



Rickerby Wealth Management

A memo from the Trenches

May 2023



Memo from the Trenches

Markets:

So, April was nicely positive for equity markets. The S&P500 was up 1.46% for the month and the S&P / TSX composite index was up 2.67%. There continued to be a couple of aftershocks from the bank failure of Silicon Valley Bank in early March (including Credit Suisse being taken over by UBS in Switzerland and recently First Republic being taken over by JP Morgan), but I mentioned previously, although "on-guard", I do not foresee the type of rolling chaos that unfolded in 2008 / 2009. However, that is not to suggest prudence is uncalled for. I have a quite small exposure to an index share for the US regional banks sector and for the moment, I have sold out and will sit on the sidelines.

We also experienced corporate profit reports for the first quarter, and generally the sentiment was "not bad". Which is to say, that so far, corporations have managed to navigate this inflation bump

of the last 18 months a little better than expected. In addition, the economic numbers are also suggesting we are managing a "Goldilocks" state. Not too hot... not too cold. The March inflation number has now dropped to 4.3% whilst the US has dropped to 5.0%. Consensus is not entrenched that this move up in short-term interest rates is at its zenith in Canada and the US.

As I have mentioned before, the question is, will we just slow down enough to kill this inflation fever and avoid an actual recession or not? As you know I personally am of the view that we do have a slight and shallow recession, but I am not fearful of it. That said, I remain resistant to increasing equity exposure for most clients. Currently we can earn about 4.5% to 5% in "cash" and so there is no shame in being patient and hiding in cash for

the moment. Now that said, there will be a time where these short-term rates DO decline, and we certainly will want to try and lock in compelling rates from high quality bonds. In summary, defense remains the best offense.

Note: I should point out however, that nearly ALL the strong performance this year in the US markets lands at the feet of half a dozen giant tech companies that bounced back from a brutal 2022. That is to say that the US Market index numbers hide the reality that the broad markets have experienced a lot less success than the 'headlines' suggest.

CDN Model:

For larger accounts and households, I may have this 32-stock model in your portfolio. This is a portfolio that I am cloning from my TD Wealth Investment office. I have included a copy of the recent performance report. The notable news is that one of the holdings, Teck has received a takeover offer from BHP Billington. Often nice to own a stock when a takeover bid occurs.

US Model:

No trades for April.

Estate Planning Strategies Seminar

Many thanks to the folks that attended this event. We had about 65 people join us. The forum proved to be an ideal event for folks to ask questions of some TD specialists. I know that many of us hope that we will have the privilege of dying in our sleep in our 80's (or later) but of course the reality is our estate plan needs to accommodate the possibility we are here today, and gone tomorrow. So don't procrastinate. Reach out to me for a chat if you would like to explore the issues and variables you need to consider and an introduction to an appropriate TD specialist to assist.

Mackenzie Financial security breach

I want to bring to your attention a security breach that affects clients who have held Mackenzie funds. But to give you a sense of the interconnected world we live in. This breach did not happen at Mackenzie Financial. It did not happen at one of Mackenzie's suppliers, InvestorCom, either. But it did happen at one of InvestorCOM's suppliers, GoAnywhere. There is nothing for clients to do except to continue to be as aware of your financial affairs as possible and to be sensitive if something does not seem right and investigate. Mackenzie is offering to pay for "credit watch" services where clients request. I believe that SIN data was compromised but I will say that the 'bad guys' really need picture

ID information as well as SIN to really cause identity theft challenges.

Nothing for you to do currently as this is early days but I do feel I should bring it to your attention and to remind every client of the need to always remain diligent.

Fund Focus – Canoe Defensive International Equity Fund.

As many long-term clients know, I am not by nature a pessimistic chap, but I believe I have a rather pragmatic view of the state of the investment world. And in my view earning money is tough (it's always been tough) and for a very long list of reasons, I suspect that long-term results are going to be modest in the years ahead, as they have been in the last 25 years. As far as I am concerned the case for European equities is not compelling at all (it's all about demographics), but of course prudence dictates that some commitment of capital be called for to diversify and try and reduce overall risk and volatility for a portfolio.

The one fund I have that has a component of European stock exposure is the Canoe Defensive International Equity Fund, and I'm happy to report that this fund is doing well. What makes this fund a little special, and what appealed to me, was the fact that unlike a normal "mutual fund", this management team has a classic team that picks stocks, but then they have a second, and basically separate team that puts on, and takes off market risk quite actively through hedging. Which is to say there is a little bit of "trying to time the market".

What does that mean? Well, if this team becomes concerned about a potential decline in markets, they will quickly place hedges to reduce the losses from broad market declines... and then remove them to hopefully enjoy recoveries.

The proof is in the eating, and this fund has used these strategies to mitigate periods of weakness and yet fully participate during strong periods. Note: this fund is found in clients who have the "High Growth" TFSA model. Performance results have materially outperformed stock benchmark, indexes and competitors and remains a great contributor to portfolios.

https://storage.pardot.com/361951/1681850197vl9OPrd2/Canoe_DefIntlEquity_03_31_2023.pdf

Household Insurance

Just a friendly reminder that TD is now providing household insurance policies. Based on my personal experience as well as some feedback from some client experiences, I believe that it would be fair to say that the cost is fractionally lower than my previous provider BUT there were a couple of additional extras that were of notable value to me. So, if your insurance is coming up and are curious for a quote, please reach out to us and I will connect you to my liaison.

Save the date

This year our Client Appreciation event at Vancouver Canadians Baseball is on June 29th but an invitation and registration email will come later.

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