

A NOTE FROM PAUL

It is hard to put into words the empathy I have for all individuals and families impacted by the geopolitical tensions in Eastern Europe. As the events continue to unfold my thoughts are with them.

Geopolitical events tend to create temporary dislocations in financial markets. Wars are inherently unpredictable, but the historical record shows that while geopolitical events (such as the one between Russia and Ukraine) tend to create temporary dislocations in financial markets, they typically don't have negative long-term consequences for investors. In fact, the months following geopolitical events of this nature often resulted in investment gains.

Looking at more than 8 decades of stock market movements during times of military conflict, we see that typically it is the month before the event that tends to be the worst (positive only 25% of the time with an average return of -2.1%), while the following 3 months often see gains (positive 73% of the time with an average gain of 3.7%)¹. In addition, the average maximum decline is approximately 12%, almost exactly what the U.S. stock market has experienced since the beginning of the year¹. These historical trends do not guarantee anything for the immediate future. They do, however, highlight the forward-looking nature of markets and, the notion that they ultimately depend on economic growth, which can sometimes contrast with the geopolitical reality.

During periods of higher market volatility, I am reminded that while volatility can feel uncomfortable, it is normal market behaviour. It can even help clear excesses and create investment opportunities. We remain thoughtful and proactive in our approach to managing your wealth. As our views evolve, we will continue to provide additional insights and recommendations.

February has also been a full month on the professional development front. Learning insights from the Family Enterprise Advisor (FEA) program will bring additional value to our client families. Both the Multi-Disciplinary Advising and Facilitation & Communication Skills sessions I participated in have added to our capacity to help clients engineer meaningful wealth management outcomes. It feels good to be growing both our business and skill sets. As I collaborate with my FEA cohort to develop best-practices that will have a positive impact on the challenges real family enterprises are facing, I am reminded what a fundamental 'game changer' it is to work with talented professionals that are committed to making a difference in the world.

Despite the headwinds we hear about in the 24-hour media cycle, we continue to grow at Morse Wealth and help our clients plan for today and tomorrow. I am grateful to work with our team and the families that entrust us to help them grow and preserve their wealth for generations. We believe you deserve the best and are committed to delivering that for you.

I hope you enjoy this edition of the Morse Wealth Quick Connect. Our goal is to provide useful and interesting content and, as always, we'd love to hear from you.

Sincerely,
Paul

MARKET PERSPECTIVES*

1. We maintain our core strategic preference for equities relative to fixed income. The global economy is still broadly expanding; however, at a slower pace than the previous year. The projected low-rate environment is likely to persist even as central bank policies shift from accommodation to stabilization.
2. We expect equities to deliver positive returns in 2022, although episodic volatility remains a factor. We expect Canadian equities to outperform global counterparts as the Financial and Energy sectors are still seeing robust earnings strength and positive revisions.
3. Primary impediments to global economic growth and risks to markets include, more permanent and broad-based inflationary pressures, monetary policy missteps, new virus variants, and heightened geopolitical tensions.
4. While we maintain an overall underweight to fixed income, due to low real returns, we believe fixed income exposure within portfolios remains important. Bonds can provide investors with consistent income, diversification benefits and insulate portfolios during periods of elevated volatility.
5. With low fixed income yields and the potential moderation of equity returns, an allocation to alternative assets could be beneficial in managing portfolio volatility, providing some long-term inflation protection and attractive absolute returns. We believe alternative assets can help portfolios under either transitory or more structural inflation outcomes.

*Excerpted from: TD Wealth, WAAC Perspectives February 2022



Russia-Ukraine crisis: What's Putin's next move?

Russia's invasion of Ukraine has been met with sanctions from the West and resistance from Ukrainians. In this video Kim Parlee speaks with Marko Papić, Chief Strategist, Clocktower Group, about how the crisis may unfold and what it may mean for the markets.

TEAM UPDATES & REMINDERS

Strategy Spotlight kicked off

We hosted our first Strategy Spotlight of 2022 last week and were thrilled to have an excellent turn out for the insightful conversation with Georgia Swan and Sébastien Desmarais, Tax & Estate Planners at TD Wealth. We addressed the new Tax and Estate changes that may impact you. We have had many inquiries about sharing a recording of the event, but for privacy reasons TD prohibits the recording of live events that are attended by clients. We are busy planning the next Strategy Spotlight and will send formal email invites out in the coming weeks.

TFSA reminder

The TFSA annual contribution limit for 2022 is \$6,000 which means you may be able to contribute up to \$81,500 if you have never made a TFSA contribution. Please connect with me at your earliest convenience so we can action your contribution for 2022.

Office protocols

We continue to work both at the office and remotely. You can reach us through our regular channels. TD continues to maintain and adjust operational protocols to promote a safe environment for clients and employees. Connect with us if you would like to schedule an in-person meeting so we can coordinate accordingly. We continue to leverage conference calls and virtual meeting technology to operate seamlessly while remote.

FROM OUR KITCHEN, TO YOURS...

We're sharing a new Morse Wealth breakfast or brunch favourite that is packed with flavour. You can make it as a treat for yourself, or make a few and share with your loved ones.



Triangle breakfast tortillas

What you'll need for one wrap

- 1 large tortilla
- 1-2 pieces of bacon (you can substitute with sausage, pulled chicken or your favourite deli meat)
- 1 scrambled egg
- ½ avocado mashed
- Shredded cheese of your choice
- Butter or cooking oil of your choice



How to make

- Cook the Bacon and cut into smaller pieces
- Scramble an egg (lightly season with salt and pepper)
- Mash 1/2 avocado in a bowl with a fork (season with salt, pepper and garlic to add more flavor)
- Cut a slit to the center of the tortilla closest to you
- Butter the side of the tortilla that will lay down in the pan and place the tortilla on a non-stick skillet over medium heat
- Arrange ingredients into 4 quadrants on the tortilla (Bottom right: Eggs, Top Right: Bacon, Top Left: Avocado, Bottom Left: shredded cheese)
- Once the bottom of the tortilla has browned to your liking, fold the bottom right quadrant up and proceed to fold the quadrants over each other to form a triangle
- Serve on a plate, be sure to let it cool slightly and enjoy!

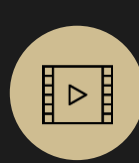
SELECTED FOR YOU



READ

Canadian Inheritance Tax: Myths and facts

Although beneficiaries in Canada don't pay an inheritance tax like they do in the U.S., learning how estates are taxed in this country can help you build an estate plan that can save money and ensure more of your assets go to your heirs.



WATCH

How can I protect my loan or gift to my child?

You may not verbalize it, but if you give or lend your child money from time to time, you may worry what might happen to that money if the marriage falls apart. This video discusses some ways to structure a gift or loan.



LISTEN

Preparing for Lift Off – Investing in a Rising Rate Landscape

Robert Pemberton, Managing Director and Head of Fixed Income, TDAM, discusses the pace of rising rates, what global growth will look like in 2022 and opportunities for fixed income investors across the yield curve.



TD Wealth

¹Source: National Bank Investments, March 2022, https://www.nbinvestments.ca/content/dam/bni/publication/cio-office/asset-allocation-strategy.pdf?j=336317&sfmc_sub=10613205&l=99_HTML&u=5490186&mid=100002244&jb=1007

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