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RICHARDSON Wealth

Hunter Team

Closing 2020

A Financial Plan Brings Calm and Direction

*My*NextGen**Plan**

Your financial life is completely unique. A meaningful financial plan starts with reliable, actionable information delivered on a platform that is flexible to you. Together we can help you explore what you are trying to achieve and what is truly important to you. After gathering information **about your financial situation, we help you define your goals and a** timeframe for results. This leaves you with an integrated financial plan based around your core beliefs, aspirations, and needs.

Our new interactive planning software, *MyNextGen Plan*, allows us to better focus on each family's unique situation and their goals over time. This in-house software gives us the flexibility to map out your financial situation collaboratively directly with you online through Webex.

The process allows documenting of your personal information while we lead you through the process. Through the engagement, we are able to extrapolate a wide range of planning scenarios, measure the likely outcome and potential success, and ultimately give you confidence you are on track for achieving your financial planning goals.

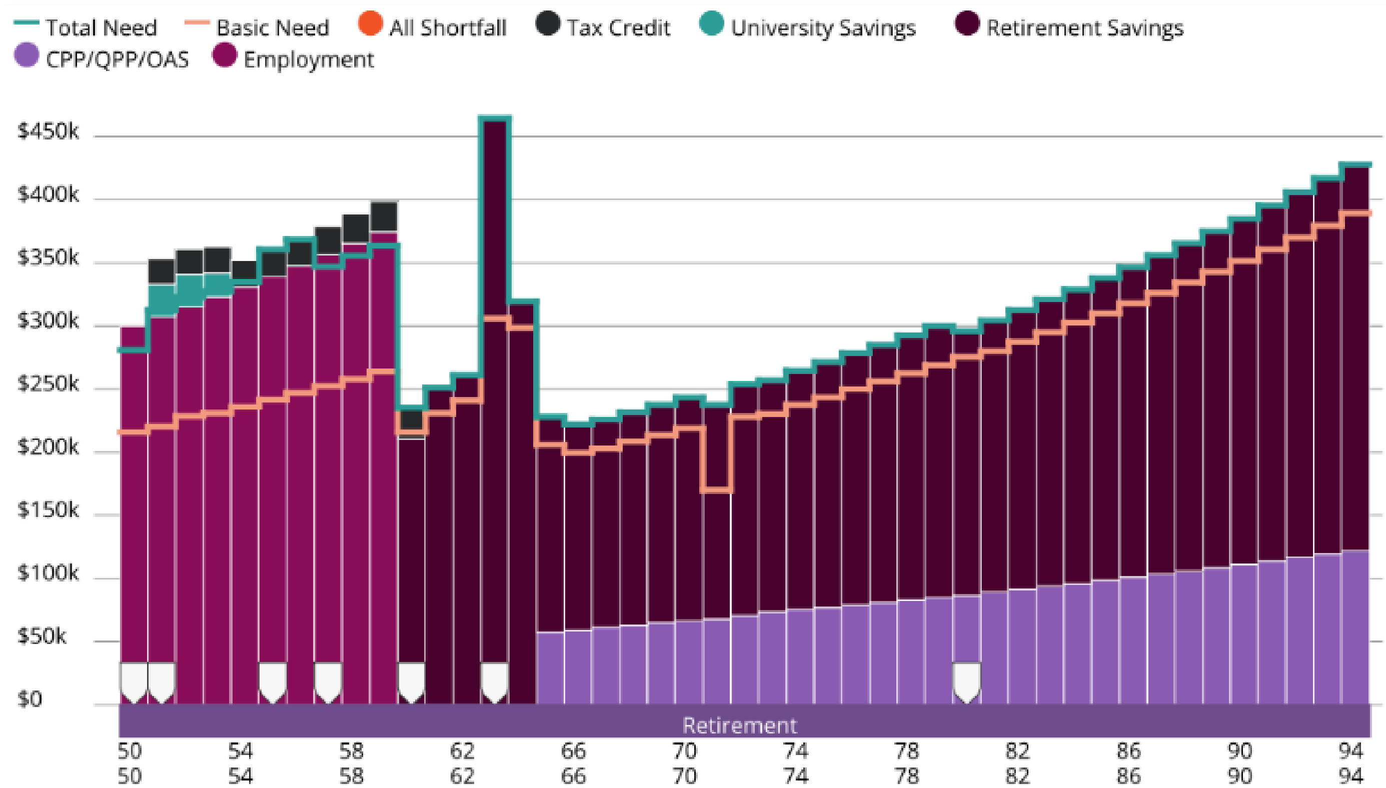
You can see the immediate effects of the personal information you provide and the potential financial outcomes of decisions and various scenarios. It allows you to visualize and fully understand your options and explore your plan to a deeper level.

The visualization of your cash flows and assets over your life often leads to better and deeper questions about what you really want to accomplish and the financial solutions that make it work.

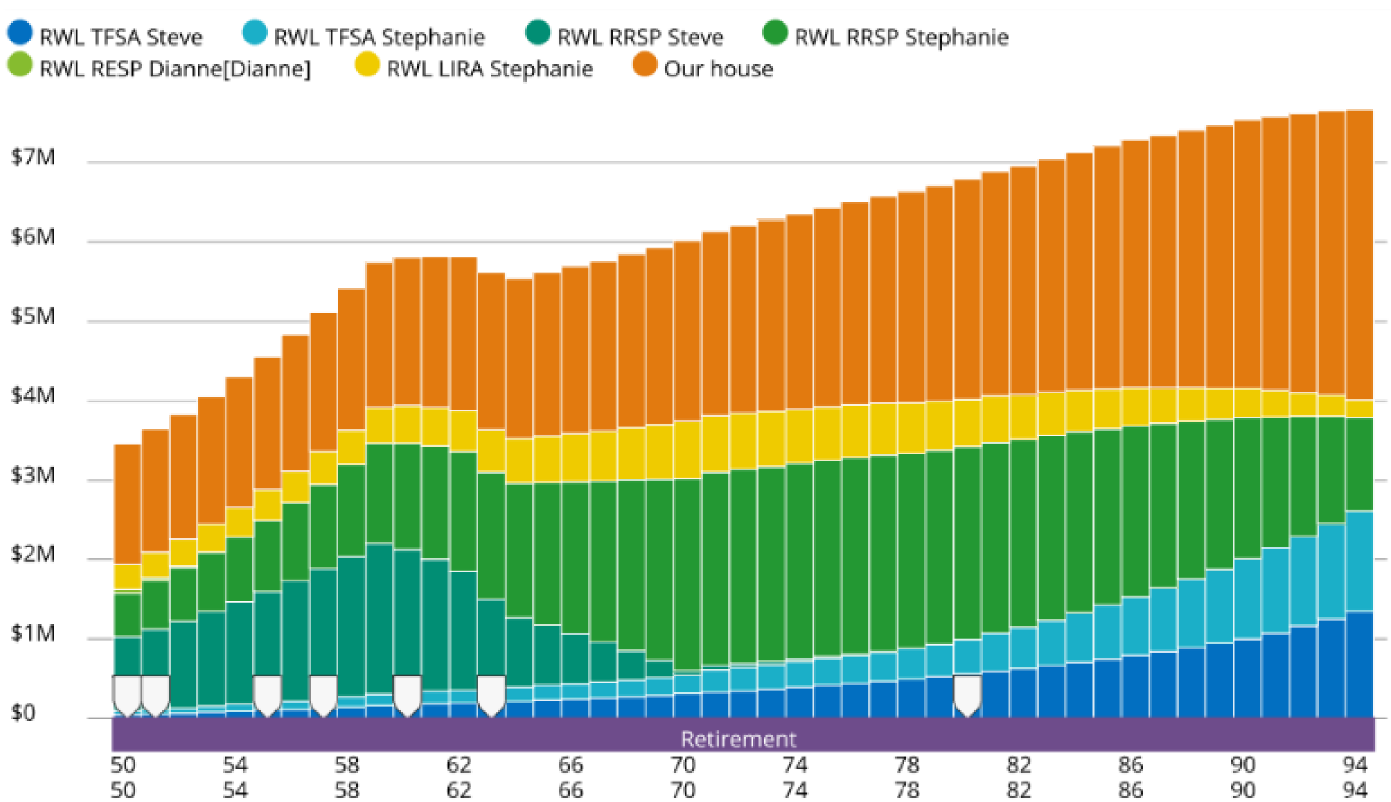
Our software helps determine appropriate returns and the risk tolerance for losses associated with those returns. It can help determine outcomes from different employments, pension payouts, insurance funding, disability, education requirements, or property decisions. It's about transparency and confidence in your plan — the very real confidence of seeing the entirety of your financial picture and how it can enable your lifestyle.

The greatest power is the ability to run multiple scenarios simultaneously and compare them. You can see the financial outcomes and resources needed associated with various decisions or choices you have.

Cash Flow Summary:



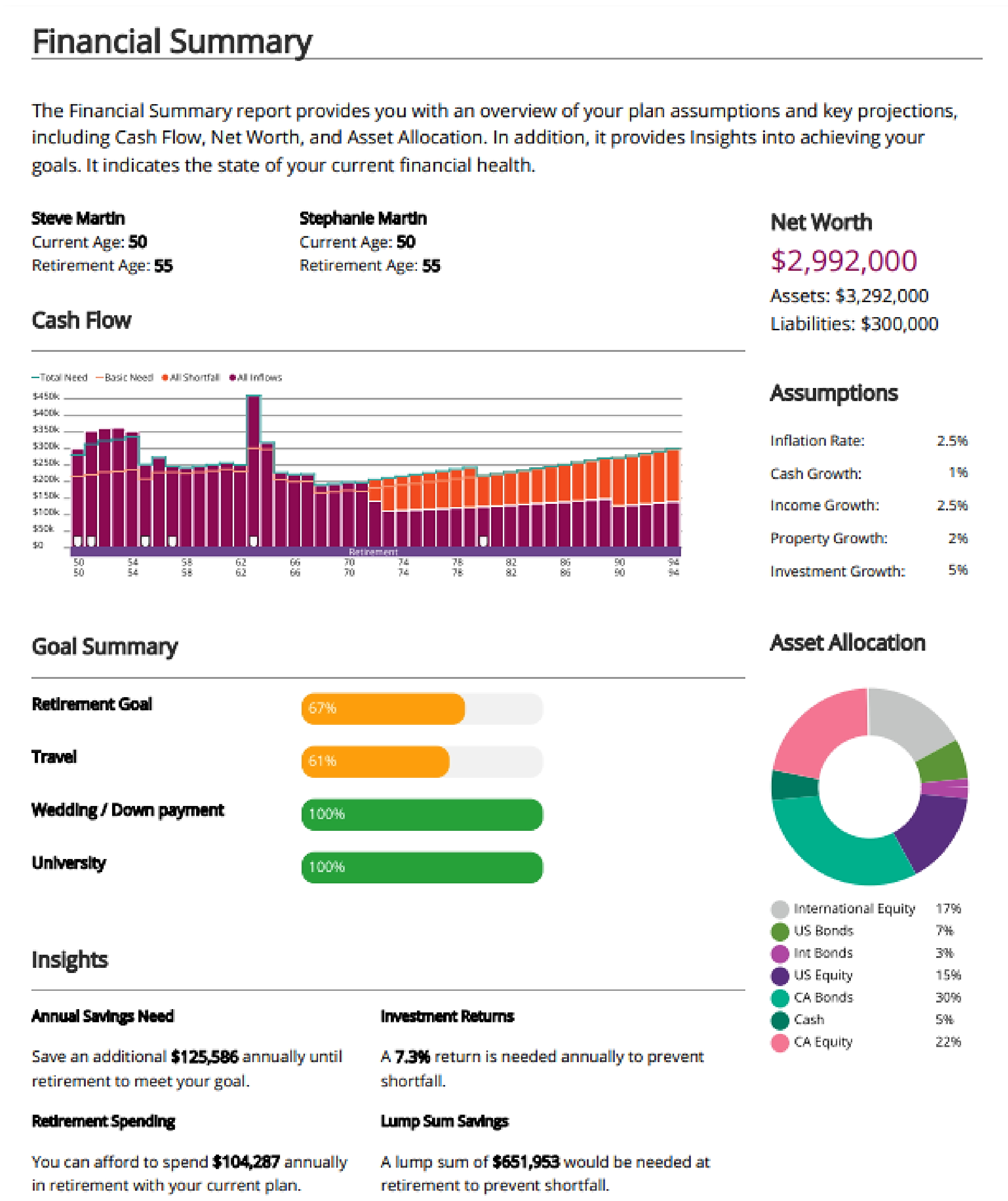
Asset Summary: Example



It's a different, inclusive approach to financial planning. Assets versus liabilities, retirement scenarios, investment accounts etc. – these are all core elements of financial planning. But how do they work together and, more importantly, how do they relate to your specific goals at different stages? These disparate components can be difficult for you to consider as part of an overall plan, much less commit to if you can't see them.

Discussing your financial goals helps us determine what is important to you and what motivates you. We lay the groundwork for how your financial, tax, and estate goals can be structured to serve your needs. We work together with our access to an experienced tax and estate planning team. The end result is a financial plan answering how your money should be managed, benchmarks to assess performance, and important actions that should be taken today in structuring your investments.

We already have financial plans in place with most clients. Our new approach contains similar graphical information to what we have always provided. But the ability to collaboratively create and deliver new plans and solutions by webex will be even more appealing.



Financial Summary

The Financial Summary report provides you with an overview of your plan assumptions and key projections, including Cash Flow, Net Worth, and Asset Allocation. In addition, it provides Insights into achieving your goals. It indicates the state of your current financial health.

Steve Martin
Current Age: **50**
Retirement Age: **55**

Stephanie Martin
Current Age: **50**
Retirement Age: **55**

Net Worth

$2,992,000

Assets: $3,292,000
Liabilities: $300,000

Cash Flow

Assumptions

Inflation Rate:	2.5%
Cash Growth:	1%
Income Growth:	2.5%
Property Growth:	2%
Investment Growth:	5%

Goal Summary

Retirement Goal	67%
Travel	61%
Wedding / Down payment	100%
University	100%

Asset Allocation

International Equity	17%
US Bonds	7%
Int Bonds	3%
US Equity	15%
CA Bonds	30%
Cash	5%
CA Equity	22%

Insights

Annual Savings Need

Save an additional **$125,586** annually until retirement to meet your goal.

Investment Returns

A **7.3%** return is needed annually to prevent shortfall.

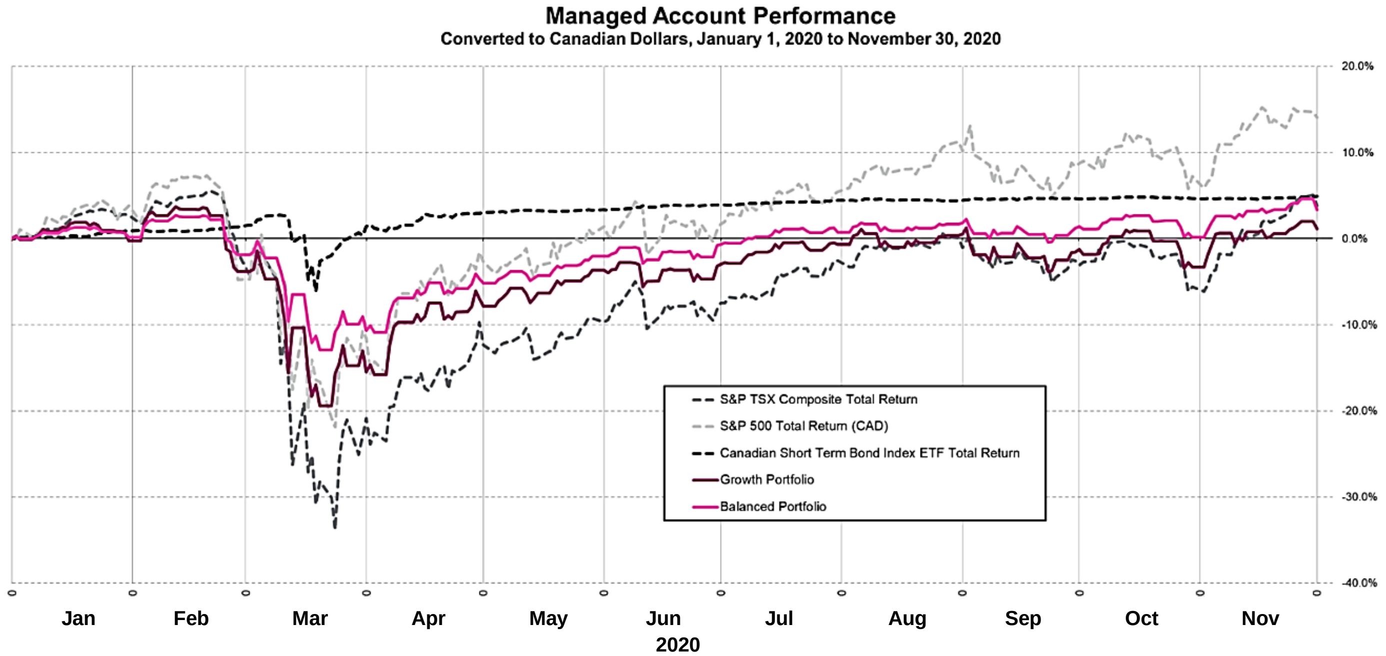
Retirement Spending

You can afford to spend **$104,287** annually in retirement with your current plan.

Lump Sum Savings

A lump sum of **$651,953** would be needed at retirement to prevent shortfall.

Managed Accounts



Source: Richardson Wealth Limited, net of fees, unaudited

Growth Portfolio is one specific growth-oriented managed account. The asset mix averaged approximately 75% equity, 5% fixed income, 18% alternatives, and 2% cash.

Balanced Portfolio is one specific balanced managed account. The asset mix averaged approximately 40% equity, 33% fixed income, 24% alternatives, and 3% cash.

Selected accounts are considered representative of growth and balanced portfolios across most managed client accounts. The level of cash varied throughout the quarter. Individual managed accounts vary in results due to customization. Deposits or withdrawals to portfolios, and the resulting implementation of changes in securities held represents the largest cause for differences in accounts. Client-directed and non-model securities held in managed accounts can also result in a significant performance difference from the average experience.

Many investors are surprised to see financial markets behaving much differently than the economy.

The stock markets are not the economy. They represent ownership of a portion of businesses in an economy, and trade on the projected earnings of those businesses. For example, three-quarters of the Canadian stock market is represented by financial and natural resource stocks. Yet home and business construction, purchasing of goods made in foreign countries like furniture, clothing and electronics, and a large service sector better describes the economy.

The stock market leads and predicts what will happen to earnings. The economy is usually 5-6 months *behind* the stock market. Market predictions often overreact in both directions, but ultimately investors are forward-looking.

In the current environment, investors seem to be looking even farther ahead than typical. The shock from covid has been deep and severe in some sectors. It may last months, but seems to be considered “temporary”. At the same time stimulus through government subsidies and rock bottom interest rates are allowing prudent investors to acquire great businesses at a bargain. Panic makes investors think short-term. Recovery has them looking out further ahead.

Balanced and more conservative managed accounts are up 3-6% with a few weeks left before the end of the year, while more growth focused accounts tend to be up between 5-7%. In hindsight, investing in a tech-focused US portfolio would have given the greatest gains this year, but would have been twice as painful when uncertainty was maximum. Final managed results were less volatile over the year, and in the end relatively close to what most financial plans required.

A Stimulative Environment

The quickest severe economic contraction in decades triggered vast monetary accommodation and fiscal support packages that altered the investment landscape. As we approach the close of 2020 there are several supporting factors that encourage us for the new year:

- **Vaccine optimism.** As we approach 2021, there has been a series of Covid-19 vaccine announcements. This encourages us to expect a return to pre-pandemic activities. There is likely a continued build up of pent up demand for goods and services that are currently heavily restricted. It seems that the earliest a meaningful vaccine impact could occur might be somewhere between the spring and late summer of 2021. A more pessimistic view is that vaccines may not make a significant impact until possibly the spring of 2022. In summary, it seems that in somewhere between six and eighteen months, covid may be considered loosely under control.
- **Economic Growth.** After plunging in the first and second quarters, U.S. GDP surged in the third quarter. The trend of economic growth will likely spike over the next few quarters due to easy comparatives, but then level out from there. Additional fiscal aid would help the economy continue to recover. Stock prices move on momentum and revisions. Results of many businesses have been coming in much better than expected, which has offered significant upward momentum to stock prices.
- **Liquidity**. Corporations have issued record-breaking amounts of debt this year which has helped companies improve their liquidity position in the short-term. The introduction of the Federal Reserve's corporate bond-buying facilities allowed companies to refinance maturing debt with much longer-term debt, or simply issue new debt with the intention to keep the proceeds as cash on the balance sheet. This year we have experienced a handful of bond redemptions in the portfolio as a result.
- **The US Election is concluding.** Market volatility in the weeks prior to the election seemed to price in a Biden win. The subsequent rally that occurred afterward represented a sense of relief about the potential of additional stimulus and infrastructure bills still to come. The Democrats won by a much narrower margin than what was expected, increasing gridlock between the house and the senate. This could limit the Biden administration's ability to make any significant changes. Investors seem to like the idea of greater stability and less potential for too much change.
- **Stimulus.** Governments around the world are literally spending trillions, while interest rates seem to be pegged close to zero. This is a highly stimulative environment with very little opposition to curbing any of these supports.

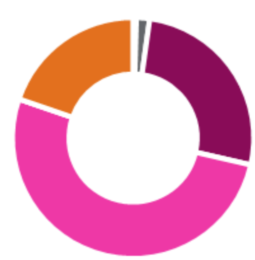
The asset allocation for a sample balanced and growth managed portfolio is illustrated below. Fixed income is at minimum levels. Alternative investments for balanced portfolios are overweight ~5%, while being typically moving somewhat underweight in more growth oriented portfolios. Equity is held overweight – slightly so for more conservative accounts where alternative investments are sometimes a more stable option, while growth portfolios favour equities over all other categories. Fixed income in our portfolios is largely corporate bonds and strategies paying 4-5% on average. Alternatives contain hedge funds, arbitrage funds, corporate lending, and some real estate. These categories typically seek more stable results independent of market direction. Equities consist of stocks, ETFs, and mutual funds.

Sample Balanced Portfolio Asset Mix

Asset	Weight
Cash	1.9%
Fixed Income	31.3%
Canadian Equity	14.0%
US Equity	28.1%
Global Equity	0.0%
Alternatives	24.6%
Totals	100.0%

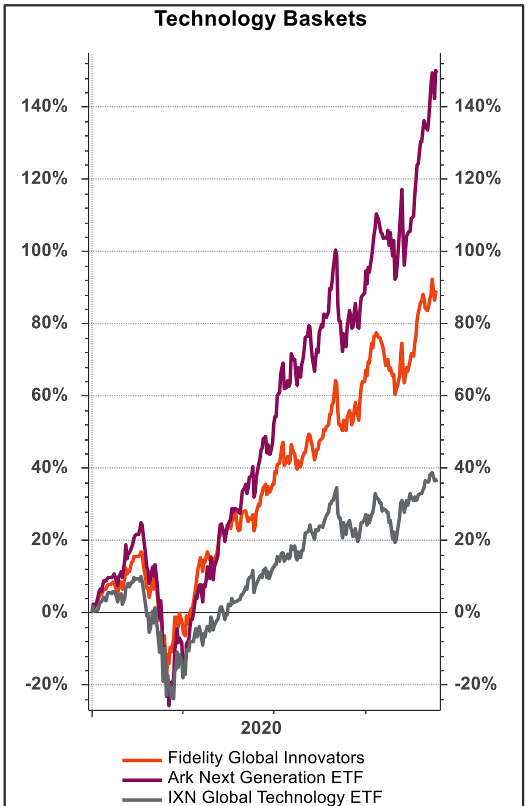
Sample Growth Portfolio Asset Mix

Asset	Weight
Cash	0.4%
Fixed Income	1.8%
Canadian Equity	26.4%
US Equity	51.7%
Global Equity	0.0%
Alternatives	19.7%
Totals	100.0%



As at November 30, 2020

Equity Investors Acquire Long-Term Businesses While Safety Pays Very Little



Source: Refinitiv Datastream

Technology leadership continues. The pandemic environment has kept people at home. From there people work, go to school, order goods, and seek out digital means of entertainment. Technology remains a favored sector for the coming year for its strong earnings outlook and favorable positioning. Communication services, digital media/streaming, and e-commerce stocks are similarly well positioned.

Our tactical models for client managed accounts hold two active technology-related managers: Fidelity's Global Innovators fund, managed by Mark Schmehl, and ARK's Next Generation Internet ETF, managed by Catherine Wood. They also hold the global index benchmark itself, IXN.

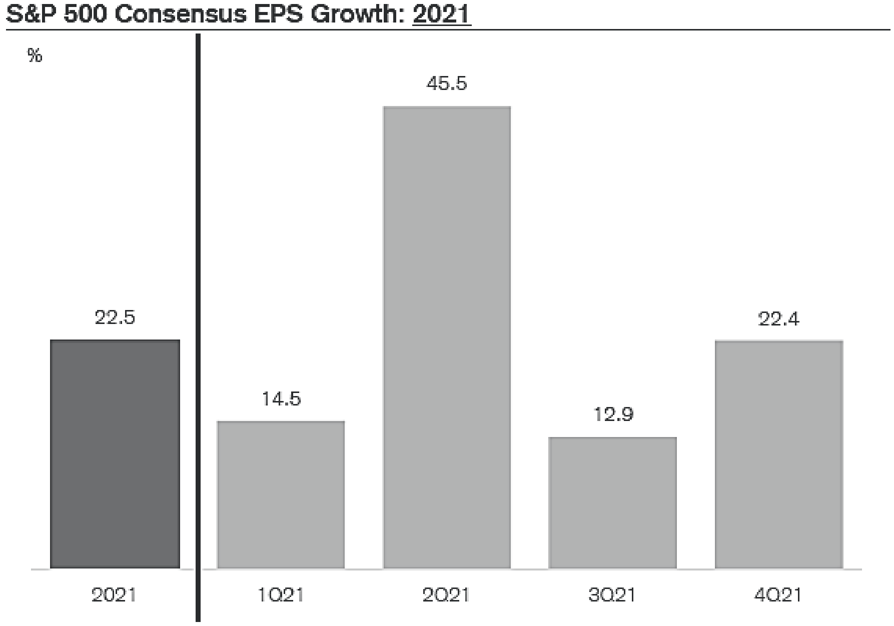
All tech focused funds have done fantastic this year and we believe it will continue going forward. Mark Schmehl and Catherine Wood are experts at evaluating and trading emerging technology companies, where valuations are typically expensive and earnings can be fairly low. But they are a large part of the current technology transition and often have incredible growth rates and potential. They give us access to companies like Tesla, Zoom, Slack, Roku, Square, Spotify, Nvidia, and Shopify to name a few.

Infrastructure is expected to benefit from Government spending that stimulates jobs and the economy, especially in a low interest rate environment. Many of these companies offer attractive dividend yields.

Earnings for publicly traded companies are showing strong growth potential in the coming quarters. Easy financial comparatives from 2020, continued monetary and fiscal support, and positive vaccine developments, are set to accelerate economic healing. The greatest potential in earnings growth is expected to take place in the spring of 2021. Investors typically look ahead several months, trading stocks as though they are already in the summer of next year.

Cyclical and growth stocks are beginning to participate in the recovery. The vaccine news suggests an earlier recovery than many worst-case scenarios extrapolated. This has spurred the beginnings of a recovery in more cyclical and small cap stocks. The stage is being set for depressed industrial, construction, material, financial, and energy stocks to potentially catch-up in valuations and earnings to other areas of the market. All of these sectors suffered under the pandemic slowdown and tend to perform well in an economic upswing.

S&P 500 Consensus EPS Growth: 2021



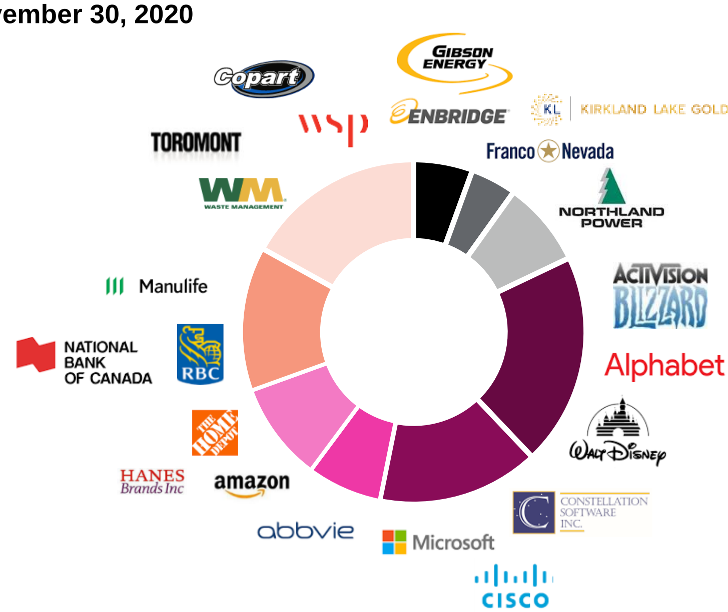
Source: Standard & Poor's, Thomson Financial, FactSet and Credit Suisse

Equity Sector Allocation – Balanced Managed Portfolio Benchmark

The sector allocation below shows the approximate equity sector breakdown of a model balanced portfolio. Several of the stocks included in the model are also illustrated. Larger managed portfolios will contain additional stock positions not shown while smaller ones will only hold a portion of the below individual names. This excludes the effect of the tactical model, which holds ETFs and funds directly based on leadership. That model would increase the technology, health care, and gold (materials) allocations significantly, and also contains a smaller cap fund that is sector diversified.

Direct Equities Held By Sector – As of November 30, 2020

Sectors	Weight
Energy	5.6%
Basic Materials	4.3%
Utilities	8.1%
Communications	20.0%
Technology	15.2%
Healthcare	7.0%
Consumer Discretionary	9.3%
Financials	13.6%
Industrials	17.0%
Totals	100.0%

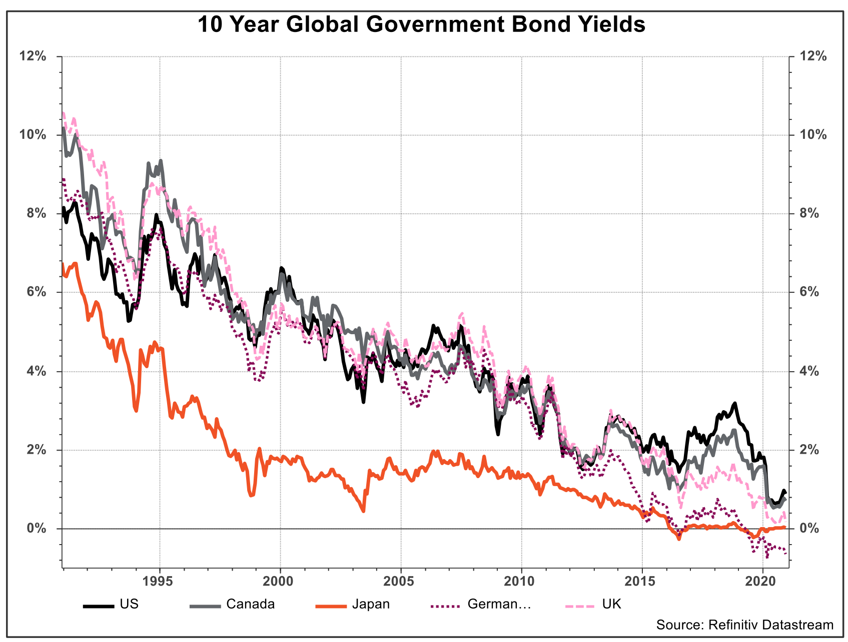


Direct Equities Held By Sector is representative of a sample balanced client. Individual managed portfolios vary in position sizing due to customization, and also may vary in number of positions held based on the size of the account itself.

Fixed Income – Increasingly Challenging – Hold Minimum Weightings

Safe assets such as GICs, cash and government bonds pay investors less than 1%. After including the effect of taxes, inflation, and any fees to acquire these safe investments, investors are basically guaranteeing to lose purchasing power.

A corporate bond portfolio offers some relief, but with an increase in credit risk. Many investment grade bonds no longer pay much more than government bonds. An adequate fixed income yield can be achieved by owning a diversified basket of investment and non-investment grade bonds, private mortgages, and other private lending strategies. All of these strategies imply taking more risk with your fixed income. These strategies can still be safer than pure equity investment.



Discretionary Management

Money is fuel. It allows you to either do the things you want to do, or prevents you from doing them when you don't have enough.

Financial management is matching your current investments and future earnings to the things you want to spend it on over your lifetime. A financial plan maps this out. It helps you confidently live your life, knowing you have planned out the "fuel" to do it.

A rate of return on the investments in the plan is key to making it work. Having a written Investment Policy Statement sets out the rules and strategies used to manage investments. Reporting allows comparison of portfolio results to the plan, giving you confidence you are on track.

With discretionary management, each family is placed into multiple securities models uniquely based on their goals and risk tolerance. When a security in a model changes, management software aggregates all the individual client purchases into one bulk trade. All clients get their proportionate share of the fill in any transactions that affect their portfolio. Fair and efficient. Non-discretionary Investment Advisors must call dozens or hundreds of clients to facilitate each transaction. Their time is spent simply calling clients for authority to transact.

Having the discretionary ability to enact trades proactively has significant benefits. It frees clients from having to make constant and numerous decisions. The relationship and communications between the Portfolio Manager and his or her clients focus on understanding the client's situation, designing solutions, and finding appropriate securities. It allows for consistent and simultaneous management across all portfolios.

The person with authority to trade bears responsibility for results. If you want advice from an Investment Advisor because you want to be involved, that's great. But the returns are yours, and management occurs when you, the decision maker, communicate with the Advisor. If you want to delegate managing your money then you need to give a Portfolio Manager the discretionary authority to do so. The decision maker is the manager.

I sincerely appreciate your business. I strive to earn your trust. I appreciate introductions to any family or friends that might benefit from our services.

Regards,

Your Wealth Team

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