

February 10, 2020

Hello,

Welcome to a new decade. Please find attached my newsletter. In this cover letter, I would like to provide you with a brief overview of some key investment market developments over the past quarter and for 2019 as a whole, as well as some insight into the factors that may affect markets in the coming months.

Overall, global capital markets exhibited remarkable resilience in 2019, rebounding from a severe decline that occurred in late 2018. Despite starting the year on a tentative note, they ultimately shrugged off uneasy sentiment to stage a robust recovery. The fourth quarter capped off a year of broad-based gains across most equity and income asset classes and resulted in solid returns for year 2019, here are some of the year highlights:

- **The FTSE TMX Universe Bond Index, (a measure for the Canadian government and corporate bond market, source: ftserussell.com), registered slightly negative returns for the fourth quarter but a gain of 6.9% for the year.**
- **The MSCI World Index, the benchmark S&P/TSX Composite Index and the S&P 500 Index, a broad measure of the U.S. equity market, all showed impressive gains for the year.**
- **The Bank of Canada kept its policy interest rate steady at 1.75% throughout the year.**
- **US Federal Reserve central bank made three 25 basis-point cuts to its target rate.**
- **Looking forward to 2020 markets, and coronavirus as potential threat to growth**

Supported by low interest rates, slow global economic progress and healthy corporate fundamentals, global equity markets advanced in the fourth quarter and registered solid results for 2019, with many finishing the year just off their all-time highs. Canadian equities also advanced in 2019, with supportive business conditions and strong commodity prices boosting results for most sectors. Overseas, markets showed a similar trajectory, with European developed market equities advancing amid an environment of easy monetary policy and Brexit uncertainty, and many markets in Asia posting positive results for the fourth quarter and the year as well.

After moving to raise interest rates to a more “neutral” level from their record lows in 2018, the U.S. Federal Reserve reacted to weaker global economic growth and tepid inflation in 2019 by easing monetary policy, while many other international peers also lowered rates based on global economic concerns. The Bank of Canada, however, charted a divergent course, keeping its policy interest rate steady at 1.75% throughout the year. In this environment, 10-year U.S. and Canada government bond yields drifted higher in the fourth quarter, rebounding from their yearly lows in the third quarter.

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What's the outlook for 2020?

Looking forward, many economists and market watchers forecast slow but positive global economic growth over the coming months, while interest rates are also expected to remain low by historical standards. While this type of environment tends to be generally supportive for businesses and asset markets, experienced investors are also preparing for a lower-return environment consistent with a mature business cycle, as well as periods of increased volatility. We also foresee a possible future economic impact as a result of Coronavirus. Markets initially declined for a few days in the last week of January, but we had a strong rebound since. I think it is a combination of some sectors weakening but some gaining (like pharmaceutical and online businesses) from these events. We do expect further volatility in the market over the coming weeks. With valuations for many assets near record highs, a well-diversified, professionally managed investment portfolio can help to maximize returns and mitigate risks as they occur.

The tax season is starting, you should be receiving most of your tax forms in the last week of February or in early March. **We are happy to help our clients with their tax questions and we continue to expand our services in this area. Please contact us to learn how we can help you with your income tax this year.**

In closing, I would like to thank to you for your continued trust in me and for the opportunity to assist you in working toward your financial goals. Should you have any questions about your investments or the market outlook for the coming year, please remember that I or a member of my team is just a phone call away.

Sincerely,

Daria Koralewska

This letter was prepared by Daria Koralewska who is an Investment Advisor of HollisWealth® . Opinions expressed in this letter are those of the Investment Advisor only and do not necessarily reflect those 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.

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