



The David Miner & Associates Communiqué

Winter 2022

"Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down."

– Warren Buffett



Looking Forward to Warmer Days!



The start to 2022 has certainly not been dull!

Here in Toronto, we recently shouldered the biggest snowstorm in decades, a two-week delay for students returning to the classroom, a temporary return to “lockdown” style restrictions, and protests in Ottawa as a minority of truckers and others protested vaccine mandates.

David Miner & Associates Financial Advisors

Visit www.davidminer.ca

David Miner, MBA, BSc, FCSI
Email: davidminer@davidminer.ca

Amelia Naidoo (née Miner), MBA, BA
Email: amelia.miner@davidminer.ca

Kiran Naidoo, CPA, CA, BCom
Email: kiran.naidoo@davidminer.ca

Helena Donaldson, CLU, ChFC & CFP
Email: helena.donaldson@davidminer.ca

Phone: 647-776-2475
Toll-free: 1-866-93-MINER
Fax: 647-260-1735

#503—1243 Islington Ave.
Toronto, Ontario, Canada. M8X 1Y9

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Amelia, Kiran and the girls enjoying a skate at the neighbourhood's outdoor rink!

Globally, we've witnessed financial market volatility, threats of conflict as Russia amasses troops near the Ukrainian border and persistent inflation as global productivity and supply chains remain challenged by the enduring effects of the pandemic. While acutely felt by the healthcare system, no matter where you look, Omicron and the cumulative impact of the pandemic has left many businesses and people tired and frayed.

We thank all front-liners for their continued efforts and hope everyone remains safe and healthy as this most recent wave begins to wane.



Market Commentary

A difficult start to the year for all but Chinese and emerging market equities; the relative performance amongst the decliners is playing out along the lines we would expect. Companies with strong fundamentals, earnings and cash flow are significantly outperforming growth-oriented companies where earnings prospects are projected further out. The poster child for the growth trade over the past several years has been the NASDAQ Composite Index, with its heavy weighting to technology and companies of the future. With central banks expressing concern over the sustained rate of inflation, there is much debate about how quickly interest rates will rise if inflation does not prove to be temporary. Growth companies, particularly those with longer paths to earnings relative to their lofty valuations, are more sensitive to interest rate changes than companies whose earnings are more consistent in the near-term or perhaps better understood.

The NASDAQ has been weak since late November, and the recent sell-off has driven the Index into correction territory. Value indices are down on the year as well, but the declines are more muted. The big 'winners' for 2021 in Canada were home-owners – Canada's MLS Housing Price Index rising 26.6% year-over-year, 2021 was the largest increase on record going back to 2000. It will be interesting to see how the central bank response to inflation (anticipated interest-rate increases), will impact local housing prices in 2022 despite record immigration and a lack of housing supply.

With a correction already out of the way, there is reason to be optimistic that the remainder of the year can produce positive investment results. While uncertainty will likely cause more volatility, we appear to be in mid economic cycle here in North America with other parts of the world are catching up from an earnings growth perspective.

Investia Updates



David and Dori at an ice wine tasting with friends!

2021 year-end statements have been issued (paper and electronic) and should now have been received. Investment related tax slips will be distributed by Investia and fund companies shortly. Please contact Soumya Bakshi if duplicate tax slips are required.

For clients of Helena Donaldson and coinciding with the transfer to David Miner & Associates and Investia, we're happy to report that substantially all transfers have been completed! Due to the lengthy transition period and delays at Manulife Securities, we remind everyone that their 2021 year-end statements from Investia may not include their complete holdings and should be considered alongside statements from Manulife for a complete picture. Finally, it should be noted that transfer-out fees have now been credited to individual investor accounts by Investia.

If you have not already done so, please reach out to us about setting up online access through Wealthview. Through the online portal, your account details, investment holdings, and rates of return and quarterly statements are available. Clients can update preferences such as receiving electronic statements, address and contact information, and documents can be shared securely with us as needed.

Housekeeping items

With the turn of the new year, a few key items & dates to keep in mind:

DATE	DETAILS
January 1, 2022	An additional \$6,000 in TFSA contribution room became available for eligible Canadians – please let us know if you want to top up your account!
March 1, 2022	If you wish to make an RRSP contribution in relation to the 2021 tax year, you must do so <i>on or before</i> March 1, 2022. This is a hard deadline imposed by the CRA, so we ask clients notify us in advance if they wish to make contributions.
April 30, 2022 <i>(May 2, 2022 since April 30 is a Saturday)</i>	All personal tax filings and payments are due April 30 th if you wish to avoid interest and penalties the CRA may impose. <i>As reminder, all clients in fee-based accounts may be able to deduct advisory fees in their non-registered (OPEN) accounts. Interest incurred on investment loans (ie. leveraged accounts) can also be deducted to the extent that they are incurred for the purposes of investments. Please contact your accountant for more information.</i>
June 15, 2022	Deadline to file your taxes if you or your spouse or common-law partner are self-employed.

Volatility

From January 3, 1928, to February 8, 2021 – a little over 93 years - there were ninety-nine corrections of 10% or more in the S&P 500 index (See the enclosed chart “Market Correction or Bear Market”). Put simply, in an “average” year, there were 1.1 corrections, which means that more than one correction of 10%+ per year is normal. And if we were tracking smaller dips of only 5% or more, there were an average of 3.4 such dips per year over that 93-year period.

“People may bet on hourly wiggles of the market, but it’s the earnings that waggle the wiggle long term.” – Peter Lynch



David and Scooby hanging out!

Of course, to get to an “average” of 1.1 corrections of 10% or more, there are years with only one correction, some with more than one, and some with none. Most years we see at least one correction. Corrections in any given year are normal. Years without corrections are the exception.

January saw corrections in major stock markets globally, so what we’ve witnessed in 2022 thus far, would be considered “normal”.

Warren Buffet said it well (and we paraphrase) --- in the previous century the Dow Jones Industrial Index started at 66 and ended over 11,000. Yearly dividends significantly added to those returns. During that time there were two world wars and many other armed conflicts, a Great Depression, several recessions, multiple bear markets, a global pandemic, and many other significant occurrences that would rattle markets. In a nutshell – investing is a long game. Winning is about staying the course. Worrying is optional, but unnecessary.

Managing Volatility

“If investing is entertaining, if you’re having fun, you’re probably not making any money. Good investing is boring.” -George Soros

In the enclosed chart “A Case for Diversification”, the relative performance of various asset classes is illustrated. The most consistent performance is achieved by taking a balanced approach. While never exciting, balanced portfolio construction minimizes volatility while providing solid returns over time.



*The January snow storm:
Cousin Tim shoveling out his car from under 2 feet of snow
(he still couldn’t leave Dave’s place as the roads weren’t plowed!)*

Mutual funds are offered through Investia Financial Services Inc. The opinions offered herein are those of David Miner & Associates and unless otherwise indicated, are not the opinions of Investia Financial Services Inc. or any other party. Mutual fund performances reflect changes in share value and reinvestment of all dividends but do not take into account sales, redemption, distribution, or optional charges or income taxes which may reduce returns. Fees and expenses are associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Mutual funds are not insured by the Canada Deposit Insurance Corporation or any other deposit insurer and are not guaranteed.