April 2024 – Q1 2024 in Review

We are excited to welcome you to the third edition of our quarterly newsletter – the Clear Sky 4Cast! We will continue sharing news and updates from our firm, as well as relevant market and portfolio commentary, industry insights and trends, recent achievements, upcoming events and more! We know life is busy and want to give you the easiest format possible to get you the information you need, so please be sure to provide your feedback as we move through this new venture every January, April, July and October! You can send this along with any questions to our editor: holley.frost@clearskypw.com.

THE ROUNDUP

Quarter in Review – Q4 2023

From the end of 2023 and into the first months of 2024, a "risk on" mentality persisted where certain themes were playing through:

1) The market embraced a "soft landing" as opposed to a full-blown, nasty recession.
2) The market embraced that the next Fed move would more than likely be a cut as opposed to a hike in interest rates. There was optimism for multiple cuts (up to 6), which has now been tempered back (to around 2)
3) The thought was that the rally would broaden out to other opportunities as opposed to predominantly just a MAG 7 (Magnificent 7 – Apple, Amazon, Alphabet, Meta, Microsoft, Tesla, and Nvidia) rally.
4) The thought that locking in some attractive bond yields before the Fed inevitably ends up cutting rates would be a good, lower-risk opportunity.

STOCK MARKETS		
Canadian Stocks	S&P TSX Composite Index	+5.77%
US Stocks (Market Cap Weighted)	S&P 500 (USD) Index	+10.16%
US Stocks (Equal Weighted)	S&P 500 - Equal Weight (USD) Index	+7.39%
US Stocks (Tech Heavy)	Nasdaq 100 (USD) Index	+8.49%
US Stocks (Old School)	Dow Jones Industrial (USD) Index	+5.62%
International Stocks	MSCI EAFE Index	+5.06%

Information provided by YCharts as of Q1 2024 (January 2024 – March 2024)

Inflation is still being monitored closely and "higher-for-longer" ideology appears to be more the norm than the exception at the moment. As mentioned, the market was expecting around 6 Fed cuts at the beginning of the year (and earlier), which has now been tempered back to 2 (and later). This has not deterred the markets from forging ahead in the quarter, as major equity indices posted healthy gains.

BOND MARKETS		
Canadian Bonds	S&P Canada Aggregate Bond Index	-1.20%
US Bonds	Bloomberg Aggregate US Bond (USD) Index	-0.78%
Global Bonds	Bloomberg Global Aggregate (USD) Index	-2.08%

Information provided by YCharts as of Q1 2024 (January 2024 – March 2024)

After a phenomenal last quarter of 2023, yields at elevated levels after rate hikes and anticipation of several rate cuts for 2024 bonds started the year as a lower risk, relatively high return opportunity. So far this has not played out as the treasury yield curve shifted up after the anticipation of 6 rate cuts fell to 2 rate cuts and later in the year. This quarter the US 10-year yield increased from the end of the year at 3.88% to 4.20% and the US 2-year yield increased from the end of the previous quarter at 4.23% to 4.63%.
Information provided by YCharts as of Q1 2024 (January 2024 – March 2024

All in all, bonds were pretty flat on average, to slightly down for the quarter, but as rate cuts start to materialize and become a reality, we expect that there will be gains to be made on the bond market in the last 3 quarters of 2024.

COMMODITIES		
Broad Commodity Complex	S&P GSCI Index	+8.74%
US Crude Market	West Texas Intermediate (USD)	+15.88%
World Crude Market	Brent Crude (USD)	+12.78%
Canada Crude	Western Canadian Select (USD)	+33.71%
Copper	S&P GSCI Copper Index	+3.49%
Agriculture	S&P GSCI Agriculture	-0.20%
Gold	S&P GSCI Gold	+8.04%
Silver	S&P GSCI Silver	+3.45%

Information provided by YCharts as of Q1 2024 (January 2024 – March 2024)

The S&P GSCI index which tracks the performance of 24 commodity futures across five sectors up nicely in the first quarter of 2024, driven primarily by strong crude (and tighter WTI to WCS spreads) and materials performing as well. That being said, there was much press written, especially prior to the Easter weekend, about the price of chocolate that is driven by the price of cocoa, which was up an astounding 132.7% in the first quarter of 2024 and 233.0% on a full year basis.

Information provided by YCharts as of Q1 2024 (January 2024 – March 2024

A common theme from the last quarter of 2023 was that the agriculture component ended the quarter relatively flat, and silver, but especially gold, had a particularly strong quarter in the commodity complex with reports of China buying up the shiny metal at a torrid pace.

- **Kevin Haakensen,** Senior Portfolio Manager

BEYOND BETA

Dynamic Premium Yield

This quarter we wanted to highlight an added position that the Portfolio Management Committee feels will be a good long-term holding that accomplishes three aspects of investing: 1) a strong sustainable yield, 2) capital protection features, and 3) a growth element.

The fund deploys a unique portfolio strategy of writing both put and call options to primarily generate yield from those options, but also as a strategy to enter equities at a preferred price (explained more below). The fund also utilizes a budget to buy put options that helps to protect the underlying portfolio value when the market pulls back (explained more below).

The company is well aligned with our philosophy of focusing and screening on company fundamentals, first and foremost. What this means is that they are looking at what they feel the "fair value" of a company is based on several factors, including financial situation, management, industry competitiveness, current market and economic conditions. If the company appears to be worth more than what the market is giving it for value, then it may be worth pursuing.

This is where the option writing component begins to make its way into the equation. If the fundamental value looks good, and it is an attractive business that is desired to be owned, why not try to own it at a price that is lower than where it is currently trading? Parallel to that, if that ownership does not materialize, the strategy is paid a premium for selling the put option. The fund sells cash-covered puts on stocks like Amazon, Microsoft and Walmart, generally at 7% to 12% lower than where the stocks are trading. This commits the fund to buy these stocks should they decline to or past these ranges; if they do not, the fund simply collects a premium (income) month after month for selling the puts. What it allows the fund to do is collect consistent income to sustain the fund yield of approximately 7% while being able to take advantage of more favourable entry points on quality stocks during market pullbacks. When the fund has entry points into stocks, there is then the decision of holding for a period of time to realize value or even to write call (essentially the opposite of the puts, mentioned above) to generate more income and an attractive exit point from the position.

A portion of the premium (income) that is received every month is used to buy put options (generally on indices) as a way to add portfolio insurance to protect downside pressure of markets for difficult periods. Since the funds launched over 10 years ago it has never underperformed the S&P 500 on a market downturn and has done so with very strong consistent returns. In our opinion, a very strong “all-weather” investment offering that is very timely to own in the portfolio(s).

- **Kevin Haakensen,** Senior Portfolio Manager

THE WEATHERVANE

Our clients are our top priority. Period. You are our “why” and, without you, the work we put in to maintaining industry-leading knowledge and investment strategy would become a hobby, at best. We want to take this opportunity to thank you for the continued trust you place in our team, the bulk of which you are likely acquainted with already. However, we have made some recent additions to our family, and want to introduce you to them!

Clear Sky Private Wealth has been established for some time now. However, the full expression of our mission, our vision for our clients, our values as a brand and the depth of service we provide is likely not known to everyone. If asked, many of our clients would say “they manage our wealth” without realizing what that means to us and to you who have consistently placed your trust in our team – for which we are incredibly honored!

In the coming year, we will be providing insight into some of these intricacies, as well as giving you visibility on any new functionality, programs, social media, website enhancements, and client events that make us who we are as a firm, and what sets us apart from others in the industry who also provide similar services.

Our primary goal is to provide you with MORE; to **m**aximize **o**pportunity and **r**ealize **e**xcellence. Because _a more successful financial relationship_ is what you deserve!

- **Holley Frost,** Associate Investment Advisor

PLANNING PULSE

Considering Your Financial Future: Benefits of Financial Planning

Financial planning is a holistic process that can provide many benefits to you, such as:

Achieving Goals

My eight year old niece asked me recently: "What year do you think I can retire?" Retirement is always on our minds. Have you ever sat down and gone through the process of setting goals and addressing specific concerns related to your retirement future? Financial planning often addresses the following:

- Saving for retirement
- Paying for children's education
- Purchasing homes or vacations
- Minimizing taxes
- Managing debt
- Managing risk
- Planning for your estate

Providing A Financial Roadmap

Not only will a financial plan tell you if you can achieve your financial goals, but it can also provide a roadmap indicating when these goals will be achieved, suggest actions that must be taken (savings, budgeting, etc.), and examine the impacts of inflation and income tax. A well-constructed roadmap will allow you to see whether you are on track at any given time.

Analyzing Various Outcomes

It is not a straight line from here through retirement. We will all experience bumps and setbacks. As part of a financial plan we can prepare multiple scenarios including ones where things don't go as expected. This gives you an understanding of how changes in your circumstances might impact your ability to achieve your financial goals.

Preparing a financial plan is only the starting point. Through regular reviews and updates the plan can continue to grow and change with you throughout your life.

It's Never Too Late

Even if you have reached your retirement goal already, a financial plan can still be beneficial to you. There are a number of retirement specific goals and concerns that can be addressed, such as sustainable retirement spending, estate planning, decumulation planning, charitable giving, grandkids' tuition costs. It's never too late to start your financial planning process!

If you are interested in learning more about financial planning, please reach out to our planning team.

- **Chelsea Ashton**, CFP ®, Financial Planning Associate
- **Steve Ambeault**, Portfolio Manager

Shared-Ownership Critical Illness (CI)*

The shared-ownership CI structure can be a very effective way to protect a business in the event of a key shareholder becoming critically ill, while providing a potentially positive cashflow and tax benefit to the shareholder should that critical illness never happen. Very few insurance structures have the option of getting all your money back, and also a potential tax benefit, should the insurance never have a claim. Here is how it works:

A company decides that its continued success is dependant on a key shareholder. If that shareholder were to suffer a critical illness, their contribution/expertise would be hard to replace, creating a potential financial impact to the corporation. This is where a CI policy enters the equation: to provide a solution to the company via a lump sum payment in the event of a CI event. The story could stop here, with the corporation taking out the policy on the key shareholder; but the shared-ownership concept takes it a step further.

Under the shared-ownership CI arrangement, the corporation and shareholder jointly purchase a CI policy on the shareholder, but with a Return of Premium on Cancellation and/or expiry benefit (ROPC/E). A legal agreement is drafted around the shared-ownership whereby the corporation pays for the CI coverage premium, and the shareholder pays for the ROPC/E premium.

The outcomes are as follows:

CI Event – Under this scenario, if there is a CI event that is survived, the corporation will receive the proceeds from the insurance company.

No CI Event – Under this scenario, after a period of time if the shareholder is healthy and no claims have been made on the policy, and it is eligible to surrender or has reached the expiration point, all premiums paid by the corporation and personally would be paid out to the shareholder. Essentially all premiums paid would be refunded, and there is a potential for favourable tax outcomes, which of course always come with the caveat of obtaining independent legal and tax advice.

As mentioned at the commencement of the article, there are very few instances with various types of insurance where you have the ability to recoup your money should an insurable event never occur. This strategy encompasses that, as well as a potential tax advantage; so it may be worth having a look at if you are a business owner with a corporation!

- **Kevin Haakensen,** Senior Portfolio Manager, iA Private Wealth
  Insurance Advisor, iA Private Wealth Insurance*

BULLETIN BOARD

New Administrator in Calgary

We are happy to announce the arrival of our new Administrative Assistant in Calgary, Samatha Jones! She will be assisting the advisors and clients in our Calgary office with all day-to-day needs. Next time you are at our Calgary location, be sure to say hi! Samantha comes to us with a background in foreign currency exchange, and she will work closely with our existing team to ensure our clients continue to be serviced at the level you've come to expect!

Client Meetings with your Advisor

It is no secret that the financial industry has seen many changes over the years, primarily focusing on ensuring our clients receive the best care possible, while ensuring that processes and fees are more transparent than ever. We uphold these standards and do our best to maintain very accurate information about our clients on file so that we are always able to provide the most appropriate advice tailored to your specific needs. To do this, we must collect certain information and update certain documents throughout the course of the year. In light of this, we ask that when booking an appointment, our valued clients make every effort to attend with all parties involved in investing. This makes it easier for everyone when it comes to collecting information and signing documents, as well as reducing follow-up times when items are sent home. It also saves you from having to send back documents, and allows you to ask any questions you may have about them during the meeting.

TFSA Contributions

It's still early in the year, but a friendly reminder that your TFSA room for 2024 has increased to $7,000, bringing your total lifetime contribution potential to $95,000. For those of you who left us with instructions in 2023 to do your 2024 contributions, they will have been done in the first part of 2024. Any income earned inside the TFSA is completely tax-free. If you are unable to make your contribution in any given year, you can make it up in a future year, but you gain the most advantage by making your TFSA contributions as soon as possible, to enjoy the tax-free growth of your investment. If you plan to make withdrawals from your TFSA in 2024, you will need to wait until 2025 to deposit those funds back into your TFSA to avoid any penalties for re-depositing the funds too soon.

*Please Note: Available room is carried forward should you not contribute the maximum. You should always verify with CRA how much you have contributed to your TFSA before making additional contributions. This will avoid penalties from CRA for over contribution. You can do this by logging into your my CRA account online.

Cheque Deposits to Your Account - Reminder

An important reminder that all cheques for deposit should be made payable to iA Private Wealth. Cheques payable to any other name will be rejected.

Online Deposits to Your Account - Reminder

An important reminder that if you choose to send funds to your accounts here through your online banking, please contact an assistant or advisor via email to let them know you have made a deposit, and for how much, so our team can ensure it is deposited correctly and invested appropriately. Here are the steps to make online deposits:

1. **Log into your online banking account;**
2. **Go to Add Payee or Add Bill;**
3. **Search for iA Private Wealth;**
4. **Add your account number with no dashes;**
5. **Enter the dollar amount you wish to transfer; and**
6. **Let your advisor know so we can watch for it!**

Creating your Online Access through Client Portal - Reminder

We would like to remind everyone of our client portal to view your accounts at any time. We strongly recommend you register if you have not already done so. To create your profile, please visit *https://client.iaprivatewealth.ca/*. Once there, please register to have your Client Portal account created. You'll be creating your own Access Code (UserID) and password. It is recommended to use your email as your Access Code.

When registering for Client Portal, it will ask you for your Client ID. This can be obtained from your iA Private Wealth monthly statements (your account number that is held at iA Private Wealth, minus the last character), or you can give us a call. The Client ID is 6 digits and is comprised of numbers and letters.

Please feel free to give us a call if you have any questions while registering!

Client Portal Privacy Changes

By now you have received notice from our back office relating to the changes in our privacy rules and how we now share information with affiliates with your permission. In the next few weeks as you log on to your account you will be prompted to confirm your sharing preferences. The industry has made some major changes to ensure we are collecting consent before sharing anything outside our firm. The choice is yours. By agreeing to share your information it does allows iA to improve the products and services being offered and provided to your client experience as well can keep you informed of all promotions, products, services, and events held by iA. You will be able to adjust your preferences in the future should you change your mind later. If you would like further information, please contact the office.

Secondary Consent

For those that have had meetings with your advisor already this year, you will have likely signed (or have been presented with the opportunity to sign) the Secondary Consent form. Signing the form allows us to share your information between our investment side to our tax and planning side of the office without having to collect all your information again. This is a requirement by our regulators. Do not worry, your advisor will go over this as you have your meetings throughout the year!

- **Erin Chester**, Administrative Assistant

TREND TRACKER

I wanted to take a different approach to my article this quarter and write about something I'm passionate about…. Wine! Some of you may know that my first job after graduating from U of C was at Gray Monk Estate Winery, out in Lake Country BC. I went for one summer and stayed for 4 years. I ended up meeting my first boss in this industry at the winery, and was hired with Dundee Securities over 22 years ago; I have been here ever since.

We even had wine from BC shipped out to Nova Scotia for our wedding in 2014.

My wife recently wrote her exam for her level 2 Sommelier course out of personal interest. While I have written about some restaurants in the last few newsletters, what goes perfectly with good food is good wine!

However this winter dealt a severe blow to British Columbia's wine industry, as temperatures plunged well below -20C during a span in January, killing buds on the vines that wineries depend on for wine production. This is the second year in a row temperatures have done damage to the vines, and many wineries will struggle to come out on the other side of this.

If you enjoy wine, then for the reasons above, I would encourage you to support this industry. My wife and I are wine club members at two wineries in the West Kelowna area and down in Oliver. We love going for vacations in these areas and enjoying taking tours and doing tastings along the way.

If you ever need suggestions of wineries to go check out in the Okanagan area, I love to talk about our favorites, so don't hesitate to reach out to talk to me about them!

- **Jay DeBoice**, Senior Portfolio Manager

Our website at www.clearskypw.com houses many useful features for our clients, including general office information, as well as content specific to educational webinars we have hosted. You can check out our archive any time to learn more about tax, insurance, financial planning, and more!*

Lastly, if you're receiving this newsletter, it's because you are part of our email list, and have indicated your willingness to be contact by email. If you do not wish to receive this newsletter going forward, please let us know, and we will be easily able to unsubscribe you!

CONTACT

CALGARY
#305, 5723 – 10th Street NE
Calgary, AB T2E 8W7
Phone: 1-403-508-2992
Fax: 1-403-508-2998

EDMONTON
4967 – 55th Avenue NW
Edmonton, AB T6B 3S3
Phone: 1-780-488-2644
Fax: 1-780-488-0844

Toll Free: 1-877-877-9957
Email: admin@clearskypw.com
Website: www.clearskypw.com