

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well informed of changes affecting local business decisions and our investment recommendations. We believe Knowledge Pays and we want our knowledge to help pay for you.

2021-2022 FEDERAL AND ONTARIO BUDGETS – NO BIG SURPRISES

The Canadian and Ontario governments released the details of their 2021-22 budgets on April 19 and March 24, respectively. Here are some of the bigger policy changes.

2021-2022 Federal Budget

The federal budget focus is support for the economy in the latter stages of the COVID-19 pandemic. The federal budget did not change personal or corporate tax rates. The government expects a budget deficit of \$155 billion this upcoming year, down from \$355 billion last year, though this relies on a strong economic growth forecast.

New Spending Initiatives

- Spending of up to \$30 billion over five years to create a national childcare system bringing childcare fees down to \$10/day avg. in regulated centres by 2025-26.
- The Canada Recovery Benefit (CRB) program and the business-specific wage and rent subsidies extended to September 25. A new hiring subsidy to be introduced.
- Spending of \$4 billion toward the creation of a 'Canadian technology corps' of 28,000 young Canadians to support Canadian small businesses moving online.
- Lower thresholds for EI eligibility to 420 hours, boosting the minimum EI benefit entitlement to 14 weeks and boosting EI sickness benefits to 26 weeks from 15.
- A one-time \$500 payment in August 2021 to OAS recipients age 75+ in July 2022 and a 10% boost to OAS benefits to OAS recipients age 75+ starting July 2022.
- Introducing a \$15/hour minimum wage for federally regulated industries.

New Taxes/Revenue Initiatives

- A luxury tax (lesser of 20% over threshold or 10% of value) on high-priced cars and planes valued over \$100,000 and boats valued over \$250,000, starting in 2022-23.
- A 1% tax on vacant property owned by foreign non-residents, starting 2022-23.
- A digital services tax (3% of revenue) on web giants that rely on Canadian content, starting this year.

To avoid a federal election during the pandemic's third wave, and likely due to the inclusion of a national childcare policy, the NDP provided its support for the budget.

2021-2022 Ontario Budget

Similar to the federal budget, support for COVID was priority number one. The Ontario budget also did not change personal or corporate tax rates.

- Ontario COVID Child Benefit of \$400 per child age 0 to grade 12 and \$500 for children with special needs under age 21, to be paid in late April or early May.
- Enhancement (20%) to the Childcare Access Relief from Expenses (CARE) tax credit up to 75% of eligible child care expenses, subject to family income.

Current Rates & Data

Govt of Canada

90 day	0.07%
1 year	0.18%
2 year	0.30%
5 year	0.96%
10 year	1.55%
30 year	2.00%

U.S. Treasury

90 day	0.01%
1 year	0.06%
2 year	0.16%
5 year	0.84%
10 year	1.59%
30 year	2.28%

Canada Prime Rate

2.45%

U.S. Prime Rate

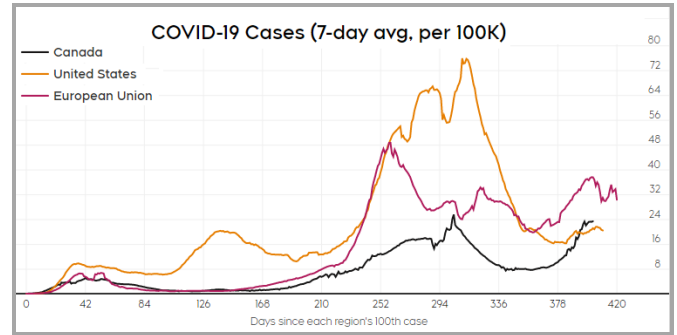
3.25%

Exchange Rates

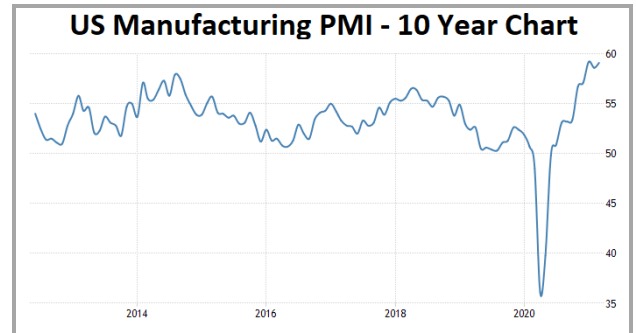
CAD/USD	0.798
USD/EUR	1.203
JPY/USD	108.1

ECONOMIC TIDBITS THIRD WAVE COMETH BUT VACCINES HELPING & US PMI SHOWING SUPPLY CHAIN STRESS

- A third wave has gripped the world as new COVID variants find ways to evade our efforts to contain the pandemic. New variants are thought to be more transmissible than previous variants and resistant to some of the approved vaccines. However, areas with high vaccine deployment (e.g. **US – orange line**) have skirted the third wave and this has resulted in a stronger economic rebound in these areas.



- A key indicator of US and global economic activity, the US manufacturing PMI, hit its second highest level ever in March. Nuances made the achievement less thrilling from an economic viewpoint. Input costs and prices charged rose at the fastest pace in 10+ years and supply shortages caused supplier lead times to hit the highest on record. High inflation and a disjointed supply chain puts stress weaker firms.



LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

Elevated Global Equity Market Valuations Encourage a “Risk-Managed” Approach to Equities

- **Forge First Long Short Alternative Fund (FOR110)** and **CI Munro Alternative Global Growth Fund (CIG4192)** are two ideas related to this theme.
- **FOR110** seeks to provide a positive net total return irrespective of market conditions and general market direction. The fund historically has a positive but low correlation to North American equities. The fund focuses on long-short thematic/momentum pair trading and manages market exposure using liquid derivatives on broad equity markets. The fund is Canada-centric which is unique and provides the manager with a competitive advantage in the alternative investment space. The fund’s management fee is 1% annually with a 20% perpetual performance fee.
- **CIG4192** provides exposure to global growth equities and tends to focus on stocks exhibiting significant price momentum. The fund will add some leverage if fully invested and equity market momentum is intact. This greatly benefitted the fund throughout most of 2020. Conversely, the fund will aggressively de-risk its portfolio in the face of waning equity market momentum. The fund’s management fee is 0.9% annually with a 15% perpetual performance fee.

Key risk points: The funds exclusively own equities so they will experience equity-like risk at times. Both funds operate with low net equity exposure but they are liquid alternative funds and are registered to utilize leverage, up to mandated maximums. The funds’ short exposure presents unique risks as well.

JEANNINE’S TIP O’ THE MONTH Spring Cleaning, 2021 Style

For many, the first days of spring provide motivation to get one’s house in order after a long, cold winter and prepare for summer, when we hope to be busy doing summery things. This year, the need for this cleaning may be even greater. With that in mind, it is important to remember **digital spring cleaning**. By deleting any apps or online accounts we no longer use, we can boost productivity and reduce the risk of identity fraud!

This newsletter has been brought to you by Steele Wealth Management

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