F&A FOSTER & ASSOCIATES
Quarterly Report
Second Quarter Report 2021

Bottoms Up, Tops Down

This first half of 2021 has seen a remarkable rally in the financial, energy and base material sectors in Canada.

As the world begins to adjust to vaccines and society starts to heal from the restrictions that we have all endured, the investment markets have been healing as well. Stock markets are at record high levels in various countries while businesses have begun to move forward.

While governments have begun to remove the support for businesses, central banks are continuing their involvement with the financial services sector by continuing the most unprecedented increase in the supply of money ever.

So what happens now? Well, there is research from various pandemics which shows that the world begins a new economic cycle once the virus that caused the weakness is brought under control. This is encouraging for Canada as one of the most vaccinated countries in the world. But what does this economic activity look like and how do we take advantage of it?

This first half of 2021 has seen a remarkable rally in the financial, energy and base material sectors in Canada. The big increases are now expected to begin slowing down a little. The second quarter earnings results will be quite strong when reported in July. Following that, we expect a good bit of moderation. But this is not to be interpreted as an economic slowdown. Far from it. As mentioned earlier, an economic rebound from a global pandemic will last quite awhile, though we do expect returns to be smaller in the second half of 2021.

So, enjoy your summer, roll down the windows or take the top off your convertible, enjoy your favourite liquid refreshment at the lake or a pool. Be assured that your Foster team is reviewing the top-down economic data to better determine sectors to invest in and analyzing companies specifically from the bottom-up to see who is worthy of investment.

Wishing you a well-deserved, safe and enjoyable Canadian summer.

R. Martin Lochran
Portfolio Manager
McIver Lochran Group

		2021 Q2	12 Month Returns
S&P/TSX*	20166	7.8%	30.0%
S&P 500	4298	8.2%	38.6%
Dow Jones	34503	4.6%	33.7%
Nasdaq	14504	9.5%	44.2%
$CAD	$0.8066	1.3%	9.5%
Crude Oil	$73.47	24.3%	81.5%
Gold	$1,770.10	3.7%	-0.6%

**The S&P/TSX, the S&P500, the Dow Jones and Nasdaq indices are not investable indices, and as such are not a direct comparison to any investment product available at Foster & Associates Financial Services Inc, and therefore should therefore be considered hypothetical in nature and for illustrative purposes only.*

Introducing Foster Family Office

“Family Office” is a colloquial term, very much like “Hedge Funds”. Everyone has their own idea of what it means, and these ideas can all be quite different. For us, our Foster Family Office offering is distinct from traditional investing with a single Investment Advisor in these key ways:

Legacy
While most clients are concerned primarily with funding a particular retirement lifestyle, Family Office clients have moved beyond this. They are confident they have enough wealth to retire comfortably – perhaps they are already comfortably retired – and they are now investing for the next generation(s).

Investment Team
The entire Foster Family Office team of Investment Professionals will guide your financial journey, assuring you and your family of strong market insight and continuity of care for your account.

Wealth preservation
Typically, a Family Office client will be more concerned about reducing volatility and avoiding pitfalls than market-beating returns. Tax efficiency and cost reduction are still key, but so is Estate Planning, Insurance and Philanthropy.

Family
You are investing alongside the principals of the firm. We are the founding clients of Foster Family Office. We pay the same fees, and buy the same investments, so you can trust that you are in good hands.

To find out more, speak to your Investment Advisor.

The 12-Month Market Outlook

This table represents the way the firm is leaning in particular market sectors over the next 12 months. It does not represent a trade recommendation, nor does it play a major role in our portfolio construction, which involves much more than having a view on a particular market index, currency or commodity.

Stocks (U.S.)	▲
Stocks (Canadian)	▲
Bonds (US)	▼
Bonds (Canadian)	▼
Canadian dollar	--
Crude Oil	▼

In Memoriam: Hugh R. Hanson, d. June 24, 2021

Personally, and on behalf of Foster & Associates, we make note of the passing of Hugh Hanson. Hugh was an Outside Director of the firm for several years, right from its inception.

I first met Hugh in 1976 when we both worked on Flora MacDonald’s campaign for the Progressive Conservative leadership; Hugh as speech writer and I as the financial agent. We became close friends and I trusted his opinion.

In joining the board, Hugh’s wisdom and knowledge of government regulation helped give Foster a steady start within the investment industry. As a director, he was notably vocal in steering the firm away from conflicts of interest with clients. His loyalty, intelligence and wit will be much missed by those at the firm who knew him.

Briar Foster

Dual Wills - A Tax-Saving Strategy

Rylan A. McCloskey, BAH, JD
Is a Solicitor with
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For many Ontarians, the use of dual wills is part of a well-informed estate planning strategy because it can reduce or eliminate the Estate Administration Tax (the "EAT") which is often payable as a result of death.

The EAT is a tax of 1.5% on the value of an estate, and must be paid if probate is required. A will does not need to be probated in every estate, and if you can avoid probate, you can also avoid the EAT. Even where probate cannot be avoided, by using a dual will the amount of the EAT payable can be reduced.

Probate is the informal name for the process taken by estate trustees when they apply to the Court for a certificate of appointment. It is very common for an institution, such as a bank or insurance company, to request probate so that they can be sure a person has authority to be the estate trustee before they give them access to a deceased person's finances.

Upon receiving a probate application, the Court will review documents relevant to the deceased and their affairs, and verify three key facts: first, that the person is actually deceased; second, that the will presented is the deceased's last will and thus determines the distribution of their assets; and third, that the estate trustee is the proper person to be administering the estate. Once the Court is satisfied, they will provide their seal of approval and issue a certificate to the estate trustee.

This means that when estate planning, assets can be divided into two broad categories: assets that will or are likely to require probate, and assets that will not. When using dual wills, assets that will require probate would be dealt with by the first will, commonly called the primary will, and assets that will not require probate would be dealt with by the secondary will.

An asset will require probate if it is controlled by a third party, like a bank, who will want the Court's approval - think of real estate, bank accounts, investments, and life insurance payable to an estate. These assets would all be dealt with in the primary will.

An asset will not require probate if it is already in the control of the estate trustee, or if the estate trustee does not require a third-party's involvement - think of personal assets, such as jewellery, paintings, etc, trust assets, and shares held in private corporations, like a family business.

By creating two wills, if probate is required, the EAT payable would be limited to the value of the assets dealt with in the primary will. If there is any significant value in the secondary will assets, then there is the opportunity for substantial tax savings - with the EAT at 1.5%, dual wills would save $1,500 for every $100,000.00 of assets.

While a dual will strategy is an excellent approach for many, the best estate-planning strategy anyone can take is ensuring that they have even a single will. Preparing a will ensures your wishes are carried out, avoids uncertainty, minimizes the chance of a disagreement, and streamlines the administration of your affairs. You will reap great benefits by speaking with an estate planning lawyer and creating a proactive and well-organized plan - whether it is with one will, or two.

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Emerging from Covid-19

Briar Foster

is a retired Portfolio Manager and remains an active investor.

The views as articulated in this article are those of Briar Foster alone and do not necessarily reflect the opinion of Foster, and do not constitute a solicitation to engage in any specific investment or strategy.

Covid-19 is disappearing, but not before having done a great deal of damage, some of it brutal, some of it lasting. But unlike the economy, markets have remained mostly unaffected by the virus. Interest rates have remained low while market indices reached new highs.

Beneath the surface, however, market leadership shifted from the FANG stocks to the more traditional utilities, bank stocks and commodity related investments, especially those producing copper, silver, lumber and oil. Latterly, threats of inflation have revived an interest in gold.

A looming change might also be a lasting move away from large corporations. Many of the giant corporations are accused of avoiding taxes by moving their head offices to tax havens. Recently the G7 countries have agreed to a minimum federal tax of 15% on their profits no matter where companies put their home offices. Additional taxes on revenue might also be imposed. The G20 is expected to endorse this agreement. Future financial statements from the likes of Walmart and the FANG might be disappointing.

For the period immediately ahead, investors can expect some exuberance (temporary?) from the starved retail sector finally being permitted to satisfy pent-up demand for dry goods, fashion items and household wares. Of course, online shopping has flourished, but buying new shoes, a dress. or pair of pants without a try-on is not without risk. As for restaurants, for some people ordering meals online has become a habit that may be hard to break.

How long the retail rush will last is another question. Covid-19 has made most people more careful with their money. Some who were caught by the pandemic with too much debt have decided that rainy days are not tolerable without money. As travel agents tell me, cruise ships and crowded airplane cabins are not yet at the top of client bucket lists. There remains a feeling of caution about air and sea travel.

Another question, what will happen to the excess office space in the urban centres? Many have found working from home at least a few days each week good for their anxiety level and not harmful to their finances. One former colleague happily told me, working from home has saved him $4000 annually in parking fees. For investors, Toronto is a major North American urban centre. If Toronto vacancy rates become headline news, it will likely indicate a buying opportunity. The desire to live and work in a major urban centre has been a centuries-long trend, and is unlikely to be derailed by the most recent pandemic.

Of course, the most important question is, how will the federal government handle the mounting debt currently at $2.35 trillion and the accumulating budget deficits running at $350 billion per annum. For the moment, there does not seem to be a plan. In fact, there likely will not be a plan until after the federal election. Until the election -- rumoured this fall -- the financial markets will likely ride a crest of optimism celebrating the anticipated end of Covid-19 and a return to a fragile new normalcy.

Maybe Canada is also waiting to see what the U.S is going to do about their deficits. In the meantime, investors need to be concerned about inflation. Rising inflation means higher interest charges on loans, Burger King instead of fine dining, more sales taxes to match higher prices, holidays becoming financially out of reach, scaled-back retirement plans and endless budget revisions for households.

On the other hand, inflation means increased government revenue to help service government debt. Although purchasing less, an inflated currency also makes it much easier for Ottawa to pay down debt. For governments, a rapidly rising rate of inflation is a less disrupting method of currency bankruptcy.

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