

Manulife Securities HOLISTIC WWEALTH®











JUNE 2022

Market outlook & how to navigate in an inflationary environment

We started writing this newsletter a number of months ago when the markets were at new highs. Since then, the markets are down around 20% (officially in a correction). Some stocks have been beat up more than others. As of the end of April, the Nasdaq (a technology laden index) is down more than 20% with more than 45% of the stocks down 50%. More than 22% are down 75% and more than 5% are down 90%!!! (source -Middlefield Group)

The experts had been calling for transitory inflation (temporary as the world has a back order of demand). It now seems that inflation will be present for some time (referred to as enduring) although it is not expected to remain as high as it is now. This can place pressure on certain types of investments such as bonds and growth stocks. As a result, we believe that fixed income exposure should have a focus on high yield, floating rate, and emerging markets and avoiding long duration or developed market government debt. We expect the yield curve to steepen (long term bond rates to increase) which can have a negative effect on long term bonds, especially government debt/bonds.

The good news is that we are finding many solid investments are very attractive prices that should weather a recession.

Lions, and Tigers, and Bears (oh my!)

The recent news headlines has focused on terms such as market correction (a market down 10%), bear market (a market down 20%), and market crash (a market down 30% or more). We are always mindful of how these headlines can make you feel and want you to know that we are always available to discuss your investment portfolios. Please reach out to us if you have any questions or particular items you would like to discuss.





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holisticwealth.ca Holistic Wealth® 250.494.1130 pg. 1 As much hype as there is about 'clean and green' energy, there is a shortage of oil and gas and the world is still very dependent on this energy source. You may have noticed this at the gas pump. As energy prices increase, this puts pressure on the economy and could cause a recession. The good news is if oil goes up over \$100, then OPEC will likely release more oil. OPEC is happy to see oil prices to stay around \$80-\$100. Clean and green stocks and ESG (Environmental, Social & Governance) were the 'in-vogue' themes and this demand artificially inflated their values. It now appears the bubble seems to have a leak and these stocks are deflating in price as a result.

In inflationary times, historically precious metals (such as gold) has gone up. We have not seen this (yet). It seems that gold was being replaced by cryptocurrencies until recently when cryptocurrencies have gone down close to 50% in value over a short time. We do not embrace nor have exposure to cryptocurrencies as they are not backed by anyone/thing, not well regulated, and do not serve any practical use to the economy. It seems like every time clients start asking about certain investments that is when a specific bubble is about to burst. A few years ago we fielded many questions about cannabis stocks. Lately, we were being asked about investing in a well-known cryptocurrency; Bitcoin.

Interest rates are increased by Central banks to slow down the economy by causing companies and individuals to direct more funds toward debt payments and have less to spend in the economy. Another strategy (less popular) would be to increase taxes (which will be an eventuality, globally and necessary given the massive increases in government debt). With inflation high, there is pressure from the labour force for increases in wages. The recent and anticipated further increase in interest rates should cause a rise in unemployment and help alleviate the wage pressure.

Growth stocks, which are valued based on future cash flow, often have large debt, little or no earnings, generally do not pay a dividend and they are the most impacted by a rise in interest rates. Growth stocks have seen significant decreases in their stock value (many down 75% or more) since November.

Periods like this can be extremely challenging for an investor. GIC rates have increased but are still well below historical norms and, once you factor in inflation and taxes, an investor can be left with a negative real rate of return. Bonds (especially long dated bonds) have seen negative returns with the rise in interest rates. Value stocks on the other hand (which we have a strong bias towards), have been weathering the storm well. This has worked out comparatively well for our clients. These stocks are generally profitable and pay a dividend. The past year we increased our rotation and exposure to energy stocks which has done well and now we await materials time to shine.

Our Report Card

(see chart on next page)

In our last newsletter (September 2021) we talked about how we like Value over Growth stocks especially in this economic environment. To over simplify, a growth stock is where earnings are expected grow and a value stock is often profitable, usually pays a dividend, and is considered to be trading at a discount. One of the research analysts we follow was promoting CHWY at the time. We used the example of Chewy

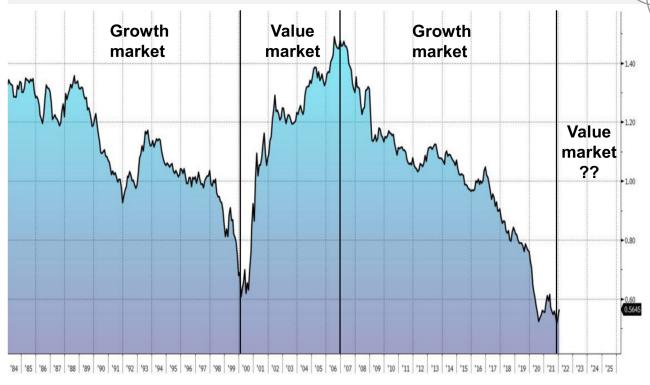
(CHWY) a growth stock compared to FEDEX (FDX). At the time, FDX was approximately \$258 a share and CHWY was about \$75 a share. At the time of writing this newsletter, As of June 1st, FDX was \$225. An investor would have also received \$1.50 a share around 1.2% /yr) since then. (In fact, FEDEX just raised its dividend!) Chewy was around \$23.5 and pays no dividend. FDX is down about 12% (including the dividend) and Chewy is down 68%. 8 months is a very short time to measure performance but in this case it works in our favour.

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Rotation: early innings



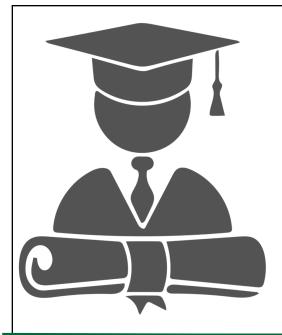
Russell 1000 Value Index/Russell 1000 Growth Index



Source: Bloomberg, as of 01/12/2022.

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Our commitment to our service levels

Ron Langevin joined the team a year and a half ago and has committed to his professional development by taking extra courses and exams while getting to know our clients. We are thrilled to announce he has now obtained his Qualified Associate Financial Planner (QAFP) designation (in record time!) which is the last step towards obtaining the highly coveted CFP designation.

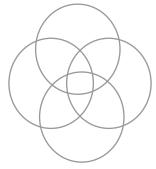
We are pleased to announce that Ron has transitioned from an investment advisor assistant to an investment advisor in our practice. This expands the level of service Ron can deliver to assist clients and better leverage his many years of industry experience.

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Why make a will?

According to an Angus Reid Institute poll from 2017, more than half of Canadians don't have a last will and testament. Of that group, 18 per cent cited cost as the main reason they hadn't written a will, while five per cent answered that it's too time consuming. Another reason that many Canadians say they haven't bothered to write or update their will? The uncertainty around whether they have enough assets to make the process worthwhile.

Your Will is the easiest and most effective way to tell others how you want your property and possessions– called your estate– to be distributed. Even if you don't have much money or property, it's still a good idea to have a Will so that you can name an Executor and make it clear who you want to be make decisions after your death.

FIVE KEY THINGS YOUR WILL SHOULD COVER

Basic information about you

This includes your name, your address and the date you signed the will. Your will should also state that it is your last will and that it takes the place of any will you made before.

The name of your Executor

An executor is called an estate trustee in most provinces. This is the person you name to carry out your wishes.

3. Your Executor's right to manage your estate.

You should give your Executor the right to manage your estate and pay your debts and final costs, such as your mortgage, loan payments, funeral expenses and final income taxes.

How you want your assets distributed

Your will should state who gets what from your savings and property, including your home, investments and cash. It should cover all the things you own, such as cars, furniture, pictures and jewelry.

Guardian(s) for your children

If you have children who depend on you for support, you should name a guardian in case both you and your spouse or partner die at the same time. While your designation is not legally binding, it lets the court know who you want to care for your children. This will likely be factored into the court's final decision.

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Our Current Allocation Outlook

Below is a chart of different asset classes and sector exposure with our current outlook compared to the normal weighting. Based on the economic outlook, we may want more or less than our normal exposure to each category. Each individual investor will have a different investment portfolio depending on their personal circumstances considering their: Risk Tolerance, Income requirements (both current and anticipated), Time Horizon, Taxation, and of course Temperament (investor behavior). We then look for opportunities to tax-optimize the holdings based on which plans hold which investments. You should consult us to determine the ideal asset mix and asset selection given your circumstances.

		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Fixed Income						
Government	Long-term	•	—			
	Mid-term		•			
	Short-term		•			
	Investment Grade			•		
	High Yield			•		
	Floating Rate		-		•	
EQUITIES						
Canadian	Dividend Focused				•	
	Large Cap				•	
	Small Cap			•		
US					•	
European				•		
Asia				4	•	
Emerging Markets				4	•	
	BRIC		•	4		
Sector		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Consumer Discretionary		-	•			
Consumer Staples					•	
Energy						•
Financials	Banking			•		
Financials	Banking Insurance			•		
Financials			•	•		
Financials	Insurance Asset		•	•		
Financials Materials	Insurance Asset Managers		•	•	•	
	Insurance Asset Managers		•	•	•	
Materials	Insurance Asset Managers		•	•	•	
Materials Utilities Telecommuni-	Insurance Asset Managers		•	•	•	
Materials Utilities Telecommunications	Insurance Asset Managers		•	•	•	



This is the trade name under which the Summerland office of Manulife Securities Incorporated operates. This differentiates us from most traditional stockbrokers and investment advisors who do not take the same holistic wealth approach in working with clients. We take a financial planning approach when advising clients, taking their debt, insurance and investment portfolios into consideration. We use solutions that people understand and avoid 'synthetic' investment products (such as hedge funds).

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