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

CINDY BOURY PRIVATE WEALTH MANAGEMENT

NEWSLETTER: THIRD QUARTER 2023

Cindy's (and Susan's) Insight

The long days of summer are upon us, and I hope you have been enjoying some time to relax and do what you love. My strategy with portfolios has always been to be defensive so your investments are protected during challenging economic times. With interest rates on the rise as they have been, you may remember me talking about bonds and the benefits of balancing stocks and bonds to add value to the portfolios. Susan has taken a deep dive to explain when bonds might make sense for you.

To Bond Or Not To Bond

Bonds have been a hot topic lately. With interest rates rising, they are becoming more popular with investors as you technically get a more stable return than with the stock market. As interest rates rise, the bond returns have become larger, are more competitive, and give a better return than before the interest rate hikes.

With bonds, you essentially loan a company or the government money, and they pay you interest over the years of the contract. At the end of the contract, you get the initial investment back. Because bonds are supported by a contract, they are thought of as fairly stable, however, they are directly impacted by interest rate changes. This is because you can actively buy and sell a bond in the middle of a contract. For example, if you wrote the contract a few years ago for one per cent interest, in order to sell it now, it needs to be comparable to a new contract with five per cent interest. This means you have to sell at a loss so it is attractive for a buyer. If instead you held on to your one per cent bond until the maturity of the contract, you would get one percent plus your original investment back.

Bonds can be purchased as either mutual funds, exchange-traded funds (ETFs), or as single bonds. For your portfolios, our team manages bonds by looking at the underlying terms and buying and selling bonds actively on your behalf. We also own single bonds where there is a contract between you and the company. When we purchase these single bonds, we look for a good credit rating and a favourable return.

Our plan, when it makes sense, is for you to own the bond until the end of the contract. We also own some ETFs, which run and operate like a single bond (RQN and RQL). These ETFs buy good-quality bonds with decent returns and hold them until the end of the contract. This opens up the ability to own "single bonds" with a smaller value than the minimum needed to trade a single bond. They also give you some diversification as there are multiple holdings "under the hood". These ETFs will operate the same as single bonds as they are affected by interest rates, and the duration to maturity.

Whether or not you should own bonds is a question about risk, as well as your expectations of return. Bonds and stock both have volatility and risk to varying degrees. What makes sense for you depends on what you are looking for.

- Susan Bonner, Portfolio Manager Assistant

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If you want to discuss bonds and how they might make sense for you, your advisor would be happy to talk about this. Bond rates can add value to your portfolio, and the balance between stocks and bonds is important.

We target stocks and bonds that are value-based, have sustainable dividends, and grow as the world changes. I rely on my fundamental and technical analysis, as well as private research for our investment portfolios and to provide you with the right mix. As you know, I am a believer in the economic cycle as it has worked time and time again, and our portfolios reflect this.

Cindy Boury FMA, CIM®, FCSI®
Portfolio & Branch Manager

Life Insurance FAQs

Q: *"When should I review my insurance policy and why is that important?"*

A: In my years as an insurance representative, I've come to realize that many clients file away their insurance policy once they have purchased it, and don't pull it out again until a death or renewal catches them by surprise. I suggest reviewing your insurance policy once a year to ensure you have the right level of insurance for your needs as your life changes, so that you and your loved ones are protected.

Here are five items to review annually on your insurance policy:

1) **Beneficiary:** The person(s) or entity entitled to receive the Death Benefit when the Designated Life insured dies. Is the person(s) named as beneficiary still who you want to receive the death benefit?
2) **Death Benefit:** Does the death benefit amount still match your family's needs? Has your family grown? Has your debt grown?
3) **Renewal Date:** Renewal dates and premiums are specific to the Policy Schedule and are guaranteed for the duration of your policy. At each renewal date, insurers will renew the policy automatically without requesting evidence of insurability, providing all premiums have been paid to the renewal date.
4) **Conversion Date:** This is the date you are allowed to convert the policy to a whole life policy offered by the insurer without providing evidence of insurability.
5) **Contact Information:** Have you moved, changed your phone number or other contact information? It is important to keep your contact information current with your advisor and insurer so they are able to contact you.

Florenza Jones
Insurance Representative

Favouring a Defensive Game for the Second Half

As we officially kick off the second half of 2023, we are still waiting for the long anticipated recession to appear. While we watch interest rates, economic data and inflation measures to see indicators of recession impacting the general economy, the stock market looks ahead to economic growth beyond the (possible) recession. Sometimes, however, the stock market gets a little too exuberant, and although generally focused on the longer term, the market can still be surprised in the short term.

This brings us to our message this month: Regardless of whether Canada (and/or the U.S.) officially dips into recession, we are cautious about short-term negative surprises and volatility in the markets. Now, trying to time the market is a challenging game at best, and staying invested over the longer term is generally a much better strategy, especially through a well-crafted plan suited to an investor's personal objectives and risk tolerances. Staying invested also helps to avoid missing the most rewarding gains through the business cycle, which generally occur early on in the cycle, as market timers that have stepped out of the market debate whether or not to step back in.

We are also optimistic about longer-term growth opportunities that might be spurred on by factors like the U.S. Inflation Reduction Act, Artificial Intelligence (AI), or an industrial resurgence in North America, as governments look to build manufacturing capacity to protect against future supply chain issues like the ones we experienced through the pandemic. With all that being said, the question is: Are there 'safe' sectors to favour during periods of market volatility and general pullbacks in the market?

Looking back over 20+ years we can identify sectors that are likely to fare better than others, while allowing investors to remain invested.

Recession: To Be, or Not to Be

Just before we look at our second-half investment strategy, it's worth reviewing where the economy is currently sitting. In Canada, we saw still positive Gross Domestic Product (GDP) growth, increasing slightly from 2.1 per cent in 4Q22 to 2.2 per cent in 1Q23. April GDP was flat, but May has been estimated as being up another 0.4 per cent from April. It looks like Canada might skirt recession territory as the consensus is for growth to weaken, but remain lightly above zero per cent from 2H23 into 1Q24, before picking up again through 2H24. While in the U.S. the consensus is for a mild recession, but with an ever-shifting start date, now generally considered to be most likely in 4Q23.

Are We in a New Bull Market?

A lot of headlines have pointed to a new bull market in the U.S., evidenced by the S&P 500 index gaining 20 per cent from its lows in October 2022. We could debate if we should base that assessment on an index that has been driven primarily by seven tech stocks, or if we should consider a broader base of stocks before making that call. The S&P 500 equally weighted index is up a slightly more modest 15 per cent over the same period. We have indeed seen improvement since October, with some broadening in the U.S. market, but it may be a little too optimistic to expect consistently strong markets just yet. For now we are still waiting to gauge the short-term effects as interest rate increases work their way through the economy and the potential impact to various companies' earnings, revisions, and outlooks over the next couple of quarters.

Watch for More Volatility in 2H23

In Canada, we saw the TSX Composite dip (17.6 per cent off its March 2022 high) to its most recent low in mid-October 2022 as recession concerns mounted. The TSX Composite peaked at around 14 per cent above the October lows in February 2023, but has now given up half that gain, as economic slowdown concerns return. Following a difficult pandemic period, many companies came into 2022 setting low expectations. After a relatively good rebound, we saw a lot of positive revisions, including in March 2022, as oil prices spiked and energy sector EPS forecasts climbed, followed by gold spiking to US $2,000, driving up materials forecasts. Although markets sold off through the middle of 2022 as recession fears mounted and interest rates started to rise, by October we saw the start of negative earnings versions that have broadly continued. Now, as we are about to get into Q2 earnings season, analysts are a bit more conservative as the continuing interest rate hikes impact economic activity (on a 12- to 24-month lag), and we wait, once again, for the impending recession to more significantly hit things like discretionary consumer spending. As earnings expectations come down, the market can react to negative surprises and/or decide to look further ahead to a new economic cycle post-recession, hence the potential for increased volatility.

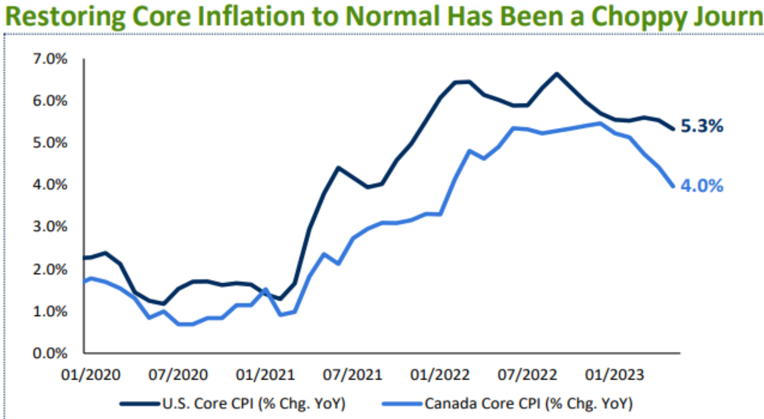
Final Thoughts

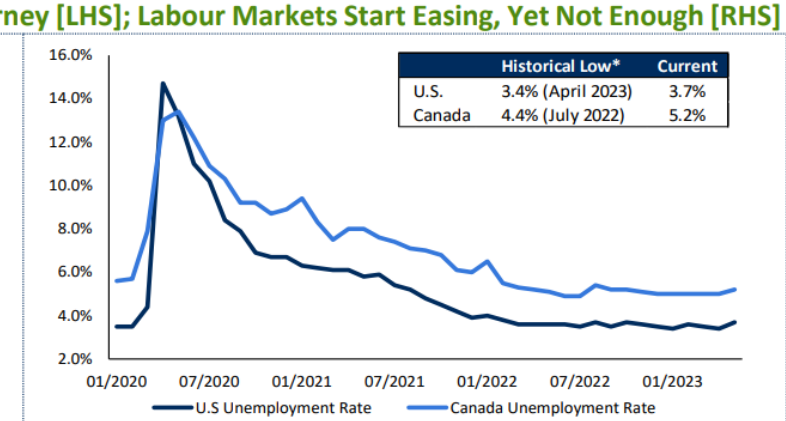
As the market/economy moves closer to the end of this cycle and into an eventual/potential recession, we believe the defensive sectors (consumer staples, communication services, and utilities) are where equity investors should be focused, within the broader context of well-balanced and risk-appropriate portfolios. As history shows, the defensive sectors – and in particular companies that have durable business models, a sustainable competitive advantage, and high profitability – have performed the best during these types of challenging periods.

Excerpt from Insights & Strategies, July 4, 2023, Private Client Solutions, Raymond James Ltd.

Neil Linsdell, CFA, *Head of Investment Strategy,* and Eve Zhou, *Multi-Asset Analyst*

Restoring Core Inflation to Normal Has Been a Choppy Journey [LHS]; Labour Markets Start Easing, Yet Not Enough [RHS]





Source: FactSet; Raymond James Ltd.; Data as of May 31, 2023 *Unemployment rate historical low time frame: 12/31/1969—05/31/2023.

Save the Date: Nov. 8

Join Us For Our Annual Market Update

We invite you to an evening at the Sandman Hotel. Come by for refreshments, hors d'oeurvres, and to learn about the latest developments in the market. We'd love to see you there!

Date: Wednesday, Nov. 8, 2023
Time: Doors open at 4:30pm, presentation starts at 5pm
Location: Sandman Hotel, 32720 Simon Ave, Abbotsford

Your formal invitation and more details coming soon!

Thank You for Joining Us!

Thank you to everyone who was able to make it out to our Open House in May. It was so nice to connect with you, and we hope to make this an annual event!

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

Click the hyperlinks or copy to a webpage:

www.linkedin.com/in/cindyboury/

www.facebook.com/cindybourypwm/

Getting Involved and Giving Back

Being involved in her community and giving back where she can is important to Cindy. Some activities so far this year include donating to the Cyrus Centre, an organization that provides services and a safe place for homeless and exploited youth, spending a Friday night as a team at the Archway Abbotsford Food Bank sorting and packing boxes of food, and getting the grandkids involved in raising money for the World Wildlife Fund. Cindy received an award recognizing her years of contributions and service to The Abbotsford Legion. She truly appreciates their work and this honour.

Guest Expert on The Wealthy Life TV Show

Cindy had fun at the CHEK TV studio in Victoria while filming The Wealthy Life for their 2023 season. This financial talk show offers Canadians real-world advice on money matters. Her guest expert segment will air on Global and CHEK television across Canada in the fall. We'll keep you posted on the date!

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