

# PALOS

## CONTENTS

## Weekly Commentary

Issue No. 2 | JANUARY 9, 2023

The Importance of Staying Invested	1
Save for your future by contributing to a RRSP and TFSA	3
Palos Funds vs. Benchmarks (Total Returns)	7
Disclaimer & Contacts	8

*By Charles Marleau CIM<sup>®</sup> and William Mitchell CIM<sup>®</sup>*

## The Importance of Staying Invested

As mentioned in last week's letter, 2022 was a difficult year for investors as rising inflation, rising interest rates, geopolitical tensions, a conflict in Europe and persistent Covid restrictions in China took their toll. Volatility in asset prices rose and investor sentiment plunged as we experienced the unusual phenomenon of negative returns in both stocks and bonds. This is a rare occurrence when in "normal times", weakness in stocks is normally offset by gains in bonds. This wasn't the case in 2022.

Market corrections are normal and to be expected given that economic activity is by nature, cyclical. Bear markets, which are defined as periods where asset prices decline by 20 percent or more, are commonly followed by Bull markets which are identified as periods where asset prices are increasing. In fact, since the beginning of the 21st century we've had six identifiable bear markets that have occurred: 2000-2003 (the "Tech Bubble" which was followed by 9/11), 2007-2008 (the Sub-prime mortgage/Great Financial Crisis), 2011-2012 (the European debt crisis), 2018 (year-end interest rate concerns and subsequent selloff), 2020 (the Covid-19 panic) and 2022 (the rising inflation/rising interest rate correction).

Seemingly, we are confronted with one series of bad news after another and this begs the question, "why would anyone invest?" Obviously, the answer resides in the fact that over time, staying invested through "thick and thin" has proven to be the best way to accumulate wealth. We illustrate this below:

- Between June 1960 and December 2021, the average length of a Bull market (a period of increasing asset prices) was 41 months with an average gain of 74%. Conversely, the average length of a Bear market (a period of falling asset prices) was 10 months with an average decline of 23%. The duration in terms of time and the magnitude of gains during Bull markets far outweigh declines during Bear markets. The long-term benefits of staying invested for the long haul are substantial.
- Increased market volatility and declining portfolio valuations tend to make investors nervous, and this is understandable – it's a simple matter of human nature. Unfortunately, some investors may overreact to short term noise and sell their investments exactly at a point in time when the "smart money" is buying, not selling. Obviously, we are proponents of staying invested as opposed to trying to "time" the markets. This commitment ensures that once markets inevitably transition from bearish to bullish, you won't miss the best performing days or weeks as markets begin to move higher.

*By Charles Marleau CIM<sup>®</sup> and William Mitchell CIM<sup>®</sup>*

The following is an example of having invested \$100,000 in **the S&P/TSX Total Return Index** for the period beginning on January 1, 2000 and running through December 31, 2021.\*

(\* Source: Bloomberg 2021, courtesy of BMO Global Asset Management).

The Importance of staying invested:

- Remaining invested throughout this period (i.e., not selling) would have increased the value of your portfolio from \$100,000 to \$444,255 (a 344% return on investment).
- **If you missed out on the 5 best days** during this period, your portfolio would have increased to \$286,489 instead of \$444,255 (i.e., a much smaller 187% return versus 344% had you remained invested).
- **If you missed out on the 10 best days** during this period, your portfolio would have increased to \$215,244 (i.e., a 115% return versus 344% had you remained invested).
- **If you missed out on the 20 best days** during this period, your portfolio would have increased to \$140,600 (a 41% return versus 344% had you remained invested).

Successful investors understand that remaining patient through good times and bad, sticking to a long-term plan, managing expectations, and continuing to make regular contributions to tax-deferred RRSPs and Tax Exempt TFSAs is the best way to build your wealth. It's a matter of "time spent in the markets" rather than "timing the markets".

Should you have any questions related to how your investments are managed it would be our pleasure to discuss these with you personally. Palos' portfolio managers are available to meet at your convenience, either in person, by telephone or through a virtual meeting using Microsoft Teams.

To schedule an appointment, please contact your Palos advisor or Caroline Vadboncoeur, Manager of Client Services at [cvadboncoeur@palos.ca](mailto:cvadboncoeur@palos.ca)

*Palos Wealth Management Inc. is registered as a portfolio manager with provincial regulators and with the Autorité des Marchés Financiers (AMF) in Quebec. In addition, Palos is registered as a derivatives portfolio manager and Exempt Market Dealer (EMD).*

Follow us on LinkedIn:



*By Charles Marleau CIM<sup>®</sup> and William Mitchell CIM<sup>®</sup>*

## Save for your future by contributing to a Registered Retirement Savings Plan (RRSP)

### RRSP Benefits:

- RRSP contributions are a good way to reduce your taxable income
- Your investments grow tax deferred while held in your RRSP
- When you retire you can use your RRSP to receive regular income
- A spousal RRSP can reduce your combined tax burden
- You can borrow from your RRSP to buy your first home or pay for your education

### RRSP Contribution Details:

- The **deadline** for making your 2022 RRSP contribution is March 1, 2023.
- Your **2022 RRSP contribution limit** is calculated as 18% of your 2022 earned income up to a maximum of \$29,210. The maximum will increase to \$30,780 in 2023.
- If you've already made your 2022 RRSP contribution, consider making your 2023 contribution in January 2023 to benefit from the power of tax-deferred growth.
- Unused contributions can be carried forward from a previous year. You can find your RRSP contribution information on your most recent CRA **Notice of Assessment**, or by calling the **CRA Tax Information Phone Service (TIPS)** at 1-800-267-6999.

**The sooner you start contributing to an RRSP or TFSA, the more time you'll have to grow your money until it's time to retire. There's nothing like the power of tax-free compounding returns.**

**If you would like to open an RRSP account, contribute to an existing or Spousal RRSP, or if you have any questions about RRSPs, please contact your Palos Advisor.**

*By Charles Marleau CIM<sup>®</sup> and William Mitchell CIM<sup>®</sup>*

## Save for your future by contributing to a Tax Free Savings Account (TFSA)

### TFSA Benefits:

- TFSA investments grow tax free (Interest, capital gains and dividends are tax exempt)
- Withdrawals can be made whenever you wish and unlike an RRSP, they are tax-free
- TFSA contribution limits are not reduced following a withdrawal
- Withdrawals can be re-contributed in a subsequent calendar year(s)

### TFSA Contribution Details:

- The TFSA contribution limit for 2022 is \$6,000 and will increase to \$6,500 in 2023
- TFSA contribution limits are cumulative since TFSA's were introduced in 2009. If you were born after 1991, your lifetime contribution limit including 2023 is \$88,000
- Canadian residents 19 years of age and who have a Social Insurance Number are eligible to open a TFSA
- To determine your TFSA contribution limits, you can refer to your most recent CRA **Notice of Assessment**, or by calling the **CRA Tax Information Phone Service (TIPS)** at 1-800-267-6999

**TFSA's are an excellent way to save for your future**

**TFSA's can complement your taxable retirement income from a taxable account (RRSP, RRIF, LIRA)**

**The sooner you start contributing to TFSA, the more time you'll have to grow your money.**

**If you would like to make a TFSA contribution or open an TFSA account, please contact your Palos Advisor.**



By Charles Marleau CIM<sup>®</sup> and William Mitchell CIM<sup>®</sup>

## Épargnez pour votre avenir en cotisant à un régime enregistré d'épargne-retraite (RÉER)

### Les avantages d'un RÉER:

- Les cotisations à un REER sont un bon moyen de réduire votre revenu imposable.
- Vos placements bénéficient d'un report d'impôt lorsqu'ils sont détenus dans votre RÉER.
- Lorsque vous prenez votre retraite, vous pouvez utiliser votre RÉER pour recevoir un revenu régulier.
- Un RÉER de conjoint peut réduire votre charge fiscale combinée.
- Vous pouvez emprunter de votre RÉER afin d'acheter votre première résidence ou pour financer des études.

### Les choses à savoir :

- **La date limite** de cotisation au RÉER pour 2022 est le 1er mars 2023.
- Votre **plafond de cotisation au RÉER pour 2022** est calculé à partir de 18% de vos revenus gagnés en 2022, jusqu'à un maximum de 29 210 \$. Ce maximum sera augmenté à 30 780 \$ en 2023.
- Si vous avez déjà cotisé à votre RÉER pour 2022, envisagez d'effectuer votre cotisation de 2023 en janvier 2023 afin de bénéficier dès maintenant de l'effet différé des impôts.
- Les cotisations non-utilisées peuvent être reportées d'une année précédente. Vous pouvez vous renseigner sur vos cotisations à un RÉER en consultant votre **avis de cotisation le plus récent de l'ARC** ou en appelant **le Système électronique de renseignements par téléphone (SERT)** au 1-800-267-6999.

**Le plus tôt vous commencerez à cotiser à un RÉER ou à un CELI, le plus longtemps vous disposerez pour faire fructifier votre argent jusqu'au moment de la retraite. Rien ne vaut la puissance des rendements composés non imposables.**

**Si vous souhaitez ouvrir un compte RÉER, contribuer à un RÉER existant ou à un RÉER de conjoint, ou si vous avez des questions sur les RÉER, veuillez communiquer avec votre conseiller Palos.**

By Charles Marleau CIM<sup>®</sup> and William Mitchell CIM<sup>®</sup>

## Épargnez pour votre avenir en cotisant à un compte d'épargne libre d'impôt (CELI)

### Les avantages du CELI:

- Faire fructifier votre épargne à l'abri de l'impôt (les intérêts, les gains en capital et les dividendes seront non taxables)
- Vous pouvez effectuer des retraits quand vous le désirez et contrairement à un REER, ils ne seront pas taxables.
- Vos limites de contribution à un CELI ne seront pas réduites à la suite d'un retrait de celui-ci.
- Vos retraits peuvent être de nouveau cotiser dans les années subséquentes.

### Les choses à savoir :

- Le montant limite de cotisation à un CELI pour 2023 est de \$6,500
- Depuis leur introduction en 2009, les limites de contributions à un CELI sont cumulatives. Si vous êtes nés après 1991, votre limite de contribution à vie est de \$88,000 (2023 compris) .
- Si vous êtes un résident canadien de plus de 19 ans et que vous détenez un N.A.S. Vous êtes alors éligible à un CELI.
- Si vous voulez connaître vos limites de contribution, vous trouverez toutes les informations pertinentes sur votre plus récent *avis de l'ARC*. Vous pouvez obtenir également ces renseignements par l'entremise du *Systeme électronique de renseignements par téléphone (SERT)* en composant le 1-800-267-6999.

**Le CELI est un excellent moyen d'épargner pour votre avenir**

**LE CELI est un appoint de revenu qui vient compenser les montants qui sortiront des régimes enregistrés et qui eux sont imposables (REER, FERR & CRI)**

**Le plus tôt vous commencerez à faire des contributions à votre CELI, plus vous aurez du temps devant vous pour faire fructifier votre épargne.**

**Si vous souhaitez ouvrir un compte CELI ou faire une cotisation à votre CELI, veuillez contacter votre conseiller à Palos.**

Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) <sup>1</sup>	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.36	1.38%
Palos Equity Income Fund - RRSP	PAL101	\$6.59	1.21%
Palos WP Growth Fund - RRSP	PAL213	\$12.70	1.78%
Palos-Mitchell Alpha Fund <sup>3</sup>	PAL300	\$7.94	-0.42%
S&P TSX Composite (Total Return with dividends reinvested)			2.33%
S&P 500 (Total Return with dividends reinvested)			1.48%
S&P TSX Venture (Total Return with dividends reinvested)			2.04%
Chart 2: Market Data <sup>1</sup>			Value
US Government 10-Year			3.56%
Canadian Government 10-Year			3.09%
Crude Oil Spot			US \$73.77
Gold Spot			US \$1,869.70
US Gov't10-Year/Moody BAA Corp. Spread			202 bps
USD/CAD Exchange Rate Spot			US \$0.7438

<sup>1</sup> Period ending January 6th, 2023. Data extracted from Bloomberg

<sup>2</sup> Fund is priced annually

<sup>3</sup> Fund is priced weekly on Tuesdays

# Weekly Commentary

Issue No. 2 | JANUARY 9, 2023

## Disclaimer:

This publication is proprietary to Palos Management Inc. (along with its affiliate Palos Wealth Management Inc., "Palos"). This publication may be copied, downloaded, stored in a retrieval system, further transmitted, reproduced, disseminated, and/or transferred, in any form or by any means, but only as long as it is unaltered and attributed to Palos. This publication and its contents may not be sold or licensed without Palos' written permission. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made or implied regarding accuracy or completeness. The information provided does not constitute investment advice and it should not be relied upon on as such. If you have received this communication in error, please notify us immediately by electronic mail or telephone. This document may contain certain forward-looking statements that are not guarantees of future performance and future results could be materially different. Past performance is not a guarantee of future performance. "S&P" is a registered trademark of The McGraw-Hill Companies, Inc. "TSX" is a registered trademark of TSX Inc. The Bloomberg USD High Yield Corporate Bond Index is a rules-based, market value weighted index engineered to measure publicly issued noninvestment grade USD fixed rate, taxable, corporate bonds. To be included in the index a security must have a minimum par amount of 250MM. Palos Funds are not available for non-Canadian residents.

# PALOS

1 Place Ville Marie, Suite 1670  
Montreal (QC) H3B 2B6, Canada

T. +1 (514) 397-0188

F. +1 (514) 397-0199

1 St. Clair Avenue East Suite 504  
Toronto, Ontario M4T 2V7

T. +1 (647) 276-0110

F. +1 (647) 343-7772

[www.palos.ca](http://www.palos.ca)