February 2020

IN THIS ISSUE

THREE NUMBERS

Written by Mike Preto

I like the number 3 and it has always been a meaningful number for me. I have 3 children, my birthday is on the 3rd of September and I'm the third of 4 kids - those are three reasons why I love the number 3. Have you ever given thought as to why the number 3 is an important number for you and anyone else who is either retired or would like to retire one day? We do, and it's our mission to help you and others discover these three very important numbers:

1. What is your target retirement lifestyle?
2. How much do you need to have invested to reach your target lifestyle?
3. How much extra money do you have invested over and above what you need to hit your target?

The first number, target retirement lifestyle, is self-explanatory, but there are a few important details to keep in mind:

- We are using an after-tax calculation with real dollars; in other words, inflation adjusted.
- Can be displayed as an annual or monthly figure that speaks to how you consider your lifestyle expenses/needs.
- The amount can be used as a goal to target and design one's retirement plan.

There are several different ways of calculating the target retirement lifestyle. The most obvious is to tally up all the expenses that you think that you'll have; from cell phone bills and utilities, to medical expenses and other necessities, all the way to desired hobbies and travel experiences that you'd like to have in retirement. That's the most accurate, but a little daunting for some. For a more simple approach, you can take your current after-tax monthly income, subtract any expenses that you don't anticipate having in the future (common ones for pre-retired folks could be mortgage payments and retirement savings - you won't be saving for retirement once you're retired) and then adjusting that number up or down depending on what you envision doing with your time.

The next figure is a little trickier to figure out and is one of the reasons why having a plan is so important. Whether someone is retired or still working, we need to make assumptions about the future rate of return their money will experience going forward. When it comes to planning, you want to be prepared for whatever comes your way, so we choose to be conservative with this figure. The less return you expect to receive, the more money that you need to invest to hit your target. But if you are chronically over-prepared, which this approach sets you up to be, that's a problem too. There's no point in saving more than you need to stay dry when it rains; if you like to enjoy the sun, we want you to - so long as you wear a hat and apply sunscreen.

This takes us to the third number, if you're over-prepared in that you have more money invested than you need to hit your target, we should know what that number is and decide what, if anything, should be done about it. There are typically, yup you guessed it, 3 different options to consider when a surplus is built up:

1. Take out a lump sum today to do whatever you'd like to do.
2. Retire sooner.
3. Retire with a lifestyle that is richer than the target.

RRSP DEADLINE

The cut-off date for making RRSP contributions is March 2, 2020.

If you wish to make contributions or have any questions, please contact Heidi at 1-800-665-6424 or heidi@hillsidewealth.ca.

KEEP UP WITH THE LATEST NEWS!

Be sure to follow [Hillside Wealth Management] on LinkedIn for our latest news and Insights.

One of our main commitments at Hillside Wealth is to *recognize and honour our responsibilities*. The 3 numbers we discussed are important figures that need to be calculated conservatively and accurately. *Data drives decisions* and we want everyone to know their figures so that they can decide what they want to do if/when they accumulate a surplus.

It's important to note that these figures will change every day, certainly every year - so they need to be tracked and measured on an ongoing basis. We're more than willing to develop a game plan for those that are willing to work towards it; after all we know that *discipline consistently generates exceptional results*.

For more information on how to get to know your 3 numbers, please contact our team who will be happy to find us a time to chat.

PORTFOLIO UPDATE

Written by Jason Del Vicario

2019 was an interesting year. It started with a lot of uncertainty and panic as it seemed the Federal Reserve was hell bent on reducing their balance sheet and increasing rates at the same time. The markets dropped sharply with growth stocks down over 20% in response late 2018. Then we had the "Powell Pivot" which is becoming an all too familiar central bank move. The Fed saw the markets dump and then, in not so many words, said 'ok, that didn't' go well… just kidding, we aren't on autopilot and we may even drop rates in 2019.' The market loved this and ripped higher posting very strong results for the year. I dare say this market (individuals, governments, corporations) is addicted to cheap and easy money, which makes for a tricky environment in which to invest.

I would counsel running very far away from anyone who tells you they know where any currency, market or commodity will trade in 6 months or a year. From where we sit, predicting asset prices is a function of central bank policy which in turn is a function of inflation. Our suspicion is that we are in a 'lower for longer' period of interest rates, but the fact is that we cannot state so with any certainty, nor can anybody else.

We will, however, say the following with certainty: barring a complete breakdown of capitalism and our financial system and acknowledging that people prefer more money than less, we will always be able to find 15-25 companies that are consistently producing above average profits. We believe that no matter the interest rate environment, general economic conditions or geopolitical landscape, there will be companies bringing products and services to market that possess the holy grail of investing: a strong defendable competitive advantage, or as coined by Warren Buffet, a moat.

I cannot recall a time when I've been more excited about the work we do for clients. I won't go on a rant about failures of 'active management' (read: closet indexing), but I strongly feel the current environment favours selective stock picking and we are very excited to bring this to you and future Hillside Wealth family members.

One of our strategies at Hillside Wealth is to engage in *courageous and impactful experimentation*. We are also committed to leading with *informed*

JASON ON BNN'S MARKET CALL

In case you missed it, our Portfolio Manager, Jason Del Vicario, was a recent guest on BNN Bloomberg's MarketCall. The full episode is available online.

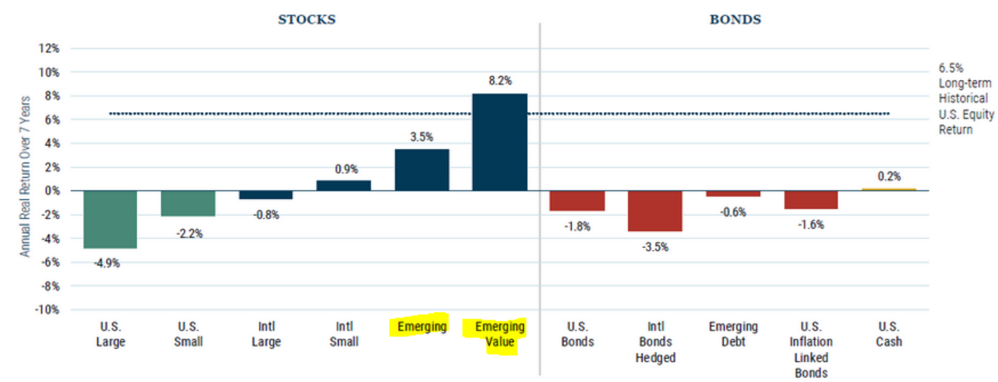
HILLSIDE WEALTH'S **NEW** PORTFOLIO MODEL NAMES

We have updated the names of our 3 flagship portfolio models to better describe how each is designed.

ORIGINAL	NEW
Hillside Income & Growth	Hillside Conservative Growth
Hillside Moderate Growth	Hillside Balanced Growth
Hillside Growth	Hillside Focused Growth

opinions. I read a lot and pay particular attention to economists and money managers that have strong track records. Jeremy Grantham is a respected portfolio manager at GMO in Boston. They provide a quarterly 7-year asset class forecast with the latest version found below:

December 31, 2019



Source: GMO.com

We are now 11 years into the longest bull market and economic 'expansion' in history and equity valuations are at the top end of historical ranges. However, not all regions of the world have participated with emerging markets (and Canada) lagging. It is interesting to note that GMO predicts negative returns for US equities yet positive returns for emerging market equities. It would be easy for us to allocate international exposure into broadly invested ETFs.

However, this is not courageous nor impactful. We have a system and a process that can be applied to any market in the world. I want to be clear we are NOT experimenting with your capital; but rather our own first! In 2018 I screened the entire world for companies that meet our criteria and unsurprisingly Canada and the US don't have a monopoly on high quality stocks! I bought a few in my personal account to test buying foreign stocks as this was something new for us. This is not unlike our current investment strategy; I had been buying individual stocks in concentration with my own money before ever doing so with client capital. I like to think this is part of my scientific training/background… establish a theory, test the theory ideally with low downside risk, tweak the process and formulate conclusions. The process of buying international stocks in my own account was smooth, the costs minimal and the results have been solid. We then moved to add a foreign stock in our smallest portfolio, the Hillside Focused Growth portfolio. This portfolio is home to ~4% of our client assets. Again, this was pain free and we are continuing to conduct research and make sure the procedure is dialed before we look outside North America for our larger Hillside Conservative Growth and Hillside Balanced Growth portfolios.

We have a lot to be proud of since re-tooling our portfolio management process in 2014. We are however not satisfied. Please rest assured that we are leaving no stone unturned and we believe the next obvious stone for us to kick over is on the international investing front. We have never been more excited to offer top level investment management and client experience and are thrilled to be working with you to achieve and exceed your financial goals.

JANUARY 2020 PERFORMANCE RESULTS

An overview of our three portfolios to date.

Performance to January 31st, 2020	YTD	1 Mo	6 Mo	1 Yr	3 Yr**	5 Yr**	Inception **	**Added Value** vs. Benchmark**
Hillside Balanced Growth*	**2.23%**	**2.23%**	**4.14%**	**14.97%**	**11.14%**	**8.84%**	**10.56%**	**+5.08%**
HBG Benchmark[1]	*1.14%*	*1.14%*	*4.87%*	*11.54%*	*6.89%*	*5.35%*	*5.48%*	
Hillside Focused Growth*	**0.51%**	**0.52%**	**1.07%**	**11.12%**	**9.44%**	**7.11%**	**8.9%**	**+1.84%**
HFG Benchmark[2]	*-0.09%*	*-0.09%*	*6.91%*	*14.38%*	*9.04%*	*7.56%*	*7.06%*	
Hillside Conservative Growth*	**2.39%**	**2.4%**	**4.06%**	**14.63%**	**9.67%**	**7.26%**	**8.27%**	**+3.23%**
HCG Benchmark[3]	*1.42%*	*1.42%*	*4.57%*	*10.78%*	*6.27%*	*4.68%*	*5.04%*	

Past performance is not an indication of future returns.

* Performance is presented gross of fees. **Inception: Sept 2, 2014. Results beyond 1 year are annualized.
[1] Hillside Balanced Growth Benchmark: 100% Vanguard Balanced ETF
[2] Hillside Focused Growth Benchmark: 100% Vanguard All-Equity ETF
[3] Hillside Conservative Growth Benchmark: 100% Vanguard Conservative ETF

Source: SIACharts.com

Performance is calculated using month-end market values of the model portfolio. Since we use a model portfolio to calculate performance there are no client-initiated cash flows (deposits/withdrawals) to account for. Performance is calculated by dividing the change in the model portfolio's market value by the model portfolio's market value at the beginning of the performance period. Also, all income generated by the portfolio's holdings are held within the model portfolio in cash and is accounted for in the portfolio's month-end market value - this results in a total return measure of the model's performance.
Returns for periods less than 1 year are shown as periodic returns while returns for periods greater than 1 year are annualized. Returns do not include fees and actual returns experienced by an investor may differ from those shown. Past performance is not a guarantee of future results.

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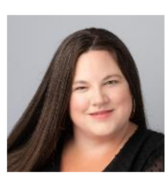

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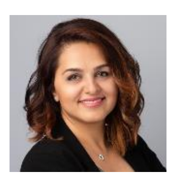

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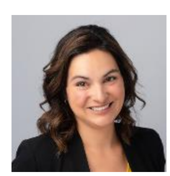

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