

A few weeks ago I attended a web cast interview with Dina DeGeer, SVP, Portfolio Manager, and Shah Khan, Vice President, Portfolio Manager, of the Mackenzie Bluewater Team who manage the highly recommended Mackenzie Bluewater Canadian Growth/Balanced funds.

The Bluewater North America Team has identified three major themes, around which they will be positioning the portfolios for 2024 and beyond.

**1) Free-cash-flow (FCF) tops the list:** Owning global leaders that can grow FCF above market rates - with a defensible competitive advantage and providing downside protection - holds the potential for outperformance through a full market cycle. The team looks to own foreign businesses in areas which are underrepresented in the Canadian market.

**2) A shift from globalization to regionalization:** The US economy has been one of the most resilient economies in the world, growing by around 2.5%, whereas Japan, the UK and Germany are all either in recession or on the edge of one. Canada should benefit from having the US as its largest trade partner. Additionally, many Canadian companies have large US footprints which may prove beneficial to their growth. Challenges within the Chinese economy will impact global growth with slower growth in urbanization and contraction in the working population due to the one-child policy, which was in place from 1980 to 2016.

**3) Affordability and regulation:** Home ownership affordability has been a real challenge for Canadians. Recently, Bank of Nova Scotia commented in its management meetings that it has marked an 11% drop in discretionary household spending, mainly to accommodate mortgage payments. The bulk of the mortgage renewals won't start until late 2025, and 2026 will be a year to watch. Government and regulators may enact additional measures in relation to the amortization period to help homeowners.

#### **Why it matters?**

**1) Canadian banks in a class of their own:** With the big six controlling most of the country's deposits, there's relatively little competition in the Canadian banking industry, which makes it easier to oversee, with a very strong regulator in OSFI. Canadian banks are also very well diversified by region and lines of business. RBC's wealth management business is a perfect example, as it is a recurring revenue model which requires low capital and has a growing stream of recurring revenue. It is the only bank that the fund owns because it has all the growth attributes the team seeks.

**2) Future of oil and gas in Bluewater portfolios:** Technological change, especially due to the great energy transition, will continue to put downward pressure on fossil fuel demand. The transportation sector is responsible for nearly 60% of global oil demand, but the growth of electric vehicles should flatten demand for fossil fuels over time, while supply continues to ramp up,

Please find attached a research paper from the Canadian Foundation for Financial Planning entitled "Leveraging Equity in Residential Property to Provide Retirement Income" which you may find of interest.

2024 will see a record share of the world's population set to vote with at least 64 countries representing 50% of the global population heading into an election year.

As the U.S. election is of significant importance we should be aware of the impact to the investing community. For example, the S&P 500 index has increased significantly in the past 13 re-election years and since 1950 has not declined in a year in which an incumbent president is running for re-election (as is the case in 2024).

As the U.S. Federal Reserve operates independently with the primary goals of price stability and economic growth, it is unlikely that the "Fed" will make any adjustments to monetary policy as a result of an upcoming election.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning. I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling the office at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary



[investia.ca](http://investia.ca)

**Gary H. Attack, BBA, CFP®, RFP, RRC®**

CERTIFIED FINANCIAL PLANNER®

**Investia Financial Services Inc.**

**203-1601 River Rd. E, Kitchener, ON N2A 3Y4**

**T: 519-894-2661**

**TF: 1-800-716-5538**

**Fax: 519-894-6656**

[gary@ghafinancial.com](mailto:gary@ghafinancial.com)

[www.ghafinancial.com](http://www.ghafinancial.com)

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