



Wealth Management
Dominion Securities

Portfolio Advisor

Spring 2022



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

Senior Portfolio Manager
& Wealth Advisor
Tel: 519-252-3665
matt.stlouis@rbc.com

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

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

Around the world



Canada

Both GDP and employment numbers continue to provide signs of strong upward momentum for the economy, as pandemic restrictions ease and Canadians spend more of their outsized savings amassed during the COVID-19 lockdowns. While 2022 has gotten off to a choppy start for markets, the strength in commodity prices and equities tied to them continues to be a bright spot for the Canadian equity market. Despite the geopolitical backdrop in Europe and the ever-clearer path of interest rate increases ahead, the housing market continues to hold up, while last year's strong demand growth for goods should give way to the same for services, which are expected to drive economic growth this year.



United States

With its first hike in interest rates since 2018, the U.S. Federal Reserve Bank indicated that at least four more hikes are likely in 2022, all in an effort to control what has become extremely elevated price inflation. Russia's attack on Ukraine in late February has made the investment backdrop even more complicated. The conflict in Ukraine presents a risk to U.S. stocks principally through its impact on the oil price (higher inflation) and, more specifically, the price of gasoline (lower consumer spending). Despite the challenges, markets largely stabilized by quarter's end, and the outlook for the economy is still strong.



Europe

Inflation continues to rise across the region, increasing concerns that the growth might be threatened as central banks tighten monetary policy in response. However, Europe's markets are particularly bountiful in large-cap defensive stocks, which offer direct exposure to the continent's solid economic backdrop and some offset to the negative impact of rate hikes. Geopolitical risks have climbed dramatically in the past few weeks, and it may be that they overshadow fundamentals in the short term. However, European leading indicators remain robust, and GDP forecasts, while down slightly from a few months ago, are still above 4%.



Emerging markets

Asian equities pulled back during the latest three-month period amid a wide divergence in performance among countries, with declines accelerating in late February after Russia's invasion of Ukraine created concern that it would inhibit economic growth and lead to skyrocketing fuel prices. However, a weaker U.S. dollar is likely to lead to the outperformance of emerging-market equities in 2022, as they tend to rise when the U.S. dollar falls. China was the main contributor to the poor performance during 2021, notably as a stricter regulatory environment hit the large internet sector. Inflation has largely remained within central bank targets, allowing for more leeway in setting monetary policy than many developed nation economies.

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

RBC Dominion Securities Inc.

Staying the course in today's volatile markets



2022 has gotten off to a bumpy start for investors after a smooth ride upwards since the end of the “COVID Crash” of February-March 2020. Between that time and the start of 2022, equity markets in particular have soared. But these days, markets have been experiencing some critical “tectonic shifts”:

1. The end of accommodative monetary policy:

To help stimulate economic growth, central banks have kept interest rates low. Expectations of an end to this “accommodative” monetary policy as economies recovered from the downturn grew in the latter half of 2021. And they continued growing at the beginning of 2022 thanks to rising prices. Central banks raised their benchmark interest rates in the first quarter of 2022, and have warned of several more hikes to come, in order to fight increasing inflation.

Impact: Higher rates ripple through money and bond markets, raising the cost of borrowing (e.g., the cost of financing the purchase of a home or expanding a business), as well as negatively impacting equities and bonds by discounting the current value of the expected future cash flows generated from earnings, dividends and interest payments.

2. Inflation: Until recently, inflation has been well behaved, hovering around most developed-world central banks’ targets. But now it’s climbing

dramatically as global economies rapidly recover from the pandemic. This higher economic growth is spurring greater demand, which increases prices. Disruptions to energy supplies and ongoing supply chain issues are also adding to inflationary pressures.

Impact: Inflation drives up the cost of living, often resulting in reduced spending by consumers and businesses. It also elicits higher interest rates from central banks (see #1 above), which can affect the real (after inflation) returns of investors and savers.

3. Fixed income: The bond market has been battered as a result of expectations of and the actual increasing of interest rates, as well as inflation. This has driven yields higher than they have been since before the COVID Crash of 2020.

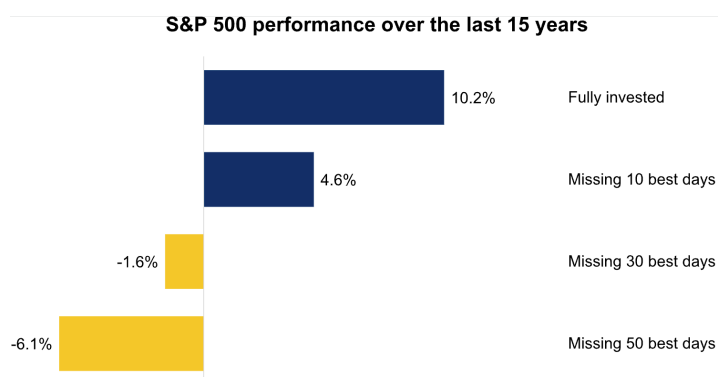
Impact: Sharply rising yields have resulted in the first negative returns for bond investors in quite some time, as bond yields (which rise and fall inversely to bond prices) have been on a downward trend for almost 40 years. Higher rates reduce the

attractiveness of outstanding bonds, while inflation reduces the actual net (i.e., after-inflation) returns for investors.

After markets have delivered outstanding returns over the last two years, it’s not surprising that the latest volatility might be jarring. But it’s important to keep in mind that many of the headwinds facing markets today are likely to normalize over the next 12 months, and do not in and of themselves represent a reason to change your investment plan.

In fact, trying to time the market – attempting to anticipate downturns and then selling and moving to the sidelines to wait for the right time to jump back in – is a losing game. As the following chart shows, guessing wrong and missing the best days in the market can hurt your long-term returns:

Remaining on course to your investment plan takes discipline at times like these. But if history has taught us anything, it is that these moments pass, and in retrospect, are often seen as an opportunity rather than risk for investors. If you have any questions or concerns about today’s markets, please contact us.



Source: RBC GAM, Morningstar. Returns for the S&P 500 TR Index USD as January 31, 2022. An investment cannot be made directly into an index. The above does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

Three reasons why bonds remain important for investors – even with today’s rising yields

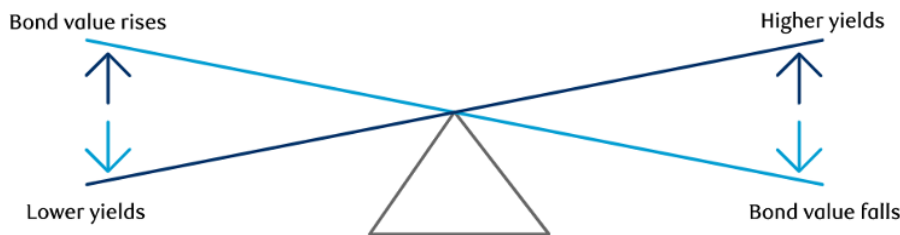
Rising bond yields should be good news for investors, right? In fact, when bond yields rise, the market price of existing bonds goes down. That can lead some investors to think it’s time to sell their bonds. But there are important reasons to stay invested – including wealth protection and predictable income.



How it works:

When a bond’s yield falls, its price rises; conversely, when a bond’s yield rises, its price falls. When interest rates rise, they often raise yields with them. In turn, rising yields can trigger a short-term drop in the value of existing bonds. That’s because investors will want to

buy the bonds that offer a higher yield. As demand drops for the bonds with lower yields, the value of those bonds will likely drop too. However, this near-term view overlooks the longer-term payback of higher yields. Capital losses in the short term can set the stage for higher future returns.



Don’t throw your bonds out with the bath water

Despite the sharp rise in yields, and the consequent downturn in prices, it is important to remember that bonds have long been a stalwart defender of wealth and income, providing three essential components that together help support their importance in a risk-appropriate portfolio:

1. Income: Bonds generate income through coupon payments, which are quarterly or semi-annual payments

of interest from the issuer made throughout the lifetime of the bond. This provides a steady return to investors regardless of market conditions and the existing, day-to-day market value of the bond. This flow of income can be extremely important, especially for those, like retirees, who depend on the income generated from their portfolios to live on. Coupon payments can also be re-invested as they are paid out, something that can be advantageous when interest rates and yields are rising.

2. Protection: Generally speaking, when investment markets become volatile, usually as a result of uncertainty or crisis, bonds increase in value. This is based on two important aspects of their structure: one, they are a specific commitment on the part of the issuer to repay the face value of the bond, and on a certain date, unlike equities that exist in perpetuity and have no maturity value; and, two, when interest rates are cut or reduced as they often are in times of stress, this lowers yields and increases prices for bonds (see diagram above).

3. Diversification: A fundamental principle of successful, long-term portfolio management is diversification – the old “Don’t put all of your eggs in one basket” adage. As asset classes such as bonds and equities usually move in opposite directions from each other (they are “negatively correlated”), that means that when things are going badly for equities, your bond portfolio will often perform much better, offsetting one for the other and smoothing out your portfolio returns over time.

Keep the faith

Despite their recent volatility, bonds have long been a critically important foundation for most investors’ portfolios, offering important protection and income flows that offset periodic periods of price pressure. Before you lose faith with this important asset class, talk to us about how bonds can help you achieve your long-term investment goals.

How to avoid caregiver burnout

Caring for those we love exacts not just a financial toll but also an emotional one, which can lead to burnout. Finding a balanced approach often begins with communication and education.



A labour of love

Since 2020, the first Tuesday of April has been designated as National Caregiver Day, a celebration of the contribution made by more than 8 million Canadians who give their time and toil to care for those in need. According to Statistics Canada¹, approximately one in four Canadians age 15 and older cares for a family member or friend with a long-term health condition, a physical or mental disability or age-related challenges.

Caring for those in need takes its toll. Caregivers who provide a minimum of 20 hours of care a week (54 percent) are more likely to describe their responsibilities as stressful. Caregiver burnout is often fuelled by the unrealistic expectations that caregivers place upon themselves. The cost to them can be physical, emotional and financial. It can impact their career or relationship with their partner, children or extended family. And it can lead to a deterioration of mental well-being.

“There’s a very big cost,” says Audrey Miller, a registered social worker,

certified life care planner, and founder and managing director of Elder Caring Inc.², a national care management company that has partnered with RBC Wealth Management³. “If the caregiver does not look after themselves, then it’s two folks who will need care.”

What’s more, caregivers often modify⁴ their life or work arrangements. “Caregiver burnout is not just impacting the person doing the looking after,” says Miller. “It can impact those supporting the person who’s providing that care as well.”

Caring for caregivers

For caregivers, preventing burnout is often a matter of support. That support can take various forms. “Part of my job is to try to get you back to the role of son or daughter, so you don’t necessarily have to be the primary caregiver,” says Miller. She often finds scenarios where an adult child supporting an aging parent is cleaning their parent’s house or providing an intimate level of care that could be handled by someone else. “Would your mother want you bathing her?”

A balanced approach to caregiving often begins with communication and education, explains Miller.

“Conversations are always the starting point ... getting everybody around the table in some level of discussion and agreement.”

That can be family members but can also include outside support such as financial advisors. And this is where family members can draw the lines between emotional, physical and financial support.

Will the person being cared for require a spot in a long-term care facility or some sort of day-to-day programming? Will they be aging at home? Which family member will play which role? When will outside help be needed? Can a professional manage the bills and assets?

There is help

Miller also points to community resources as a vital part of preventing caregiver burnout. For some, the public sector may be able to provide personal support workers. There are also support groups for caregivers looking after someone with a specific illness such as heart issues or dementia.

Importantly, the resources are out there, says Miller, but it’s often a matter of the caregiver recognizing they likely need support. “If you can’t think about those things for yourself,” she says, “talk to a professional who can help you see what some of the challenges are and help look for support.”

¹“The experiences and needs of older caregivers in Canada”. Statistics Canada (November, 2020).

² <https://eldercaring.ca/>

³ “Worried about your health as you age? Create a care plan.” RBC Wealth Management (2021).

⁴ “Support received by caregivers in Canada.” Statistics Canada (January, 2020).

Five ways to recharge, refocus and revitalize your mind, mood and body

The last two years have brought a tremendous amount of stress and strain. But some relief can be as easy as a breath away, allowing us to recharge our bodies and minds – and lift our moods.



According to top health scientist and performance physiologist Dr. Greg Wells*, the following five methods can help you recharge and refocus – whether you have a few seconds or a few weeks:

1. Seconds: Breathe

Even if you only have a few moments, taking a slow, deep breath – or even better, several – can immediately reduce stress levels and boost energy by reducing tension in the body and focusing the mind. Think of blowing out a candle on your exhales, and that’s about the level of force you want to use to blow away your fatigue and worry.



2. Minutes: Shift control or take a power nap

Our experiences create emotions and feelings, which in turn create thoughts in our minds, and those thoughts often drive our actions. But as Dr. Wells notes, based on his work with Canadian



Olympian athletes the best approach is what he calls “shifting control”: turning the process on its head from “feeling-thinking-acting” to “acting-thinking-feeling.” Positive routines (e.g., assuming a certain posture, breathing, eye focus) allow us to act in a certain way in response to circumstances, challenges or negative outside stimulus, after which we think, then feel, in turn allowing one to gain control over our emotional responses.

Power napping is another great way to re-charge and refocus, providing the mind with a period to shut down and relax, bringing the body along with it. Anywhere from three to 20 minutes, but not more, is ideal, according to Dr. Wells. “Any more and the mind slips into a deeper state of sleep that is difficult to emerge from with a clear mind.”

3. An hour: Go for a walk

Walking is a great way to relax the mind while invigorating the body, and has been shown to increase BDNF (brain-derived neurotrophic factors) in



the brain that stimulate the creation of neurons. These neurons help us to think more clearly and faster, as well as more creatively.

4. A day: Change your environment

Especially with so many of us spending so much time at home as a result of the pandemic, changing our environment by getting outside or into some other stimulatory environment is critically important to recharging our minds. According to Dr. Wells, getting into nature is particularly powerful, as it has been shown to stimulate the brain to move from beta mode – a state of focus, execution and hustle – to alpha mode, a state of meta-cognition, strategic thinking, and open it to a state of learning and absorption.



5. A week: Learn something new

If you have a week or more, learn something new to stimulate your mind and recharge your energy, says Dr. Wells.

“From music, to painting, to learning a new language or skill, learning puts us into growth mindset, and is revitalized and energized through the process of new neuron creation.”



No matter how much time you have to do so, taking the time – whether a second or a week – and following these simple steps can help you re-energize and re-focus to help tackle whatever challenges may lie ahead.

* <https://drgregwells.com/>

What are alternative investments?

Today, alternative investments are more accessible to the average investor, opening up a new universe of potential investment opportunities. As with any investment, it's important to understand what they are – and the pros and cons.



The alternative facts

Alternative investments are sometimes defined by what they are not, i.e. not the conventional asset classes of stocks, bonds and cash. So, what are they then? Here are some of the more common alternative investments:

- **Private equity** – Commonly refers to a fund or group of investors that invest in and/or purchase companies to restructure and then sell them.
- **Venture capital** – A form of private equity and/or financing that invests in start-up or small – and therefore highly speculative – businesses.
- **Hedge funds** – Pooled investment funds that use complex trading techniques, including short-selling, the use of derivatives and investing in esoteric markets or assets, and deploy leverage to boost returns.
- **Real estate** – Direct purchasing and selling of real properties, including commercial, industrial and retail, for the purposes of income generation and/or capital appreciation.
- **Commodities** – Through futures contracts, the purchase and selling of

commodities such as oil, gold, wheat and minerals.

Pros

1. **Diversification:** Alternative investments tend to have a “low correlation” to other asset classes such as stocks and bonds. This means they tend to perform in different ways, i.e. when stocks are going down, alternatives may be going up. This provides investors with diversification benefits to help reduce risk.
2. **Inflation hedge:** Alternative assets such as some commodities (e.g., oil and gold) and real estate can also perform well when inflation is rising.
3. **Short selling:** Hedge funds are able to “short sell” assets, which means they profit from downturns in those assets, providing another way to diversify.
4. **Derivatives and leverage:** Private equity investors can benefit from high-risk strategies like “leverage” (which boosts the purchasing power of invested capital) and “derivatives” (which can provide access to unique markets with often zero-sum outcomes, i.e., one side of a trade or position “wins” while the other “loses”).

5. **Long-term lock-in periods:** Many alternative investments require a long-term lock-in period, allowing a fund manager to access longer-term investments that would otherwise be unavailable (e.g., land purchases).

Cons

1. **Accessibility:** Alternatives tend to have very high minimum investment thresholds (\$500,000-\$1,000,000), and restrictive qualifiers for investors such as significant net worth and high income levels.
2. **Lack of transparency:** Conventional assets have easily accessible information upon which to base investment decisions; alternative investments can be more opaque, and more difficult to assess as to risk.
3. **Illiquidity:** Long-term lockup periods can prevent investors from accessing their capital, and some investments, such as real estate, can take years to realize a payoff.
4. **Less regulation:** With less oversight by regulators, there's less transparency for investors as to the risks.
5. **Fees:** Generally, alternative investments have significantly higher fees.

Many “alternative” investments are high risk and complex, and therefore may not be appropriate for investors with limited investment knowledge or experience, or with a low risk capacity or appetite. This report is intended to be educational only about alternative investments as a general asset class. Should you have any questions or wish to discuss specific investments, please speak with us.