CINDY BOURY FCSI®, CIM®, FMA
USA/CDN Portfolio Manager & Branch Manager

CINDY BOURY PRIVATE WEALTH MANAGEMENT

NEWSLETTER: SECOND QUARTER 2022

Cindy's Insight

I hope this newsletter finds you enjoying the longer days of spring. Our world today is dealing with higher costs, rising inflation, and war. All of this has an impact on investments, so my focus is on the long-term goals of the portfolios. I have been moving the portfolios into a global design with a focus on US and Canadian investments. I manage portfolios with consistency, patience, and a defensive growth strategy. The quality of the investments, tactical management, open architecture, and using ETFs as a sector focus all add value. Our materials and agricultural ETFs have had trims and the profit was either used to manage your cash flow requirements or added back to the portfolio.

We've seen a slight draw down on the models, but with this design and these actions, impacts of severe market corrections have been comparatively minimized.

Inflation Worries

Many people are worried about inflation but it can work to your advantage as long as you aren't holding cash. While inflation used to be 2%, we see it becoming 3% with an overall average of 2.5%.

The biggest concern is the real return, not the nominal return. Real return is what you receive after the rate of inflation is taken into account. For example, if you invest $100,000 in a GIC at 2% for one year, you will receive $2000 in interest, and with a 30% tax rate, that would be $1,400 in your pocket. Now factor in an inflation rate of 5%. That $100,000 would now only buy you $95,000 in goods. Add in the interest earned, and you have $3,600 less in purchasing power. Your savings after tax is no longer growing.

Purchasing a blue-chip stock with a 2.5% dividend can pay you a regular dividend, with less tax, giving you cash flow with the potential for growth. If your portfolio grows by the inflation amount, your purchasing power stays inline with the increase.

The Cure for High Prices is High Prices

As interest rates rise, it helps to reduce or control the impact of inflation. If you have debt, your cash flow may be impacted to pay the higher interest rate cost. This impacts companies in just the same way. If you don't have cashflow you may choose not to borrow to buy that new car. In turn, the car factories have no orders and slow down production, material companies aren't receiving orders so they slow down, and employees are laid off due to lack of work. This can cause a market correction. Often interest rates go down to help the companies recover and eventually prices are reduced.

We are seeing some deglobalization. People want to have supply closer to home after the COVID-19 scare, which impacted production and supply lines. I feel North America is a good place to invest with the supply chain closer to home.

Thank you for your ongoing trust in my team and I. We appreciate your feedback, kind comments, and referrals. It is our pleasure to work hard for you each day.

Cindy Boury FMA, CIM®, FCSI®
USA/CDN Portfolio & Branch Manager

Inside This Issue

MARKET ECONOMIC UPDATE

Global Economic Outlook:

Still in Expansion Mode, but Risks Have Emerged on the Horizon...

2022 has started off with a bang, literally, which has caught investor's off-guard. This follows a record year in 2021, with global real GDP growth soaring +5.9% or ~2x the long-term trend. However, as we highlighted in our last quarterly update, The Return to "Normal"– Easy Gains are so 2021!, investors should position for a lot more volatility in 2022, which at the time we felt would be driven by policy normalization/tightening efforts by central banks, rather than a full out war in Europe. However, the Russian-Ukraine war has complicated matters and raised the uncertainty for markets, including our outlook given the fluid/unpredictable nature of the situation.

Moreover, as we look ahead over the next 9-12 months, we see more uncertainty/risks to the expansion than we did at the beginning of the year. While 2021 uncertainty was largely the result of new COVID-19 variants spreading across the world, along with expanding lockdowns, the volatility in 2022 has since been the result of several variables including but not limited to: 1) The Russian invasion of Ukraine and the rise in geopolitical tensions (US/NATO vs. Russia/China) not to mention global sanctions on Russia - a major commodity producer; 2) divergence of central bank policy; 3) stubbornly high inflation; 4) new COVID-19 variants and lockdowns (e.g., China); and, 5) a significant slowdown in China.

These uncertainties have already resulted in downward revisions to 2022 global real GDP forecasts, which we had already anticipated for 2022; however, the downward revisions have been more aggressive for several Asian, Emerging and European economies, while commodity oriented regions and North American developed economies have experienced quite the opposite. Similar to 2021, we expect the recovery, which is only in year three of the business cycle (since 1960, historical expansion for Canada have lasted ~10.9 years), will remain uneven in 2022 and likely also in 2023. The latest forecast for global GDP growth puts real GDP growth at +3.0% year-over year (YoY) for 2022. This compares to the 20-year average of (2000-2020) of ~3.2% YoY.

However, that said, the "cleanest dirty shirts in the laundry" from a global economic perspective remain the Canadian and US economies, which are both set to grow by +3.8% and +3.1%, respectively in 2022 (revised +0.3 for Canada and unchanged for the US since Q4/2021). While there are obvious downside risks to these estimates for Canada and the US, we note both economies are trending almost 2x above their 20-year averages in real terms and are much better positioned versus many of their global peers with a sufficient buffer built in above their historical run rate to help cushion against potential headwinds on the horizon.

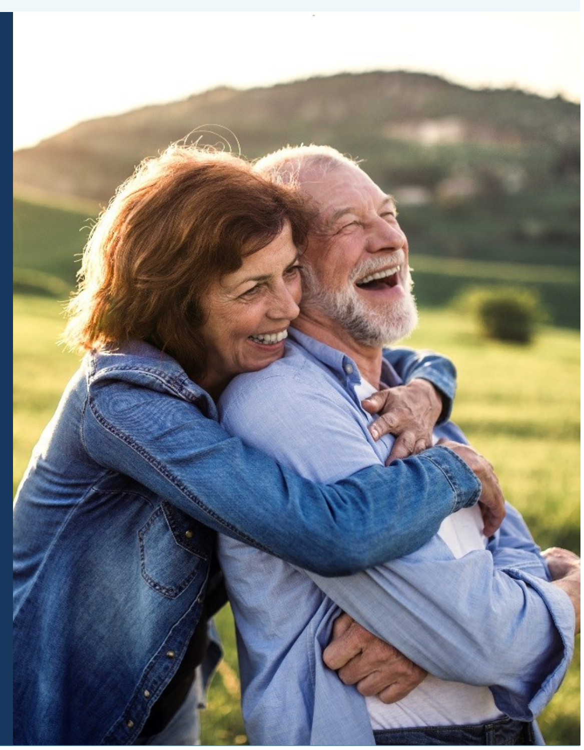
Life Insurance FAQs

Q: *What is the Difference Between Mortgage Insurance and Term Life Insurance?*

A: With term life insurance, you own your policy, you name the beneficiary, and only you can cancel or make changes to the policy. Your premiums are also guaranteed for the term of the policy. Mortgage insurance, on the other hand, is not owned by you and the lender is the beneficiary. Lenders often require you to requalify for mortgage insurance when you refinance your mortgage. These are significant differences.

The biggest advantage of term life over mortgage insurance is the freedom of choice it offers. Term life insurance gives the survivor choice to use the funds to suit the family's needs, and funds are paid directly to the beneficiary.

Florenza Jones
Insurance Representative



So it's all Transitory Until it's Not - Inflation to Remain Elevated in 2022/'23!

We expect factors pushing up inflation to remain elevated in 2022 and also above trend in 2023. Recent geopolitical events including the Russian invasion of Ukraine and the subsequent imposition of sanctions on Russia (a major commodity producer which represents 12.1% of global oil production as of December 2020), in addition to ongoing supply chain disruptions, most notably in China (e.g., lockdowns in Shenzhen/ Shanghai due to the government's zero COVID-19 policy), have only worsened the inflationary pressures already present. The inflationary trend has now also broadened out beyond volatile components such as food and energy to include services and now wages. We expect these factors will keep inflationary pressures above trend longer than originally expected. While we anticipate some relief from base effect impacts as we move further into the year, the uncertainty associated with the war in Europe, and if or when we will see peace and sanction reliefs remains a wild card for commodity markets and other volatile components of CPI. This coupled with ongoing labour shortages globally and still strong consumer/corporate demand, suggests to us that inflation will remain stickier than we had originally anticipated or hoped for.

While much of the attention regarding inflation has remain centered on the expected response by central bankers globally, including the Federal Reserve (Fed)/Bank of Canada (BoC), the reality is that the surge in inflationary pressures we see today is largely due to the unprecedented COVID-19 fiscal response (governments globally unleashed +US$20 trillion in fiscal measures since the beginning of the pandemic), rather than monetary stimulus. However, central bankers globally are now tasked with indirectly reducing inflationary pressures by tightening financial conditions through rate hikes and quantitative tightening to reduce demand-side pressures hoping these monetary changes, which operate with a lag effect of 12- 18 months on the real economy, don't send the economy into a recession.

We remind investors that "bull markets rarely die of old age, rather they get slaughtered by the Fed". More importantly, higher overnight rates do little to solve supply chain challenges or labour shortages; these "transitory" factors, in our view, will probably remain with us for longer than most — including Fed Chair Jerome Powell — expected.

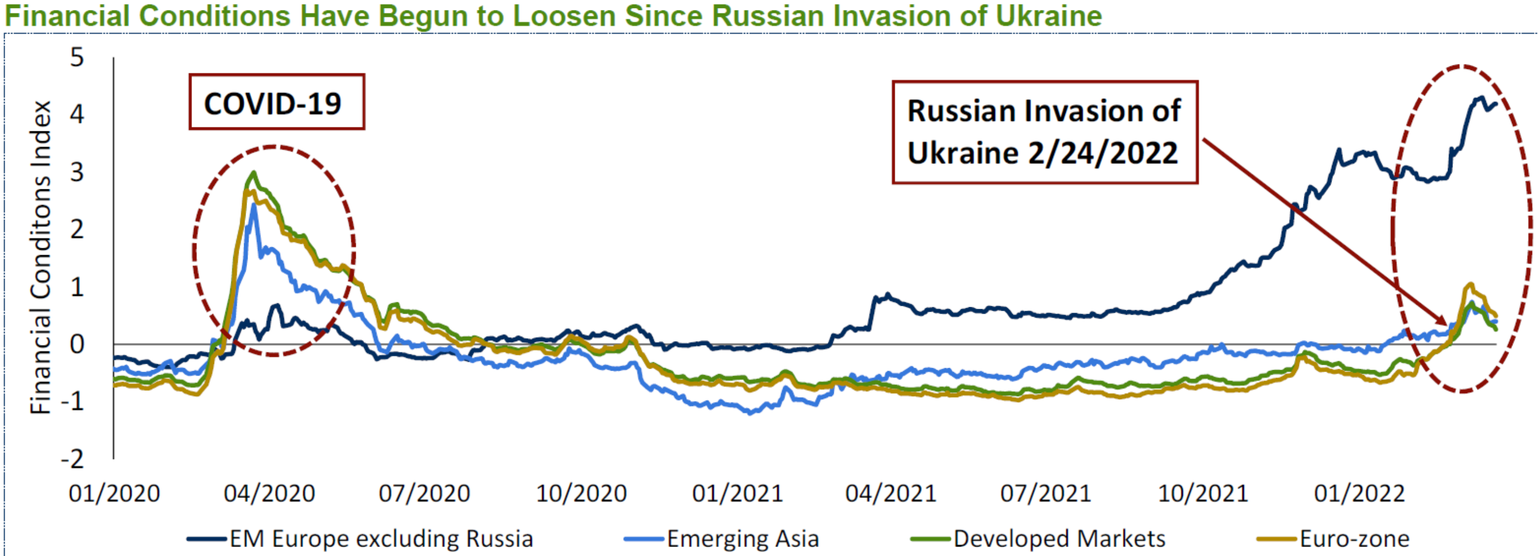
Heading into 2022, we expected policy makers globally to continue their hawkish rhetoric. For the most part, they were on track to tighten/reduce the extreme levels of accommodation through rate increases, ending bond buying programs, and unwinding their balance sheets. However, while financial conditions have tightened since early 2021, conditions have more recently begun to loosen following the Russian invasion of Ukraine in February 2022. The uncertainty caused by this war and the subsequent sanctions by the US and NATO allies have only exacerbated the factors present prior to the invasion, leading to higher inflationary pressures, greater geopolitical tensions, higher uncertainty, and lower global growth.

Against this backdrop (i.e., slowing global growth, above-trend inflation, and a divergence in central bank policy moves), we expect significantly more volatility and uncertainty as central bankers and policymakers attempt to balance policy normalization efforts with surging inflationary pressures, a war in Europe, ongoing supply chain challenges, and slowing growth. We suggest investors remain selective and stick with the "cleanest dirty shirts in the laundry", including Canada, US, and select emerging/developed economies (Brazil, Australia, etc.) which remain better insulated amid the current economic backdrop.

Nadeem Kassam MBA, CFA (Chair)
Head of Investment Strategy, Raymond James Ltd.

In conjunction with Asset Allocation Committee, Raymond James Ltd.

Financial Conditions Have Begun to Loosen Since Russian Invasion of Ukraine



Source: Capital Economics; Raymond James Ltd,; Raymond James Financial; Data as of March 30, 2022

Attend Our Free Events & Presentations

Keep an eye out for Cindy's new educational video series.

These short insightful videos will be uploaded to our website when complete. Watch for invite emails or give us a call for more info.

Back To The Basics: Part 2 & 3

Pay Off Your Mortgage Smarter

Women's Only Events

Understanding Wills, Probate & Estates: Have You Prepared For Your Family?

The Role of an Executor: Your Obligations & Risk of Personal Liabilities

Stay up to date by visiting our website: **www.cindybourypwm.ca**

Follow Our Social Media!

Have you seen our Facebook and LinkedIn? Stay up to date on the Cindy Boury Private Wealth Management team by following us!

Click the hyperlinks or copy to a webpage:

www.linkedin.com/in/cindyboury/

www.facebook.com/cindybourypwm/

Cindy Nominated for Entrepreneur of the Year

(Above) Cindy, Sheryl and Susan attended the awards presentation for the Abbotsford Chamber of Commerce's 25th Year Silver Jubilee Business Excellence Awards. Cindy was nominated in the category of Entrepreneur of the Year. This award celebrates those who are building and leading successful, growing and dynamic businesses.

Welcome Casey James Bonner!

(Left) On April 7th, Portfolio Manager Assistant, Susan Bonner, and husband Cam welcomed their little boy into the world. Casey weighed in at 6lbs 10oz, and is a happy and healthy little guy. The family are doing well. Susan will be taking some maternity leave and returning to work this fall. While she's away, our other team members will be happy to help you with any questions or concerns.

Lights, Camera, Action!

(Left) Cindy was a guest expert on the CHEK and Global television show, The Wealthy Life, where she shared her knowledge on the topic of Becoming a Philanthropist. This show reached viewers across Canada, and originally aired in January. The Wealthy Life half-hour talk show offers Canadians practical real-world advice on money matters. Visit our website to watch the clip! www.cindybourypwm.ca

Suite 200-2881 Garden Street, Abbotsford, BC V2T 4X1 | 604-855-0654 | cindybourypwm@raymondjames.ca | www.cindybourypwm.ca

CINDYBOURY PRIVATE WEALTH MANAGEMENT | RAYMOND JAMES