

June 2020 Financial Planning Email Update

Over the past several weeks we have received detailed updates from all portfolio managers of our recommended professionally managed funds. During this time our recommended portfolios have over ½ recovered from the low point of March 23, 2020. At any other time each one of these portfolio manager information sessions would warrant its own email update, but under our current pandemic circumstances I felt I should share this information immediately.

Each portfolio manager gave their feelings about their portfolios, the economic recovery, how they are thinking differently now, what is known now and what is not known now.

The following are informational highlights from various portfolio managers which I thought would be of interest.

Clayton Zacharias, portfolio manager of Invesco Income Growth and Invesco Canadian Endeavour funds feels strongly first that the businesses owned are going to continue, not expecting any permanent loss of capital and secondly that by not changing his investment approach he was able to add three new company holdings as well as add to existing holdings at attractive prices during the period when others were panic selling in late March. He had more trading activity than ever before in that period.

As a result, he was able to increase the quality overall and set up the portfolio for above average returns in the medium to long term.

Corey Taube from Dynamic Funds prepared the attached market update presentation which gives an excellent overview of investor implications of the Covid 19 pandemic.

Dina DeGeer and David Arpin, the lead portfolio managers of the Mackenzie Canadian Growth/Balanced funds gave a very detailed update to us in the past few weeks.

David began by making us aware that the second quarter 2020 drop in the Gross Domestic Product (GDP) was the sharpest seen in over 150 years, and it was done intentionally. What is known and priced into the investment marketplace today is that the third quarter will see a significant increase in GDP as loosening occurs and that a second wave of Covid 19 infections is expected. Many countries are now prepared and a second wave will not be as serious as the first wave. Also the trends of e-commerce, digital and work at home are all here to stay.

David summarized what is not known, which is the actual pace of reopening which relates to the actual infection rate determining what can open and what cannot to keep the virus under control.

The timing of a vaccine is not known but it is ramping up with many candidates and a vaccine is likely to be approved in record time. What would normally take 1 – 2 years may be completed by the end of 2020. Other unknowns are the unemployment rate moving forward as well as the U.S. election in November 2020.

What Dina DeGeer is trying to achieve is to look for very specific things that not many companies possess which are a leading business with competitive advantages, excellent company management, a strong balance with minimal debt, above average growth rates, not a cyclical business, great cash flow and have an increasingly expected investment return overtime. Dina has been globally diversified for quite a while and is currently 28% International and 40% in the U.S. If we only invested in Canada we would end up with a mediocre return. In February, much time was invested by Dina's team to determine the impact that Covid 19 has on current portfolio holdings and which companies can most easily get back to pre Covid 19 price levels. At that time seven companies were sold (4 foreign and 3 Canadian) and added a new positions from their research list of companies which they always wanted to own but were waiting for a better price. Dina has reduced ownership in Canadian banks and has not invested in energy or utility companies for some time. All companies currently held in their portfolios are doing extremely well.

Oscar Belaiche, the portfolio manager of the Dynamic Equity Income Fund recently outlined his investment management strategy during this time referring to periods of "risk on" verses "risk off" and focusing on good sector allocation. He was willing to increase the equity percentage in his portfolio (risk on) when the market prices of previously determined investments had dropped to preferred price levels with good companies being written down over 30%. The financial sector is well positioned this time globally whereas the real estate sector is not, both completely opposite to the last major economic issue know as the Financial Crisis. Oscar also mentioned that the worldwide government financial stimulus will be hugely helpful in avoiding a great depression with a safety net in place.

Oscar has determined that his current portfolio is well positioned with very positive cash flow to continue to pay a steady current income to the investor and to grow in the long term.

The CI Signature Investment team has written two very informative articles on Covid 19: What we know, what we don't know and what that means which are attached.

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 email or call Amanda or I at 519-894-2661 or toll free 1-800-716-5538. Have a great day.

Respectfully Yours, Gary

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