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KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 6, ISSUE 7 JUL 2017

“The optimist sees opportunity in every danger; the pessimist sees danger in every opportunity.” ~ Winston Churchill

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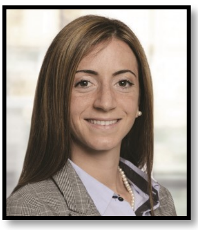
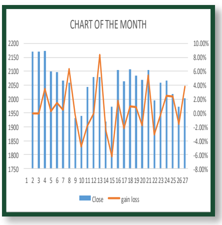
Sergio Simone
EDITORIAL COMMENT



Kristina De Sousa
CERTAINTY IN A TIME OF UNCERTAINTY



WHERE IS GLOBAL GROWTH HAPPENING

Ryan Simone
AFFECTS OF CURRENCY EXPOSURE ON YOUR PORTFOLIO

Editorial Comment

Sergio Simone

Looking back at the first six months of 2017, Geopolitics has become the primary economic news focus. Aside from the embattled Trump presidency and the ongoing tensions in the Middle East, North Korea has entered the fray with their continuous missile testing despite warnings from western leaders. Iran was “put on notice” for firing a ballistic missile earlier in the year. Across the pond, Elizabeth May tempted fate by running an election she won by the skin of her teeth, that was supposed to bolster her support in the House. Meanwhile President Donald Trump stunned the world when he announced that the U.S. was withdrawing from the Paris Climate Accord. This is just touching the surface of the turmoil around the globe during the first

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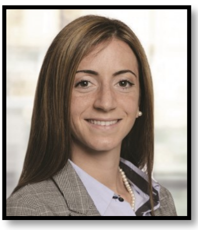
Certainty in a Time of Uncertainty



Kristina De Sousa

The product that has many similarities to a mutual fund, with added life insurance characteristics, is known as a segregated fund. Segregated funds are in fact a type of insurance contract, hence the name “individual variable insurance contracts” or IVICs. They are essentially investment funds that comprise part of a contract between the insurance company and the investor.

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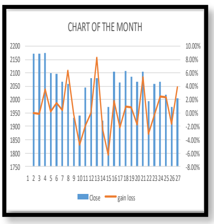
Where Is Global Growth Happening?



According to forecasts from earlier this year by the World Bank, the global economy is expected to average a Real GDP growth rate of 2.8% between 2017—2019. The big question is “where will this growth actually occur?” Will it be in large economic powerhouses that have been growing at a stable 2 percent rate, or will it come from the smaller emerging countries where 8 percent growth is not uncommon. The following chart looks at individual countries between 2017 and 2019, based on their individual

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Affects of Currency Exposure on Your Portfolio

Ryan Simone

A sudden surge in the value of the Canadian Dollar has affected the performance of mutual funds with unhedged U.S. dollar exposure. Many Canadian mutual funds invest in markets outside Canada, and given the current vulnerability of Canada’s economy and the perceived strength of U.S. and global positions, so do investor portfolios.

Currency exposure can pose a risk to non-Canadian investments. Foreign investments are usually denominated in foreign currencies,

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

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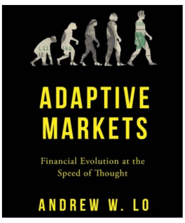


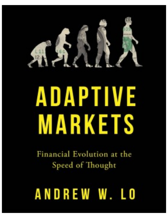
BOOK OF THE MONTH

FUND OF THE MONTH DYNAMIC GLOBAL DIVIDEND CLASS A

INVESTMENT TERMINOLOGY

WHAT TO DO WHEN BUYING A PROPERTY WITH SOMEONE

Book of the Month



Adaptive Markets–By Andrew W. Lo

Half of all Americans have money in the stock market, yet economists can't agree on whether investors and markets are rational and efficient, as modern financial theory assumes, or irrational and inefficient, as behavioral economists believe—and as financial bubbles, crashes, and crises suggest. This is one of the biggest debates in economics and the value or futility of investment management and financial regulation hang on the outcome.

Fund of the Month—DYNAMIC GLOBAL DIVIDEND FUND CLASS A

A core global fund that focuses on undervalued companies that are initiating or increasing their dividends. Focused on large-cap companies and will usually have an overweight to the U.S., in order to decrease volatility. Active hedging strategies are used to mitigate fluctuations in foreign currencies.

The fund is managed by David L. Fingold.

Investment Terminology

SYSTEMIC RISK

In finance systemic risk is the possibility that an event can cause the collapse of an entire financial system or entire market, as opposed to risk associated with any one individual entity, group or component of a system. Systemic risk is also known as "undiversifiable risk," "volatility" or "market risk," which affects the overall market, not just a particular stock or industry. Systemic risk was a major contributor to the financial crisis in 2008. This type of risk is usually associated with Companies that are considered "too big to fail".

MAZZEO'S LAW

Paul Mazzeo, specialist in Family Law, Real Estate, Wills & Estates, Litigation and Corporate Law.

WHAT TO DO WHEN BUYING A PROPERTY WITH SOMEONE ELSE

Thinking of buying a piece of property with a spouse, a family member or a friend? The idea of sharing the cost of purchasing a new home is very attractive right now, especially with home prices still at an all time high, but there are a few things you should consider before signing on the dotted line.

MAZZEO LAW
BARRISTERS & SOLICITORS

Please click on the link to be directed to Paul's article, What To Do When Buying A Property With Someone Else"

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Why Family Gifts and Loans Require Planning

Today's parents often support their children well past completion of post-secondary education. For

Using Trusts in Estate Planning

You can establish a trust that takes effect during your lifetime or upon your death. Either way, trusts can be used to

An Expert's Guide to Calling a Market Top

The landscape is filled with pundits predicting the demise of the bull market. Here's how to get in on the action.

Bank of Canada Raises Interest Rate For First Time in 7 Years to 0.75%

Canada's central bank cited confidence in its economic

Feds Propose Closing Tax Loopholes For Wealthy Canadians

Finance Canada releases paper that addresses the use of tax plan

Advice And The Retirement Investor

In a survey of more than 5,000 households in four countries, Vanguard found recent retirees

Preparing For The End Game

History books refer to the last economic slowdown we experienced, triggered by the 2007-2008 financial crisis, as the

It Doesn't Pay To Be A Pessimist

For many of us, the desire to become a sophisticated and successful investor quickly leads

Retirement Security in Canada Lags Western Europe

Income inequality helped push Canada down to the 11th spot

Commute This Pension Or Not?

It wasn't so long ago that Georgi wouldn't have needed to think twice about his options, notes Caro Bezaire, vice-pres

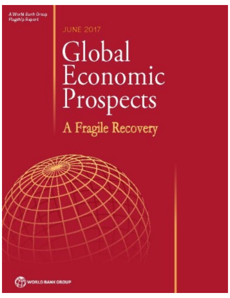
Systemic Risks Look To Be Relatively Subdued: Moody's

The banking sector's fundamentals also continue to improve as

World Economic Situation and Prospects

Global economic growth has strengthened since January, supported by a moderate

GLOBAL ECONOMIC PROSPECTS—A FRAGILE RECOVERY



Global activity is firming broadly as expected. Manufacturing and trade are picking up, confidence is improving, and international financing conditions remain benign. Global growth is projected to strengthen to 2.7 percent in 2017 and 2.9 percent in 2018-19, in line with January forecasts. In emerging market and developing economies (EMDEs), growth is predicted to recover to 4.1 percent in 2017 and reach an average 4.6 percent in 2018-19, as obstacles to growth in commodity exporters diminish, while activity in commodity importers continues to be robust. Risks to the global outlook remain tilted to the downside. These include increased trade protectionism, elevated economic policy uncertainty, the possibility of financial market disruptions, and, weaker potential growth.

VIDEO LINKS

A Case For Cautious Optimism

Synchronized global economic growth and strong corporate fundamentals bode well for high-

Ottawa Moves To End Tax Loophole Favored By Rich Professionals

The Finance Minister plans to tighten rules that allow high earn

Canada Life—Simply Put: The Cost of Investing In Segregated Funds

If you're worried about dips in the market and how they'll affect your long-term financial

The Case For Equities Amid Geopolitical Uncertainty

Julian Chillingworth, chief investment officer at Rathbones, discusses the outlook for various markets and his subsequent thoughts on investing. He speaks with Guy Johnson and Caroline Hyde on Bloomberg Television's "On The Move."

Source: Bloomberg

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EDITORIAL COMMENT CONTINUED

six months of 2017. It would not surprise me after reading all this that you would think the markets are tanking this year. Surprisingly, as of June 30, 2017, the MSCI World Index, S&P 500, and MSCI EAFE were up 9.4%, 8.2% and 11.8% in local currency terms. Even more surprisingly, the volatility level as measured by the VIX index is at extremely low levels. It seems investors are becoming desensitized to geopolitical uncertainty and are perhaps focusing more on positive fundamentals and earnings growth which has pushed the S&P 500 into uncharted territory. Even crazier is that there hasn't even been a correction of greater than 5%. This is such a rare occurrence that we have only experienced this once, in 1995, in the last 30 years.

No sane investor can expect this to continue indefinitely. Rationality would indicate that there will be at least one pull back of at least 5% from peak to valley some time in 2017. If this does occur, it could be the greatest buying opportunity in a long while, though I caution anyone just jumping in at the earliest sign of a correction. When a significant pullback occurs, approach it with extreme attentiveness. It is utterly important to first determine whether the cause of the decline is fundamental in nature and a sign of impending recession and further declines, or is it a geopolitical or emotional pullback?

Macan Nia, Sr. Investment Strategist at Manulife Investments had a team of analysts study 30 years of S&P 500 pullbacks of 5%, 10%, 15% and greater than 20% and assigned the results into two buckets. The first bucket was labeled "non-recessionary periods". The second bucket were periods in which the technical definition of a recession as stated by the National Bureau of Economic Research (NBER) had been experienced. Technically, a recession is measured by two consecutive quarters of negative GDP growth.

Over the last thirty years there were 124 instances of declines of 5% or greater that were classified as non-recessionary for purposes of his study, and 37 that were recessionary. If an investor had bought during the non-recessionary periods, they would have experienced positive returns 90% (78/87) of the time on a one-year forward basis.

During the past 30 years, we have experienced nine severe corrections measured by a fall of 15 -20% from peak to valley and six bear markets, indicated by drops of greater than 20%.

To summarize, we see investing as a probability based decision, and given that there is a high probability of a pullback in 2017, if and when the pullback occurs, history indicates that the decision to change our asset allocation strategy should be determined on whether the catalyst was fundamental in nature or geopolitical.

	Fall from Previous Peak			
	5%	**10%**	**15%**	**20%**
Forward 1 Yr Avg. Return	9%	7%	16%	18%
Forward 1 Yr Avg. Return (outside recessionary environments)	15%	20%	23%	15%
Forward 1 Yr Avg. Return (inside recessions)	-9%	-6%	11%	20%
Occurrences	84	25	9	6
Minimum	-37%	-37%	-19%	-16%
Maximum	47%	42%	52%	61%

Source: Manulife Investments

Following our theory of probabilities, today we do not see any negative growth pressures on the global economy. In fact, global trade is growing in 4 of the 5 largest global exporters after having declined through most of 2015 and 2016. Global trade has historically been a precursor to revenue and earnings growth. When taken together with solid numbers in regional Industrial Production and Manufacturing PMI Indices, we believe the next market pullback will either be geopolitical or emotional in nature.

Further evidence to this conclusion is seen in Employment numbers that continue to increase. This usually implies that wage growth is on the horizon. A strong fundamental position is created when wage growth is coupled with low gasoline prices. There are seven recognized signs of a pending Recession: Inverted Yield Curve; ISM Manufacturing PMI Below 45; Positive Inflationary Trends; Capacity Utilization above 80% and peaking; Housing Starts Declining; Labor Market Weakening; and Leading Economic Indicators Negative. The only factor of these seven that is even in the same stratosphere as recession is the Positive Inflationary Trends and even those are well controlled around the 2% mark.

Once again, we can only conclude that without any leading indicators of a recession the next pullback will likely be geopolitical or emotional in nature. Scenarios to keep an eye on would include an escalation with North Korea; increased military tensions between Iran and Saudi Arabia. I would even venture to guess that the eventual catalyst may be something that is not even on the horizon right now. At this point in time, we remain confident in the probability of positive equity market returns over the upcoming year.

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Certainty in a Time of Uncertainty—CONTINUED

This contract outlines the guarantees provided by the insurance company covered in the event that the contract matures or the annuitant passes away. The assets held within the funds are segregated from the assets of the insurance company, meaning that should the company become insolvent, a separate reserve of assets is held to cover the majority of outstanding guarantees. Segregated funds are not only provided by insurance companies, but are also now offered by most of the well-known mutual fund companies.

One of the key features of a segregated fund, as mentioned, is the maturity/death guarantee. Upon the maturity date (typically 10 years after the date of the contribution) or upon death, anywhere from 75-100% of the principal is guaranteed. Note that the guarantee amount depends on the contract. In the event of the policy holder's death, beneficiaries receive the greater of the market value or the death benefit guarantee.

It is possible to withdraw funds prior to the 10 year mark, however this effectively reduces the amount of the guarantee.

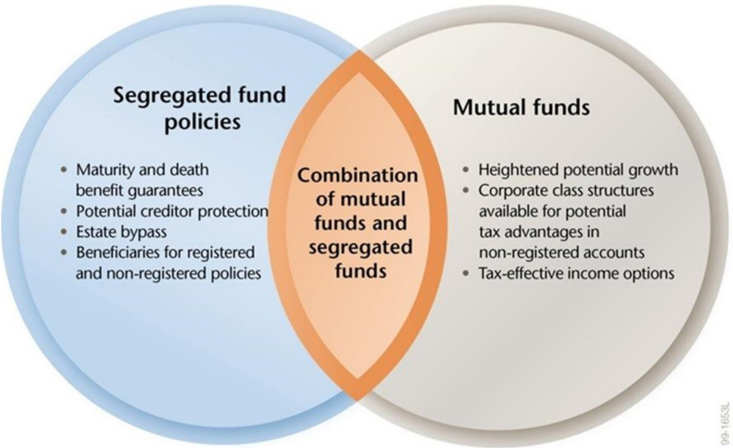
Notwithstanding any redemptions, most segregated funds offer the opportunity to reset the guarantee. The number of resets available per year is limited and can either be on a specified date outlined in the contract or on a date the investor elects. Upon a reset, the guarantees are recalculated based on the increased value of the fund. Note that any reset extends the maturity date by 10 years.

Obviously if the market value has decreased, resets do not take place and nothing changes. Here is an example of how a segregated funds works; you invest $50,000 in the fund with a 100% guarantee in 2010. Five years later, in 2015, the investment has grown by 50% to $75,000. You may reset the 10-year clock, guaranteeing yourself the new $75,000 value. An additional benefit is that segregated funds offer protection from creditors, if the policy names an immediate family member (parent, spouse, child, or grandchild) as the beneficiary.

This can be particularly useful for business owners and those who are self-employed. At the time of the annuitant's death, proceeds are paid directly to the beneficiary and do not make up part of the estate. As such, proceeds are able to bypass probate and all fees associated with the estate. Furthermore, the beneficiary of assets that are not subject to probate remain confidential, allowing for assets to pass to a beneficiary without public disclosure.

Keep in mind that this protection may be invalid if courts establish that a segregated fund was set up with the sole purpose to avoid debts. Depending on the policy, the maturity guarantee may be reduced to 80% or so once the annuitant reaches the age of 90, and there are restrictions on the age someone can purchase a segregated fund, typically age 75-90.

Like most things, the added benefits of segregated funds do not come without a price. In order to ensure the added protection of the guarantees, you can expect to pay a higher Management Expense Ratio (MER) than that of a mutual fund. This increased expense may be very much worth it for certain individuals, even as part of a portfolio. Ultimately, segregated funds can be a great option for those who are business owners, cautious, or long-term investors seeking market exposure without the risk of capital loss.

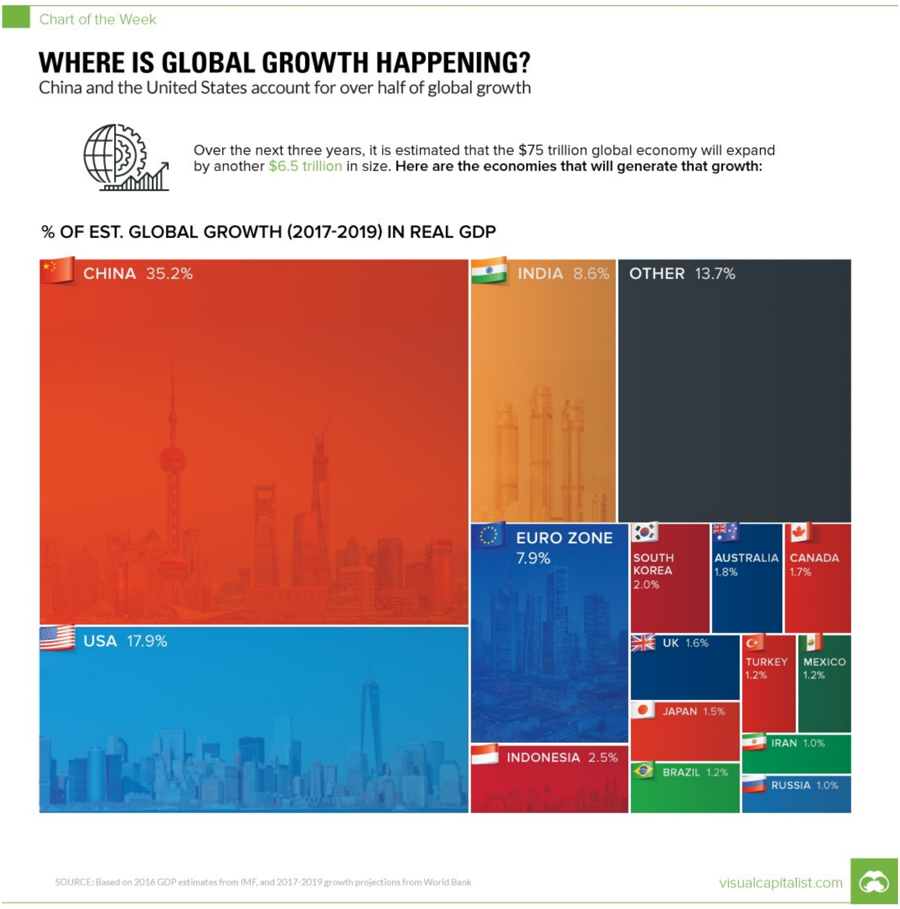


Depending on your financial objectives, segregated fund policies and mutual funds offer distinctly different features and benefits. Oftentimes, a blending of both Segregated Funds and Mutual Funds will offer the best solution to your investment concerns. Are you interested in preserving funds to pass on to your beneficiaries and bypass your estate? Are you interested in potentially higher rates of return, guarantees, concerned about risk, or looking for the best tax reduction investment product? There are many options to explore with both products.

Contact me at 905-893-2540 if you would like to discuss how Segregated Funds can compliment mutual funds in your investment portfolio. There are many options available to explore with both products, and how to help maximize the benefits of each in your investment portfolio.

Where is Global Growth Happening?— CONTINUED

growth projections from the World Bank, to see where the new wealth will be created.



Even though the growth in China is much slower than a decade ago, the World Bank still estimates its economy will expand at a 6.5 percent rate this year, and 6.3 percent in both 2018 and 2019. Add these numbers to the world's second largest economy and you have an incredible amount of forecast growth. If these numbers are even close, we can expect about 35.2 percent of global GDP growth to come from China over this period of time. This will increase the country's output by $2.3 trillion.

While the U.S. is also expected to contribute a significant portion of global growth, the World Bank took a cautious approach to their forecasts as the effect of policy proposals by the new U.S. administration was still surrounded by an aura of uncertainty. That said, the World Bank does indicate that the proposed tax cuts by the Trump administration could theoretically bump up the U.S. and global growth.

Beyond the usual suspects of China, India, the Eurozone and the United States, it is interesting to see Indonesia as the next biggest bright spot based on the World Bank's analysis. In fact, the world's fourth most populous nation is expected to account for 2.5 percent of the global GDP growth over this time period. This is expected to add another $160 billion to its $941 billion GDP. The projected growth for Indonesia, by the World Bank is 5.3 percent in 2017 and 5.5 percent for the following two years.

Other countries projected to provide more than 1 percent growth include:

South Korea—2%

Australia—1.8%

Canada—1.7%

UK—1.6%

Japan—1.5%

Brazil—1.2%

Turkey—1.2%

Mexico—1.2%

Russia—1.0%

Iran—1.0%

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Disclaimer

AFFECTS OF CURRENCY EXPOSURE ON YOUR PORTFOLIO—Continued.

For example, consider a Canadian mutual fund that holds US stocks. Investors buy the fund using Canadian dollars (C$). The fund converts these C$ to US dollars (US$) to purchase US stocks. If the US$ rises relative to the C$, any exchange-rate gain will add to the fund's total return. However, if the US$ falls, any decline will reduce the fund's total return. Even if all the fund's underlying stocks were to remain unchanged in US$ terms, the fund would still change in value due to the effects of currency fluctuations because it is priced in Canadian dolllars.

At the beginning of this year, the C$ spent most of its time hovering around the 0.76 cent mark. Then in late February it began to decline, at first sharply during the beginning of March, and then again in mid-April and May. Portfolios overweight in U.S. equities saw significant gains during this period. In fact, many of the gains for investors with balanced U.S. weighted portfolios were a result of currency more so than the value of their underlying holdings.

Unfortunately for investors with U.S. exposure, the C$ has had a steady climb since its low in May, resting close to the 0.79 cent mark. During this period investors may have noticed that they were giving back much of the returns made earlier when the C$ was falling. This essentially had the effect of eliminating most if not all currency gains and leaving only pure market gains in the portfolio.

Canada's dollar has been rising, interest rates have gone up to 0.75 and the Canadian economy surprised economists with strong growth over the first half of 2017. Why then is the Canadian economy still considered a less than ideal portfolio allocation? Or does it still make sense?

The economy strengthened behind two key factors: rising oil prices at the beginning of the year and a strengthening dollar over the later first half (May onward). Luc de la Durantaye, head of asset allocation and currency management at CIBC Asset Management, argues that Canada's economic strength will be difficult to maintain. Largely because oil dropped again in June and will probably hover around $45 to $50 a barrel for the remainder of this year. Also, when the Bank of Canada raised rates alongside mortgage lenders, Canada's high consumer debt created further concern for economists and managers like Mr. Durantaye.

Fundamentally speaking there are two ways one can view Canada. First, the TSX composite index has a relatively flat year-to-date performance (its actually slightly negative at -0.90% at the time this article was written). Oil prices have struggled over the last few years to gain any traction and from a value standpoint Canada may offer a more opportunistic position than the U.S. where markets are positive and many companies are seen as fairly valued.

Alternatively, some may argue that Canada's limited sector exposure makes it vulnerable going forward. For example, both real estate and consumer spending makes up a significant portion of Canada's GDP. Both are closely linked, so that trouble in either one will create challenges for the other. When the Bank raised interest rates it put greater pressure on these sectors. To some this increases Canada's economic vulnerability, which translates to greater portfolio risk. The argument here is that it may be more opportunistic to seek positions outside of Canada in more global or emerging market geographies.

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What To Do When Buying A Property With Someone Else—Continued

Home ownership comes with a mortgage, yes, but one thing that tends to get forgotten about is title and ownership of the new property. Did you know that every purchaser of a new property holds legal title to it as well? More specifically, title means you are the registered owner of a property. In most cases, land ownership is registered through provincial and territorial laws and government agencies, while land titles are registered through a parcel-based land registry system.

Once a purchase is complete, a certificate for registered ownership is issued to the new homeowner(s). If you've never made such a big purchase before, you might not know what to do in cases where more than one person is involved in buying a new house or condo. For example, whose name is on the title? Can you list more than one person? What happens if one person passes away?

There are two main ways to take on title:

1. Joint tenants

If more than one person is buying the property, joint tenants hold the land jointly. This means there is no divisible interest in the land, and not one clear owner. Together, the tenants hold 100% ownership of the land, unless they have an arrangement to be tenants-in-common with someone else while they are still joint tenants. In cases where one tenant passes away, the other joint tenant has the right of survivorship, and gains all of the deceased's interest in the property to become the sole owner.

2. Tenants-in-common

Where more than one person is buying a property, each tenant acquires a divisible interest in the property. For example, if two people are purchasing a home together, each would hold 50% of the property interest, with each being 50% owners (as opposed to joint tenants, where there is not one clear owner). If one tenant passes away, the other tenant does not automatically get right of survivorship, since the other 50% is not his or hers to own. In this situation, it would be important to have a will, as property interest is usually handled that way. Without a will, a court of law would decide who gets the property interest.

Still have questions? We can help. At Mazzeo Law, we specialize in real estate acquisitions, including title insurance, reviewing agreements for purchase and sale, and transfer of ownership. In cases where you were a co-purchaser, we can also help with removing someone from the ownership or title of the property. Get in touch today.

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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