

February 2021 Financial Planning Email Update

On January 27, 2021 you were invited to The New Retirementality webinar. If you were unable to attend here is the link to the recording which you will find of great interest.

<https://www.ghafinancial.com/advisor/quarterly-webinars>

This pandemic has had a tremendous impact on each of our lives. I firmly believe that just as COVID-19 began ...it will end. Likely with a vaccine. We are at the intersection now of maximum new cases and an increasing number of vaccines being issued. This time reminds me of when I ran the 400 meters in track and field in my youth. It was a long sprint and inevitably after 300 meters you would hit a wall and have to mentally and physically fight to complete the last 100 meters of the race. Well all of us now are at the 300 meter mark in this pandemic and we have to work very hard to get ourselves to the end in a safe, positive and healthy way. We can do it. We can utilize the same attributes that we have demonstrated as successful investors. That is, in order for us to achieve an above average rate of return we are patient, persistent, have faith in the future and have a long-term view. Many of you have asked how we are making out in the pandemic. We have never had so much alcohol in the office...the wrong kind unfortunately.

Also on January 27, 2021, Amanda and I attended a one day virtual conference with all of Fidelity Investments main portfolio managers and analysts. Over the course of the day we listened to each Fidelity team member discuss the themes of processes of investing, new investment ideas and future thoughts of which I have outlined below.

Process of Investing:

Fidelity focusses on active money management, which they believe will be rewarded as company valuations move to extremes. Right now there are companies which are available that are extremely good value and there are companies which are available which are extremely overpriced and therefore very poor value. Fidelity believes in contrarian investing, that is looking at opportunities of investing in companies which are well financed and well managed but have short term situations in which the company finds themselves out of favour and priced poorly. By investing in these companies at low prices, when the company goes back into favour the stock prices increase thereby buying low and selling high. The concept is to focus on the destination. Where will we be in the next 6 months, 1 year, 3 years and so on.

By investing in companies that have a dividend yield they reduce volatility, create downside protection and create income generation. Fidelity uses extensive research to identify quality companies globally to invest in meeting all of their criteria. Fidelity are world-class securities selection experts. Performance comes from strategic benchmark stock selection and asset allocation between stocks and bonds. We need to trust the portfolio managers to screen the companies to only invest in quality and what is viable.

The process of introducing a new stock to the portfolio is completed by incrementally adding shares over a time period when opportunities allow. Having a selling strategy is also important. Fidelity will often sell holdings to weed out small holdings to focus on their best ideas or to sell to reduce risk. For example, if an idea is not working, they will let it go as opposed to hoping it will improve.

New Investment Ideas:

Today, most money managers are focusing on socially responsible investing, such as investing in companies that are improving the environment. Fidelity has an internal score for each company they invest in, covering all areas including the environment, social responsibility, and corporate governance. The best investment ideas in the next 10 years will be in improving our carbon footprint because it is important to the world. Examples of this will be solar, wind, and hydrogen power, as well as electric cars. Fidelity's investment screening also includes ensuring each company has high ethical corporate governance and good employee relations. It has been proven that companies that focus on being socially responsible and treat their employees well do better and are good investments that add returns to the investor. Companies that have environmental issues, such as oil and gas companies, are to be avoided. In general, Fidelity believes that they can find investment success by thinking differently.

Fidelity is more interested in policy than politics, so they are encouraged by the transition from Trump to Biden. Monetary and fiscal policy remain the same and are at the maximum possible. Biden will have better international relations, be more socially responsible, and have private backroom conversations as opposed to the Twitter rhetoric.

Fidelity does not believe the stock market is a bubble environment but knows that corrections are inevitable as valuations get ahead of themselves from time to time.

Fidelity is focusing more on emerging markets and less on Canadian investments. They are exploring drug discovery companies, which are a big part of the future.

Technology companies today are unlike those of 1999, prior to the tech bubble. Today, technology companies are profitable, have positive cash flow, and have exceptional value. Fidelity is embracing change and innovation in 2021. New technology, such as 5G networks, will be employed to enhance the future of self-driving cars and drones.

Future Thoughts:

Investors should think about the concept of inflation in their portfolio. We have now reached a fork in the road where either inflation will ramp up or we will enter into an era of deflation. To hedge against inflation, we need to be in ownership-style assets such as stocks (equities), real estate, and gold. Fidelity is overweight equities as the economy is set to improve. Fidelity is underweight bonds in this period of ultra-low interest rates. Bonds are at risk as interest rates increase; the price of bonds decreases. Also, there is a higher trajectory for government debt. This explosion of government debt is a danger to financial assets as it comes with increased inflation potential.

Canada as an economy is highly vulnerable. Canada has high consumer debt (private debt sector) and high government debt (public sector) as well as a fledgling oil industry witnessed by the cancellation of the Keystone pipeline. The significant positive to all economies will be the reopening at the end of the pandemic.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning.

I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling us at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary

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