May 2021 Newsletter from Kurt and team

From the desk of Kurt Rosentreter, CPA, CA, CFP, CLU, FCSI, CIMA, CIM, FMA, TEP
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Recently the Annual General Meeting for Berkshire Hathaway was held in Los Angeles, California and those famous investors Charlie Munger and Warren Buffett did not disappoint. These long established investing legends shared great investing wisdom to a world in love with bitcoin and Tesla. For new investors, Buffett suggested they stay away from individual stocks and instead focus on index investing (ETFs) as a more diversified way to invest and control risk. Read more here:

https://www.cnbc.com/2021/05/01/this-is-the-special-lesson-warren-buffett-gave-new-stock-investors-at-his-annual-meeting.html. Here's a full recap of the best comments from Munger and Buffett's special weekend. Fun Fact: I (Kurt) went to Omaha to attend this event in 2001. https://www.cnbc.com/2021/05/01/berkshire-hathaway-meeting-live-updates.html. Buffett and Munger are both in their 90s now. Every annual meeting and the report they write each year is a worthy listen and read for all students of investing. You can find all Berkshire Hathaway annual letters to shareholders online going back years.

From the desk of Frank Valicek, CFP, CIM
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The COVID-19 pandemic has impacted the insurance industry both negatively and positively. The good news is the insurance companies who have lagged their banking rivals in digitizing their services to provide an on-line client service experience, have been forced to modernize their service offer quicker than thought possible. From e-applications to paramedical tele-interviews, the insurance world has become more client friendly. What's not so friendly is the claims experience of insurers that has increased resulting in higher insurance premiums – especially for health & dental plans. In other cases, such as long term care insurance, their product offer is being pulled off the shelf completely. Such an environment does not bode well for some forms of coverage as we all must become more self-reliant and self-insured. If you have any questions or concerns about your personal insurance portfolio, we would be pleased to review and assess any overlap or gaps in coverage.

From the desk of Jordan Campbell, CFA
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With the help of vaccination, the US has been leading the developed world in terms of economic growth over the past couple of months as they began to reopen their economy and return to "normal" life. However, one consequence of this growth has been a tick-up in inflation – the rise of prices for goods and services. Lumber prices have skyrocketed, increasing the cost of building new homes and renovating existing homes. Copper and other metals too are rising fast thanks to a construction boom. Corn price have jumped to their highest in years. Since corn is an input in so many of our foods, it threatens to increase the cost of everything we eat from meat to tortilla chips. Restaurants can't find enough workers and are being forced to increase pay and offer signing bonuses to attract whoever they can. This will eventually lead to higher prices for consumers. The impact to consumers may be higher prices at least in the short-term. Whether this leads to high prices in the long-term is another question. As for the impact on your portfolio, if companies are able to pass along these higher costs to consumers they should be able to continue to grow their revenue over time. GIC and bond interest rates may also increase if rising prices force central banks to raise interest rates. In other words, what might be bad for your wallet may be good for your investment portfolio.

We are constantly monitoring all of these economic trends and will make recommendations in for your portfolio based on where we see things headed.

From the desk of Mathew Cain, CIM
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The federal budget released in April put forward some generous ideas such as increasing Old Age Security (OAS) benefits, no increase in the capital gains inclusion rate, and more. One item that doesn't appear to be making the news as much is the issuance of Canada's first federal "green bond." Green bonds are a specific type of bond in which the proceeds are used exclusively to fund projects with environmental and climate benefits. Through such bonds, funds can be raised for green infrastructure, clean tech innovation and nature conservation. Green bonds will provide investors with an opportunity to support the transition to environmentally sound, low carbon economies while ensuring a steady return on investment. In the coming months, a more detailed framework will be published which will provide information on how green bonds will be structured – likely in the latter half of 2021.

The framework will serve as the baseline for the "first of many green bond issuances." The issuance target is $5 billion and is subject to market conditions.

From the desk of Gerdi Lito, CFA
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ESG investing

We are seeing the term "ESG investing" more and more each day, as people become more conscious of this trend in the investment industry.

What is ESG?

ESG stands for Environmental, Social and Governance factors that are considered when analyzing a company as a potential investment.

E (Environmental) includes factors like climate change policy, carbon footprint, greenhouse gas emissions, recycling, renewable energy and green technologies.

S (Social) includes elements like employee treatment and benefits, diversity, being customer friendly, safety policies, avoiding class lawsuits and regulatory issues.

G (Governance) includes executive compensation, conflicts of interest, how the board of directors is appointed and its diversity, shareholder rights and in general how the shareholders can influence company decisions through their vote.

How does it work?

Companies are screened and given a score for each factor. Their overall score positions them as high or low in ESG metrics. This approach has been widely accepted compared to its predecessor SRI (Socially Responsible Investing), which just excluded companies that were considered not to be in the best interest of the public, like tobacco and alcohol companies.

Companies that provide indexing services like Standard & Poor's, now also offer ESG metrics for all companies that are included in their stock market indexes. You can check how a company or even a fund ranks for ESG metrics and decide if you want to include it in your portfolio based on your preference.

How does ESG impact my portfolio?

ESG investing is relatively new in the investment realm and to measure a long-term impact we likely need to see more years of data.

With that said, besides the "moral return" from investing in companies with a positive impact in our society, studies have shown that ESG based strategies tend to outperform as they offer similar returns but with lower risk compared to a non-ESG strategy. The reason is that they exclude companies that are more likely to end up in headlines for negative news. An example of this is Wells Fargo, which faced penalties and its stock underperformed for a long time after the scandal of the fake accounts in 2016. Having a low score in governance factors would exclude this company from the portfolio based on ESG metric.

In our practice, we are now including the ESG investing discussion in client meetings and will be glad to discuss how your portfolio is positioned with respect to ESG.

From the desk of Monika Kucinskaite, M.Com
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Lost or Unclaimed Financial Assets - Some of the forgotten money that is sitting in Canada's Central Bank trust account could belong to you, your friend or anyone in your family. Usually funds are transferred there from federally regulated banks or trust companies after ten years of no activity. It is common to lose track of money when we change our address, get divorced, become incapacitated or die. This is when our uncashed paycheques, dormant savings accounts, term deposits, money orders, bank drafts and other assets become unclaimed. There is no unified database listing unclaimed financial assets, however some provinces and regulators have databases where you can search for "lost and found". The following links will help you find out if you or someone you know are entitled to any of it:

- Federal registry of term deposits and bank accounts
- Registry in Quebec
- Registry in Alberta
- Registry in British Columbia
- Canada Savings Bonds
- Uncashed cheques from the CRA
- Unclaimed Dividends
- Lost Insurance policies
- Forgotten pension plans
- Old Stock Certificates
- Unknown Inheritance
- Assets in the United States

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Will house sales activity slow for the remainder of the year and beyond?

Low borrowing costs coupled with high savings rates and remote work during Covid-19 boosted Canada's hot housing market, however most of you may wonder whether the demand for and price of ownership housing will continue the upward trend.

Both Canada Mortgage and Housing Corporation (CMHC) and Canadian Real Estate Association (CREA) predict a slowing house sales activity in the months/years ahead due to mortgage rates increasing as well as high property prices. The home prices could go up as much as 14% over the second year of the pandemic, making it even harder for Canadians to afford a home across the country, not just the major urban areas. As per CMHC's forecast, the pace of house sales is expected to decrease from recent highs, though they highlighted the fact that the forecast was highly reliant on a broad immunity to Covid-19 by end-of-year as well as on other factors including moderate savings rates and a gradual mortgage rate increase.

Nevertheless, it remains to be seen what will happen to the red-hot real estate market in Canadian cities. With the federal government increasing immigration levels in the years to come (a target of more than 400,000 annual newcomers between 2021 & 2023), the housing market might surge back after the pandemic is over after all.

Sourced from: CMHC - Housing Market Outlook - Spring 2021