

July 2022 Financial Planning Email Update

As we reach the halfway point of 2022, it is evident that we as investors are experiencing significant adversity. It is at times like these when I believe it is important to look back in time and gain some historical perspective. The Investment Funds Institute of Canada (IFIC) has been gathering statistics about the Mutual Fund industry since it was first formed as The Canadian Mutual Funds Association in 1962. By 1964, the total assets in mutual funds in Canada topped \$1 billion. At the end of April 2022, IFIC announced that the total assets in mutual funds in Canada was \$1,914 billion. This is significant growth and represents similar dollar values of assets in Canada held in bank deposits. So today we can say the Mutual Fund industry is large, financially stable, and well established.

I began my career, training to be a financial planner; on September 26, 1983, by joining Regal Capital Planners Ltd. (Regal). Paul Rockel founded Regal in 1968 in the early days of this industry. As a businessman, industry leader, author and mentor; Paul Rockel is now known as one of the legends of our industry. He had spoken at many industry and public seminar events and used to shock his audiences when; in times like we are in now, Paul would say, "I prayed that the markets would go down". His explanation involved another legend in the Mutual Fund industry. As the story goes, Paul was visiting the offices of John Templeton, one of the first portfolio managers in Canada to be able to identify quality companies as prospective investments. Paul was observing the trading desk at a time not dissimilar to today and it was very busy. Paul asked a stock trader why he was so busy when the markets are at a low. The stock trader showed him a list of companies that John Templeton had given him and the prices that John wanted the stocks to be purchase at. The trader said he'd had this list for several months and could now finally buy into the companies John had wanted to own. As a side note, John Templeton believed in quality in all aspects of life. He was known to have bought a brand-new Rolls Royce and to have driven it for 50 years.

Today this story could not have taken place. Due to compliance regulations, the portfolio managers need to keep their current trading activity confidential. But just like in the early days of the industry the portfolio manager who is prepared, through detailed research to purchase high quality investments when they are available at targeted lower prices, will be able to successfully achieve above average long-term investment returns.

On May 31st, I attended an update with Dina De Greer, the portfolio manager of our highly recommended Mackenzie Canadian Growth and Balanced Funds. They are busy researching and buying companies that can still grow in a slowdown economic environment. Dina discussed, in great length, the old energy solutions versus new energy solutions. In the short-term, oil and gas may do well but, in the long-term, market growth will decline and is not sustainable. Dina is following the green transition but is focusing on the businesses involved in the design of renewable energy as well as the pick and shovel/hard hat companies that are essential to support electrification especially in vehicles. The decarbonization of energy and the move to electrification is the problem of the decade.

Dina De Greer has been very selective in investing in banks as there is a potential for significant loan losses with higher interest rates and an economic slowdown ahead. She is concerned about the overall consumers' ability to maintain financial commitments and two-thirds of all bank assets are tied to the consumer. When looking at sectors to invest in, there are exciting opportunities in niche, premium brands that are targeted to the higher income consumer. Dina is investigating many positions to add to the portfolio to ensure long-term growth.

Dina believes that we now need to own steady, stable, good balance sheets, free cash flow, high quality, resilient businesses which are well managed and will do well in a downturn. They are not really doing anything differently; they are following their processes that have led to significant success in the past. Dina does not know what the short-term market will do but is positive she will yield 8-10% in her equity portfolio in the long-term. Dina added that the entire downturn cycle may be faster as interest rates are increasing at the fastest rate in 40 years.

On June 6, 2022 I attended a webcast with Dan Bastasic, a portfolio manager with the iA Investment Management Team, entitled "A Strategic Approach to Investing Across the Capital Structure", which you will find attached.

Mark Twain said that “history doesn’t repeat itself, but it often rhymes”. This statement is accurate for many aspects of life including investing. The United States S&P500 stock index has just reached a bear market correction of over 20% for the 13th time since World War II. During each of these periods, it is inevitable that some investors will make bad decisions (usually made emotionally) that permanently impact their financial plans. So while we cannot tell you when the markets will begin to recover; we can say with confidence, from historical evidence, that they will recover and staying the course is the only way to guarantee that you will participate in that recovery. In investing as well as in life, the patient person is always rewarded.

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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