

June 4, 2020

What a beautiful June day!

In my last letter, I mentioned that I regularly review the underlying investments in clients' portfolios. Today I would like to give you a little insight into what goes on under the hood, not just where to put the keys.

Over the past 22 years I have chosen to partner with a variety of different fund companies and use a range of mutual funds from each of these companies. Ideally there would be one company that is always in the right place at the right time. However, given that there are so many moving parts to an investment, I have not found only one company or fund to hang my hat on.

The decision regarding which fund company, funds and the portfolio mix also varies for each client. It often comes down to how you answer the client profile questions which cover your risk tolerance, investment objectives and time frame and are you conservative, balanced or aggressive in your investment approach? From there I build a portfolio and usually the choice of Fund Company and funds is driven by the result of the way you have answered the prior questions.

Portfolios will contain a mix of growth/equity products, income products plus cash related products. They will be exposed to different geographic regions, industries, economies and sectors. They may be predominantly based in Canada, the US, International or a mix. Each aspect of an investment has a different risk profile to it.

Why is there more risk in something invested outside of Canada than within? Why can't I have a product that is safe and gives growth? Should I be more exposed to foreign holdings than Canadian? How do I limit my risk but ensure I am not falling behind the cost of living? These are just a few of the questions I hear from clients. Other considerations are the aspects of tax efficiency, dividend earnings, registered versus non-registered accounts to add to the many moving parts to be considered. How about having an investment that earns regular monthly dividends regardless of what the share price is. That way you are still getting growth by buying more shares even if the share price has dropped.

Again your client profile is the catalyst for how these various pieces get weighted in your portfolio. Our regular reviews help ensure you are staying on track for these weightings. Sometimes people profiles change and that is important for us to discuss. Clients who started out conservative may have become more comfortable with risk now they have experience with investing. Clients who are spending their money may now want some more safety or income than before. This means that not every client has the same investment mix and rightly so.

Part of my regular process is to monitor the markets and it has been interesting to dig a bit deeper into the different mutual funds in my clients' portfolios, how they performed at various times over the past couple of

years and what this has meant for overall portfolios. Long term is always important also so a balance of the short and long term perspective is necessary at all times. I spend a lot of time reviewing the funds I use, making sure they are doing what they said they would do and that they are following their mandate. It also means investigating when they are performing better or worse than I would normally have expected. Getting higher returns is as much of a red-flag to me as getting lower returns and I like to know what some of the underlying reasons are for this.

I think it is important that I share this process with you. As you may currently have more time to look into your investments, review your choices and assess where you want to go for the coming years, it is important that I hear from you. Maybe you are considering changes to your plans and goals? If this means your time frame, risk tolerance or investment objectives are changing, I need to know. I can then ensure we are reviewing the current portfolios with these plans and goals in mind and making adjustments for you if needed.

As always we are here for you to assist with the many decisions you make throughout your lives. Having an advisor on your side has proven that over time investors make better decisions, reach their goals and dreams and create good investment habits. <https://www.financialplanningforcanadians.ca/> is a great resource for more information on financial planning and how it can help you with your life decisions.

You can reach me via email at debbie@mcwealthmanagement.ca or phone at 905-427-4406 so reach out and stay in touch. Wishing you all the best.

Best Regards,



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