January 4, 2022

Dear Client,

First off, thank you so much for being part of the Visionvest family—we are so appreciative of you.

What a year 2021 was. And 2022 is looking to be a great year financially as well! As we start the new year, I'd just like to take the opportunity to fill you in on what's happened this past year and what we see going forward.

As always, please take any forward-looking statements with a big grain of salt. We can't tell the future any better than anyone else can, but that doesn't mean we don't have an opinion we want to share.

Around the Office

Here in the office, things could not have gone better!

We were voted number one as the "Best Investment/Financial Advisor on the Peninsula" and came in second place for the Best Insurance Advisor category. It was the first time we even put our hat in the ring for the Peace Arch News Readers' Choice Awards (I don't know why I never bothered with it before), so it was even more of a pleasant surprise to win.

Ben completed his CFP designation earlier in the year. It was a tough haul when I completed mine 25 years ago, but it's even harder now. For Ben, it meant not only years of study, but a grueling 6-hour exam which many students take two or three attempts at before passing. We are pleased to say that he passed on his first attempt. Way to go, Ben!

Katherine joined us in the practice in July leaving only one more potential family member to join, though that is highly unlikely. You will mostly interact with Katherine when you call or visit the office. She is working hard to make sure the office runs as efficiently as possible and is also working towards completing the Canadian Investment Funds Course.

It has been a year of phenomenal growth for us, both from market increases and new business flowing in. We would like to extend a HUGE "thank you" to the many of you who have referred us to friends and family, who voted for us in the Peace Arch News awards, and who have given us great reviews on Google and Facebook. We owe our success to you, so we just can't thank you enough! We are humbled and honored.

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Year at a Glance

What a year of contrasts!

Environmentally we've been battered on almost every front. Heat waves and domes, supply chain woes, fires destroying cities, and then floods on top of everything else, causing immense difficulty for many of our friends and family here in BC. All while COVID still affects our lives daily, wearing us down as we continue to watch cases rise while navigating changing rules that affect how we live, work, and play. And now we have Omicron to deal with.

That said, on the investment side I find it hard to remember a better time. Our investment growth has exceeded my expectations by a long shot, especially our Canadian Dividend asset class. While fixed income markets remain difficult, equity markets have been stellar. I'm sure that you've noticed this on your own already, and at your next review we'll certainly go over it, but please feel free to reach out sooner and we can let you know exactly how you've done. For now, just trust me on this: you have done well!

Our Views and Expectations of the Future

With inflation creeping higher and higher, the importance of earning a return greater than inflation has become even more important, making bank deposits (typically earning less than 1%) nothing more than a "go broke slowly" strategy.

Our view is that inflation will continue its upward trend and that we will remain in a low-growth, low-interest-rate environment. Interest rates need to go higher, but we don't anticipate major increases on the horizon. Many of you have heard me say in the past that my father had a 25-year fixed rate mortgage at 4 %—this is the long-term norm. The incredibly long period of ultra-low interest rates that we've been experiencing may feel like it's the norm, but it's not; it is the anomaly. In my opinion, 5-year fixed rates in the 4% to 5% range are roughly where we should be. Maybe even 6% if inflation is higher and/or more persistent than expected.

We are often asked about real estate prices. Ever since interest rates started falling back in the mid-80s, we've seen a clear and direct (inverse) correlation to real estate values—as rates fell, real estate prices rose. And then they rose some more. And then even more. Now that rates are expected to start increasing, we're looking at significant headwinds for real estate. With limited ability to raise rents and the cost of carrying a mortgage getting higher, landlords are more likely to start offloading some of their marginal properties, putting downward pressure on prices. Additionally, as the cost to carry a mortgage rises, we can also expect home buyers to reduce their willingness to pay any price just to get into the market. While we are not expecting a crash, we do expect an extended period during which real estate prices are range bound or even decreased slightly.

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With regard to more traditional investments, we are more bullish on equities than we have been historically. The amount of cash in the economy continues to be large, suggesting more investors are chasing the markets higher and spending more, causing profits to continue to rise. With company share values directly related to their profits, this is very constructive for equity prices. We anticipate continued upside as economies come back from COVID lockdowns. Fixed income, on the other hand, remains a very difficult place in which to make meaningful profits. Nonetheless, we continue to recommend investors maintain their positions in fixed income as "ballast" for when the inevitable bear returns (as it always does).

Certainly, the most confident prediction we can make for the coming year is greater volatility. 2022 is likely to be a year of higher ups and lower downs. Markets tend to climb a wall of worry, taking one step back for every two steps forward. Last year was a much more positive market than we are used to seeing, exhibiting many steps forward with only the odd small step back. That kind of positive momentum is uncommon, so fasten your seatbelts and be prepared for generally positive (but more turbulent) days ahead.

So What Should You Be Doing?

Ultimately, timeless wisdom prevails:

- Determine the right asset allocation for you based on your comfort, capacity, and objectives.
- Regularly and systematically re-balance back to that asset allocation so that you are automatically locking in profits when equity prices rise and buying more when prices are low.
- Quit looking at your daily/weekly/monthly investment values and think long-term instead.
- Stick to the plan.

We have a plan in place for you. We regularly review that plan and chat with you about whether changes are warranted. If something in your life changes that may affect the plan, then by all means let us know so we can make adjustments. But if not, then stick to the plan. It's the plan for a reason.

From all of us here at Visionvest, we wish you and your family the very best for this coming year. Please don't ever hesitate to reach out with any questions or concerns. We want the best for you, and we want to help you in any way that we can. Please let us know if there is anything we can do for you.

On behalf of the entire Visionvest team, many thanks,

Arnold Machel

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