

Wealth DIRECTIONS

August 2023



Top 10 Dominate (for now)

This year has started off to be a solid performing year in the USA. The S&P 500 Index was up 19% year-to-date as of the end of July. However, the numbers can be misleading. If you remove the top 10 stocks, then the market is only up 5%.

The S&P 500 represents the 500 largest public by market capitalization (which is the value of all the outstanding shares) companies in the US. If they were all equal in size, this means the average one represents 0.02% of the market index. We know that some companies are bigger than others. What is surprising is the imbalance that has transformed. The top 10 of the 500 companies represents 30% of the S&P Index. This is the largest in-balance measured in past 5 decades.

Historical Top 10 Holdings for the S&P 500 (% Index Weight)

1980		1990		2000		2010		2020		2023	
IBM	4.3%	IBM	3.0%	General Electric	4.1%	Exxon	3.1%	Apple	5%	Apple	7.5%
AT&T	3.9%	Exxon	2.9%	Exxon	2.6%	Apple	2.5%	Microsoft	5%	Microsoft	6.8%
Exxon	3.8%	General Electric	2.3%	Pfizer	2.5%	Microsoft	2.0%	Amazon	4%	Alphabet	3.5%
Standard Oil (IN)	2.5%	Philip Morris	2.2%	Citigroup	2.5%	Berkshire Hathaway	1.7%	Google	3%	Amazon	3.0%
Schlumberger	2.4%	Royal Dutch	1.9%	Cisco	2.4%	General Electric	1.6%	Facebook	2%	Nvidia	3.0%
Shell Oil	1.9%	Bristol-Meyers	1.6%	Wal-Mart	2.0%	Wal-Mart	1.6%	Berkshire Hathaway	1%	Tesla	1.8%
Mobil	1.9%	Merck	1.6%	Microsoft	2.0%	Google	1.6%	Visa	1%	Meta	1.7%
Standard Oil (CA)	1.8%	Wal-Mart	1.6%	AIG	2.0%	Chevron	1.5%	Johnson & Johnson	1%	Berkshire Hathaway	1.6%
Atlantic Richfield	1.6%	AT&T	1.5%	Merck	1.9%	IBM	1.5%	Wal-Mart	1%	United Health	1.2%
General Electric	1.5%	Coke	1.4%	Intel	1.7%	Procter & Gamble	1.5%	JP Morgan	1%	JPMorgan	1.2%
Top 10 Holdings	25.6%	Top 10 Holdings	20.0%	Top 10 Holdings	23.7%	Top 10 Holdings	18.6%	Top 10 Holdings	24.8%	Top 10 Holdings	31.3%

Source: Bloomberg, as of July 31, 2023. For illustration purpose only. Any reference to a specific company listed herein does not constitute a recommendation to buy, sell or hold securities of such company, nor does it constitute a recommendation to invest directly in any such company.

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It is interesting to see the changes in the names over time.

We limit individual stock exposure to avoid concentration. This may mean missing out on some of the market appreciation; but it can also protect you when markets head down.



Welcome to our newest team member!

We are thrilled to announce that Tristan Knoll has joined the Holistic Wealth practice as an Administrative Assistant. Tristan is 27 years old. Born in 100-Mile House, his family moved to Summerland when he was six. Tristan grew up and graduated from Summerland Secondary which is right across the street from our office! He grew up watching a lot of hockey and when he wasn't studying hard in school, he was playing soccer, basketball, ping pong and other sports with his friends. After graduating high-school, Tristan went to UBC-Okanagan and graduated with a Bachelor of Arts with a major in Psychology. Shortly after graduation he met his now wife, Elizabeth. The happily married couple have a 18 month old son, Theodore. When Tristan is not studying, working, or playing golf he enjoys spending time with his family. Tristan is currently studying to become licensed to further help the team here at Holistic Wealth to maintain a high level of service. We are very excited to have him on board.



AI – Artificial Intelligence

The latest hype is the race to dominate in the Artificial Intelligence space. Initially, when I think of AI, I think of the ChatBots that appear on a web page that is a digital virtual assistant.

AI is way more than this. It is being developed to study medical tests (x-rays, MRI etc) and it is believed it may be able to detect and diagnose better than humans. There are self-driving cars. In military use, AI can compare satellite photos much faster and better than humans noting any movement and changes. Personally, although I like the idea of AI assisting in these areas, I still want a human overseeing especially when it comes to medical health or flying planes.

This hype is what has driven up the prices of many tech stocks of late with uncertainty as to who will succeed in delivering and implementing this technology. Reminds me a bit of the dot com era. Some will survive and dominate. Others will perish.

AI could turbocharge the cybertheft economy

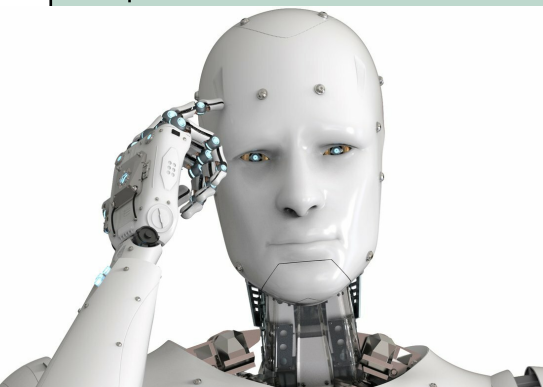
Not all AI is benevolent. You may have heard of the grandparent scam where someone calls an elderly person pretending to be their grandchild. They learn information along the way. For example, the grandparent may say: Johnny, is that you? How is university? What is the weather like in Kamloops? The fake grandchild explains they are in some sort of trouble, not to tell anyone and to send them money. Unfortunately, many are falling for this. AI brings this to a whole new level where computer generated voices are so realistic that people (even their parents) get fooled. The scammer downloads a sample of someone's voice from social media or their voice message. AI voice-synthesizing tool

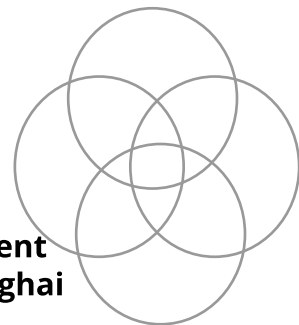
creates the content they need.

Financial institutions are trying to keep up with the scammers to spot suspicious activity. (Source: Bloomberg)

We are here to help protect you!

A benefit to dealing with our office is that you deal with the same people and we get to know you (and you us). When you call to make a withdrawal, we are required to inquire as to the purposes in efforts of protecting you from financial fraud or pressure.





Future value of the US dollar and the possibility of a gold-backed trade settlement currency supported by BRICS & SCO (Shanghai Corporation Organization)

BRICS is the acronym for Brazil, Russia, India, China & South Africa. They are proposing a gold-backed currency to reduce interest rates and increase monetary stability. This would be a move away from the US dollar. Currently, much of global trade is via US dollars. For example, if India wants to buy something from Russia, India has to convert the Rubies to USD and then try to convert to Russian Rubles (except Russia can't currently trade in USD due to the war and sanctions). Alasdair Macleod (a highly respected gold expert) predicts there is a chance that the SCO and BRICS could merge.

There is a BRICS summit approaching and future energy sales will likely be in this new gold-back currency rather than USD. Janet Yellin and Henry Kissinger went to China to try to convince China to not abandon the US dollar. (Source: Alasdair Macleod, head of research for Goldmoney who appeared on a Palasades Gold Radio broadcast early Aug 2023)

If successful, this could cause the US dollar to devalue. (It has been one of the strongest currencies recent years).



What is in our crystal ball?

Some of these predictions may be more realistic or likely than others. There is an expression, if you make enough predictions, some will come true. Here are our latest:

- Canada and US are near the peak of raising interest rates. We could see one more increase of 0.25% from either or both countries possible in next 6 months. Then interest rates will very slowly lower over 5 years.
- I will not win Lotto Max. I am hoping this prediction is wrong. This is also a test to see how closely you are reading the newsletter!
- We are in a 'soft' recession which could last several years. Once the economy returns to (slow) expansion, there will be a demand on energy and commodities and material stocks. Material stocks have generally underperformed the bullion. This could be their time to 'shine'.

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						●
Emerging Markets						●
Sector		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Consumer Discretionary			●			
Consumer Staples					●	
Energy						●
Financials	Banking			●		
	Insurance			●		
	Asset Managers		●			
	REITS		●			
Materials					●	
Utilities				●		
Telecommunications				●		
Healthcare					●	
Industrials					●	
Information Technology				●		

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