Market Report December 2022 | Designed Securities Ltd./ Trinity Holistic Wealth | 226-476-5996

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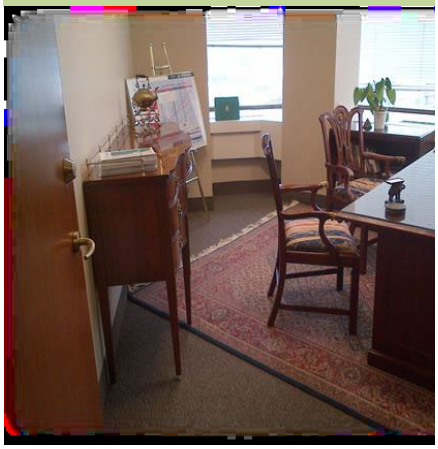

Holistic Wealth Update

Thank You & Welcome To Designed Securities!

A heartfelt thank you to all of my loyal clients for continuing to support my business and my decision to transfer to Designed Securities Ltd..
The atmosphere over the 1st 3 months here has been very supportive and management shows an interest in Advisor feedback as to how we can better serve our clients. What a difference! My stress levels had dropped markedly as I am no longer tied up for hours each day, just trying to resolve back-office errors. This move frees up more time to focus on you and the associated important tasks – researching and recommending investments for your investment portfolios, along with associated planning.

I feel blessed to be at Designed Securities. The timing could not have been more important. As many of you know, my estranged husband passed away suddenly of a heart attack on October 29th. Although we were separated, I still cared for John and his loss, at the young age of 60, was a shock. Our daughter, Genevieve, has been traumatized by her dad's passing. She just graduated from nursing school this past spring and was working in the ER when her dad was brought in. St. Mary's has been very supportive, and she has been on leave from work and receiving counselling, so I hold great hope that she can overcome this trauma. It has been a big worry & I have appreciated your continued support and prayers through this difficult time.

I am looking forward to using all of the resources available at Designed. My last back office made me realized how important a solid and knowledgeable back office is. With that in mind, I found Aviso before I found Designed! In fact, it was Aviso who put me in touch with the CFO at Designed, Michael Konopaski. Here is the link to the Designed website. If you get a chance to glance through it, I know you will be impressed with the qualifications of Designed's management and with their educated choice of Aviso as their back office partner.

Designed Wealth Management: Expert Financial Services for Canadians

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Welcome To Designed Securities (cont'd)

Now that most of my clients' portfolios have been transferred over, I will be working on getting those of you not receiving paper statements, and not already registered, set up on the Investor Portal. It is also time for scheduling Investment Reviews and I look forward to seeing you all shortly for either a Zoom or in-house review, depending upon your preference. I have been reviewing and making some moderate changes to my model portfolio as you will see further on in this newsletter.

Gillian Kunza, Designed Securities Ltd. CEO, and Michael Konopaski, CFO, extend their welcome as well. Please see the letter attached.

I know how busy you are with the upcoming Christmas holidays, so if we do not speak before hand we will certainly connect early in the New Year!

"Over the long term, the stock market news will be good. In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a fly epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497." ***Warren Buffett***

Important Notices

PLEASE NOTE:

Designed Securities' Quarterly Administration Fees are due this month. If there is not sufficient cash available in the accounts to which these fees are charged, I will follow-up via telephone.

We will discuss these further in our upcoming reviews as I am recommending that we cover these as "fees" as opposed to withdrawing them from your registered accounts, so that more is left in these to compound tax-free.

Investment News & Research

- Notice to clients holding CI Global Alpha Innovators fund: Potrfolio managers, **Malcolm White** **and** **Jeremy Leung** **who** ran the **CI Signature technology and innovation** mandates (including the **CI Global Alpha Innovators** – medium to high risk) have moved to Bank Of Montreal. Their newly launched BMO Global Innovators Fund, is rated medium risk.
- I continue to research new investment ideas to be discussed in depth with clients during our upcoming reviews.

What Does The Future Hold?

After a rough bear market this year, I am cautiously optimistic about what Y2023 holds for investors. Here are what I see to be the positive factors that could help support a rally next year:

- Supply chain issues under decreasing pressure;
- China has announced a reduction in the restrictions imposed by its' zero-Covid policy, which should further reduce the supply chain issues;
- The health impact of the Covid pandemic is subsiding. While cases remain high, vaccines have helped reduce the risk of severe illness;
- The U.S. stock market tends to perform well in mid-term election years – the positive effects of all of those empty campaign promises!;
- Last month the U.S. Federal Reserve Chairman, Jerome Powell, stated that interest rate increases are likely to slow;
- Rumors have been swirling about regarding the state of Vladimir Putin's health. The New York Post and Newsweek are reporting that he needs surgery for an intestinal illness; &
- The Ukraine continues to dominate in their defense against Russia's floundering war efforts. Perhaps the last 2 points are related. Certainly, an end to this war should provide a major boost to the markets.

Despite the above reasons for optimism, I expect the path to recovery will be a bumpy one especially in early Y2023 as a trifecta of respiratory illnesses – COVID; RSV; and, the flu overwhelm global health care systems and could temporarily create a blip up in supply chain issues as people take time off work to recover. Unlike the overwhelming death count in the early days of COVID however, these illnesses are treatable, so any negative impact is expected to be short-lived.*

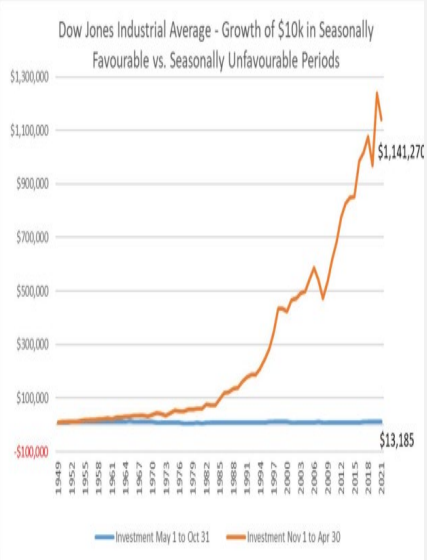
Given ongoing global respiratory disease issues; the fact that interest rates are still rising, albeit more slowly; and, the ongoing Russia-Ukraine war, I continue to recommend dollar-cost-averaging especially, over the 1st 10 months of Y2023, to smooth out the anticipated bumps along the path to recovery. Equities are certainly cheaper than they were last year; however, they are not cheap overall. There are pockets of opportunity however and Dynamic Power Global Growth's Portfolio Manager, Noah Blackstein, stated in a webinar at the end of November that "babies had been tossed out with the bathwater".

Why the 1st 10 months of Y2023? Mainly due to the "seasonality" factor. Those of you who have been with me for a long time will have heard me say "Sell In May & Go Away". This is the "seasonality" factor. It is not just "pie in the sky". One reason for this phenomenon is simply a matter of many Portfolio Managers and other investors taking summer holidays and so not actively buying in the summer months. Lower demand for stocks can create weakness. Often, markets have crept lower in the summer months and through September (as people are kept busy going back to work & getting kids off to school); then October is known for its crashes (3rd quarter company earnings reports play a factor here) and then we often have what is called a "Santa Claus Rally". We have witnessed some of this, this year with the U.S. S&P500 Index up 12.4% from October 12th to close yesterday (December 13th).

As no one has the crystal ball to anticipate the short-term changes in the stock market, and an end to the war; rising interest rates; etc. could lead to a strong rally, this strategy is flexible and can be changed as we monitor the progress of global

* Please take care of yourselves this flu season. I was just speaking with clients on Monday who had recovered from COVID only to be hit by RSV. They said that their experience with RSV was far worse than COVID. RSV is not just for kids. I must admit to having been a little lax with mask-wearing over the past few months, feeling that the risks were small if I was going into places where I expected to run into very few people. Out of respect to our overwhelmed health care system, I have since gone back to mask-wearing.

The Seasonality Factor:



Source: AGF Investments Inc., as of November 2022. Past performance is not indicative of future results. One cannot invest directly into an index.

What Does The Future Hold? (cont'd):

As per my newsletter last June, I feel that the traditional 60% stocks/40% bond investment portfolio needs to change with the times. I provided the following reference "By combining the expected returns from equities and bonds based on historical data, we can create a return matrix for a traditional 60/40 portfolio. Our model anticipates an annualized return of 3.1% for the next 10 years. That is well below the 7.25% assumed rate of return and is awful news for US public pension funds." Global Pension Funds. The Coming Storm. Nicolas Rabener, CFA Institute Dec. 16, 2019

S&P 500 Down Years (1976 - 2022)			
Year	S&P 500 Total Return (Stocks)	Bloomberg US Agg Index TR (Bonds)	60/40 Portfolio (S&P 500 / Bloomberg Agg)
1977	-7.2%	3.0%	-3.1%
1981	-4.9%	6.2%	-0.5%
1990	-3.2%	9.0%	1.7%
2000	-9.1%	11.6%	-0.8%
2001	-11.9%	8.4%	-3.7%
2002	-22.1%	10.3%	-9.2%
2008	-37.0%	5.2%	-20.1%
2018	-4.4%	0.0%	-2.6%
2022 YTD	-17.7%	-15.7%	-16.9%

COMPOUND Data as of 10/31/22 @CharlieBilello

In fact, the traditional 60/40 portfolio fared very poorly in the 1st 10 months of this year. As the chart to the left indicates, the 60/40 benchmark dropped 16.9% vs. a 17.7% drop in the S&P 500 Total Return Index. Many pensions have used the 60/40 allocation to reduce the volatility of their portfolios. Historically, when the stock market fell into "bear" territory (a drop of 20% or more, which the S&P did achieve this fall), there has been a "flight to safety" and that "safety" was bonds. It became like a teeter-totter – stocks down; bonds up. Not so this year. In fact, the 60/40 portfolio is on track to deliver its worst performance ever and was not far behind a 17.7% drop in the pure 100% S & P 500 stock portfolio. Given how much pure equity exposure has outperformed a balanced portfolio over the historic long-term, I don't believe the minor difference in volatility we witnessed this year offers enough "safety" to offset the long-term growth rewards of stocks and I would therefore argue that there is sufficient reason to consider a higher equity weighting in most portfolios, especially as the costs of longevity make a case for the need for higher long-term portfolio growth.

I continue to stand by the themes, for the balance of the decade, outlined in last June's newsletter:

(1) reducing fixed income exposure, particularly for portfolios with a long-term time horizon;
(2) looking for cheaper valuations outside of the United States, with an eye to the emerging markets;
(3) health care (i.e. personalized medicine; increased interest in health & wellness);
(4) interest in ESG stocks (i.e. renewable energy); and,
(5) diversification by style. To this later point, I still maintain a bias towards the growth style, and high-technology stocks in particular, as technology continues to infiltrate pretty much all aspects of our lives. These stocks have been amongst the weakest this year, so this may provide an opportunity to buy those babies that have been thrown out with the bathwater.

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"The Secret of freedom lies in educating people.
Whereas the secret of tyranny is keeping them ignorant."
Robespierre

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