Wealth Management
Dominion Securities

Portfolio Advisor

Winter 2021

Matt St Louis Critical Path Wealth Management of RBC Dominion Securities
1922 Wyandotte St. East
Windsor, ON N8Y 1E4
Tel: 519-252-3665 | Fax: 519-252-3672
Toll free: 1 800-265-0890
www.my-criticalpath.com

Matt St.Louis, B. Admin (Econ), FCSI, CIM
Vice-President, Portfolio Manager & Wealth Advisor
Tel: 519-252-3665
matt.stlouis@rbc.com

Kelly van Middelkoop
Associate Advisor
Tel: 519-252-3650
kelly.vanmiddelkoop@rbc.com

Agata Stepien, B.Comm.(Hons)
Administrative Assistant
Tel: 519-252-3487
agata.stepien@rbc.com

Around the world

Global markets

Equities achieved all-time highs to end 2020, driven by optimism that the pandemic will end soon and that global economic growth is building. Ultra-low interest rates, continued fiscal and monetary stimulus, and pent-up consumer and business demand underpinned valuations. Expectations were tempered by concerns over the pace of vaccinations, ongoing U.S. political challenges, and high global borrowing levels.

Canada

Per capita, Canada has contained COVID-19 better than the U.S. and many other wealthy countries. While this has meant more short-term economic pain, higher growth is expected in 2021, underpinned by continued stimulative fiscal and monetary policy. A full recovery of pre-pandemic GDP levels by late 2021 / early 2022 is likely, with risks to this outlook being high government and consumer debt.

United States

The pandemic continues to take a huge toll. New measures to control its spread threaten the steady economic growth since the initial spring lockdowns. But government and central bank stimulus, and the arrival of vaccines, provide hope for an economic rebound in 2021. The incoming Biden administration may also support growth by focusing on bipartisan efforts to stimulate the economy.

Europe

A COVID-19 resurgence is leading to renewed lockdowns and restrictions. While these measures will dampen economic growth, there is hope that European economies will benefit from higher global demand and travel as the pandemic comes under control. As a result of its messy "Brexit," the U.K. remains a concern despite striking a new trade deal with the European Union at the 11th hour.

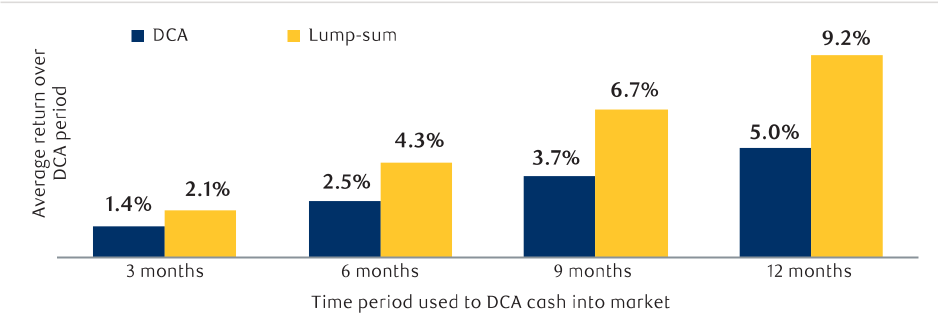
Emerging markets

For 2021, the growth outlook continues to improve for China and India, though for different reasons. China continues to ably manage the virus and has exceeded expectations at every turn. For India, it is instead because of a significantly lowered 2020 outlook for the country, with the implication that any 2021 rebound can be significantly more vigorous.

To learn more, please ask us for the latest issue of *Global Insight*.

Sidelined: How to get back into the market and on track to your goals in 2021

The COVID-19 pandemic, a breathtaking market crash, an awe-inspiring recovery, a sputtering global economy, and more political drama than you can fit into a reality TV show: 2020 had it all, and it left many investors unsure what to do. Investors who decided to stick with their long-term plans when the markets crashed in March saw the markets recover and reach new all-time highs by year-end. Meanwhile, those who deviated from their plans may now be wondering, "How do I get back on track?"



Source: RBC Global Asset Management and Morningstar Inc. Return is the S&P/TSX Composite's total return from January 1, 1990 to July 31, 2020.

Assumptions: A one-time, lump-sum investment of $10,000 is made at the beginning of each time period. DCA installments of $10,000, spread out evenly each month over the course of each time period.

2020: one for the history books

The year began well, with equity markets reaching all-time highs in February. But then the novel coronavirus arrived. Markets fell approximately 36% before hitting bottom on March 23. Just as quickly, markets began their dramatic rebound – leading to the shortest bear market in history. By the end of 2020, markets had reached new all-time highs.

For some investors, the extreme market volatility was understandably disconcerting. It may have even prompted them to go onto the "sidelines" by cashing out of their investments. Cash and cash-equivalent investments (such as GICs, money market funds and Treasury bills) are very low risk and, as such, can play an important role in an overall investment portfolio by adding an element of security. However, they offer little to no return in today's environment. If growth is needed – even modest growth – more than just cash in a portfolio can help an investor achieve their long-term investment goals.

Getting back on track

If you have been sidelined, here's how you can back on track to your plan:

1. **Review your investment plan:** Your plan is built to help you achieve your unique goals. Unless your goals have changed, what the stock market does in the short term really shouldn't distract you from your long-term goals. However, times of market stress can help you better assess your risk tolerance. If you think your goals and/or risk tolerance have changed, then speak to us about reviewing your plan.

2. **Get back into the market:** If your plan is aligned to your goals and risk tolerance, the next step is finding the right strategy to get back into the market:

- **Lump sum:** Deploy your cash back into your investment portfolio in lump sums.
- **Dollar-cost averaging (DCA):** Deploy smaller amounts gradually over time.

Investor, know thyself

What's most important is which investment strategy will help get you off the sidelines and back on track to your goals. A lump sum strategy, historically, offers higher returns (see chart above). But if you are hesitant, sometimes the best strategy is to take one small step at a time. As a DCA strategy is usually implemented through a regular investment plan, it can help establish a disciplined and manageable approach to investing. Talk to us about which approach is right for you.

Ten ways to improve physical and mental health during the COVID-19 pandemic

Know someone who needs help with mental well-being?

Check out the Canadian Mental Health Association's website (cmha.ca/are-you-in-crisis) – there is always someone there to listen and help, whether it's for you, a friend or a family member.

Taking care of your financial and wealth management needs is just one part of your overall wellness. Your mental and physical well-being are also important. And in these days of social distancing and lockdowns – not to mention it's just a plain old Canadian winter – it can be difficult to find activities to keep the mind and body engaged. Here are 10 things* that can help:

1. **Play a game:** Try Sudoku, a crossword puzzle or even an old dependable jigsaw puzzle to keep the mind active – or, pull out Monopoly or Clue or any board game for fun with the family. If you're so inclined, maybe play chess or Scrabble online with a friend you can't see in person right now.
2. **Read and/or listen to a book:** Local libraries provide online access to thousands of audio books and e-books – for free! And if you haven't tried listening to podcasts before, there's never been a better time to start.
3. **Journal, draw or paint:** Not only do these activities work to concentrate the mind, they also promote the connection between the mental and the physical, enhancing movement and engagement.
4. **Visit a museum or enjoy a tour:** Visit the Louvre during a pandemic? Yes, you can! An increasing number of museums, galleries and events are going online, allowing you to enjoy arts, music and entertainment without ever having to leave home.
5. **Meditate:** Long considered one of the most important activities to promote mental and physical well-being, meditations are widely available on the Internet. *Namaste!*
6. **Cooking or baking:** Sales of baking implements and goods have soared during the pandemic, and that makes sense – why not enjoy learning a new skill or enhancing an existing one, while combining a physical activity with a result that you and/or your family can enjoy together? Ding! Ready!
7. **Learn a new language:** Cooped up and itching to travel to faraway lands? Online language courses are abundant, and learning one can provide a great escape while you are stuck at home.
8. **Video conference with friends and family:** Staying connected is critically important any time, but these days even more so. Set up regular touchpoints – it will help those you connect with as much as you.
9. **Knit, sew or needlepoint:** While you are spending time filling time, stitch together something that will last and bring you joy for years to come.
10. **Do a home workout:** Want to burn off some energy? Keep fit? Need to work off that COVID "19" we are all gaining sitting at home? Search the Internet for easy-to-follow workouts for all levels of fitness and capability.

*Source: Canadian Coalition for Seniors' Mental Health (2020).

Your 2021 New Year's Resolution: improve your financial wellness during COVID-19

The start to any new year often represents an ideal time to review and take stock of what matters to you and your family. Doing so can provide important clarity around your goals and objectives for the year. And this year, more than most, we're likely looking to turn the page and get to brighter days ahead.

Complete a financial wellness "check-up"

Fortunately, improving your financial health can often be achieved by focusing on just a few key activities. A great way to get started is to take the time to "check in" on what matters to you and review your financial goals – the peace of mind it brings can really help boost your financial and mental well-being.

The list below provides some of the questions you might want to ask yourself, and it is by no means exhaustive. For each of us, our values, priorities, goals and financial and life circumstances are unique.

And of course, this year, we may be asking quite different questions than we otherwise would given the pandemic. Like "When, where and how should I start travelling again?" or "Should I relocate or renovate given the amount of time I'm spending at home?" The benefit of an exercise like this is that it can help you see the path forward more clearly, and put your mind at greater ease that you have a plan to get you to where you want to go.

We can help

Contact us to assist with your financial wellness check-up. In addition to helping with your investment goals, we can provide you access to a team of wealth management specialists. These specialists have wide-ranging expertise in areas such as financial, insurance and business planning, philanthropic and charitable giving strategies, and tax and estate planning.

Five-step financial wellness check-up:

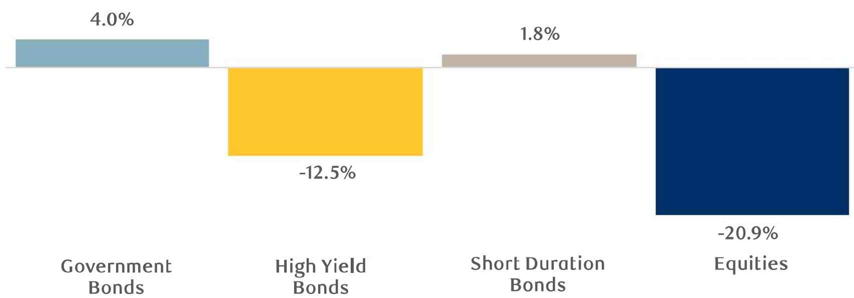
1. What matters most to me? (e.g., family, happiness, physical health, mental well-being, financial freedom, business/career, helping others)
2. Over the next year to three years, what are my key priorities/goals? (e.g., build my business/career, see my kids off to the next stage of their lives, save for retirement, purchase a cottage or country home, spend time doing charitable work)
3. Longer term, what are my priorities/goals? (e.g., physical/mental health, transitioning to retirement, passing my business to my children, retirement or semi-retirement, philanthropic/charitable activities)
4. How and where do I want to be cared for in the event that I become ill or incapacitated? (e.g., discussing my care with my family or Power of Attorney, establishing clear heath care directives, where to receive the care I need)
5. What do I want my legacy to be, and how will I ensure that it reflects my wishes and values? (e.g., discussing my legacy with my family and beneficiaries, reviewing/updating my Will, establishing charitable trusts, contacting philanthropic organizations to establish my legacy)

Why investing in bonds still makes sense despite historically low interest rates

With the exception of a few spikes, over the last 35 years interest rates and bond yields have steadily declined. The recent efforts by central banks to spur borrowing to drive economic growth during the COVID-19 pandemic has pushed yields to their lowest levels in history, leading many investors to wonder if bonds are still effective in helping them achieve their portfolio goals.

Government bonds provided a ballast during the COVID-19 sell-off

Q1 2020



Short duration bonds = FTSE Canada ST Bond Index, equities = S&P/TSX Composite TR, high yield bonds = ICE BofA U.S. High Yield BB-B (CAD Hedged), government bonds = FTSE WGBI Hdg CAD. Source: Morningstar Direct.

The bonds that bind

One of the three major investment asset classes (along with equities and cash), bonds have existed in one form or another for hundreds of years. With their dual income structure of fixed interest payments and the return of capital at a stated maturity date, bonds have historically been very attractive to investors seeking income and security.

Bonds are issued by a variety of entities, including corporations and various levels of government, and in a wide variety of forms (e.g., standard, high-yield, convertible). They also offer various maturity dates over different timeframes. Generally, the longer the timeframe (e.g., a 10-year bond), the higher the interest rate, but the higher the price volatility (which means the price at which you could sell a bond prior to maturity has more variance).

In addition, issuers and the various types of bonds they issue are often rated by bond rating agencies, providing investors with guidance around their riskiness, i.e., their ability to maintain their interest payments and repay principal at maturity. This allows investors to decide on the degree of risk they are willing to assume, while gauging the performance of different issuers and bond types under different market conditions.

Portfolio ballast – three reasons to maintain bonds in your portfolio

Despite the historically low yields bonds are offering these days to investors, there continue to be very important reasons to consider them in your portfolio, including:

1. **Stability:** With their more predictable and less volatile returns, bonds are an important ballast to an investor's portfolio during times of volatility. When trouble strikes, bonds can help to reduce the risk – or volatility – of portfolios.

2. **Diversification:** Bonds tend to have a negative return correlation to equities – when equities rise, bonds tend to fall, while they tend to rise in value when equities fall.

3. **Income:** While interest rates and yields may be low these days, there is a vast universe of bond issuers and bond types. When the risk is managed properly within a diversified portfolio, there can still be higher-yielding options for investors who need income and/or wish to generate income to offset weaker capital returns in their portfolio.

Some bonds should never be broken

Regardless of today's historically low interest rate environment, bonds can continue to play a critically important and effective part in protecting, diversifying and growing investors' wealth. Contact us today for more information about the role bonds play in your portfolio.

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How the U.S. election affects Canada-U.S. trade

The 2020 U.S. election saw incoming President Joe Biden's Democrats gain control of Congress by maintaining their majority in the House and winning back the Senate. The new balance of power in Washington is important when it comes to trade policy – and could have a major impact on Canada since the U.S. is by far our largest trading partner.

New "trade winds" stirring

The election campaign saw a number of policies floated by the Biden team, including broad-based environmental and healthcare programs, as well as enhanced regulation of "Big Tech" companies like Google and Facebook.

The Biden administration will likely pursue at least some new policies on trade, and this is crucially important for Canada, which sends approximately 75% of its exports in goods and services to its southern neighbour. After the trade actions of the previous Trump administration – including the imposition of trade tariffs on Canadian aluminum, lumber and other products and services, as well as the renegotiation of the North American Free Trade Agreement – what's in store with a Biden presidency?

1. **Climate change:** Biden has promised to rejoin the Paris Agreement and to reduce greenhouse gas emissions to a net-zero level by 2050. This policy approach suggests that his administration may take action on increasing green-energy production and reducing carbon-based emissions. This might have a significant impact on the Canadian energy sector, including whether or not the Keystone XL pipeline project to expand oil exports to the U.S. goes ahead. The Canadian auto sector might also be affected by the Green New Deal, for example shifting demand to battery-powered vehicles. The U.S. focus on "green policies" might also spur development of related industries in Canada, driving up exports.

2. **Made in America:** On the campaign trail Biden often referred to the need "to ensure the future is made in America," raising concerns that Canadian companies might be shut out of government procurement spending – or worse. The close-knit nature of the two country's manufacturing supply-chains is likely to preclude a policy like this from affecting Canada again, but it does remain a possibility.

3. **Make America friendly again:** In a departure from the Trump administration's approach, global trade institutions like the World Trade Organization are likely to be re-cast as key partners instead of adversaries in a Biden administration – and this is good for Canada, the significantly smaller of the two countries. It also signals a more constructive approach to trade and alliances in general by the U.S.

While it remains to be seen how the new Biden administration's trade policies will specifically affect Canada, one thing's certain: given the size of our trading relationship, Canadians will be keeping a close eye on shifting trade winds.

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