Wounded Goose

What marks President Xi's recent corporate meddling is the thick vein of social engineering.

Pity the poor Chinese stock investor. Just as the international community is ganging up on China again, hurting expansion plans and export markets, their own president seems hell-bent on bringing their best-performing high-flying companies back down to earth.

A casual observer might conclude this is business as usual in China. Rapid expansion of these technology, media and telecom (TMT) companies has given them financial clout and, perhaps more importantly, much personal data on China's citizenry. As these TMT companies are finding out, to threaten President Xi's political power is to find yourself in the government's crosshairs and possibly subject to a trumped-up corruption inquiry.

Unfortunately, there seems to be more to the story than the normal undermining of potential political opponents What marks President Xi's recent corporate meddling is the thick vein of social engineering.

Judging by the recent flurry of government pronouncements, President Xi seems to believe there is too much academic pressure on the young Chinese students. And they are addicted to video games. And the boys aren't sufficiently 'manly'. This is all reminiscent of Xi's crackdown on Tencent video game business several years ago, when he claimed these games were hurting kids' eyesight.

China's video game crackdown – limiting under-18s to three hours a week - while invasive, may have some Canadian parents nodding in agreement. It's a rare family that hasn't struggled in some way or another with the addictive power of video games. But China's problem is clearly much worse. The most popular game, Honour of Kings, developed by Tencent, has an estimated 100 million daily users, and it's just a fraction of the market. China is estimated to have 700 million video game players, twice the population of the entire USA.

While it may be noble for President Xi to use his immense power to craft a better breed of young citizens, it's very worrisome to this observer that he considers these technology companies an extension of the government bureaucracy. Building a business has enough challenges without having to worry about a government broadside that seems to come from something President Xi saw on television last night.

		2021 Q3	12 Month Returns
S&P/TSX*	20070	-0.5%	24.5%
S&P 500	4308	0.2%	28.1%
Dow Jones	33844	-1.9%	21.8%
Nasdaq	14449	-0.4%	29.4%
$CAD	$0.7885	-2.2%	5.0%
Crude Oil	$75.03	2.9%	84.0%
Gold	$1,757.00	-0.7%	-6.8%

**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.*

The old adage from Deng Xiaoping, "To Get Rich is Glorious", should perhaps be changed to "To Get Rich is Dangerous". Seemingly lost on China's leaders is that the Chinese economic miracle has much to do with the unleashed entrepreneurial energy and boundless talents of the local population. Targeting innovative technology companies may be putting the Golden Goose at risk.

So, until Chinese capital markets are free from President Xi's quixotic meddling, there are probably better homes for significant allocations of our clients' capital. We have recently pared back our overall China exposure in our Global ETF Portfolio. As a replacement we have added an exposure to global financials.

We're moving

After 10 years in our current location at 372 Bay Street, Foster is moving.

Shopping for new office space during the pandemic was certainly a challenge. So was thinking about what office life might look like post-pandemic. But in the end, we decided that the world probably hasn't changed as much as some believe.

In the depths of the lockdown in early 2021, there was some speculation that The Office Was Dead. Over the following few months this radical idea gave way to a consensus that a Hybrid Model was the new paradigm – one where workers' relationship with their bricks and mortar office was 'fluid'. Finally, with our office opening back up this fall, we find more and more staff members hankering for the camaraderie of head office. The team lunches, the presentations and, most importantly, the in-person meetings with clients.

As we write this, our new office space at 25 King West, 21st floor, is being kitted out. It's a fantastic new space in the Commerce Court North tower, a beautifully renovated historic Toronto building that combines old world charm and ultra-modern amenities. Best of all, the King subway is only steps away via the PATH underground network, allowing clients and team members to avoid the worst of Toronto winter weather.

The 12-Month Market Outlook

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

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.

Transitioning a family cottage to the next generation

Determining what happens with the family cottage remains one of the most vexing estate planning issues. Not only are there financial issues to be worked out, but there are often very strong emotional ties that must be navigated. Family cottages are often the site of lifetime memories and relationships, sometimes over multiple generations. If desired, keeping a cottage within the family for future generations to enjoy, takes both planning and open conversation.

Dealing with family cottages has many immediate and future challenges, notably:

1. Tax implications (capital gains and administration tax, also known as probate tax)
2. Future ownership
3. Ongoing maintenance
4. Protecting this asset in case of divorce or bankruptcy
5. Inequity in usage

The most common and detrimental outcomes arise from families doing nothing (!) before the cottage owner passes away without a transition plan.

Where to start? The first step for most families should be to ask children or other heirs about their future interest in the cottage. Many of the challenges that result in having to sell the cottage (estate administration and capital gains taxes), or family infighting (financial maintenance, marital breakups, time using the cottage - sharing with siblings or other owners) can be avoided by starting here. The next step is drafting and putting in place a cottage sharing agreement which provides conflict resolution directives and other agreed-to rules, to ensure there is a framework to resolve multi-owner conflicts.

Looking further forward, there are many different strategies that can be used to keep the cottage within the family and seamlessly transfer it to next generations, while ensuring the family is able to co-exist in harmony.

Your first stop should be with the estate planning expert with our Family Office Group, Howard Schwartz. Whether it's an insurance or structuring solution, at a minimum Howard can put you on the right path for navigating the complexity of this specific estate planning challenge. Speak with your financial advisor to arrange an appointment

Much Ado About an Election

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.

The nicest thing that can be said about election campaigns is they tend to be positive, even inspirational. Unfortunately, in the interest of keeping things positive, there is often silence on the most thorny issues of the day.

The recent election fits this pattern. The rising cost of living was the one topic foremost on the minds of voters, yet so rarely even mentioned during the campaign. Of course, none of the candidates had the nerve to deny a cost-of-living problem, except to say it was transitory, meaning it would gradually disappear sometime, but probably not before Christmas.

By denying Prime Minster Trudeau his coveted majority, the voters sent a message to the Prime Minister to the effect that he had better have some good reasons the next time he decides to call an election. In retrospect, the cost of living problem might have been a good excuse for an election, but that would have required a set of solutions to arrest the problem.

Instead, the election seems to have set in motion measures that are likely to worsen the problem. For example, the three main party leaders pledged to do something about the cost of housing. Any sensible solution would involve increasing the supply of housing. At present, there is a shortage of labour with the skills to build houses. Raising wages is probably the quickest way to attract workers. But raising wages among union workers will inevitably call for wage increases elsewhere in the economy, pushing the cost of living higher.

The Canadian dollar looks weak. The rising level of provincial, federal and consumer debt has scared off foreign investment and has motivated pockets of Canadian wealth, particularly the energy sector, to make more investments outside of Canada. If or when the Canadian dollar weakens, the price of imported goods will cost more, further increasing the cost of living.

One thing the federal parties agree on is the urgent need for larger flows of money for the healthcare sector. Added to that is the likely introduction of Pharmacare, a program long-promised by both the Liberals and NDP. Eventually, a Pharmacare program will reduce the cost of prescriptions, although there will likely be an increase in the number of prescriptions issued. Who will pay for Pharmacare? This highlights another possible source of cost-of-living increases - higher taxes.

Will the accumulation of cost increases ever bloom into run-away inflation? The Governor of the Bank of Canada assures us this is very unlikely. In a recent televised statement, he stated that the buying of debt to keep interest rates low will end in mid 2022, and interest rates will probably increase in 2023. In the meantime, the cost of living continues to rise.

We are not alone thinking the 44th general election was unnecessary and annoying. The morning after the vote, page one in the Financial Post ran a delightfully irrelevant article by Colin McClelland, who described how the numbers one and two toilet papers (ranked by softness) are a planetary nemesis because a year of use by a family of four “generates about the same amount of carbon as cutting down 27 trees or flying on a jet from Toronto to Vancouver.”

Proctor & Gamble replied that they take responsibility for the environmental damage but can do nothing about it. To their credit, unlike our politicians on the rising cost of living issue, they are at least taking ownership of the problem.

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Foster Family Office

Foster Family Office understands Legacy.

You have worked hard to get where you are, and now you are looking to the future. We offer the expertise and investment knowledge to help you maintain what you've built, and grow it for future generations.

What makes the Foster Family Office different?

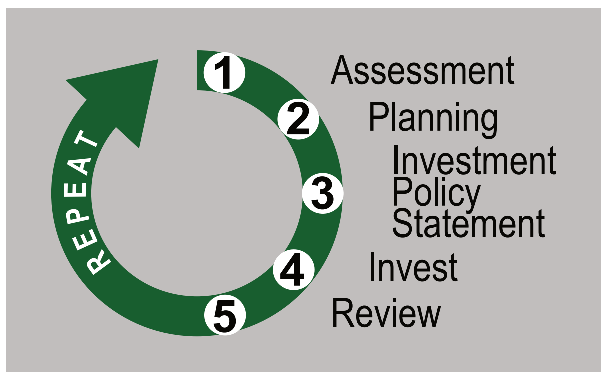
- You are concerned about securing your prosperity for future generations. You have moved past financing a comfortable retirement and now it's about Wealth Preservation, Estate Planning, and maybe even Philanthropy.
- When you are with our Family Office, you're investing alongside the principals of the firm. We invest your money the same way we invest our own.
- We won't invest a dollar until we understand exactly what money means to you: what it's for, who it's for, and what we're trying to accomplish together.

How we get you from here to there.

At Foster Family Office, first we meet with you to assess your goals.

Then we create a plan built for you. Outlined in your personal Investment Policy Statement (IPS), we detail that plan that guides our investments, for your future.

The Foster Family Office team will regulary review and assess your portfolio and we will meet with you annually to keep you up-to-date.



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