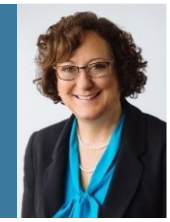
CINDY BOURY FCSI®, CIM®, FMA
USA/CDN Portfolio Manager & Branch Manager

CINDY BOURY PRIVATE WEALTH MANAGEMENT



NEWSLETTER: FOURTH QUARTER 2021

Cindy's Insight

Welcome to our fall newsletter! I hope you enjoyed the summer months and were able to reconnect with your families and friends. Over the last quarter we have made several tactical moves within our portfolios. The theory is based on the economic cycle with a COVID spin. As many of you know, our portfolios are a combination of ETFs, mutual funds and stock. We offer several different models based on your requests and risk tolerance. The market has surprised many people as certain sectors continued to expand, while others continue to be delayed. There were delays in the airline and hotel sectors due to the impacts of COVID, while we saw unexpected increases in oil and gas.

When we review individual investments, we see that some did not surpass their value before COVID, while others, especially technology, have far exceeded pre-COVID numbers. I feel technology is overpriced; however, it is needed more today than ever. I am still a fan of Microsoft and know technology is part of our future.

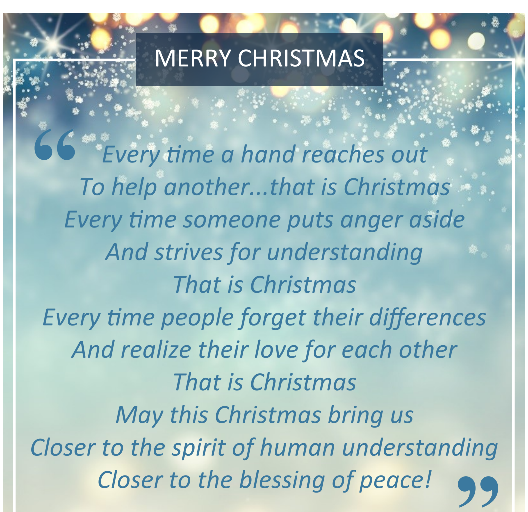
With all that is going on in the world, I see that there will be a home bias—people preferring to invest in the country, city and community in which they live. I also foresee a food shortage in the world with the prevalence of fires, droughts, floods, as well as increasing population. This will drive prices higher, which can add to inflation. I expect interest rates to increase over the next several years, however, all this will play out in time.

There will be continued delays in getting products into the market, and increases in production will drive a need for materials. Overall, we expect to see inflation continue to rise, interest rates increase, and the world to slowly settle into a new normal. As we move forward, we will continue to manage the portfolios with an eye to identify opportunities. I am still most comfortable with a global exposure, with a North American bias.

My team and I had the pleasure of a visit from our friend and business associate, Andrew McCreath. Andrew is the anchor of BNN Bloomberg's 'Weekly with Andrew McCreath,' and CEO/CIO of Forge First Asset Management. He shared his insightful market review with us, touching on the fact that big tech—the 'Big 6'— Amazon; Apple; Facebook; Google/ Alphabet/ Microsoft and Nvidia have driven stock performance for the past three years.

Wishing you all the best Christmas. I hope it's a season of rest and reconnection for you.

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



Inside This Issue

September Effect Meets Wall of Worry

After months of summer slumber, market volatility once again reared its ugly head in September. While it caught some off guard, the past 20 years of historical returns show that September has typically resulted in the worst month -over-month showing for the S&P/TSX, with an average return of -1.3% (vs. a range of +1.8% to -0.8% for the remaining months). It is believed that investors sell in May or park capital in safer securities while they take off on summer vacation, but return in September ready to lock in gains or tax loss selling before the end of the year. With the markets up ~16% in the first six months of the year, and with COVID-19 restrictions being lifted across the country, we believe many did just that and parked capital in defensive positions - e.g., government bonds, large-cap stocks, large-cap technology, domestic/ defensive equities, etc. - while they took off for a much needed vacation.

However, as many investors return to business as usual, they have been met with a heightened level of uncertainty or a wall of worry including the Canadian elections, quantitative easing (QE) tapering, elevated inflationary pressures, the fourth wave, EPS risk, and a softening in the Canadian economy (Q2 real GDP contracted for the first time since Q1/2020). This is in addition to several global worries, such as uncertainty over the US infrastructure bills/debt ceiling, at least three distinct issues in China, geopolitical risk, etc.

Despite all this, we want to remind investors that “the time to worry is when no one else is (e.g., Q4/2019) and the time to be buying is when everyone is selling (e.g., Q1/2020)”. The markets rarely go up in a straight line and, despite all the conflicting headlines and volatility in recent economic data prints, the Canadian economic outlook remains positive and we recommend clients stay invested and buy the dip.

The economy is in the early-/mid-phase of the business cycle

Business cycles are fluctuations in an economy’s general activity and commonly include four phases with the following characteristics:

- Early-cycle: GDP growth moves from negative to positive as the economy recovers from a recession. High growth rates occur in this phase. Monetary policy is easy and inflation is low.
- Mid-cycle: GDP growth increases and eventually hits its peak. Inflation rises, and the central bank removes stimulus as it approaches a neutral stance.
- Late-cycle: GDP growth slows as the central bank adopts a more restrictive monetary policy to control inflation.
- Recession: GDP growth contracts and the central bank loosens its monetary policy stance. Inflation decreases.

Most indicators that we monitor suggest the Canadian economy is in the early-/ mid-phase of the business cycle, which is historically favourable for equity markets. While real growth is impressive and expected to hover above trend in 2021/2022, GDP is still below potential and conceivably has a long way to go until it is back to normal. This is also the case for the unemployment rate.

Estimating the potential output and the output gap is important for the Bank of Canada’s (BoC) monetary policy, since the output gap – the difference between actual output of the economy and its potential – is a key indicator of inflationary pressures in the economy. When demand is strong, actual output

Life Insurance FAQs

Q: *“Why buy Critical Illness insurance?”*

A: Critical illness (CI) insurance may provide you with a lump sum benefit if you suffer from one of the covered critical illnesses, and satisfy the waiting period. The benefit you receive is yours to use as you choose. It can supplement loss of income, debt repayment, medical expenses, or you can use it towards spending quality time with family and loved ones.

CI insurance is offered as a standalone plan. You can purchase a term plan or lifetime policy. Premiums are based on age and smoking status at the time of application. While plans are issued up to age 65, we recommend purchasing CI insurance as early as possible. We hear of more and more young people being diagnosed with illnesses that used to be thought of as an “older person’s” disease.

The impact of not being able to work, while paying for medical care and costs, can place great financial strain on any family. CI insurance can help alleviate some of that, letting you instead focus on your health and family. If you would like more information, please contact us.

Florenza Jones
Insurance Representative

can move above potential, pushing against the economy's capacity to produce and putting upward pressure on inflation. Potential output can thus be defined as the level of output that can be sustained in an economy without adding to inflationary pressures. Potential is determined by structural factors such as demographic developments, education, innovation, and the amount of capital. However, estimating potential output is a difficult task because it's not observable and its determinants can be difficult to measure or estimate.

The two approaches leveraged by the BoC (e.g., the integrated framework and extended multi-variant filter) both suggest slack remains in the economy and thus is supportive of our outlook that we are only in the early-/mid-phase of the cycle.

Fiscal and monetary conditions are still accommodative

Fiscal and monetary policies are highly accommodative, even after the BoC started tapering (i.e., reducing its weekly bond purchases from $3 billion to $2 billion), and the Federal Reserve hinted it would follow suit. Following its latest policy meeting, the BoC left its target for the overnight rate at the effective lower bound of 0.25% (vs. the ~30-year average at ~2.5%) while maintaining its QE program at a target pace of $2 billion per week. Under all accounts, interest rates remain very low and supportive of economic growth, which we do not expect to change over the near term or until the BoC has completed its tapering efforts.

While the recent federal election proved to be another non-event for the markets, the returning Liberal government proposed new spending plans of $80 billion (or ~4% of GDP), over the next five years. This supports our positive outlook for the Canadian economy.

Headline/Core Inflation

We expect inflation to remain elevated as we head into 2022. However, we expect most of the pressures that are causing inflation to run above trend will moderate as several transitory elements (e.g., supply chain issues, commodity pressures, elevated demand, etc.) should be reduced over the next year. This should keep inflation within the BoC's target range and result in a continuation of accommodative conditions.

The fourth wave

For Canada, given that 75% of the population has received at least one dose of an approved COVID-19 vaccine, the economic impact from new restrictions/lock-downs has so far been minimal. The evidence points to an increase in infections with no commensurate effect on hospitalizations and fatalities, which reduces the odds of renewed measures that would restrict economic activity.

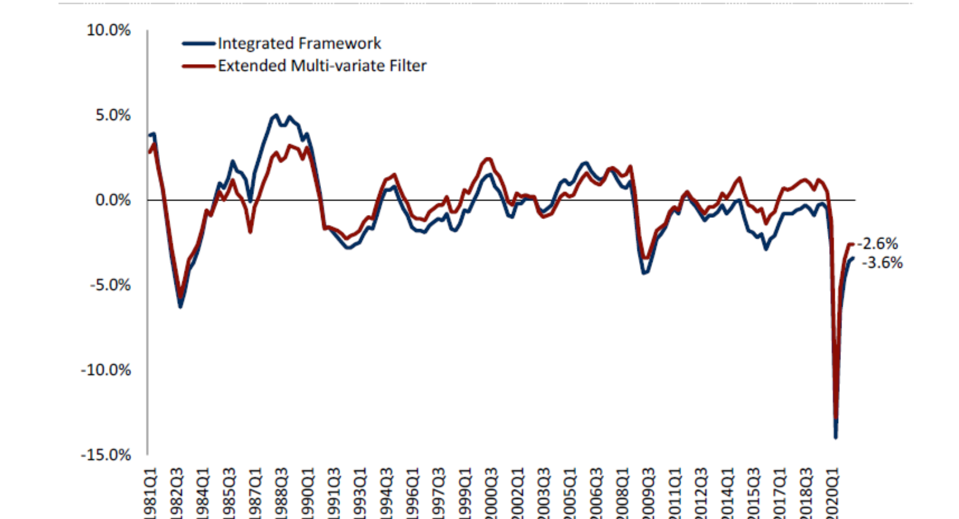
Investor recommendations

The outlook for the economy is robust and supportive of equity markets. We see firm evidence that the economy is in the early-/mid-phases of the business cycle, which is historically beneficial for the performance of stocks. Uncertainties remain high, but cause for concern remains low. Leverage periods of weakness in equity markets to add to high-quality positions.

Nadeem Kassam MBA, CFA

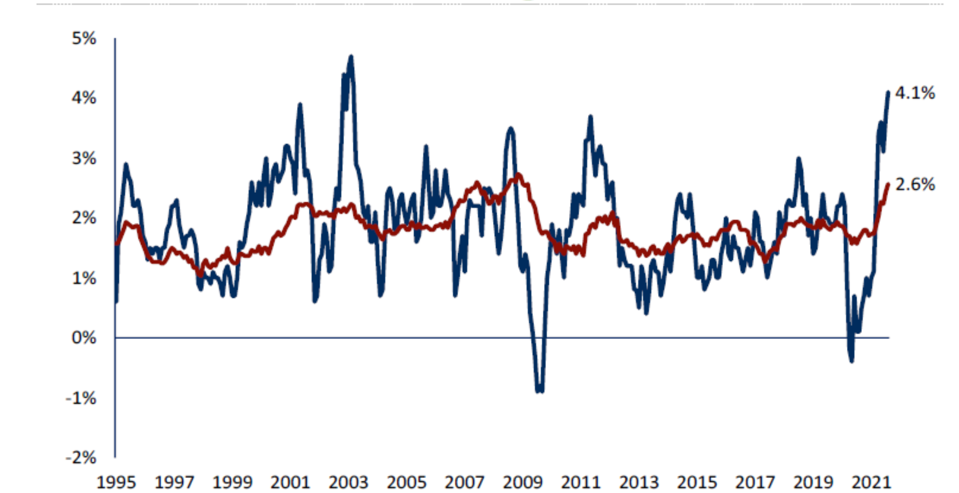
Head of Investment Strategy, PCS Investment Strategy team at Raymond James Ltd.

The economy is running below potential



Source: Bank of Canada

Headline and Core CPI running hot



Source: Statitistics Canada

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:

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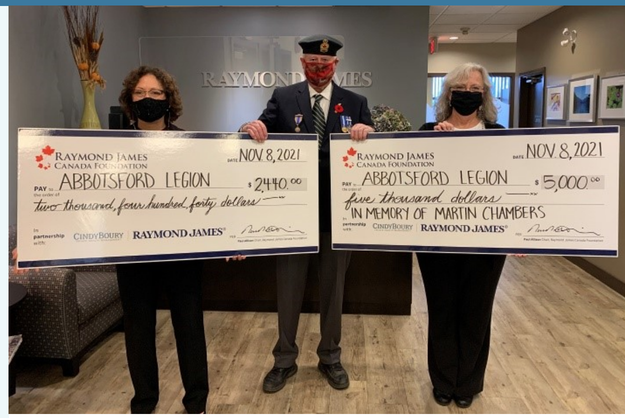

Abbotsford Legion Donation

(Left) Cindy and Margaret presented the Abbotsford Royal Canadian Legion with a donation of $7,440 this Remembrance Day. The donation is an individual one, as well as in partnership with the Raymond James Memorial Fund **in memory of team member, Martin Chambers**, who passed away in 2019. The Memorial Fund was created following Martin's death to honour colleagues who have passed, and to channel collective resources to help others in their name. (Photo left to right: Cindy Boury, Kelly Watson (1st Vice President), Margaret Chambers)

Congratulations Cindy on your Award Nomination!

(Right) Cindy has been nominated for the Abbotsford Chamber of Commerce Business Excellence Awards in the category of Entrepreneur of the Year! These awards recognize outstanding organizations and individuals in Abbotsford that strive for excellence in our community.

25th Year Silver Jubilee Business Excellence Awards

A Visit From Bloomberg's Andrew McCreath

(Left) Cindy and her team had the pleasure of a visit from our friend and business associate, **Andrew McCreath, anchor of BNN Bloomberg's 'Weekly with Andrew McCreath'**. Andrew shared his always insightful quarterly market review with us. (Photo left to right: Susan Bonner, Sheryl Boury, Andrew McCreath, Cindy Boury.)

World Wildlife Fund Canada Annual Symbolic Adoption

(Left) Annually through the Raymond James Cares Initiative, Cindy donates to the WWF Canada and each team member chooses an endangered animal to symbolically adopt and we receive a stuffed animal to represent the one chosen. (Photo shows our furry colleagues, Olivia and Georgia!)

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