PERSPECTIVE

INVESTING AT THE CROSSROADS OF TWO DECADES

Winter 2020 | Issue 1 | Volume 17

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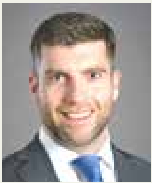

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Investing in Today's World

It's been a tumultuous few weeks in a young new year, accompanied by very mixed emotions. Geopolitical tensions have demanded our attention and great sadness surrounds the loss of life in the Ukraine International Airlines flight downed by Iran. The weight of emotion has hit home with the death of 57 Canadians. Our thoughts are with the families, friends and communities touched by this tragedy.

On a distinctly different front, there's been positive news for investors as equity markets closed 2019 on a high, posting double-digit returns. In many ways, we find ourselves standing squarely between the world's major themes. Likewise in this edition of *Perspective*, we look back to valuable earned experiences and ahead to the dynamic future unfolding before us.

For instance, in *Investing at the Crossroads of Two Decades*, Manmeet Bhatia and Ian Riach highlight the lasting money management themes of the 2010s and advances that will influence the way forward. With 2019's robust results in hand, they raise considerations that keep the tulip mania of 1637 relevant, the human biases that can foil us, and return expectations for 2020.

For centuries, families have used trust structures to shape their legacy over generations. In *Achieving a Fine Balance,* Thomas Junkin and Giles Marshall discuss investing trust funds, evolving portfolio construction, and the long-lived ripple effects of decisions trust creators make.

We talk about new addresses here on earth and up among the stars. Read *Sizing Up Your Next Move* and *Divvying Up the Moon*.

Whether you're in the middle of life-shaping decisions or sorting between competing market views, having a clear wealth management plan and a strong team in place provide a critical anchor. We're here to share our disciplined investment expertise and experience and the benefits of our leading technological capabilities with you. It's our job to provide clarity, have challenging conversations, work with multiple professional advisors, share new thinking and opportunities, all with the long-term view of preserving and growing your wealth as our first priority.

Heading into the season of annual reviews, RRSPs and personal taxes, consider any questions you may have, any changes you wish to make, and any changes that occurred in 2019. We look forward to working with you to make 2020 a great year.

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MARKET COMMENTARY

Equity Markets Strong Across the Finish Line

By Ian M. Riach

Global equity markets finished 2019 strong, posting robust returns in the fourth quarter. Easing trade tensions seemed to be the primary catalyst for the rally heading into the year's end, culminating with announcements that the United States had struck deals with China and Canada. Phase one of the US-China trade pact and the new United States-Mexico-Canada Agreement are both expected to be ratified in January. In the United Kingdom, the Conservative Party's majority election win cleared the path for Brexit to move forward. These events lifted some of the uncertainty that existed earlier in 2019 and bolstered investor sentiment. In addition, most major central banks worldwide continued to provide liquidity, which, as we have seen for the past 10 years, supports financial asset prices.

The United States led developed equity markets once again. There is an adage: "Bull markets don't die of old age. They are killed by recessions."[1] Halfway through 2019, many economic indicators—such as weak manufacturing activity, decreased business spending and declining exports—raised the probability of a forthcoming US recession. As a result, markets sold off in the spring and investors moved to the sidelines, awaiting further signals.

The first favourable sign occurred in October, as the US Federal Reserve lowered its target funding rate once again. Also, as trade concerns began to fade, so did recession concerns, prompting equity prices to resume their upward trend. So-called FAANG stocks, along with other technology-related names, resumed market leadership.

The Europe, Australasia and Far East area was the next best performing market, fuelled by gains in European and Japanese equities. Economic data remained mixed, but there was some positive news from Europe's employment front and fiscal policy stimulus in Japan seemed to outweigh weaker corporate investment. As in the United States, substantial central bank action across the region, along with easing trade tensions, also benefited stock prices.

The Canadian equity market lagged its foreign counterparts by about half, even though the loonie appreciated against most major currencies. Despite strong fourth quarter gains by the influential resource sectors, the heavily weighted Financial Services sector barely broke even, weighing on overall returns.

Canada's bond market was volatile, with yields rising during the quarter as investors rotated into equities. The Bank of Canada acknowledged some economic fragility, but chose to leave its overnight lending rate unchanged, citing the on-target inflation rate and flexibility current rates provide in the event of a slowdown.

Throughout 2019, there appeared to be a disconnect between equity market returns and economic and financial data. Stock indexes hit record highs as economic and corporate earnings growth decelerated. Central banks' ongoing massive stimulus was one offsetting factor to the weaker data. In earlier commentaries, we questioned the sustainability of a prolonged stock market rally fuelled only by excessive liquidity in the face of slowing growth and profit pressures. Stunning 2019 returns heighten our concerns, as valuations continue to stretch beyond longer-term averages. While not at excessive levels, we feel valuations are vulnerable to disappointment and prefer to lean slightly to the cautious side in our portfolio positioning.

Market Performance (%)	Q4 2019	1-Year
S&P/TSX Composite Index	3.2%	22.9%
S&P 500 Index (CDN$)	6.9%	25.3%
MSCI EAFE Index (CDN$)	6.1%	16.8%
FTSE TMX Canada Universe Bond Index	-0.9%	6.9%
CDN$ Versus US$	1.9%	5.0%

The above Index reviews are calculated from external sources and, where applicable, reflect total returns.
All figures are in Canadian dollars and are as at December 31, 2019.

1. Ed Yardeni, "Bull markets don't die of old age," Business Insider, March 24, 2015, https://www.businessinsider.com/bull-markets-dont-die-of-old-age-2015-3.

A Good Year Despite Fears

By Scott Guitard

Global equities ended 2019 on a high note as fears of slowing economic growth worldwide moderated. Such being the case, global bond yields rose (prices fell) on the assumption that central banks may not need to loosen their policies as aggressively in the near term. Although we are not expecting a repeat of double-digit global equity returns, we remain cautiously optimistic moving into 2020.

No arrow = No change from the previous quarter.
→/← Represents quarter-over-quarter change.

	Asset Class	(-) N (+)	Our Viewpoint
MAJOR ASSET CLASSES	Money Market/ Cash Equivalents	←	The Bank of Canada held the policy rate steady in Q4, opting to focus on economic bright spots. Conversely, the US Federal Reserve (the Fed) cut its policy rate once again by 0.25%.[1] We reduced our tactical cash overweight to take advantage of higher bond yields. Given the Q4 strength of global equities, our remaining cash position—slightly overweight to the portfolio's benchmark—weighed on performance.
	Fixed Income	→	Bucking 2019's trend, global bond yields rose in Q4 as recession concerns dwindled and geopolitical risks were overlooked. Investors were relieved as the spread between short-term and long-term bonds climbed, moving further away from the dreaded "inverted yield curve." The portfolio's lower duration (with less sensitivity to interest rate changes), overweight allocation to Canadian investment grade corporate bonds, and International bond allocation added relative value in Q4.
	Equities		Our modest underweight to this asset class hurt relative performance as equities significantly outpaced fixed income and cash during the fourth quarter. Within equity holdings, we added value by being underweight Canadian stocks. Our equities allocation remained constant in Q4 as we are comfortable with our conservative tilt heading into the early months of 2020.
FIXED INCOME SECTORS	Canadian Investment Grade Corporate Bonds		Our bias to Canadian investment grade corporate bonds added value throughout 2019. The portfolio's overweight to Energy sector bonds, as well as security selection within the sector, lifted Q4 performance. While we reallocated some profits from our corporate investment grade bond exposure, we remain dedicated to our structural overweight in this component.
	Government Bonds		Longer-term Government bond yields inched higher in Q4. We think Canadian government bond yields will continue trading in a tight range, with a bias to moving lower if there are any setbacks in economic data over the next few quarters.
	Global Bonds		In Q4, the Templeton Global Bond Fund was the strongest performing strategy in the fixed income component on a relative and absolute basis. Argentinian and Brazilian bonds recuperated some losses from the previous quarter, boosting revenues. The strategy continues to demonstrate diversification benefits for the portfolio, with low correlations to Canadian bonds and global equities.
EQUITY MARKETS	Canadian Equities		On an absolute return basis, it was another strong quarter for Canadian equities, aided by higher commodity prices. Our holdings, however, slightly underperformed the S&P/TSX Composite Index. The overweight to Consumer Staples and underweight to Materials were the largest detractors. We remain cautious about Canada's economy, and paired with the recent run-up in equity prices, we believe a modest underweight remains warranted.
	US Equities		US equities hit new all-time highs in Q4 as the United States and China signalled progress in trade negotiations and the Fed cut its policy rate. Meanwhile, flat economic data was viewed as a win, given built-up recession fears. The portfolio's underweight to Information Technology stocks weighed heavily on relative performance, as investors plowed back into growth stocks after a single-quarter pause. We remain committed to our value bias with the style trading at all-time discounts to growth and momentum.
	International Equities		Stronger eurozone economic data pushed European stocks higher in Q4. Emerging market equities outperformed due to optimism relating to US-China trade talks. Easing trade tensions particularly benefited Eastern Asia (i.e., China, South Korea), which is a region where the portfolio is overweight, thus leading to relative outperformance. We remain neutral on International equities, balancing attractive relative valuations against geopolitical and economic uncertainty.

Asset Allocation Process

Asset allocation decisions result from ongoing discussions within our Private Client Investment Strategy Committee. We begin by making strategic investment decisions against an internal benchmark—for example, the Balanced Growth Benchmark Portfolio—that's based on a neutral asset mix and stable market conditions.[2] The difference between our investment strategy and the benchmark portfolio reflects our active commitment to effectively managing risk and generating superior long-term returns. In updating our investment strategy, we review our investment portfolio and benchmark and complete any required trades.

1. Board of Governors of the Federal Reserve System, "Open Market Operations," November 20, 2019, https://www.federalreserve.gov/monetarypolicy/openmarket.htm.
2. The Balanced Growth Benchmark Portfolio is comprised of 40% fixed income assets and 60% equity assets.

ON INVESTING

The Story Behind Markets' Final Scores

By Vincent Tonietto

> *"Skate to where the puck is going, not where it has been."* **WAYNE GRETZKY**

Given the countless negative headlines that dominated the news in 2019, one could easily think the stock market would struggle to close the decade in positive territory. However, as of writing this, the S&P 500 Index climbed more than 24% during the year.[1]

What's the relationship between such headlines and market returns? It's worth recalling that financial markets are leading indicators, not a reflection, of the current environment. It's also important to note that it wasn't necessarily rising earnings that drove share prices higher in 2019. It was expanding multiples. Said differently, a listed company could have reported the exact same earnings in 2019 versus 2018, but its share price could have increased by 29%.[2]

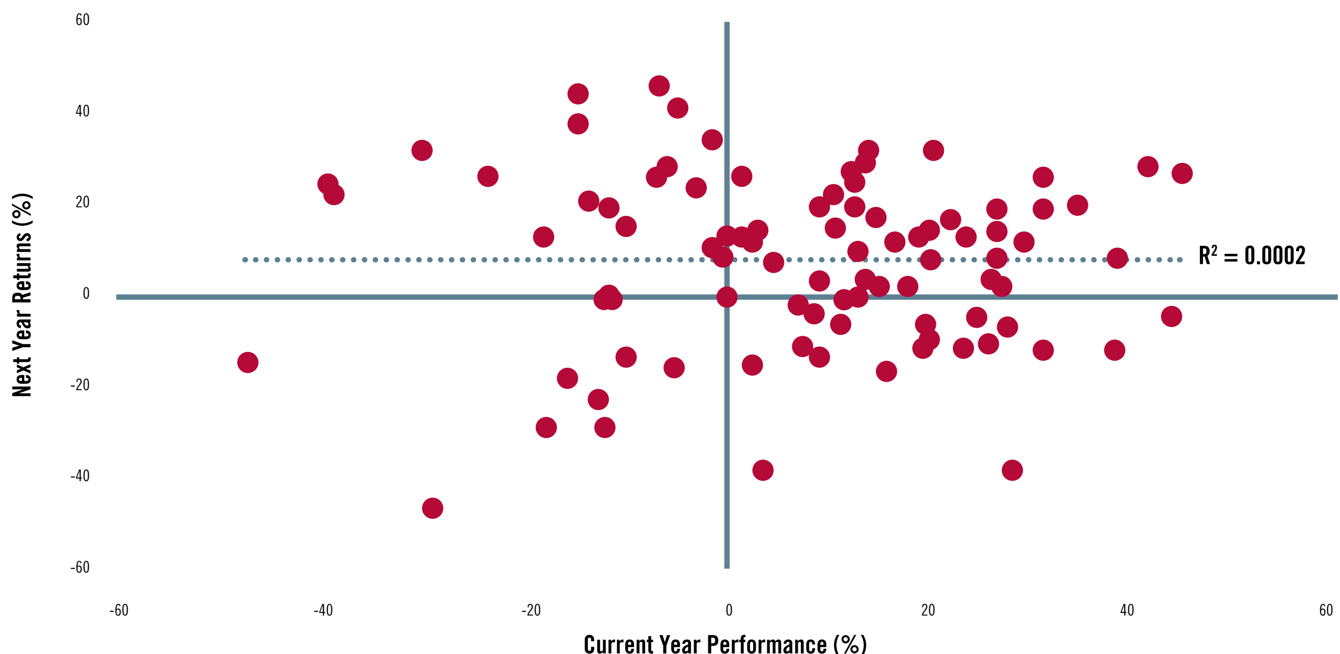
How? Share buybacks—where a company purchases its shares, leaves fewer in circulation and puts upward pressure on share prices—played a significant role in 2019 market performance. At first glance, a less informed investor could see the rising stock prices and assume a company's fundamental results are improving while, in fact, they aren't. Detailed analysis of corporate results is key to differentiating a good investment from a bad one. We focus on variables that provide better visibility, which helps us select quality companies with a strong management team and track record.

Understandably, clients have been asking what to expect from 2020, given the positive results of 2019. Are markets getting ahead of themselves? As the chart below shows—from a pure return perspective—there's no evidence that a strong year is a sure precursor to stronger or weaker returns in the next year. We do know that bottom-up stock selection and careful scrutiny of a company's fundamentals such as quality, value and momentum will be critical in the coming year.

Thus, whatever noise the 2020 headlines make, our portfolio will be well positioned to navigate the environment.

1. FactSet: Price return in CDN$ as at December 20, 2019.
2. FactSet: S&P 500 Index average P/E as at December 20, 2019.

Performance One Year Doesn't Impact the Next



This graph shows there's no correlation between current and future performance. Put differently, current year performance means absolutely nothing in terms of predicting next year's performance.
Source: Bespoke Investment Group, Chart of the Day as at December 16, 2019.

Investing at the Crossroads of Two Decades

In this special edition of the RoundTable, Manmeet Bhatia and Ian Riach pause to reflect on the ground covered in the last 10 years and the path ahead. From the tulip mania of 1637 to investing in this current age of technology, see what they're saying about managing money to help achieve your goals.

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"Yesterday's rules do not necessarily apply to tomorrow's metrics; however, focus, discipline and adhering to fundamental analysis are areas that have not, and will not change."

MANMEET BHATIA

Q: From your vantage point, how will history view the past decade?

Ian Riach: It has been eventful to say the least, starting with the global financial crisis, the European debt calamity, Brexit, other trade concerns and the rise of populism. Since the "great recession," we have seen unprecedented and coordinated central bank participation worldwide. Ongoing accommodative monetary policy and low interest rates have supported the strong performance of this historic equities bull run. Meanwhile, inflation has remained fairly subdued and, despite governments worldwide providing fiscal stimulus, economic growth has been low by historical standards. This scenario is puzzling for economic historians. Some pundits have labelled it the most hated recovery in history.

Manmeet Bhatia: This has been a decade of great transition as advancing technology has evolved from an optional element to a dominating force in our lives. For instance, consider that the number of smartphone users worldwide rose by approximately 700 million from 2016 to 2019.[1] Think about the ongoing rise of artificial intelligence and how Amazon's Alexa, Google's Assistant and Apple's Siri are now an integral part of daily life. The ripple effects are far-reaching.

Q: How has technological innovation influenced investment management?

Manmeet Bhatia: One example is the rapidly growing use of internet-based stock research coupled with strong equity markets, which has led many investors to believe they are able to consistently pick winners. Ultimately, all bull markets either come to an abrupt end or grow tired and stagnate.

During periods of heightened volatility, capital preservation takes precedence over high growth, and professionally constructed portfolios—focusing on fundamental research and a disciplined process—return to the forefront of investing.

From another perspective, through our relationship with Franklin Templeton Investments, we are continuously leveraging leading-edge technology to support portfolio managers' work and to enhance our client experience. We are always exploring how technology can help improve all aspects of our business.

Q: What was commonplace in the 2010s that may change ahead?

Ian Riach: Complacency has been creeping back into markets as investors have experienced low volatility and higher than long-term average returns for a while. This applies to both stocks and bonds. We all suffer from "recency bias," putting more weight on what happened recently when making decisions. We do not expect returns in the next seven to eight years to match those of the past seven or eight. Low interest rates, slower growth and current valuation levels all point to lower expected returns going forward.

Working with their advisor/portfolio manager, we believe investors would be wise to "recalibrate" expectations, fight the pull of recency bias, and align the new reality with their goals.

1. "Number of smartphone users worldwide 2014-2020," *Statista*, September 2019, https://www.statista.com/statistics/330695/number-of-smartphone-users-worldwide.

Q: How is demand for sustainable income in this low-rate environment influencing the way we work to help achieve client objectives?

Manmeet Bhatia: Conservative portfolios leaning largely towards interest and dividend yields are not necessarily the panacea they once were. Tilting a portfolio to bonds may not provide the cash flow necessary to sustain an investor's income needs. Similarly, the demand for yield has led to the appreciation of so-called bond proxies, or high-yielding stocks, which are now in overvalued territory.

We believe security selection within a sector, versus broad-based exposure to a sector, will take on greater importance as the search for yield continues in this environment. We are also seeing demand for different forms of income continue to escalate, giving further rise to the use of alternative investments.

Q: Is there a stock that epitomizes the last decade?

Ian Riach: The so-called FAANG stocks—high-growth, technology-oriented companies like Facebook, Amazon, Netflix, etc., are certainly worth noting. There was also the commodity boom about mid-decade where the stock of any company with "oil or gas" in their name shot to the moon. Unfortunately, this important sector has experienced a painful downturn and many stock prices have fallen close to zero.

Manmeet Bhatia: I would focus on those companies representing lost opportunities. Over the last number of decades in Canada, several companies have, for a short while, held the title of largest company by market capitalization. Some of them are now delisted or have seen significant declines. Such rapidly rising, quickly falling stars should remind investors that strong balance sheets and cash flow generation are never out of favour for the long term, despite short-term noise that may underappreciate or under-value their respective stocks. It is important to avoid noise that veers focus away from a disciplined investment approach.

Q: What underappreciated themes could gather momentum or emerge next?

Ian Riach: Given current trade uncertainty, I think many investors have lost sight of the longer-term potential for emerging markets. Most such markets have significantly restructured their economies, are less reliant on external debt to grow, less vulnerable to economic dislocations, and have higher growth prospects than developed markets. Yes, they are subject to political risks; however, they are in much better shape than just 10 years ago. Given trade concerns, we are somewhat cautious in the short term, but longer term we are much more constructive on emerging markets.

Taking a step back, markets are said to climb the "wall of worry." Some of my comments might lead investors to think I am negative on markets. Not so, especially in the long term. Right now, risks seem to outweigh the potential for excess returns. High valuation levels and decelerating growth data mean that some caution is warranted.

Manmeet Bhatia: Cash remains a safe haven investment in times of uncertainty. Holding cash balances should not be viewed as a lack of action, but rather a measure to not force an investment while waiting for appropriate price points to enter quality investments.

Q: "The more things change; the more they remain the same." How does this apply today?

Ian Riach: Every market cycle, we hear "it's different this time." Looking back to the tulip bubble of 1637, it's true to some extent as each market cycle is defined by different events. But, eventually fundamentals come to the forefront. What should remain constant is an investor's commitment to what I call "first principles"—focusing on long-term goals and understanding one's risk tolerance.

Manmeet Bhatia: History has shown that chasing short-term returns inspired by different industries and/or sectors driving market performance often results in long-term underperformance and heightened risk in the form of non-compensated volatility.

Yes, it is important to ensure a fluid investment strategy, taking into account the world's constant state of change. Yesterday's rules do not necessarily apply to tomorrow's metrics; however, focus, discipline and adhering to fundamental analysis are areas that have not, and will not change.

Achieving a Fine Balance

As you know, Fiduciary Trust Canada is a specialized firm with the seamless ability to structure and manage trusts plus invest money held in trust. It's equally unusual to have a trust specialist and portfolio manager—with over 60 years of combined professional expertise—talking about the market and human dynamics involved in managing trust funds. That's what team members Thomas Junkin, Senior Vice President, Personal Trust Services, and Giles Marshall, Vice President and Portfolio Manager, did recently for *Perspective.* Take advantage of their insights and knowledge.

Q: What are your general thoughts on the nuances of investing trust funds?

Thomas Junkin: The parameters have certainly evolved over the last few decades. Historically, trustees had to invest in accordance with an approved list of investments (unless the will or trust deed authorized unrestricted investing). This so-called "legal list" was enshrined in provincial statutes and regulations and was badly out of step with modern portfolio theory (MPT). It got to the point where following the legal list of investments and not employing an MPT-driven total portfolio approach could actually be seen as imprudent, since no knowledgeable investor would follow the legal list.

Provinces have since updated their statutes, enabling trustees to invest according to the "prudent investor rule" that says: When making investment decisions, a trustee must adhere to the same standard that a prudent business person, familiar with investing, would adhere to when making investments on behalf of another person to whom they owe a fiduciary standard of care.

As a result, trustees take a broader portfolio view of risk and return, use diversification to improve return expectations while reducing risk, and seek an optimal total return from investments instead of focusing narrowly on investment income or capital gain expectations.

Giles Marshall: As discretionary investment managers, we're already held to a fiduciary standard which, among other things, necessitates a prudent approach to investment decision making, so there's nothing new in that regard. However, the even-handedness rule, specific to managing trust property, adds a layer of complexity in designing a portfolio's strategic asset mix. Being even-handed means we need to ensure the needs of beneficiaries who currently rely on trust income, and those who expect to eventually inherit capital, are both met. In addition, the Investment Policy Statement (IPS)—outlining the constraints within which the trust's property will be managed—needs to be approved by the trustees.

Beyond those items, managing a living or testamentary trust is similar to managing other long-term portfolios such as an RRSP.

Q: Given the realities of investing over years, what key things should one keep in mind when structuring a trust?

Thomas Junkin: I'll tackle that answer from the view of the person creating the trust (the settlor). Choose a trustee who is knowledgeable now and committed to keeping pace with change over decades, who will listen and take advice and above all, will put beneficiaries' interests above their own. Take time to consider the amount of discretion your trustee should have and the investment, as well as distribution strategy, which will result from your decision.

Traditional trusts, for instance, separated investment returns into two buckets, income and capital. A common example would be a spousal trust created by the husband for his wife that states: "Pay all trust income to my spouse during her lifetime. Once she has passed, pay the capital to my children." In this scenario, the wife wants maximum income and the children want maximum capital gain. From the outset, there's a built-in conflict, especially if a second marriage is involved.

In contrast to this traditional model, we frequently recommend a fully discretionary distribution model that allows the trustee to make income and/or capital distribution decisions based on current circumstances, shaped by beneficiaries' needs, not the return source. Here are a few reasons why.

First, there are market realities. This prolonged low-yield environment has demonstrated that a narrow focus on generating traditional income (interest and dividends) may frustrate income beneficiaries. Consider creating trust terms that allow the trustee to seek the optimal balance of risk and return, based on total investment return, not separate buckets of income and capital gain.

Second, there are family relationship realities. The traditional model may incent competing beneficiaries to focus too narrowly on specific investment outcomes, such as maximizing dividend income. The fully discretionary model aligns beneficiaries' interests in seeking the optimum total investment return, consistent with their risk tolerance. The trustee can focus on meeting beneficiary needs instead of refereeing disputes over investment strategy.

We also believe tax planning and working with a tax advisor should be a priority for the settlor, trustee and beneficiaries.

Q: Is there a type of portfolio construction/asset allocation generally associated with investing trust monies?

Giles Marshall: Once we understand beneficiaries' needs, there's nothing

especially unusual about managing a trust portfolio. We've developed a counselling and an investment decision-making process that's effective in identifying a suitable strategic asset mix for clients at the outset. We then make tactical adjustments to that strategic positioning, as well as ongoing changes at the portfolio construction level (i.e., holdings in individual securities and/or pooled funds).

Q: How is the low-interest environment influencing trust fund investment decisions?

Giles Marshall: Given low bond yields, satisfying the needs of income and capital beneficiaries is a key issue. With the overall FTSE Canada Universe Bond Index—a broad measure of the opportunity set in Canadian bonds—yielding a meagre 2.12%,[1] meeting the needs of income beneficiaries necessitates a higher weighting in dividend-paying common stock than has historically been the case. This obviously has ramifications for the overall level of volatility, one widely used measure of portfolio risk. In short, we're seeing a trend whereby the equity component of a trust portfolio is significantly higher than 10 or 20 years ago.

Q: What do you think is key when structuring a trust intended to span generations?

Giles Marshall: For multigenerational trusts, inflation protection will be an especially important consideration to preserve both income and capital in real terms. Since equities offer better inflation protection than bonds, a skew towards dividend growth companies may well be appropriate.

Also, keep in mind that, although some of the tax benefits of trusts have been clawed back over the years, trusts remain effective investment structures where the settlor and beneficiaries can be assured their objectives and best interests will be honoured.

Thomas Junkin: Looking ahead, I wonder how current investment realities will affect the evolution of what's considered "prudent." If, for instance, global diversification were to become less effective, it will be interesting to see whether trustees have to look beyond the wisdom of modern portfolio theory in search of other ways to balance risk and return. What do the next evolutionary steps look like for a structure that, for centuries, has been helping families shape their future?

1. FTSE Russell Debt Market Indices as at November 30, 2019.

Sizing Up Your Next Move

By David M. Cieslowski

There's a long-standing romanticism associated with retiring to a warmer climate, whether it's closer to home in Victoria, B.C., a bit further afield in hotter US spots, or more exotic places like Costa Rica or Fiji.

You've likely heard about the host of questions that you should answer for yourself before making such a move. Questions ranging from cost, safety and security, to health care, language, how residents feel about foreign visitors, and the ability to develop and maintain a social network abroad.

One of your first decisions will have numerous and significant impacts upon many of these issues, particularly taxation. The question is: How long have you decided to be out of the country? Are you planning to leave permanently? Or, are you simply planning to spend the winter abroad? Now, let's look at some of the tax implications of your decision.

For instance, ceasing residency for Canadian tax purposes can be very complicated and has many implications requiring significant expertise from a qualified tax professional. In brief, you'll be deemed to have disposed of your Canadian property at fair market value and will need to pay the Canada Revenue Agency (CRA) for unrealized gains on your property (with some exceptions that allow for deferral). If you continue to receive Canadian pensions and withdrawals from your RRSP/RRIF, you'll have to pay tax to CRA using withholding measures. Don't assume you can go through the motions of ceasing tax residency, but then return frequently and maintain club memberships. CRA doesn't like that. Ceasing residency normally also means you lose entitlement to the Canadian health care system.

Following the Sun South

Alternatively, if you want to escape cold Canadian winters, there are still issues to consider. Be sure to check your provincial health care and supplemental plans to determine if you'll be covered and if you need to buy additional health insurance. Some pre-existing conditions can prevent you from obtaining appropriate coverage, or the costs can be so exorbitant that you may not deem the seasonal move worthwhile. Whatever you decide, know that a major medical issue abroad without proper coverage could cost hundreds of thousands of dollars and has led to the financial ruin of more than one family.

How many days will you be outside Canada? Looking at the United States as a destination example, many people feel that as long as they spend six months or less, or 180 days, outside Canada there will be no issues. Unfortunately, that's just not so. As we discussed in *Tracking Time in the United States*, if on average you spend more than four months in that country for three consecutive years, you might be caught by the "Substantial Presence Test," which has potentially serious financial implications.[1]

Or, let's say you decide to buy a US property and rent it part-time to cover expenses. Be aware you'll have to file an annual 1040-NR tax return and acquire a Taxpayer Identification number to register with the Internal Revenue Service. Some cities require you have an official licence to rent a property to the public, and if you're "out of state" you must hire a local professional property management firm.

If you spend more than six months in any other country during a calendar year, always check with your accountant for any sort of proactive steps or reactive actions to ensure you remain on track.

Don't be afraid to spend some, or all, of your retirement in another country; just be sure to do your homework before you leave.

1. David M. Cieslowski, "Tracking Time in the United States," *Perspective*, January 2017, www.fiduciarytrust.ca.

What Is 5G All About?

By Kevin B. McLachlan

Watching the news lately, you've likely heard a lot about the upcoming arrival of 5G and the controversy over whether companies such as China's tech giant, Huawei, should be allowed to build 5G networks in Canada. But, what is 5G exactly and what are its possibilities?

The acronym "5G" refers to fifth-generation cellular wireless and it's the newest generation of that particular technology. Most previous generations have been defined by their data transmission speeds and different encoding methods, which made each new generation incompatible with previous ones. For instance, 1G brought us analog cellular, 2G technologies were the first generation of digital cellular, while 3G and 4G technologies delivered greater speeds.[1]

While the promise of 5G over previous generations is certainly much greater speed (moving more data, faster), it's also about much quicker responsiveness (eliminating lag time) and the ability to connect many more devices at once. The 5G networks could be approximately 100 times faster than a typical cellular connection and 10 times faster than high-speed home Internet service.[2] Now, this won't happen overnight as we'll need to see significant investment in the upgrading of current cellular and wireless infrastructure. And we consumers will need new devices, such as 5G-capable phones.

If the projected speed and responsiveness are achieved, more mundane tasks (like the ability to download a season of *Stranger Things* in seconds) will become easier and more efficient. It will also mean 5G can become an enabling technology, sparking major advances in things like self-driving cars, virtual/augmented reality and telemedicine services such as remote surgery.

Let's look at remote surgery as an example. We know one of the major 5G benefits is its responsiveness, or the short lag time between a device pinging the network and receiving a response. Even with 4G LTE (Long-Term Evolution, a 4G wireless communications standard) there's a lag, although it's not necessarily noticeable. A 5G network virtually eliminates lag time, which means, in future, a surgeon might not need to be in the operating room while working with a patient.

An example of this concept was demonstrated at the Mobile World Congress in 2017.[3] Telecommunications company Ericsson, working with startup NeuroDigital Technologies and doctors at King's College London, used a dummy patient to demonstrate how a surgeon could operate, using a virtual reality headset and special glove to control a robot arm in another location. The glove was fitted with haptic feedback motors that buzzed when one touched the dummy's organ, giving the sensation of actual touch.

"The 5G networks could be approximately 100 times faster than a typical cellular connection...."

This is but one example of the full potential of 5G networks, but it will surely take time for these types of goals to be achieved. We could also see other major developments emerge—concepts that no one has even thought of yet. This simple number/letter combination could usher in a whole new era, with major implications for business and society. Expect to hear a lot more about 5G in the times ahead.

1. Sascha Segan,"What Is 5G?" *PC Magazine*, October 31, 2019, https://www.pcmag.com.
2. Roger Cheng,"The 5G wireless revolution explained," *CNET*, October 27, 2019, https://www.cnet.com.
3. Roger Cheng, "Not just speed: 7 incredible things you can do with 5G," *CNET*, March 2, 2017, https://www.cnet.com.

Divvying Up the Moon

It's been over 50 years since the first moon landing, and until 2017, going back wasn't much of a priority. Now, thanks to the American government's directive to "send humans to the moon and establish a sustainable presence there" by 2024,[1] there's a wave of renewed interest. Private companies are helping NASA develop plans for a lunar space station, as well as exploring their own commercial opportunities.

But as several corporations and countries—including China, Luxembourg and the United Arab Emirates[2]—plan lunar missions, a thorny question arises. How will we divvy up the moon? It's possible a private corporation, like SpaceX or Bigelow, may establish a lunar colony before NASA does. Jeff Bezos' Blue Origin, for example, has unveiled plans to settle on the moon as soon as 2023.[3] Companies want to mine (for both water and precious materials), harness solar energy, and send our remains to the moon.[4] It may even become a way station, used to launch rockets and satellites further into the solar system. NASA is exploring ways to use reusable rockets and landers, which has given rise to the (still far-fetched) notion of "space tourism." As countries and corporations visit the moon's surface repeatedly, who and how do we determine property rights?

Some suggest things could get tricky. "International regulations may not be enough to stop a roving band of well-supplied settlers from making a moon grab," write Tim Robustelli and Dennis Wille in *Slate*.[5] Some say *The Outer Space Treaty*, signed in 1967, prohibits anyone—country, corporation, or private citizen—from owning land in space. Other legislation says people have the right to mine resources from outer space.[6] It may take governmental oversight, from various nations, to ensure peaceful settlement outside Earth's atmosphere.

In the meantime, all this uncertainty means you can "buy" a piece of lunar real estate for just a few dollars, through the Lunar Embassy.[7] It is, as they say, a real steal.

1. Nola Taylor Redd, "Will Private Companies Beat NASA to the Moon?" *Space.com*, July 31, 2019, https://www.space.com/nasa-private-companies-moon-race.html.
2. Tim Robustelli and David Wille, "Someday We'll Have to Deal with Squatters in Space," *Slate*, July 5, 2019, https://slate.com.
3. Tim Robustelli and David Wille, "Someday We'll Have to Deal with Squatters in Space."
4. Rivka Galchen, "The Race to Develop the Moon," *The New Yorker*, April 29, 2019, https://www.newyorker.com/magazine/2019/05/06/the-race-to-develop-the-moon.
5. Tim Robustelli and David Wille, "Someday We'll Have to Deal with Squatters in Space."
6. "Race to Make Moon Earth's Eighth Continent," *The Day*, January 4, 2019, https://the day.co.uk/stories/race-to-make-moon-earth-s-eigth-continent.
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