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Fall 2020

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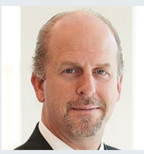

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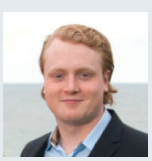

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After a hotly contested U.S. presidential election, Joe Biden was elected the new president. It is unusual for an incumbent president to not be re-elected, but as we have seen in the past (George H.W. Bush comes to mind), sometimes it does happen. In any event and apparently in spite of President Trump's protestations, come January 20, the U.S. will have a new president.

With the U.S. election almost behind us, we now turn our attention to other issues at hand. COVID-19 appears to still be with us for an extended time frame, however, efforts to release a vaccine are continuing, with promising developments from several companies. Infection rates have continued to soar in some areas, while efforts are underway at all levels of government to attempt to mitigate the renewed surge of COVID-19 cases.

The markets have taken all of this in stride and continue to move ahead after suffering a significant decline in the early part of this year. Very low interest rates continue to buoy the markets and indications from most global central banks are that rates are going to stay low for a long period of time.

Future earnings forecasts are predicting a strong rebound in corporate profits for the next few years as the economy recovers. Many companies have weathered the COVID-19 restrictions quite well, with some productivity gains coming from stay-at-home employees. Enhanced government benefits have provided many people impacted by COVID-19 with a source of income to help them weather the financial effects of the pandemic.

In this issue, we look at the Global Investment Outlook, in-kind charitable contributions and sample a few investment alternatives. Thank you for your continued support – as always, please feel free to contact us directly with any comments or questions you may have.

News Flash: 2021 TFSA limit announced

The limit for 2021 has just been announced and it remains the same as in 2020 at $6,000. The Cumulative total contribution room is now $75,500 since inception.

Contribution room is carried forward in the event you cannot use it in any one year. As always withdrawals from a TFSA are not taxable.

Global Investment Outlook

By Daniel E. Chornous, CFA, Chief Investment Officer, RBC Global Asset Management

Equity markets have staged a remarkable recovery as central banks provided critical backstops, economies gradually emerged from shutdown and investor confidence was restored. The economy rebounded quickly after mass quarantines, but progress has slowed as the easiest gains have already occurred.

Economic activity rebounds

The world is on a much better footing than a quarter ago as economic activity has substantially rebounded, the threat of COVID-19 has moderated and progress toward a vaccine has progressed. The recovery began earlier than many investors expected, supported by unprecedented amounts of monetary and fiscal stimulus. Real-time measures of activity started to turn up in mid-April and continued to improve until just recently. At this point, developed economies have reclaimed a little more than half of their lost output. Economies are again expanding, but we expect 2020 GDP to be less than 2019 given the magnitude of the decline earlier in the year. We now forecast a contraction in global GDP of 4.0% in 2020, which represents a 0.6 percentage point improvement versus last quarter.

New headwinds emerge and the pace of recovery is slowing

The economy continues to face a variety of challenges on the journey back to normal. Many of the sectors that remain depressed are likely to be structurally limited until virus worries abate. Unemployment remains elevated and those who are still jobless may have difficulty finding work until their industries return to normal operation, which could be months or even years out. For corporations, credit problems usually occur with a lag, meaning the 2020 recession could result in increased defaults in 2021. The latest survey of senior U.S. loan officers suggests some tightening in credit conditions is occurring and that fiscal headwinds are starting to mount. The U.S. has already dialed back its support for the unemployed which could limit consumer spending. We do not believe that these challenges will derail the economic recovery, but they do suggest that it will occur at a slower pace than what we have seen so far.

U.S. Dollar weakness expected to persist

The downtrend in the U.S. dollar is now clearly established. The 10% decline in the trade-weighted dollar since March is just the beginning of a longer-term period of U.S.-dollar weakness, supported by a number of structural, cyclical and political factors. We expect G10 currencies, most notably the euro and the yen, to continue to outperform their emerging-market peers during this phase in the U.S.-dollar cycle. Our view on the Canadian dollar is more nuanced. We have shifted from bear ish to bullish on the Canadian currency in acknowledgement of some new positive factors and recognition that the U.S.-dollar downtrend will likely prevail as a more important influence on currency markets.

Stocks surge as investors bet on earnings recovery

The equity market rally that began in March extended into the summer, with most major indexes posting double-digit gains in the past three months to fully erase or greatly minimize their prior losses. To the extent that investors are looking beyond the pandemic, earnings lost due to COVID-19 have little impact on the present value of stocks as long as earnings ultimately regain their prior trajectory. Firms have experienced severe profit pressure during the shutdown and recovery, but investors are also focused on future earnings which are unlikely to feature COVID-19-related distortions. Within investing styles, the pandemic has accelerated the trend of growth-stock outperformance and the valuation gap between growth and value stocks has now reached extremes not seen since the late 1990s technology bubble. Valuations have crept up in the U.S. equity market, in particular. Our global fair-value composite is now above equilibrium and at its highest reading in over a decade. But valuation dynamics differ significantly among regions, with U.S. equities the most fully priced and other stock markets still at particularly attractive levels.

Giving in-kind: a double dose of good

As year-end approaches, consider the perfect trade: being kind with "in-kind" charitable donations.

The coronavirus pandemic has been an historic challenge for charities, as the number of those in need has skyrocketed. Conversely, the historic bull market run of the last 11 years has left many investors sitting on large capital gains in their stock portfolios. Combine the two, and, as we approach year-end, many investors have an ideal opportunity to be kind by giving securities (such as stocks) in-kind, providing to those in need while generating significant potential savings on their tax bills.

Donating cash vs. donating shares

	Sell shares and donate cash	Donate shares directly
FMV of donation (a)	$2,000	$2,000
Adjusted cost base	$1,000	$1,000
Capital gain	$1,000	$1,000
Taxable capital gain	$500	$0
Tax on capital gain ($500 x 50%) (b)	$250	$0
Donation tax credit ($2,000 x 46%) (c)	$920	$920
Total cost of donation = (a) + (b) - (c)	$1,330	$1,080

Assumptions: Net tax savings from donating shares: $250 ($1,330 - $1,080), assuming that donations of $200 have already been made. Marginal tax rate of 50%; donation tax credit of 46%. Also assumes the person has taxable income below the top bracket and donations in excess $200.

COVID crisis: the burden has not fallen equally

The arrival of the coronavirus has been shocking, deeply unsettling, and for some even tragic. However, after a period of adjustment, most Canadians have found ways to successfully adapt to the "new normal" by finding ways to fill our personal time, adopting new technologies to continue to work and connect with friends and family, and even using the opportunity to better appreciate our lives and to spend quality time with our loved ones.

But for the many – too many – who were already marginalized, living with food and/or shelter insecurity, or just getting by paycheck to paycheck, the pandemic's impact on the labour market and the economy has been devastating. According to the United Way of Canada, it's been particularly hard on women and children. Low-income earners have often been the first to put their health – and the health of their families – on the line just to keep their jobs. Many of the pandemic period job losses have hit the working poor the hardest, and have been the slowest to come back. The Toronto Daily Bread Food Bank has reported an increase in demand of more than 300% since the pandemic hit.

A capital idea: making the most of your charitable giving

Giving securities in-kind to charities is a smart way to support the causes that matter to you, help those in need during these difficult times, and can help reduce your tax bill.

In general, under Income Tax rules, a Canadian taxpayer can claim a charitable donation of up to 75% of their net income (or 100% in the year of death and the year before). Any excess can be carried forward for up to five years. And the more you give, the greater the impact: donations of less than $200 generally produce a tax credit of approximately 24%, while those above $200 attract a tax credit of approximately 48% (note: tax credits vary depending on the donor's province of residence, taxable income and the amount donated).

Here's where in-kind donations come in: donating the full market value of securities instead of selling those securities first, incurring capital gains and then donating the net, after-tax cash amount, maximizes your donation to those in need, while helping to reduce your tax bill.

Giving in-kind is a great way to significantly enhance the impact of your generosity. Talk to us about your charitable giving strategy and the most effective way for you to take advantage of donating securities in-kind.

Investment alternatives

The following are some alternative investment ideas for fixed income and socially responsible global equity.

RBC Vision Global Equity Fund

This fund seeks to provide long-term capital growth. The Fund invests primarily in securities of companies throughout the world and follows a socially responsible approach to investing. Rates of return as of July 29, 2020 are:

1 year 23.6% 3 year 16.4%, 5 year 13.3% and 10 year 13.7%

Sprott Physical Gold Trust

The Sprott Physical Gold Trust (PHYS) was created to invest and hold substantially all of its assets in physical gold bullion. It is a closed-end trust that invests in unencumbered and fully-allocated London Good Delivery ("LGD") gold bars. Rates of return as of October 31, 2020 are:

1 year 23.84%, 3 year 13.23%, 5 year 9.86% and 10 year 2.36%

The iShares Asia 50 ETF

The iShares Asia 50 ETF (the "Fund") seeks to track the investment results of an index composed of 50 of the largest Asian equities. Rates of return as of September 30, 2020 are:

1 year 25.06%, 3 year 7.68%, 5 year 14.10% and 10 year 7.79%

Market outlook

	Current	YTD(%)	52 week %	2019	2018
TSX Comp.	16,582	-2.8	-2.2	19.1	-11.6
Dow Jones	29,080	1.9	4.7	22.3	-5.6
Nasdaq	11,709	30.5	38.1	35.2	-3.9
S&P 500	3,537	9.5	14.3	28.9	-6.2
Crude oil	40.67	-27.9	-24.4	25.8	-20.9
Gold	1,880	23.9	28.5	18.3	-1.6
Cdn. dollar	0.761	-1.1	-0.9	5.0	-7.8

Source: RBC Dominion Securities. Figures as of November 13, 2020

Canadian economic indicators

	2020A	Q42020F	Q42021F
10-year yield (%)	0.72	0.65	0.90
Real GDP (%)	-3.80	-5.65	4.85
Consumer price index (%)	0.50	0.70	1.70
Unemployment rate (%)	8.90	9.60	8.05

Source: RBC Dominion Securities. Rates as of July 2020

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