May 2020

IN THIS ISSUE

A SIMPLE PLAN: HOW KEEPING THINGS SIMPLE CAN LEAD TO REALIZING YOUR FUTURE DREAMS

Mike Preto, CFP®

Emotions complicate things, and financial matters are no exception. Money can stir up ongoing emotional cycles that lead to the waste of perfectly good energy. Whenever it comes to decisions involving money, we strongly recommend keeping things as simple as possible. Why does simplicity mean so much to Hillside? The answer itself is simple: the simpler the approach, the higher the probability of a successful outcome. We like success a lot more than failure.

One of the most common decisions people need to make around money is what to do with it. Mastering the ability to make this decision effortlessly will go a long way in helping grow wealth while simultaneously reducing stress. Given that we strive to realize your big, meaningful dreams - helping our clients achieve more wealth and less stress is important to us at Hillside Wealth.

The first thing everyone needs to know is how much money they need to have available at a moment's notice. The textbook answer is the equivalent to 3 months' worth of expenses, but the truth is that the amount depends several other factors, such as:

1. How much equity you have in your home and whether you have a secured line of credit (LOC) to efficiently access the equity if needed. Do you have a history of using this LOC wisely?
2. Are you a spender or a saver?
3. Do you worry about money?

For help determining what size of cash cushion you should have, please email us and we'll spend the time needed to address your specific situation. Once you know how much should be set aside, simply park that cash in an account that you can easily access; a high interest savings account with your bank should do fine. The whole purpose of the cushion is for comfort and confidence. You need to feel confident about your financial position to be able to continue to make good financial decisions.

Once the amount of the buffer is set, let's say at $50,000, then anything over that should be invested and working for you. So, if you've come into a windfall (bonus, inheritance, real estate sale, etc.) and have $75,000 in cash, but you only need $50,000, don't over think it - invest the $25,000 in your portfolio and feel certain about the fact that you are investing money for your future that you don't need now.

Here are some of the top concerns we hear:

1. **Is now a good time to invest?**
   The answer is yes! The reason we can say this with such confidence is that

WATCH JASON ON BNN MARKET CALL

Even with #COVID19, the show must go on! Our Portfolio Manager, Jason Del Vicario was a guest on the May 5, 2020 episode of BNN Bloomberg's #Marketcall where he discussed North American Growth Stocks. Check out the full episode online and don't miss the special shot at the end!

we have built systems that we follow to dictate how much of the portfolio should be exposed to stocks, bonds, cash and/or gold. We follow this all day, every day, and are in a great position to decide when/where is a good time to invest - Jason goes through this in detail later.

2. **I'm worried things are going to get worse before they get better. Will the opportunity be better if I wait?**
   Again, these are deviations from the previous question. We are never going to time the bottom nor will we time the top, but we are going to miss the bulk of a prolonged drawdown in the markets - so if you don't need the cash, it should be invested.
3. **I don't want to pay fees to hold cash.**
   Cash is an asset class that can be very useful as a short-term holding position while we wait to see where the best opportunities lie. If money isn't in the account, then we can't put it to work and if we can't put it to work, then opportunities will be missed. Perpetually missing opportunities costs a lot more than paying fees to hold a larger than normal cash position for a few months.
4. **Should I pay down my mortgage or save for retirement?**
   Either is good because you are building your net worth in either case - let's come up with a game plan that addresses your needs and follow it.

We are here for a short, undetermined amount of time; and while we're here, we want you to get the most possible out of life. We want you to tell us what you are dreaming about, okay - maybe not all your dreams, but the ones we can help you turn into reality. Communicating them helps give them life and they become easier to work towards; you're more likely to put money towards a lifelong dream than you are invest in your TFSA.

Not knowing what you need to exist comfortably now, can lead to worried thoughts about whether you have enough now, will you have enough later, should I be doing more or maybe I should be doing less. Once the cycle starts, it's hard to stop; so better to simplify things and not allow the cycle to start in the first place. I saw a particularly timely quote recently by an unknown author:

> “*Fear does not stop death. It stops life. And worrying does not take away tomorrow's troubles. It takes away tomorrow's peace.*”

So rather than worrying about when is the right time or trying to figure out the right amount, focus first on what you need now, and put everything else towards what you'll want/need later. If you keep following this mantra, you will become wealthier and life will become simpler - and by simpler, I mean better.

For more information on figuring out what size of buffer you should have, how to realize your dreams without compromising your future retirement lifestyle and how we decide when to be more offensive than defensive, email us and we'll schedule us some time to chat.

COVID-19 OFFICE UPDATE

We are all very happy to hear that our province is ready for BC's Restart Plan and our Hillside Wealth team will continue to maintain a safe social distance by working from home.

All members of our team continue to be available at our usual phone extensions and email addresses (listed on the last page of this newsletter) during regular business hours.

We want to thank all of our clients for their support of our team as we continue operating as "business as usual" together.

PORTFOLIO UPDATE: WHEN IS A GOOD TIME TO INVEST?

Jason Del Vicario, CFA

We have experienced a tremendous amount of volatility in the financial markets during March and April. To say we find ourselves in unprecedented times is an understatement. We've seen some pundits suggest that April was a bear market rally, while others say we've embarked on a new bull market. We don't know which is 'right' and can make cogent arguments for why the S&P500 could be at 700 or 5000. The spectrum of outcomes is very wide indeed.

On one side, we have the economy falling off a cliff and unemployment spiking. On the other, we have central banks and governments across the world scrambling to plug the holes via stimulus programs and asset buying (with money they of course don't have). To be clear, it is more likely that everything will be fine and we'll resume our march higher (this is what happened in 2012, 2016 and late 2018) BUT as we find ourselves increasingly more indebted, there will be a time when the markets don't sharply turn around and resume their upward trend. We saw this in 2000, 2008 and may be witnessing the third now. The point is no one knows.

What remains factual is that as countries and economies become more indebted, their growth is crimped. In our opinion the end game here is either countries and companies outright defaulting on debt (messy) or the more likely scenario of countries debasing their currencies thereby sneakily defaulting on their obligations (debt monetization). If you are interested in going down the rabbit hole of macro economics I would strongly suggest reading anything put out by Ray Dalio.

At Hillside our goal is to provide our clients with a strong risk-adjusted return no matter the general equity market conditions. We believe in keeping it simple and that discipline consistently generates exceptional results. There are times to be aggressive and times to be defensive. We started to increase the defensiveness in our portfolios at the beginning of 2018. We do not live in a black and white world and we have been slowly adding to positions such as cash, fixed income and precious metals while requiring our equity holdings to be of the highest quality.

Given our active approach, clients of Hillside need not worry about whether today, next week or next month is a good time to invest. The responsibility of when to invest or what to invest in is built into our approach thereby allowing our clients to focus on what matters most for them: their dreams. A client recently added to their portfolio and asked 'what are you going to do with the money?' The simple answer was 'we'll add it to the mix of holdings of the Hillside Balanced Portfolio which you already own.' As per the asset allocation below, a full 65% of our holdings are invested in assets (cash, fixed income & precious metals) that can rise when stocks fall.

LET'S STAY CONNECTED

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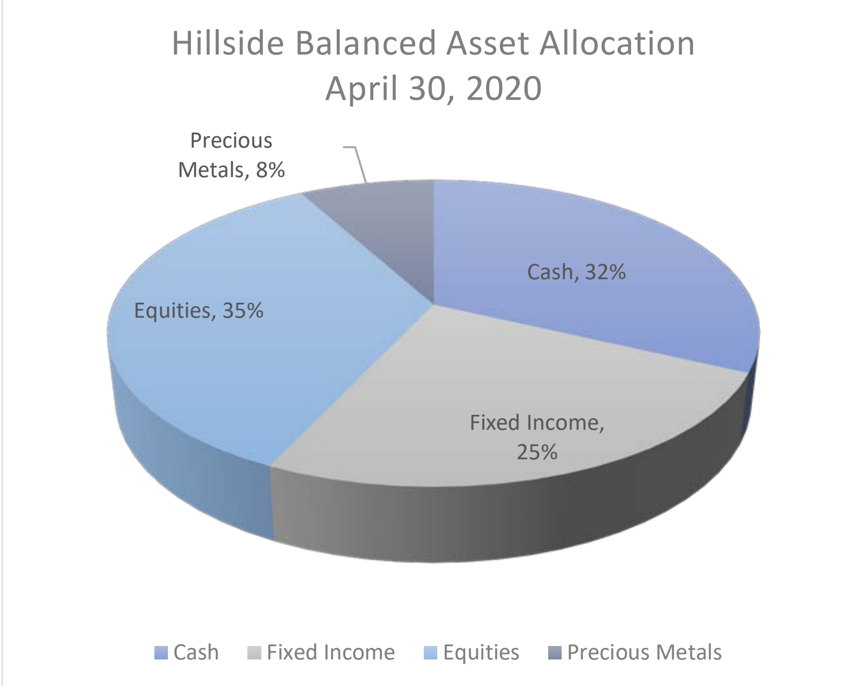

To be clear, we'd love to be fully invested (70%) in stocks but our process has led us to this point and we must pay attention to the signals the markets are giving us. Namely that caution is warranted.

I can assure you it would be much easier for us to stick to a fixed asset allocation strategy. There are those who would argue that a balanced fund should be always 60/40 or 70/30 (stock/bond). However, there was a recent quote from a recent WSJ Charlie Munger (Warren Buffet's business partner) interview that struck me as nailing exactly how we view our role as wealth managers for our clients. Here is the quote (emphasis ours):

> *We just want to get through the typhoon, and we'd rather come out of it with a whole lot of liquidity. We're not playing, 'Oh goody, goody, everything's going to hell, let's plunge 100% of the reserves [into buying businesses]"*
>
> He added, "***Warren wants to keep Berkshire safe for people who have 90% of their net worth invested in it****. We're always going to be on the safe side. That doesn't mean we couldn't do something pretty aggressive or seize some opportunity. But basically we will be fairly conservative. And we'll emerge on the other side very strong.*

The fact is the majority of our clients have all of their investable assets with us. Many of our clients rely on their investments to fund their lifestyle expenses, or are working towards a day when they will.

We have spent the last month tightening our list of high-quality companies. Risk assets are richly valued and we are looking to pick off our targets at prices that make sense for our clients.

APRIL 2020 PERFORMANCE RESULTS

An overview of our three portfolios to date.

Performance to April 30, 2020	YTD	1 Mo	6 Mo	1 Yr	3 Yr**	5 Yr**	Inception **	Added Value vs. Benchmark**
Hillside Conservative Growth*	**0.35%**	**4.11%**	**1.14%**	**6.14%**	**6.67%**	**6.95%**	**7.57%**	**+3.52%**
HCG Benchmark[1]	*-2.67%*	*5.97%*	*-1.06%*	*1.84%*	*3.54%*	*3.61%*	*4.05%*	
Hillside Balanced Growth*	**-2.5%**	**4.62%**	**-1%**	**2.32%**	**6.61%**	**7.56%**	**9.22%**	**+5.02%**
HBG Benchmark[2]	*-4.37%*	*6.62%*	*-2.19%*	*0.54%*	*3.62%*	*3.83%*	*4.2%*	
Hillside Focused Growth*	**-9.6%**	**8.86%**	**-8.3%**	**-7.39%**	**2.34%**	**4.27%**	**6.48%**	**+2.19%**
HFG Benchmark[3]	*-12.38%*	*10.09%*	*-7.87%*	*-6.97%*	*2.37%*	*3.85%*	*4.29%*	

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 Conservative Growth Benchmark: 100% Vanguard Conservative ETF
[2] Hillside Balanced Growth Benchmark: 100% Vanguard Balanced ETF
[3] Hillside Focused Growth Benchmark: 100% Vanguard All-Equity ETF

Source: SIACharts.com

The performance presented in this portfolio report is hypothetical and does not represent a specific client account. Details regarding actual returns of an investment account are available from the client's advisor.

This information has been prepared by Michael Preto who is an Investment Advisor, and Jason Del Vicario, who is a Portfolio Manager for HollisWealth® and does not necessarily reflect the opinion of HollisWealth. HollisWealth® is a division of Industrial Alliance Securities Inc., a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. The information contained in this newsletter comes from sources we believe reliable, but we cannot guarantee its accuracy or reliability. The opinions expressed are based on an analysis and interpretation dating from the date of publication and are subject to change without notice. Furthermore, they do not constitute an offer or solicitation to buy or sell any of the securities mentioned. The information contained herein may not apply to all types of investors. The Investment Advisor can open accounts only in the provinces in which they are registered. Hillside Wealth Management is a personal trade name of Michael Preto and Jason Del Vicario. For more information about HollisWealth, please consult the official website at www.holliswealth.com.
Insurance products provided through Hollis Insurance Agency.
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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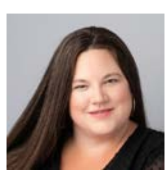

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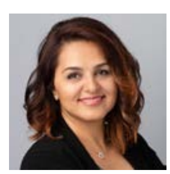

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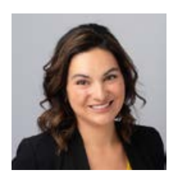

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