have all

Central Bank Raises Key Metric Used To Determine Mortgage Eligibility

The bar is now higher for homebuyers to qualify for mortgages in

How To Pay Less Tax And Increase Business Value—With Universal Life

Business size matters and in

Why the U.S. Will Win a Trade War With China

When supply is plentiful, the buyer has more power than the seller. That's certainly true in the escalating trade war

BBB—Berkshire, Banks and Buffett

This past weekend was the Berkshire Hathaway Annual General Meeting. For value investors like

Why Investors Shouldn't Fear Higher Bond Yields

US 10-year Treasury yields have breached 3 per cent, heralding tougher times for bond investors.

Quirks And Foibles With Insurance Policy Loans

In part six of this series, we explored how life insurance cash values can be accessed by a policyholder through a

US Retail Sales Up Solid 0.3 PCT. In April In Hopeful Sign

U.S. retail sales rose at a solid pace in April, a sign that consume

Rising Oil Prices Boost U.S. Economy

U.S. net petroleum imports have fallen to the lowest level in more than half a century as a result of

Macquarie Investment Management—The Case For Low Volatility Investing

MACQUARIE

'Low Risk' equity strategies have gained in popularity over the last 10 years, particularly in response to the market's poor performance during the global financial crisis. Common attributes of these strategies include lower average beta than the market, lower overall portfolio volatility and lower drawdowns during negative periods of market return. They also tend to underperform in strong market conditions. However, history has shown that volatility across markets can shift quickly when investor risk perceptions change.

Continue Reading

VIDEO LINKS

The Earnings Beats Go On

With earnings season nearly done, many companies have outperformed expectations, often

Bond Investors Looking For 'Sleep Insurance,' Baird's CIO Says

Mary Ellen Stanek, discusses the flattening yield curve and that it

Ultra High Net-worth Individuals Ae Risk-On Even Amid Geopolitical Risks

Despite some geopolitical concerns, it's still a pretty good

Overdiversification

State Street Global Advisors' experts discuss their key observations and findings on overdiversification after analyzing clients' portfolios.

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EDITORIAL COMMENT-CONTINUED

The first thing I told them was that we were unlikely to see recessionary pressure for at least another year. Historically, recessions are preceded by an inverted yield curve. On average a recession tended to occur about 15 months following an inversion in the yield curve. The investors pointed out that the US 10-Year Treasury Yield had recently broken above 3% and that indications were that the yield curve would continue to flatten which seems to forewarn of an oncoming recession.

I agreed that the yield curve has historically reflected the market's sense of the economy, particularly about inflation. It is common for investors concerned about inflation to seek higher yields to offset the effect of inflation. Inflation is usually a side affect of stronger economic growth. This results in a sharply upward sloping yield curve. The opposite, an inverted yield curve, has been a reliable indicator of impending economic slumps.

It made sense that the yield curve would continue to flatten over the course of the next year and I also agreed that it will likely signal an oncoming recession. I pointed out that the flattening of the yield curve is typical for this stage in the business cycle, interest rate cycle and market cycle. This is not atypical. One of my reasons for pushing the timeline for a recession out into the future is that inflation is running below expectations despite the strong growth. This has kept a lid on long-term yields. Another reason for this could be that Pension funds and insurers have developed an insatiable appetite for long-term, high-quality bonds, which helps to drive down yields.

Historically, as the Fed raises rates to combat inflation, the yield curve shifts higher, it flattens as the short end rises faster than the long end, and eventually inverts but the majority of Fed policy makers seem to want to keep raising interest rates to balance growth and to create room to maneuver in case of an economic downturn. It will be easier to lower rates to spur the economy when there is room for rates to fall.

So, getting back to the extreme volatility: In my opinion it is a "textbook" case. Inflation has risen to its current level of 2.4% Year-Over-Year (as measured by the CPI) and, as the Fed raises rates, the trailing Price/Earnings multiple of the S&P 500 index tends to fall. Therefore, it should come as no surprise that equity markets are responding with wild fluctuations. As I have said in the past, the volatility caused by an increase in rates creates an opportunity for investors to redeploy assets into equities. One thing history has also shown us time and time again; equity markets tend to overshoot both to the upside and the downside. I expect that any decline in equity valuations will be more than offset by strong earnings growth over the course of the year.

Without fail I was asked what I thought would happen over the next year. Not to shy away from such a question, I responded that we were recommending a greater shift to equities from fixed income for the following reasons.

Although we expect inflation to accelerate towards 3% YOY, the CPI is a backward indicator. It tells us what the trend for inflation was over the last 12 months whereas we are focusing on the next 12 months as it will have more influence on the bearing the Fed will take. I believe that the CPI, which has accelerated through the first half of the year may now begin to trend lower.

If I had to relate the current economic environment to another in history, I would point to 2004. In 2004 the Fed began to tighten in response to an accelerating inflationary environment. 2004 was also a strong year for earnings growth. This growth helped offset the effects of rising interest rates and helped to deliver a total return on the S&P 500 of 10.9%.

I see great similarities to 2018. We have rising inflation, rising rates, contracting PE multiples, but ultimately a positive return for investors driven by strong earnings growth.

Building a Corporate Legacy—CONTINUED

As it stands, there is no effective way to draw these retained earnings from a company on a tax free basis. Often surplus cash and retained earnings make their way into GICs and various short term investments; with the rationale that these products offer guarantees and accessibility to cash; albeit in exchange for lower rates of return. Although active business income may enjoy preferential tax treatment (the small business tax rate), invested retained earnings and surplus earnings do not enjoy the same treatment. Instead, they qualify as passive income and as a result are taxed at top marginal tax rates. This is discerning given that the owner of a company may want to leave a legacy for heirs and/or charities but may not feel as though both are feasible options.

Interestingly enough, creating a tax-free payout to shareholders using a company's surplus profits is the basis for a strategy I recently came across. The strategy essentially enables business owners to grow passive and/or surplus profits on a tax-deferred basis. It is designed as an alternative to the company's taxable investments to provide a higher tax-free value of the business for purposes of surviving shareholders or the estate. It allows a business to utilize a tax-preferred program while simultaneously providing access to cash for business needs; all the while without taking on additional risk.

As mentioned, this strategy seeks to achieve the reduction of realized capital gains upon the death of a shareholder, by capitalizing on current tax laws. Holding companies are designed to protect the retained earnings of an operating company from possible liabilities. Generally, excess funds are moved into a holding company in order for the operating company to maintain its small business status so that it maintains a lower tax rate treatment.

Thus, a portion of the retained earnings/passive assets are invested in a Universal Life (UL) insurance policy, ultimately converting tax-exposed funds into tax-sheltered funds. This is achieved by converting corporate assets into life insurance with a low cash surrender value (enhance the death benefit).

According to the Canadian Income Tax Act, the fair market value of corporate shares before death is only reflective of the cash surrender value of corporate earned life insurance just before death. Thus, in this case the value will be quite small at life expectancy and throughout the contract's duration. Upon the death of an insured business owner, their company receives the proceeds of the policy on tax-free basis while earning a credit to its capital dividend account for the proceeds minus the adjusted cost base of the policy, and then capital dividends can be paid out to the shareholders free of tax.

Thus, at the core of this approach is the tax-free payout upon death and the minimization of the capital gains tax. In addition, it makes great use of the corporate dividend account to pay tax-free capital dividends to shareholders. This is wonderful given that when shareholders take regular dividends, personal tax rates apply. An added benefit is that owners can also use the retained earnings in the UL policy for certain strategies such as share buy backs, as loan collateral, and can even borrow or withdraw from the policy.

The key benefit of this strategy is the potential for the business owner to shelter the growth on the corporate invested assets from tax. Cash can be accessed when the need exists, such as emergencies or standard business needs. But as mentioned previously, the tax-free proceeds upon death can be used as a charitable donation or to leave a legacy for loved ones.

Ultimately, this strategy offers an effective way to withdraw funds from holding companies, while improving the estate value at death by reducing the amount of capital gains. Ideally, this strategy is most suitable for middle aged plus business owners whose companies contain large retained earnings held in any number of vehicles. It is especially useful for those who have a proven need for insurance coverage that provides key persons' access to liquid assets, for emergencies, funding for various business arrangements, loan collateral, or various liabilities.

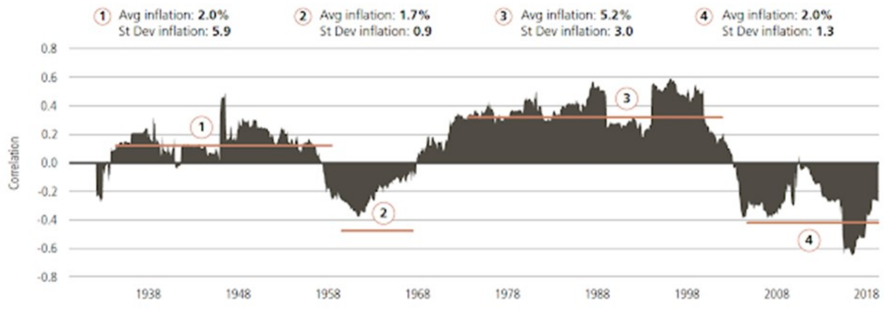
Stock/Bond Mix—A Changing Regime - CONTINUED

The question we are asking ourselves is that; “as times change and higher inflation coupled with higher inflation returns, will the regime change require us to take a different perspective on asset allocation strategies?”

In February, UBS Asset Management published a piece titled “Investment Insights”. One of their conclusions stated that “the level of inflation and the volatility of inflation have been the most influential drivers historically to the equity/bond relationship in the US.”

The historical correlation between US stocks and bonds has been both positive and negative. The initial expectation is that this correlation should be positive but a change in short-term interest rates will impact the valuations for stocks and bonds in the same direction through present valuation methods. The reality is that the key issue affecting correlation is the level of inflation and its volatility. As inflation creeps upwards, we expect that there will be a higher equity/bond correlation than we have experienced over the past decade.

Exhibit 6. Rolling 5-Year US stocks/bonds correlation (LHS) v inflation regimes (average inflation*St Dev of inflation for discrete period)



Source: Morningstar Direct, Stocks-Bonds Bills and Inflation

As inflation rises it begins to dominate the stock/bond correlation more. When inflation falls other factors come into play such as economic growth which will have a negative impact on the stock/bond correlation. When we dig deeper we find that these shifting inflation regime changes will be most closely associated with changing monetary policy. The information suggests that the combination of restrictive monetary policy in a higher volatility environment will begin shifting diversification risks to higher correlation.

Our conclusion is that we will not continue to benefit from the diversification strategy of the last decade so different strategies must be introduced into portfolios to mitigate risk and produce more even returns.

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What Happens To An RRSP Beneficiary—Continued.

If you've ever opened an RRSP, you'll probably remember having to pick a beneficiary. Often it is a spouse or child most listed as a beneficiary, but just about anyone such as siblings, cousins, or friends can also be heirs to an RRSP.

At its most basic, the beneficiary designation is straight forward: when you die, your listed beneficiary gets the proceeds from your RRSP. However, digging deeper will reveal a bigger answer to what really happens when an RRSP is transferred after death. For example, who will get taxed? Will it be the estate or the beneficiary? What about deferring this tax … can it be done?

This all comes down to the relationship between the RRSP holder and the beneficiary. This relationship can be broken down into two separate groups. In one group there are spouses and minor dependant children; in the other group is everybody else. What it boils down to is that a spouse, common law partner, or dependant child will trigger a different tax response than adult children or non-spouses.

For example, when an RRSP is transferred to a spouse or dependant child, the RRSP is taxed in the hands of the spouse or child. For everyone else, including adult children who are no longer supported by the RRSP holder, the RRSP is part of the terminal tax return and is taxed at the estate level. From there, the remaining after-tax amount is left to the beneficiary.

For the second group, there is really nothing they can do, nor need to do if the RRSP is taxed prior to receiving it. They simply receive any left-over sum with no control over the final amount. However, for the first group, spouses and dependants, it requires a little bit of planning to defer taxes and maximize the final sum.

A surviving spouse can defer taxes by transferring the RRSP into their own RRSP regardless of available room. Not only will this defer taxes until the money is withdrawn as retirement income, but it will also allow the spouse to claim a tax deduction. If the surviving spouse is older than 71, the money can be rolled-over into their RRIF. In either case, this is what's known as a tax-deferred rollover.

For children, the options are a bit more complex and depend greatly on whether the minor child has a physical or mental disability. If the child has a disability, the options for deferral expand to include and RRSP, RDSP (disability savings plan), or an annuity. As a side note, one should be careful not to transfer the entire amount into an RDSP in one lump sum. To maximize on the RDSP grants it is important to only contribute a certain amount each year. However, the money can go into an RRSP from which portions can be transferred to an RDSP on a yearly basis to maximize government grants. If the minor dependant does not have a disability, the only way to defer taxes is with a term certain to age 18 annuity. However, this works under the larger assumption that the child is not earning any significant income to trigger taxes on the annuity income.

Choosing a beneficiary can seem like the easiest part of opening an RRSP; yet the implications of this choice do require thought and careful planning.

Catherine Stanley, Commentary continued

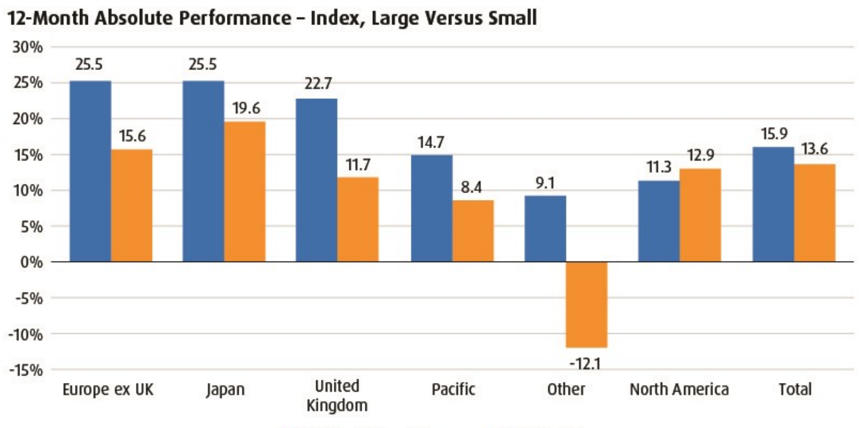
SMALLER STOCKS, BIGGER RETURNS

While larger companies are traditionally associated with less risk and greater liquidity, it's a well-established truth that smaller businesses are speedy, nimble and efficient allocators of capital. As a result of these qualities, and their initial size, small caps have historically generated *superior earnings growth* compared to their large-cap counterparts, which translates into greater share price appreciation. And contrary to the claims of critics, small-cap outperformance isn't exclusive to the U.S., the UK, or any developed market (DM) in particular – as shown below, it's a global phenomenon that has captured increasingly more attention from international investors.

For clients, the "small" in small cap leads to some mistaken preconceptions: the sector is actually a significant part of the market, representing 16.5% of the MSCI World benchmark index.[1] In fact, a key benefit of small-cap investment is enhanced diversification, with more than 5,000 companies in our universe that can range up to approximately $10 billion in size, offering different sector composition and foreign exchange exposures than large-cap companies – an important benefit amid an increasingly homogenous and volatile market environment.

The global small-cap market is also a prime breeding ground for value-add opportunities, where active managers can differentiate themselves through dedicated asset class expertise, by identifying companies whose share price does not fully reflect their intrinsic value and growth potential. Particularly during market troughs, managers that implement careful, discerning, high-quality, small-cap stock selection can add enormous value to client portfolios.

Small-Cap Outperformance: A Global Phenomenon (Large vs. Small-Cap Index)



Past performance should not be seen as an indication of future performance.

Source: BMO Global Asset Management as at 31.03.2018. © 2018 MSCI ESG Research Inc. Reproduction by permission. Figures are shown in USD. Figures subject to rounding.

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Philip Petursson, Commentary continued

To this subject our thoughts are that yes, the yield curve will continue to flatten over the course of the next year and yes, it will signal an oncoming recession. The flattening of the yield curve is typical for this stage of the business cycle, rate cycle and market cycle. Historically as the Fed raises rates in response to higher inflation the entire yield curve shifts higher, it flattens as the short end rises faster than the long end, and eventually inverts. **However, that is the wrong discussion for today.**

In our view, we believe the earliest we may start to see recessionary pressures bubble to the surface is at least 12 months away. Using data going back 40 years each recession was preceded by an inverted yield curve. However on average a recession occurred approximately 15 months following an inversion. Meanwhile, the S&P 500 Index peaked an average of 11 months following an inversion. Given that we are not yet even at an inverted yield curve, while paying attention to its shape is important, the debate about what it might mean is premature at best and pointless at worse as we believe it will, as it has in the past, indicate an oncoming recessionary environment.

So, if not the shape of the yield curve and the potential for a recession then what should we be paying attention to? Simple, it is the fact that a rising inflation environment and a rising rate environment puts downward pressure on stock market valuations. To that end we say the recent volatility in the equity market following the increase in inflation and ascent of the 10-Year yield is textbook.

Historically, as inflation rises, as it has, to its current level of 2.4% yoy (as measured by the CPI) and, as the Federal Reserve raises rates, the trailing PE multiple of the S&P 500 Index tends to fall. So, the response by the equity markets to the 10-year yield rising regardless of whether it is 2.5%, 3% or 3.5% as it may yet be, shouldn't come as a surprise to anyone. Nor should a rising interest rate environment turn investors more cautious or defensive in the near term. In fact, we believe the volatility caused by an increase in rates creates an opportunity for investors to redeploy assets into equities. This is because the equity markets tend to overshoot—to the upside and downside. We wrote about this last month in our note "Hypersensitive to External Stimuli". In this case we believe an overreaction in markets to the downside in adjusting valuation for a higher rate environment opens an opportunity to add to equities. Our expectation is that any valuation contraction will be more than offset by strong earnings growth over the course of the year.

As of March 31, 2018 we shifted our model portfolio towards 70% equities and 30% fixed income for the reasons stated above.

Here is what we expect over the remainder of 2018.

Inflation will continue to accelerate towards 3% YOY.

The Consumer Price Index is a backward-looking indicator. It tells us what the trend for inflation was over the past 12 months. Rather we would like to focus on where inflation is going in the coming 12 months as this has more bearing on the direction of the Federal Funds rate and yield curve. Our inflation model would suggest that we continue to see headline CPI accelerate through the middle of the year before the base effects take it lower by year end. However, we believe inflation will continue to accelerate through the year on wage pressure given a continued tight labour market. At the very least it would not surprise us to see CPI above 2.5% and possibly near 2.8% by the middle of summer.

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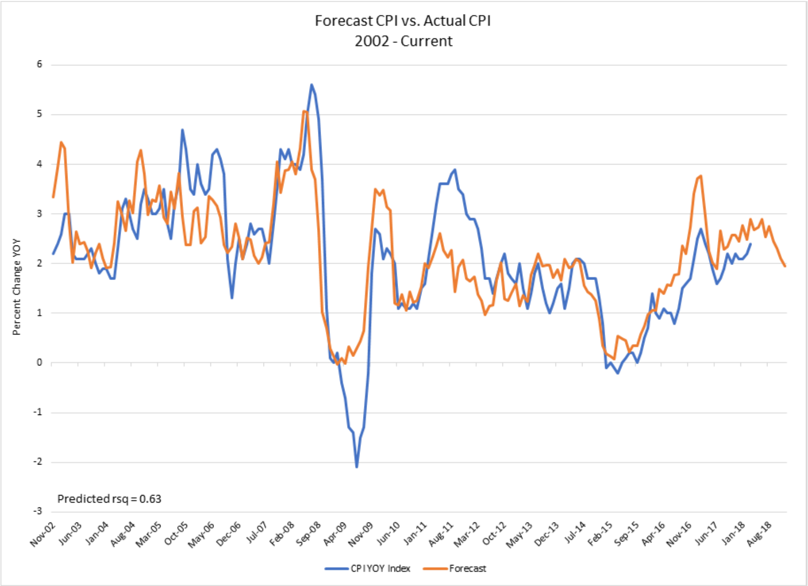
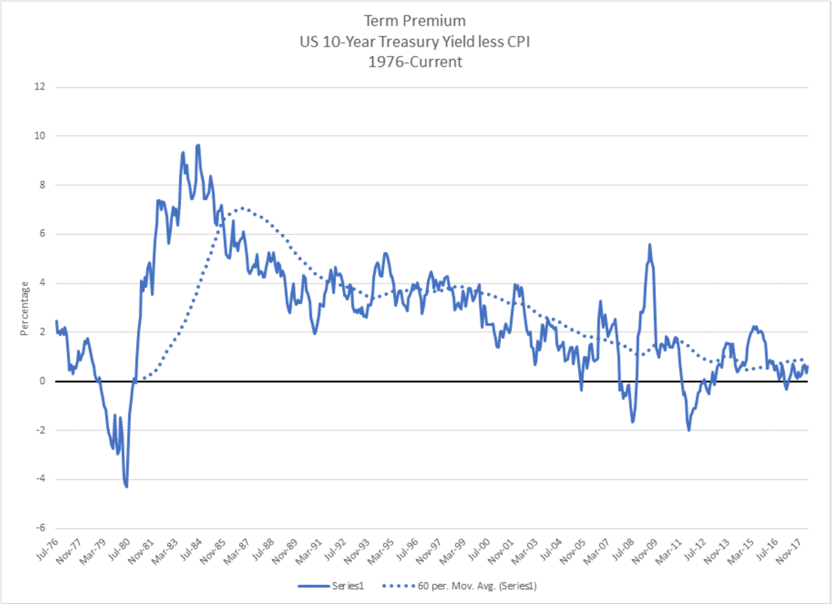
Philip Petursson, Commentary continued



Source Bloomberg, Manulife Investments as of March 31, 2018

The US$ 10-Year Treasury Yield will continue to shift higher towards 3.25% - 3.5%.

The US 10-Year Treasury Yield currently sits just under 3% at time of writing. Based on the most recent 5-year average term premium of 90bps (10-year yield over CPI) we believe the US 10-Year Treasury yield will continue to climb towards 3.25% and potentially 3.5% The current 10-year yield stis approximately 60 bps above CPI. If we assume the term premium normalizes to its 5-year average the 10-year yield should be at 3.3%. If we assume inflation trends higher to 2.8% as we noted above then our expectation for the US 10-year yield using a static term premium is 3.4%. In either case, we expect the US 10-year yield to trend higher through 2018.



Source: Bloomberg, Manulife Investments as of April 25, 2018

S&P 500 Index trailing multiples will contract, and will be offset by earnings growth.

This is our third assumption in what is an otherwise textbook move by markets. We believe equity markets are full, or near-fully valued and will be sensitive to a rising inflationary and rising rate environement. If I had to relate what we expect to happen

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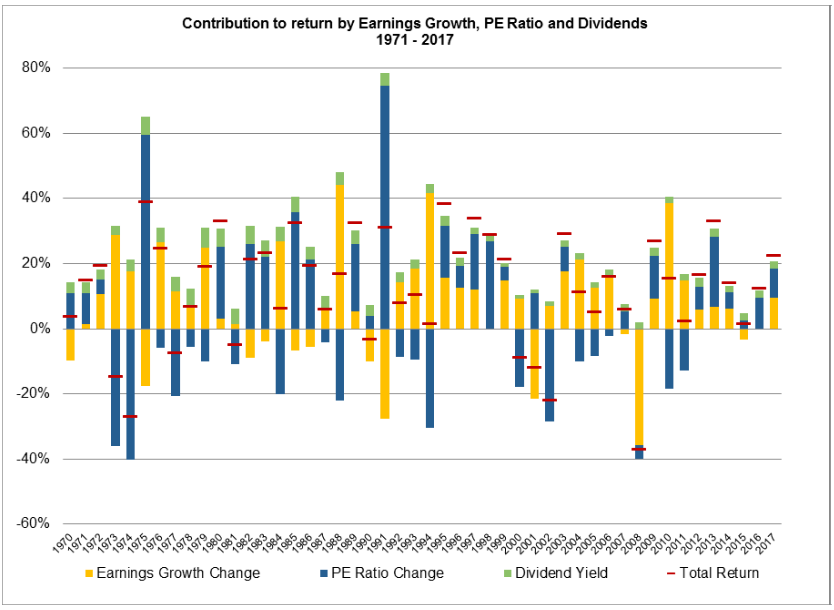
Philip Petursson, Commentary continued

this year to history. I would point to 2004. In 2004 the Fed started its tightening cycle in response to an acceleration inflationary environment. The PE multiple for the S&P 500 Index contracted in 2004 by 2.1 points on a trailing basis. 2004 also saw an exceptionally strong year for earnings growth which offset the PE contraction to deliver a total return of 10.9%

We believe 2018 will be a similar environment of rising inflation, rising rates, contracting PE multiples, but ultimately a positive return for investors driven by strong earnings growth.



Source: Bloomberg, Manulife Investments as of December 31, 2017

A rise in interest rates typically causes bond prices to fall. The longer the average maturity of the bonds held by a fund, the more sensitive a fund is likely to be to interest rate changes. The yield earned by a fund will vary with changes in interest rates.

Global events have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign.

Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a fund's investments.

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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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