



The David Miner Communiqué

Winter 2023

*The most important
quality for an
investor is
temperament, not
intellect.*
-Warren Buffet



Markets Thawing Early?



It was nice to have a more “traditional” holiday season and this one was the most reminiscent of pre-pandemic life yet. In December, Soumya took a well-deserved break and travelled to Texas to attend a friend’s wedding.

In January, David and Dorinda escaped for a week of sunshine in Aruba while Oliver, and his partner Beth, moved into a beautiful condo in Toronto.

Helena has been spending her free time learning knots and sailing terminology as she prepares for adventure on the high seas this summer!



Maya and Nalina ‘help’ mom and dad dig out from the January blast!

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David, Dorinda, and family expect to get away for a few days of skiing in March, to celebrate a certain someone’s birthday. Since our last newsletter, the team has been keeping busy with year-end tax planning as well as investment campaigns for TFSA, RESP, and now RRSP contributions.

For many of us, the new year brings reflection and a chance to review goals. Please reach out if there are any big changes to your retirement, savings, or spending plans so we can align and strategize together!

Market Commentary

Markets across the globe had a banner January as more signs are emerging that the aggressive interest rate hikes of 2022 are having the desired impact on inflation.

While asset prices initially responded negatively to such sudden and drastic hiking, the sustained and improving inflation picture has market participants looking ahead (perhaps prematurely) to a time when central banks start easing rates and encouraging growth once more. The notion of a 'soft landing' is back in vogue but much of the risk that was prevalent in 2022, continues to persist now. When it comes to inflation, the only thing that has ended up being 'transitory' was the word itself.

The US economy surprised with an annualized +2.9% GDP in Q4 2022, but consumer spending weakened, a trend that was echoed north of the border alongside a



David and Dorinda, toasting to the holidays

slowing GDP growth rate. StatsCan is estimating that annualized Q4 GDP will come in around +1.6% and November's +0.1% barely keeps us out of economic contraction as the weight of 2022's interest rate hikes start to work their way through the economy. 2023 may be one of those historical outliers where Bank of Canada interest rate policy diverges from that of the US federal reserve as Canadian consumers appear more vulnerable to interest rate changes. An aggressive return to the 2% target inflation could profoundly harm the average Canadian at a time when consumer debt is at all-time highs relative to incomes.

Corporate earnings will be a major focus for market participants and should they falter, layoffs could materialize meaningfully outside of the technology sector. Internationally, China's reopening will drive a rebound in productivity (if sustained) and Europe appears attractive both from a valuations and currency perspective particularly against the US dollar.

Despite uncertainties, there are many reasons for us to be optimistic in 2023, particularly in the fixed income space. While 2022 marked the worst year for bonds in decades, the bond market is now more attractive than it has been in 20 years. Many of the top-performing portfolio solutions we recommend have already shifted to an overweighting in bonds as managers seek to take advantage of the improved risk/reward dynamic.

Low-Risk Opportunities in Higher Interest Rate Environments



David's granddaughters Charlee and Nalina getting excited for Disney on Ice

We are nearly one year into the Bank of Canada's interest hiking campaign and since March 2, 2022, we have seen the overnight target rate go from 0.25% to 4.50%. With our central bank suggesting they will 'pause' to assess the short-term impact; it is worthwhile to look for opportunities that have arisen in this environment.

Marketing campaigns for GIC products have become abundant once more, touting safety and teasing at interest rates we haven't seen in years. The catch? These products lock up your funds for varying periods of time. The liquidity risk (early redemptions, if possible, come at significant cost), maturity risk, and foregone market gains are all reasons why we don't recommend GICs.



Amelia and Kiran are ready for 2023!

One's ability to navigate cashflow surprises is a cornerstone in our planning & investment philosophy and of particular importance during times of uncertainty or economic hardship.

For investors in need of short-term solutions, many of our money market or high interest solutions are offering 4+% annualized, some of which are also CDIC-insured. Importantly, they are liquid, do not bear penalties to get in or out and possess no maturity requirements, so gains or interest accrue as earned.

Whether you're setting aside a rainy-day fund or need money soon for a big purchase like a car, home, or vacation; you can get paid to wait without taking on risk or sacrificing liquidity.

Thoughts on Style, Allocation, and Strategy

Growth investing has dominated the industry landscape for the past decade and much of this was likely brought about by cheap debt and government stimulus as investors were able to be more patient. Growth companies are expected to increase revenues and profits at a rate that significantly exceeds industry peers or markets in general, are often expensive based on current or historical measures, and may be small or new companies with significant opportunity to capture market share.

Value investing focuses on companies that may be undervalued by the market based on their existing revenue and earnings. These companies often have a lower price-to-earnings ratio, a higher dividend yield and healthier balance sheets, but sometimes at the expense of market opportunities. Value investors believe that these companies are overlooked by the market and that their intrinsic value will eventually be realized. If you look back through history, value investing was often regarded as the more successful approach, having consistently generated better returns over time and was embodied by greats like Benjamin Graham or Warren Buffett.

The balance (and shift) in style from growth back to value has been evident over the last couple of years. The best managers are style agnostic and often use volatility to shield against loss, raise cash and seek better opportunities as market fundamentals shift through the economic cycle.

‘Moving to cash’ or changing funds may in fact prove counter-productive with that in mind. Over the past several years, we have not seen managers raising as much cash or tilting towards bonds with as much conviction as they are currently. When investing for the long term, we advocate for time in the market as opposed to timing the markets; this gives portfolio managers the best opportunity to shine!

IMPORTANT REMINDERS

DEADLINE FOR 2022 RRSP CONTRIBUTIONS IS MARCH 1, 2023

If you want to make an RRSP contribution that can be deducted against 2022 taxable income, we can make it easy by debiting your bank account directly. Cheques are still accepted, but please contact us early to avoid last minute stress or missing the deadline.

DEADLINE FOR 2022 PERSONAL TAX FILING IS APRIL 30, 2023 (June 15, 2023, if self-employed)

If by March, you feel that you are missing any tax information slips for your investments or registered plans, please reach out to us for duplicate copies.

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