

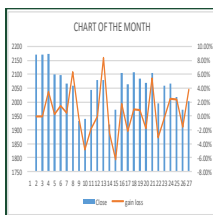
“BULL MARKETS ARE BORN ON PESSIMISM, GROWN ON SKEPTICISM, MATURE ON OPTIMISM, AND DIE ON EUPHORIA” - Sir John Templeton



Sergio Simone
EDITORIAL
COMMENT



Sergio Simone
SOMETIMES THE
BEST COURSE OF
ACTION IS INACTION



**BUSINESS CYCLE
UPDATE**



Ryan Simone
PRE-RETIREMENT
ASSESSMENT
SERIES (V)

Editorial Comment



Sergio Simone

The current Bull Market in stocks has achieved a milestone. It is now the longest in U.S. history as it turns 10 years old this month. Since the bottom in March 2009 the S&P 500 Index has gained a stunning 309%. To quote, in reverse, a famous Dickens line from *A Tale Of Two Cities*, “*it was the worst of times, it was the best of times.*”

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Sometimes The Best Course Of Action Is Inaction

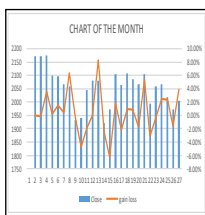


Sergio Simone

There is an axiom in the investment world that says: The market is driven by “Fear and Greed”. The pendulum swung towards “Fear” during the last quarter of 2018 as many indices fell more than 20%. Many of our first quarter 2019 client meetings eventually drifted towards our actions, or more accurately, inactions during Q4 2018. Some clients even expressed surprise that we stood our ground instead of selling out of equities since we have moved equities to cash when smaller

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Business Cycle Update



United States: The U.S. is in the late-cycle phase, characterized by tight labor markets, less accommodative monetary policy, and a flattening yield curve. Recession risk remains low, and the U.S. consumer backdrop is strong amid a low unemployment rate, accelerating wage growth, and manageable financial obligations. Corporate earnings growth in 2019 is expected to decelerate as businesses face margin pressures from higher wages, global demand remains tepid,

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Ryan Simone

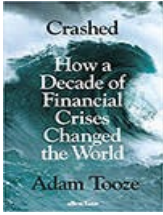
The Pre-Retirement Assessment Series: Theme Five: High Net Worth

Over the last four months, I’ve written about the various themes observed when completing a client’s life plan. First, the “House Rich & Cash Poor” theme means clients have a high net worth but a shortfall in income producing assets.

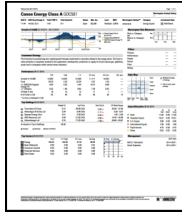
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BOOK OF THE MONTH



FUND OF THE MONTH
RBC QUBE LOW VOL
CDN EQUITY FUND

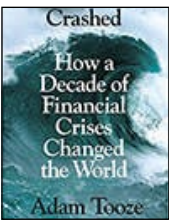


INVESTMENT
TERMINOLOGY



BLOG OF THE MONTH
RETIRE HAPPY

BOOK OF THE MONTH

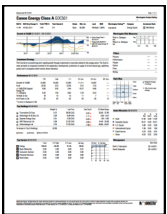


CRASHED
—By Adam Tooze.

Crashed gives readers a detailed and superbly researched account of the origins and consequences of the wave of financial crisis that emanated from the core of the global financial system from 2007. The crucial lesson is that such crisis are not just financial or economic events: they have wide-ranging and enduring political consequences.

FUND OF THE MONTH

RBC QUBE Low Volatility Canadian Equity Fund Adv



The Investment Objective of this fund is to provide long-term capital growth by investing primarily in equity securities of Canadian companies using a quantitative investment approach. The fund seeks to achieve a reduced level of volatility of returns as compared to the broader Canadian equity market.

**INVESTMENT
TERMINOLOGY**



GROWTH RECESSION

A 'Growth Recession' is an economics term that on first reading can seem contradictory. Recession is normally the opposite of growth—the economy contracts rather than expands.

The term growth recession describes an economy that is not in technical recession but that is not expanding fast enough to keep unemployment from rising. It was coined by the late Solomon Fabricant, a professor of economics at New York University.

BLOG OF THE MONTH



COMMON INVESTMENT MISTAKES BY RETIREES

Planning to Live Off Dividends

Aiming to live off your investment income is a noble goal, but it may cause people to save more than they really need for retirement.

According to Hartford Funds, 42% of the total return of the S&P 500 came from dividends from 1930 to 2017. Much less than that has come from dividends in recent decades, as dividends were a bigger contributor during the first half of that 88-year period.

[Continue Reading](#)



PRIVATE WEALTH

INFORMATION AND SOLUTIONS FOR HIGH NET WORTH INVESTORS

BUSINESS INSIDER

7 OF THE BEST PIECES OF ADVICE SELF-MADE MILLIONAIRES SHARED ABOUT MONEY IN 2018

If you want a good lesson in getting rich—or anything related to money for that matter—just ask those who made their millions from the ground up.

Self-made millionaires haven't built their wealth without a bit of financial trial and error. From investing to negotiating better pay, they've seen and done it all.

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Bloomberg

THE IDENTITY CRISIS OF THE ULTRA-RICH

A denizen of an elite charity ball in New York found himself disoriented one night, not by the rapid fire of flashbulbs around Victoria Beckham or by the glittering night sky projected on the walls, but by the absence of his usual crowd.

"Who are these people?" he asked with more curiosity than disdain as he surveyed the room of more than a thousand guests, eager for an introduction.

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Robb Report

THE 6 MOST COVETED WATCHES OF 2018

Talk about a return on investment. Some of the most coveted watches of the year have already doubled in value on the second-hand market after they were swiped up within hours of their release to the public. The Rolex Pepsi GMT-Master II, original sold for \$9,250 (if you could get your hands on the tightly controlled supply), now sells for up to \$22,000 at auction and at trusted pre-owned retailers like Bob's Watches.

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HOW THE UBER-RICH USE LIFE INSURANCE

With all their money, the uber rich don't need life insurance, right? But it turns out life insurance is becoming increasingly popular in estate planning for wealthy individuals, allowing effective transfer of wealth to the next generation while also protecting their income and lifestyle needs as they age. Find out how brokers can apply lessons from family offices to estate planning for wealthy clients.

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FUND MANAGER COMMENTARY

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PHIL TALLER
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MYLES ZYBLOCK
DYNAMIC FUNDS

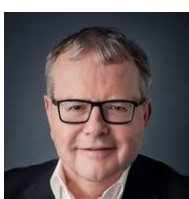


TONY GENUA
AGF
INVESTMENTS

Sandy McIntyre, Capital Markets Strategist

C.I. Investments

Does Macro Matter?



During my ride home from work, I listen to Bloomberg Radio. Every 15 minutes there is some short-term macro input. Investors want to know why, and the media responds with a narrative.

[Continue Reading](#)

Phil Taller, Senior Vice-President, Portfolio Manager

Mackenzie U.S. Mid-Cap Growth Fund

Economic Concerns and Portfolio Positioning



Throughout 2018, we've spoken about de-risking our portfolio; lowering the beta and cyclicity and shifting into non-cyclical, secular growers. This Fund insight provides a deeper view into the thinking and positioning of our portfolio relative to where we think we are in the economic cycle. [Continue Reading](#)

Myles Zybblock, Chief Investment Strategist

Dynamic Funds

Ten Years After



Last week marked the 10th anniversary of the current equity bull market that began after the majority of global stock markets bottomed in March 2009. Canadian equities generated a double-digit compound return over this horizon but.

[Continue Reading](#)

Tony Genua, Sr. V.P. and Portfolio Manager—AGF Investments

THE ADVANTAGES OF BEING SMALL

Agility, Flexibility, and Tax Efficiency



Everyone loves a good underdog. Over the years, Hollywood has been full of stories of smaller underdogs taking on larger competitors. Indeed, it's often been the case that where a small protagonist has taken on a larger adversary, he or she is only able to overcome the odds by using some combination of better agility, more flexibility, and/or a competitive advantage due to his or her smaller stature.

In the investing world, being small can also be an advantage. From a corporate perspective, smaller companies can be more nimble than large businesses and better able to adapt as business conditions change. Similarly, for mutual funds, being small can mean more flexibility and quicker implementation of investment decisions. So, how has being small been useful for us?

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KPW LIFE PLAN—IMAGINE YOUR FUTURE

VOL. 8, ISSUE 3

MARCH 2019

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LINKS

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[U.S. Services Gauge Tops Forecasts In Sign Of Economic Health](#)

A gauge of U.S. service industries rebounded in February by

[When To Pull The Goalie](#)

A ubiquitous commercial for a robo-advisor shows a client pointedly telling his advisor that his investments aren't a game. While there's no debating that

[Is This The Beginning Of A Massive Dollar Run?](#)

Some 88% of all currency transactions globally involve the buck. The euro is a distant second at 31%, the Japanese

[Federal Reserve Sees No Interest Rate Hikes in 2019](#)

The Federal Reserve left its key interest rate unchanged and projected no rate hikes in 2019, dramatically underscoring its plan

[Why Life Insurers Are Investing With ESG In Mind](#)

Flooded basements in Ontario, entire homes lost to wildfires in

[Emergency Scams](#)

Though the "Emergency Scam" (or sometimes referred to as the "Grandparent Scam") has been around for years, the

[Explosion In Global Debt Biggest Risk To World's Financial System](#)

That debt now amounts to \$240 trillion, \$100 trillion higher than

[Canada's Income Tax Rates Have Become Uncompetitive. And The Economy Will Pay The Price](#)

[Sluggish Energy Sector Contributes To Canadian Economic Slowdown](#)

Canada's economy is headed for a slower 2019: RBC Economics

MONTHLY ECONOMIC MONITOR



A de-escalation of the U.S.—China trade war does not mean the threat of protectionism has disappeared.

[Continue Reading](#)

GUIDE TO RETIREMENT



Planning for retirement can be overwhelming as individuals navigate various retirement factors over which we have varying levels of control. There are challenges in retirement planning over which we have no control, like the future of tax policy and market returns, and factors over which we have limited control, like longevity and how long we plan to work. The best way to achieve a secure retirement is to develop a comprehensive retirement plan and to focus on the factors we can control: maximize savings, understand and manage spending and adhere to a disciplined approach to investing.

VIDEO LINKS

[Rosenberg: 2019 Could Be A Difficult Year For The Canadian Economy](#)

David Rosenberg, chief economist and strategist at Gluskin

[Market Bull Ed Yardeni Predicts A 2019 To Remember](#)

Yardeni Research President gives his bull case for stocks

[For First Time Since The December Sell-off, Ned Davis Research Turns Bullish On Growth Stocks](#)

Market watcher Ed Clissold,

[Federal Budget 2019—Highlights From Mackenzie Financial](#)



FEDERAL BUDGET 2019

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EDITORIAL COMMENT-CONTINUED

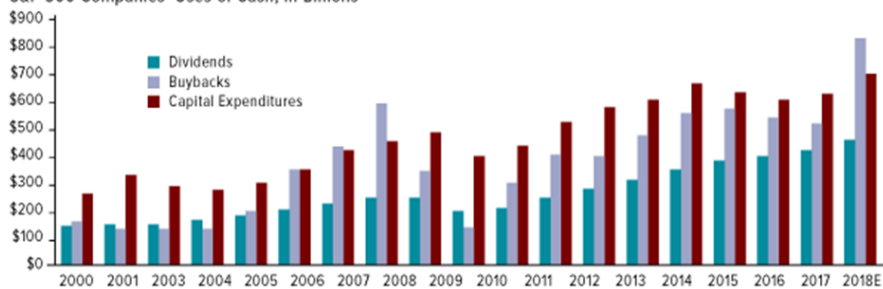
The market in 2008/09 experienced one of the worst worldwide stock market collapses in our lifetime and yet the ten years that followed turned into the longest Bull Market in history, especially if you stuck to an investment strategy that favored dividend-paying stocks.

The following chart is indicative of what investors may have experienced during the last decade.

Investors who shed the fear of staying invested following the crash were rewarded handsomely. The amount of dividends received by investors has increased consistently since 2009. In fact, a record was established during the last quarter of 2018 as

Stock Buybacks Topped Capital Expenditures for First Time Since 2008

S&P 500 Companies' Uses of Cash, in Billions



Source: FactSet, Haver Analytics, Citi Research, U.S. Global Investors

companies listed on the S&P 500 paid out almost US\$120 billion. Olympians would have been proud of the records set in 2018 as another fell when the S&P 500 paid annual dividends totally US\$456.3 billion, up 9% from 2017.

Corporate tax reforms led to major stock buybacks as they hit an all-time high of more than US\$800 billion and for the first time since the crash, the amount exceeded what companies spent to replace or upgrade office and equipment. It was a good time to be an investor in the U.S. markets.

One of the things that fascinated me about this Bull Market is that so many investors sat on the sidelines after the crash for fear of another major setback. For many years, the indices pushed forward while investor portfolios watched from the safe distance of GICs and Treasury Bills.

[write about how much money was left on sidelines and about investors missing opportunity]

I'm sure the ten-year anniversary of this Bull Market will bring the pundits out in droves predicting the imminent and impending recession looming on the horizon. They may have some time to wait for this to occur. Business cycles are not predetermined by time. A Bull Market does not come with an expiry date. Their demise tends to originate as a result of things like economic shocks, debt crisis, wars changes in monetary policy or some other form of government intervention. They die when fear of a recession kicks in. As David Lefkowitz, senior Americas equity strategist at UBS Global Wealth Management said: "As long as corporate profits are growing, that's usually oxygen for further gains in the stock market."

Profit growth for the companies that comprise the S&P 500 averaged 25.6% during the first three quarters of 2018 but fell back to 13.4% during the correction in Q4. Still, this topped expectations.

Many analysts are predicting a slight decline in profits during the first quarter of this year and the U.S. economy is showing signs of slowing which may continue for the balance of the year. This seems to play into the pundits' predictions of a looming recession, however, the general consensus is that there are unlikely to be any quarterly GDP declines through the end of 2020, let alone back to back declines that would signal a recession.

There is one issue that makes me nervous; the trade conflict between America and China. While recent reports indicate a resolution is imminent, these are two enormous economic powers that could walk away from the table on a whim. This uncertainty weighs on the minds of investors and businesses.

This Bull Market, like others before it has looked very vulnerable at times as we experienced during the last quarter of 2018. Amid the fears of rising interest rates, trade spats, slowing economic growth and lukewarm profit forecasts, investors headed for the exits creating the worst December performance since the Great Depression. On December 24th as we were settling in for some holiday cheer, the S&P 500 closed 19.8% below its all time high.

EDITORIAL COMMENT-CONTINUED

This has been one of the oddest Bull Markets in history. Investors have doubted it since it began and throughout most of its life. One thing I can confidently say about this particular Bull Market: “It has incessantly shrugged off the naysayers, the pundits, and the doubters as it continues on its upward trajectory. It shrugged off the 2018 Q4 correction and is now experiencing the best start to a year since 1991. One of the reasons for this is the realization that the market fundamentals were still in good shape. Unemployment was dropping, companies were still beating expectations and inflation was under control. And, in January, the Federal Reserve put investors at ease when they signalled a prolonged pause in further interest rate hikes.

One of the key fears of any market is the “I” word: INFLATION! A rapid rise in inflation could quickly put a stop to the longevity of this Bull Market since the Fed would be forced to act, and, likely do so by raising interest rates.

Now for a little bit of interesting trivia about this Bull Market. Although it is now the longest in history, it is only one of two cycles that has never experienced a year with annualized returns of greater than 20 percent, the other being the 2002-2007 Bull Market. Perhaps this slow and steady growth has been a contributing factor to the longevity of this cycle. I would have worried more if the economy and markets were getting overheated, which usually leads to a huge drop.

Although I do not believe it will be the case, it is not irrational to expect this Bull Market to continue for another ten years. The Oracle of Omaha, Warren Buffett, recently appeared on CNBC and stated that “If I had a choice today for a 10-year purchase of a 10-year bond or buying the S&P 500 and holding it for 10 years, I’d buy the S&P in a second.” I wouldn’t discount this for the sole reason that it is coming from Warren Buffett.

SOMETIMES THE BEST ACTION IS INACTION—CONTINUED

corrections have occurred in the past.

Sometimes the best course of action is inaction!

Our goal is not to try and time the market, it is to understand where we are in the business cycle and to understand the reasons behind a market correction. Unfortunately, many investors, generally have an “all-or-nothing” frame of mind and see a correction as the time to sell, before they understand why the market has corrected. A correction is not always the beginning of or indicative of a crash. A big mistake investors tend to make is to convert their portfolios to cash because of a Fear of recession. They rationalize it by saying that they’ll get back in when the market has bottomed. This is a very difficult thing to do successfully because the precise timing of the selling of your positions and then the rebuying of those positions requires luck on the magnitude of winning a lottery. It is virtually impossible to do.

This reminds me of the investment climate after the 2008/09 crash when many investors took their losses and converted their portfolios to cash. In hindsight these investors regretted this decision because they lost the confidence of knowing when to get back in and therefore missed some of the best years in the markets over the last ten years. Some of these investors are still trying to figure out when to get in.

So, why did we ride out the Q4 2018 correction?

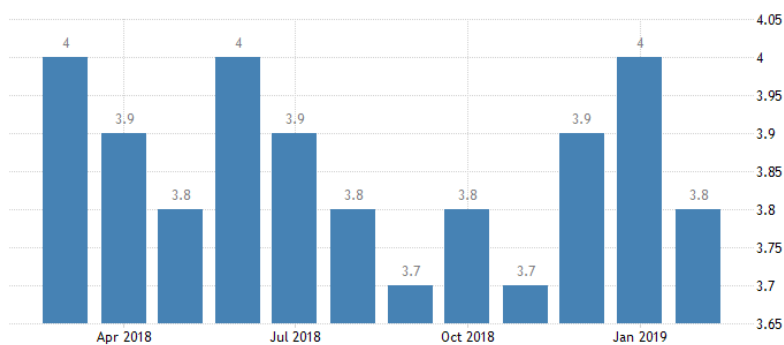
Corrections do not scare us as we often see opportunities to buy while prices are undervalued. What does scare us are Bear Markets. Most of the biggest bear markets are due to economic recessions, which are defined as two or more consecutive quarters of negative GDP growth. Historically, the S&P 500 tends to hit a peak several months before a recession officially begins. The problem is we don’t know it’s a recession until at least six months later.

So, if we are only able to see a recession in our rear-view mirror, then we must focus on indicators that give us a better probability of forecasting an impending recession. Before looking at these indicators it is necessary to know which part of the business cycle, we are in. The business cycle is composed of four phases: Recovery, middle, late and recession-phase, and they all have unique and observable characteristics. Today, most of these elements suggest we are in the later part of the business cycle. Unfortunately, there are no indicators that tell us how far into this phase we are.

What we do have available are some fundamentals that can give us an idea of how far away a recession may be. These macroeconomic principals include: The Unemployment Rate; The Inflation Rate; The Yield Curve; Corporate Debt; and Stock Valuations. When the markets began to correct in October 2018, we focused on these indicators to help give us some guidance on portfolio rebalancing and recommendations. This is what we discovered.

The Unemployment Rate

Since the end of World War 2, every single instance that the unemployment rate rose by 0.5 percent, the economy was either already in a recession or was about to fall into one.



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

The chart shows that the unemployment rate rose from a bottom of 3.7 percent to a top of 4 percent before falling again to 3.8% in February 2019. That magic 0.5 percent was not reached.

SOMETIMES THE BEST ACTION IS INACTION—CONTINUED

The Inflation Rate

Economists seem to be split on this issue. The latest inflation numbers do little to close the gap between those who believe prices have peaked and those who believe they will continue to rise. The cost of living in November 2018 was basically unchanged, reducing the yearly rate of inflation from 2.5% to 2.2% and in fact the Consumer Price Index hit a six-year high of 2.9% earlier in the year.

This is one indicator we will want to keep an eye on during 2019 as it will say a lot about what will happen going forward. The Fed had been raising rates to keep inflation from rising too fast. More recently the Fed has backed off on the rate increases since inflation has begun to fall towards their loose 2% target. According to Jim Baird, chief investment officer at Plante Moran Financial Advisors, “With the economy now slowing moderately, the challenge will be for the Fed to thread the needle between taking sufficient action to keep a lid on inflation while not moving so aggressively to choke out growth”.

Our opinion is that we doubt inflation will rise much further for the time being. Global competition is fierce and the global economy seems to be slowing moderately, making it more difficult for companies to raise prices. The U.S. dollar is rising which means Americans can buy foreign goods at cheaper prices, limiting the amount of inflation the U.S. imports from other countries. The price of oil is trending lower as the U.S. increases their supply.

The bottom line is that the inflation picture is still tame and is certainly nowhere near the heated rates that cause the Fed to take a more aggressive position.

The Yield Curve

Highlights			
	February	January	December
3-month Treasury bill rate (percent)	2.45	2.40	2.42
10-year Treasury bond rate (percent)	2.66	2.75	2.89
Yield curve slope (basis points)	21	35	47
Prediction for GDP growth (percent)	2.2	2.1	2.0
Probability of recession in 1 year (percent)	29.7	26.5	24.0

Covering January 26 to February 22, 2019

In my opinion, the best forecaster of a recession is the yield curve. To simplify, the yield curve is the difference between interest rates on short-term U.S. government bonds, say, two-year Treasury notes, and long-term government bonds like the 10-year notes. In a healthy economy the long-term bond rates should be higher than the short-term T-Bills. The higher rates are a premium to compensate the investor for the risk that strong economic growth could set off a broad rise in prices, also known as inflation.

Lately, long-term bond yields have stubbornly held their ground despite a healthy economy. At the same time, the Fed has been raising short-term rates, so the yield curve has been “flattening”. This occurs when the gap narrows between the short-term and long-term rates. Although the gap is shrinking, it is still positive. But, if the Fed keeps raising rates there is a possibility that the short-term rates can turn higher than the long-term rates. We refer to this scenario as the yield curve “inverting”. An inversion is a powerful indicator of an imminent recession on the horizon.

SOMETIMES THE BEST ACTION IS INACTION—CONTINUED

The reason we take this signal more seriously than others is that nearly every recession over the last 60 years has been preceded by an inverted yield curve. To be more precise, since 1955 there have been nine recessions and only once has the indicator produced a false positive. In the mid-1960s an inversion was followed by an economic slowdown but not an official recession. Still, a slowdown occurred. Although this is a valuable forecasting tool, recessions don't usually occur for a year or two out from the inversion point.

Corporate Debt

It is inevitable that a recession will eventually come along. The question is what will be the catalyst that ignites the recession? One of the most discussed culprits is "corporate debt".

For now, it seems that companies are not excessively levered. The S&P 500 Index represents approximately 80% of U.S. public companies by market value. The average debt-to-equity ratio is 113%. Putting this in perspective, the average of this ratio since 1990 has been 163%. In fact, it is only half as much as the market peaks in 1999 and 2007 which were lead-in years to the crashes in 2000 and 2008. For the time being, these numbers are not raising alarms.

Stock Valuations

Equity valuations were clearly stretched heading into 2018, with the market euphoric over tax reform in the U.S. at a time when real policy rates were hovering around zero. All this giddiness turned into a stock market rout as stocks fell almost 20%. We believe this is a false signal concerning an upcoming recession. Similar markets occurred in 2011 (-19.4%) and in 1998 (-19.3%). Both these large pullbacks were followed by rallies to new highs. The 1998 case is especially noteworthy as it occurred late in the cycle, similar to the one we experienced recently.

One of the reasons we look at this with a grain of salt is that corporate profits have been one of the factors bucking typical late-cycle behavior. In Q3 2018 corporate profits were up a staggering 19.6% year-over-year (after-tax). These are not numbers that are indicative of a recession in the near term.

For us, it seems premature to be worried about recession. In a nutshell, unemployment is at an 18-year low, corporate investment is picking up steam and consumer spending shows signs of rebounding, all while the yield curve stays positive and corporate debt is well under control.

Historically, new investor inflows are a driving factor of any rising market. So, it has been an interesting rebound since the bottom on Dec. 24, 2018 because investors aren't putting new money to work. In fact they are taking money out of the stock market after the worst December for stocks since 1931. It is too bad, because the S&P 500 has climbed 20.5% since the lows in Q4.

Today, it seems that corporate buybacks are what is driving the market. There were record buybacks in 2018 and we expect another strong year in 2019 as money invested abroad is repatriated to the U.S.

If investors begin to put fresh capital back into the market in the coming weeks and outflows turn into inflows, I expect we will see a tailwind impetus pushing stock prices upwards.

These are the reasons we stayed the course during the correction at the end of last year. To date it seems it was the right strategy as the S&P 500 has rebounded from the low of 2,363.12 from last October to approximately 2,810 as I write this. My opinion is that we will see new highs this year.

CHART OF THE MONTH—CONTINUED

and the boost from 2018 tax changes fades. The policy backdrop is highly uncertain, with the direction of monetary and trade policies unclear.

Global

Global growth remains positive but has become more uneven, and many major economies have progressed toward more advanced stages of the business cycle. Global manufacturing remains in expansion, but the outlook has deteriorated and activity levels have likely passed their peak. China is in a growth recession, and policy easing measures so far appear insufficient to sustain a reacceleration. China’s slowdown, in addition to global monetary tightening and trade-policy uncertainty, has weighed on the industrial sectors in Europe and other export-oriented economies.

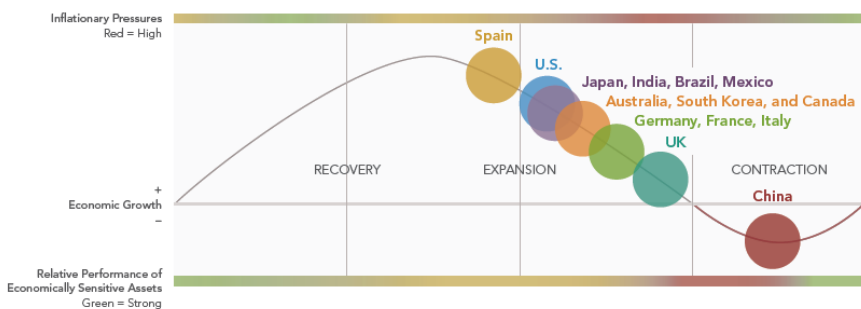
Asset Allocation Outlook

Consistent with a maturing business cycle, asset class patterns may become less reliable, warranting smaller cyclical tilts and a prioritization on portfolio diversification. Meanwhile, low recession risk implies it’s too early to have high conviction in extremely bearish scenarios. After an unprecedented period of global monetary tightening has turned into a liquidity headwind that may cause asset-market volatility to remain elevated. Overall, we expect the late-cycle environment to provide a less favorable risk-return profile for asset markets than during recent years.

Business Cycle Framework

The business cycle, which is the pattern of cyclical fluctuations in an economy over a few years, can influence asset returns over an intermediate-term horizon. Cyclical allocation tilts are only one investment tool, and any adjustments should be considered within the context of long-term portfolio construction principles and strategic asset allocation positioning.

EARLY	MID	LATE	RECESSION
Activity rebounds	Growth peaking	Growth moderating	Falling activity
Credit begins to grow	Credit growth strong	Credit tightens	Credit dries up
Profits grow rapidly	Profit growth peaks	Earnings under pressure	Profits decline
Policy still stimulative	Policy neutral	Policy contractionary	Policy eases
Inventories low; sales improve	Inventories, sales grow; equilibrium	Inventories grow; sales growth falls	Inventories, sales fall



Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one.

Thank you to Fidelity Investments for providing the Chart of the Month.

Pre-Retirement Assessment Series—Continued.

Second, the 'Large Latte Factor' theme presents a circumstance in which the client has unknown expenditure; typically, the result of cash being spent on smaller but consistent purchases. Thirdly, the 'net cash' theme showed a short-term negative cash forecast consistent with younger clients who are funding a child's future education needs. Fourth, the 'OK to spend more' theme often presented as confirmation to retirees that they will not outlive their savings. This theme shows these clients that they are easily able to fund future wants like travel or gifting to their heirs.

This month I present the final life planning theme: the 'High Net Worth (HNW)' theme. Unlike the other themes, this one does not have a financial gap; however, it may show an estate gap. This means the client's estate is projected to have insufficient non-registered (liquid) assets to pay terminal charges such as income taxes.

An estate gap arises because of the difference between the adjusted cost base (ACB) of assets and the value of the assets at death. This is often present with real estate. For example, a cottage property may have been purchased decades ago for \$50,000 but its current value is \$700,000. When the cottage owner dies, they are deemed to have disposed of the asset for \$700,000. Since the ACB is \$50,000 (the original price at purchase), the deceased client will show a \$650,000 capital gain – half of which is subject to tax on the terminal return. This will also be the case with investments or any other assets that show taxable growth.

Fortunately, an estate gap is easily managed with proper estate planning. Things like having a proper will and power of attorneys for health and property are a must. Insurance can also be used to fund any terminal expenses. Furthermore, testamentary or in-vitro trusts can be created to organize an estate to the benefit of the heirs. Due to the high net worth forecast, high net cash forecast, and high income asset forecast associated with this theme, HNW individuals can easily implement a number of these strategies to meet their needs.

In nearly every Life Plan I've presented, the client (particularly high net worth individuals) are shocked when they see the cost of disposing of all assets in one shot. It can be quite a concern for those who see their estate residue dwindled down after terminal taxes and charges. If the estate gap isn't addressed and planned for, a client's heirs may be forced to sell off properties to pay down the capital gains. For those individual's who wish to leave significant residue for distribution to beneficiaries, then solving the estate gap is crucial.

Phil Taller—Continued.

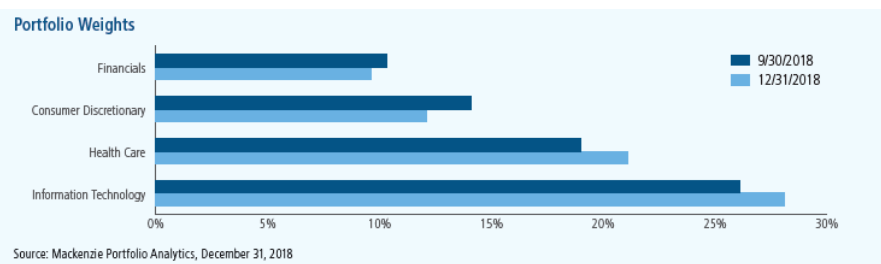
Our Concerns:

- There is the potential that we are late cycle. Global growth is slowing, US housing is weakening and Industrial orders are down.
- Corporate debt has been increasing in general over the last five years.
 - The Fund holds many companies with little to no debt and high free cash.
 - Companies we hold with debt have been paying down aggressively with their free cash.
 - A slowdown could lead to a higher level of failures for those with high debt.
- US/China trade deal is looking to be a protracted process. A trade war would lead to lower global growth which would also impact US mid cap companies.
- We haven't seen margins impacted yet but if the new tariff rates come into effect, we expect pricing pressures from competing businesses outside the US that may not have the tariff and/or strong USD hurdles to overcome.
- If there is slower global growth, there should be continued strength in the USD.

Portfolio Positioning:

- We have cut our exposure to more cyclical businesses, focusing our attention on owning innovative secular growth businesses. These types of companies offer products and services that make the world better, cheaper, and faster – enabling them to grow at a faster pace than the overall economy. We see this as a more “all weather” approach – our companies can do well in a rising economy, but also perform reasonably well in a difficult economy.
- In Spring 2018, we began factoring ‘recession’ into the DCF models we have for our companies. In practical terms, this means that each company is forecasted to have its “typical” experience in a slowdown and then recover in the following years. Effectively, this lowers our fair value estimates and even if we’re wrong and economic growth continues, we’ve just added more buffer to our names.
 - In the summer, after significant stock market performance, we began to trim names where prices had breached fair value. This is when we began to have higher cash positions – with the month-end figure peaking at 10% in August.
- We increased our overweight to Information Technology and Health Care sectors through weakness in Q4 2018.
 - When markets offer us attractive share prices for businesses we want to own, we become buyers, and we took advantage of the most recent ‘sale’ event the market gave us in Q4 2018.
 - We believe that the secular growth available in those sectors will serve us well.

We reduced exposure to Consumer Discretionary and Financials



Technology is generally perceived as cyclical but within this sector we are predominantly weighted (79% of Technology allocation) in industries that are non-cyclical, secular growers;

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Phil Taller—Continued.

- Companies that increase the growth opportunities of their customers:

-- Enhance digitization – Traditional IT systems are declining as modern digital technologies like AI and virtual reality are proving to be strong forces in driving business.

-- Leverage data – Competitive advantages for companies with access to high quality, proprietary data. Leading businesses will have relevant data at the right time.

-- Search for productivity – Leveraging innovative technology to do more with less.

- These businesses can potentially grow within a slowing economy.

Company	Weight	Sector	Sub-Industry	Secular Opportunity
Cognex Corp.	0.57%	Information Technology		Productivity
CoreLogic Inc.	1.48%	Information Technology	Data Prcssg & Outsourced Svcs	Data is new gold
CommVault Systems Inc.	2.76%	Information Technology	Systems Software	Data is new gold
Dolby Laboratories Inc.	1.94%	Information Technology	Electronic Components	Cyclical
ExlService Holdings Inc.	3.74%	Information Technology	Data Prcssg & Outsourced Svcs	Productivity
Gartner Inc.	2.44%	Information Technology	IT Consulting & Other Services	Digitization
Globant SA	0.45%	Information Technology	Application Software	Digitization
Instructure Inc.	2.04%	Information Technology	Application Software	Productivity
MINDBODY Inc.	2.19%	Information Technology	Application Software	Cloud software
MAXIMUS Inc.	4.11%	Information Technology	Data Prcssg & Outsourced Svcs	Productivity
Silicon Laboratories Inc.	0.30%	Information Technology	Semiconductors	Cyclical
Teradyne Inc.	0.24%	Information Technology	Semiconductor Equipment	Cyclical
Worldpay Inc.	3.96%	Information Technology	Data Prcssg & Outsourced Svcs	Digitization

Source: Mackenzie Portfolio Analytics, October 31, 2018

Health Care is traditionally a defensive sector. Within this sector we are invest- in companies that we expect will help fortify the Fund with downside protec- tion while also being exposed to secular growth tailwinds.

Company	Weight	Sector	Sub-Industry
Cambrex Corp.	1.93%	Health Care	Life Sciences Tools & Services
DexCom Inc.	3.56%	Health Care	Health Care Equip. & Supplies
Endologix Inc.	0.08%	Health Care	Health Care Equip. & Supplies
HMS Holdings Corp.	1.36%	Health Care	Health Care Technology
Syneos Health Inc.	5.31%	Health Care	Life Sciences Tools & Services
Waters Corp.	1.96%	Health Care	Life Sciences Tools & Services
Dentsply Sirona Inc.	3.63%	Health Care	Health Care Equip. & Supplies

Source: Mackenzie Portfolio Analytics, October 31, 2018

We are overweight the Industrials sector, a sector typically associated as cycli- cal, however our largest holdings are the least cyclical and are primarily ser- vices/analytics/database oriented (highlighted below) plus an airline, all of which would be minimally impacted by tariffs: CSGP, EFX, SAVE, VRSK, NLSN.

- The bottom three goods companies have cyclical exposure, and would be directly impacted by tariffs.

Company	Weight	Sector	Sub-Industry
CoStar Group Inc.	3.86%	Industrials	Commercial & Professional Serv
Equifax Inc.	2.29%	Industrials	Commercial & Professional Serv
Spirit Airlines Inc.	3.99%	Industrials	Transportation
Verisk Analytics Inc.	3.94%	Industrials	Commercial & Professional Serv
Nielsen Holdings PLC	2.29%	Industrials	Commercial & Professional Serv
Wabtec Corp.	2.20%	Industrials	Capital Goods
Middleby Corp.	1.33%	Industrials	Capital Goods
Snap-On Inc.	0.44%	Industrials	Capital Goods

Source: Mackenzie Portfolio Analytics, October 31, 2018

- Our Financials weighting is lower than it has been in some time, with the pre- ponderance of our weighting in generally non-cyclical insurance companies.

- Regional bank exposures (cyclical) have been reduced.

Company	Weight	Sector	Sub-Industry
Brown & Brown Inc.	0.44%	Financials	Insurance Brokers
First Republic Bank	0.68%	Financials	Regional Banks
IBERIABANK Corp.	0.09%	Financials	Regional Banks
Markel Corp.	2.90%	Financials	Property & Casualty Insurance
The Progressive Corp.	4.41%	Financials	Property & Casualty Insurance
Signature Bank	1.73%	Financials	Regional Banks

Source: Mackenzie Portfolio Analytics, October 31, 2018

[Tony Genua, Commentary continued](#)

Agility – It goes without saying that it is easier to get in and out of positions and make high conviction tactical decisions with a smaller fund. In AGF Global Select, we have demonstrated a history of using that agility, demonstrated by the quick, high conviction decisions employed in the Fund over the past year (of course, including the decision to build up our cash position throughout the second and third quarter of 2018 to a 29% weight by mid-October, thereby protecting the portfolio from some downside volatility amidst a correction in the fourth quarter).

Flexibility – A smaller fund also makes it easier to look for investment ideas anywhere around the world, using local shares or ADR's and being able to participate in the full spectrum of market caps. The small size of AGF Global Select is a factor when participating in smaller market cap companies, or any other stocks with more limited liquidity.

It's also helped when we participate in IPO's. As a smaller fund, our active participation in new listings means that a successful IPO can be potentially additive. In our ongoing search for innovation, we find that spending time on IPO's is a constructive use of time. New companies can be rich in innovation and hungrier in their pursuits to upend incumbents. Research on new companies can also sometimes uncover emerging trends and provide a fresh and ground-up perspective on its industry segment, complementing our research effort on traditionally listed companies.

Typically, we will participate on new issues on ideas that we like, and add to our position over time as we gain conviction in a company. It's important to note, however, that while our recent participation in IPO's has been quite successful (see table below), it has represented only a small portion of the cumulative alpha that the Fund has generated since the beginning of 2017.

Tax efficiency – Although the Fund has done well and has been growing its asset base, there remains a considerable sized capital loss carry-forward amount that was incurred in the period prior to the current portfolio manager's tenure. As such, we do not expect any capital distributions in the near future.

A Strong Start to 2019

We have been encouraged by both the portfolio's and market's bounce back thus far in 2019. With a 12% year-to-date return as of the end of February, the Fund has recovered most of the ground that was lost in the difficult fourth quarter of 2018. Its 12% return also lands in the top decile of global equity funds thus far in 2019, which would be the 4th out of the last 6 years where the Fund's returns have ranked in the top 10% in the global equity category.

The biggest shift in allocation in the past two months has been cash. After being mostly fully invested by the end of 2018, we have allowed cash to accumulate back to a level close to 20%. This was as a result of both client inflows as well as taking profits on several Consumer Staples companies amidst the rally.

Despite the elevated level of cash, the portfolio has continued to act well this year. Our holdings in sectors such as Communication Services, Information Technology, and Health Care have performed strongly. Within Communication Services, streaming companies such as Huya Inc. (up 73%), Netflix Inc. (up 32%), and Spotify (up 26%) have been among the top contributors, while within Health Care, specialized biotech companies such as Guardant Health (up 62%) and Amarin Corp. (up 55%) have helped performance. These sectors have more than offset the drag from cash as well as in the Industrials sector, where our airline stocks have lagged.

We feel comfortable with an elevated level of cash in the near-term. While equity markets have had a remarkably strong start to the year, some ensuing volatility would not be surprising. Indeed, a pullback and/or some consolidation may be seen as a healthy market development. Ultimately, as we have noted in our past commentaries, we believe the current cycle is not yet over and that the equity bull market remains intact.

[Myles Zyblock, Commentary continued](#)

Lagged most of the developed markets. Let's take a look back and review what has transpired in the Canadian equity market over the past decade.

- The S&P/TSX compounded 11.1% on a total return basis since the bottom on March 9, 2009 with 7 out of 10 years registering a positive return. However, if we exclude the 59% rocket off the bottom in 2009, this CAGR falls to a less impressive rate of 6.7%.
- Compared to previous 10-year bull runs off of major bottoms, the current episode has not been as explosive on the return side but has compensated with much lower volatility and shallower drawdowns. Across capitalization, the mid-cap segment saw the best performance while low volatility stocks led on the style front.
- The composition of the Canadian equity market shifted away from the resource sectors that collectively accounted for nearly half of the index in March 2009. Helped by nearly 8% annual earnings growth, Financials returned 17.3% per year and overtook Energy as the largest sector in the S&P/TSX.
- On an annual basis, equities have performed well since the market bottom on March 9, 2009. Only 3 years finished in the red while 5 posted double-digit gains.
- From the trough, the S&P/TSX produced a CAGR of 11.1% over a 10-year span. However, cautious investors that waited on the sidelines and missed out on the 2009 surge would have realized a much lower rate of 6.7%. Those that also skipped 2010 would have left another 130 bps of annualized returns behind.
- Compared to previous recoveries from major troughs (i.e. those that followed a 20% or more correction from the peak), this bull market has been relatively mild in both return and volatility. The cumulative return of 97% ranks as the 3rd lowest among the 10 recoveries we examined from 1919. The two occurrences that were lower (1932-42 and 1921-31) had significantly higher returns earlier on. Turning to volatility, this current bull market has a standard deviation of 10.7% which is the lowest when compared to all of the previous bull markets at the 10-year mark.
- Drawdowns have also been less severe. The 24.4% fall from September 3, 2014 to January 20, 2016, while still painful, is not nearly as deep as many of the episodes in the past.
- Breaking down the Canadian landscape by capitalization we see that the S&P/TSX Completion index, which is the Composite excluding the large-cap 60, posted the highest returns. The Small Cap index surged for the first few years of the recovery but lagged for the remainder of the 10-year period.
- Turning to investment factor performance, we found that low volatility stocks had the highest outperformance (relative to Canadian universe). Valuation (low P/E) also managed to outpace the broad universe but the remaining factors, particularly price momentum, lagged the broad universe.
- Real Estate led all sectors with a 19.3% compound return from the March 2009 bottom. Rounding out the top were Industrials, Financials and the Consumer groups. The resource segment performed poorly with both groups posting low single-digit returns.
- Drilling down to the stock level, the best performing individual names over the past 10-years were primarily mid- and small-cap names in the industrials, forestry and consumer spaces.
- The aggregate index only mustered a 1.6% annualized EPS growth rate over the past decade though this number was dragged down by significant contractions in Energy and Materials earnings. Growth for the consumer sectors, Financials, Utilities and Industrials were all much higher than the benchmark.

[Myles Zyblock, Commentary continued](#)

- The composition of the Canadian equity market has shifted away from the resource sectors which collectively accounted for nearly half of the index in March 2009. Supported by nearly 8% annual earnings growth, Financials grew at a rate of 17.3% per year and eventually overtook Energy as the largest sector in the S&P/TSX.
- The global economic surprise index has been below the neutral line since September 2018 which suggests a skew towards negative surprises.
- The trend in initial unemployment data suggests that the labor market is slowing.
- Mortgage applications, a read into housing activity, have been on a steady rise since 2015.
- The S&P 500 has recovered more than half its sell-off from the September peak and now sits above the 200-day moving average.
- The TSX has also surged off the December low and is up 12.4% year-to-date.
- Equity volatility, as measured by the VIX index is back to the low end of its historic range as stocks have stabilized.
- Canadian and U.S. 10-year government yields slid lower during the equity market correction but appear to be levelling off as the turbulence has subsided.
- Bond volatility, as measured by the MOVE Index, has fallen year-to-date and is at the bottom of its historical range
- High yield spreads spiked at the end of last year but have recently narrowed. Relative to the past decade, however, the spread remains quite narrow.
- Short-term weakness has sent the 50-day moving average for the DXY index sideways but the longer term uptrend remains intact.
- The basket of Asian currencies has been gaining strength against the USD since October of last year. The index and its 50-day moving average have now crossed above the 200-day moving average.
- CAD has been weakening against USD despite the recent recovery rally in crude oil prices.
- Gold prices have been moving higher since the low last August but are now nearing a key resistance level just under \$1350.
- The sell-off in WTI crude prices in the fourth quarter of 2018 appears to have reversed course. Year-to-date, the commodity is up \$13 per barrel with prices currently sitting near \$59.
- Copper prices have broken higher and are now up 9.7% since the end of 2018.

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