

THE ARTISAN



ISSUE: WINTER 2019



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IS BETTER THAN A
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NORTHLAND
—WEALTH MANAGEMENT—

At Northland Wealth, our commitment to placing your family first and foremost by continually improving and broadening our services, is at the heart of our firm. We understand that having a prosperous family requires cohesiveness that is created through communication, education and involvement across all of its generations. Working with an independent, multi-family office like Northland Wealth is a good first step, as we provide unbiased advice and guidance and allow a family to aggregate its resources with others to obtain difficult-to-access institutional-quality traditional and alternative investments.

This approach differentiates Northland Wealth and its professionals from the bank-owned investment counsellors, asset managers and advisors in Canada. This difference has not gone unnoticed; for the fifth year in a row, members of Northland Wealth will be travelling to New York City to compete in two of North America's most prestigious industry award events.

We are honoured to share the news that Northland Wealth has again been shortlisted for the category of **Best Multi-Family Office – under \$2 billion** and **Best Multi-Family Office – Client Service – under \$2 billion** at the upcoming *Private Asset Management (PAM) Awards*. In addition, at the *Family Wealth Report (FWR) Awards*, Northland Wealth has been named a finalist for the category of **Best Multi-Family Office** - up to \$2.5 billion. Also, Northland's CEO, Arthur Salzer, is a finalist in the category of **Outstanding Contribution to Wealth Management Though Leadership – Multi-Family Office/Advisor/Manager**. Being a finalist is a major achievement, as Arthur is the only Canadian to have been selected, as the other finalists are from major banks, trust companies and family offices from across the United States. Please wish us luck.



In this edition of The Artisan, our feature story is entitled, "Access Granted" as we divulge some of the insights we have gathered while attending a few of the most exclusive investment gatherings from around the world. Also, to help with the typical New Year's resolution of becoming happier and more productive, we examine how "Mindfulness" can play an important part. We share all of this along with our market insights and more.

Lastly, from everyone at Northland Wealth we wish you and your family a healthy, happy and prosperous 2019!



ORIGINS AND UNDERSTANDING



To the unwary eye, it may appear as if there has been an explosion of investment products with a robust offering of exchange traded funds (ETFs), mutual funds and now liquid alternative funds (aka hedge funds with daily liquidity). The choices seem endless and the decisions more complicated. Even with this array of

choices, the fact is that the retail investor, regardless of net worth, typically has fewer choices and access if they are dealing with a bank or broker.

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MINDFULNESS

What is Mindfulness?

Mindfulness is a term that is being used with increasing frequency in the media, at gyms and yoga studios, as well as in business environments. Mindfulness refers to a psychological state of awareness where an individual pays close attention, with intention, in the moment without judgement. This is very different than the way most of us live our lives – which is often on auto pilot. We have habits and routines that shape most of our decisions and the pace of life often prevents us from noticing much of what surrounds us. Adding to this, our minds wander all the time, either reviewing the past or planning for the future, further obstructing the ability to live in the moment, or engage in thoughtful introspection.

Several disciplines and practices can cultivate mindfulness, such as yoga or tai chi. There are benefits to developing mindfulness through mindfulness meditation — those self-regulation practices that focus on training attention and awareness in order to bring mental processes under greater voluntary control and thereby foster general mental well-being and/or development of specific capacities such as calmness, clarity, and concentration.



How to Practice Mindfulness:

The following is a short practice to get you started: 1) Take a seat - find a comfortable place to sit where there is little to no traffic in your home; 2) Set a time limit - If you're just beginning, it can help to choose a shorter time, such as 5 or 10 minutes; 3) Notice your body - you can sit in a chair with your feet on the floor, you can sit loosely cross-legged or in lotus posture - all are fine. Just make sure you are in a position you can sustain for a while; 4) Feel your breath - follow the sensation of your



UPDATE AND OUTLOOK

CORRECTION!

Equity markets in North America suffered significant declines in the last quarter of 2018. The TSX fell to levels not seen since 2016. This should not surprise investors as market corrections are a normal part of equity market history.

Some observers see market corrections as predictions of recessions, but history has shown this is not necessarily the case.

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One of the most violent market sell-offs in 1987 was not followed by a recession. Numerous market corrections have been followed by resurgent markets. If an investor has purchased a stock for dividend cash flow the focus should be on that dividend. If

the dividend is secure then the fluctuations of the stock price in the market is irrelevant. Although the price of the asset fluctuates, the dividend payments seldom change. An example would be Canadian banks or BCE during 2008.

The question that naturally arises is why a correction now? There are a number of concerns that have surfaced that create uncertainties for the future concerning interest rates, trade relations and political events.

The U.S. Federal Reserve has proceeded with a number of interest rate increases and has also reversed its stimulative securities buying program, which was known as quantitative easing or QE. This reversal of policy, which is called quantitative tightening, aka QT, means that no new purchases are being made, allowing for the bonds to mature. The result is that recently some \$50 billion have been removed from the fixed income markets monthly, or \$600 billion per year! This tightens fixed income markets - a pattern that has in the past preceded a move into recession. However, after reaching a Treasury rate over 3.46%, U.S. government bond rates have substantially drifted lower. Also inflation rates have not risen - despite high economic growth rates. Recent comments by the Federal Reserve indicate future rate increases anticipated in 2019 have been reduced from three to two. With overall interest rates still at historically low levels and the prospect of further increases

in rates limited, a Fed-generated recession is unlikely in the near term. An inversion of Treasury bond rates (that is short rates above long rates), also considered a precursor of a recession, has not happened.

Recent developments in the trade sector are a potential threat to world economic growth.

Recent developments in the trade sector are a potential threat to world economic growth. The U.S. has launched a number of tariffs on foreign imports that are disruptive to long standing trade relationships and corporate profitability. Despite signing a trade agreement to replace NAFTA, Canada and Mexico have had the unfortunate experience of U.S. tariffs on steel and aluminum. However, the main target of U.S. tariffs has been China, and Investors' fear of an escalation of this trade dispute into a wider trade war, and the negative impact on world growth in general, has made investment in multi national U.S. corporations seem more risky. Recent press releases however indicate that the U.S. and China have scheduled meetings in early 2019 to resolve the ongoing trade dispute.

Politics can also have a negative impact on investor sentiment. In the U.K. Brexit negotiations between the U.K. and the European Union have yet to produce a workable plan for a smooth exit. London as a financial centre is under threat, as are a number of



major U.K. financial institutions. In Europe riots caused by a backlash to excessive taxation on fuel in France, have done damage to France's leadership role in Europe.

In Germany Angela Merkel has announced her retirement - again the loss of a stabilizing influence in Europe.

While it is natural for investors to worry, most of the worries are about what might happen in the future not what has happened.

While it is natural for investors to worry, most of the worries are about what might happen in the future not what has happened. The chances of a recession in 2019 are relatively small and would require a very sudden slowdown in economic growth.

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breath as it goes in and as it goes out; 5) Notice when your mind has wandered. Inevitably your attention will leave the sensations of the breath and wander to other places. When you notice this simply return your attention to the breath; 6) Be kind to your wandering mind - avoid judgement or frustration with the mind that can obsess over the content of the thoughts you find yourself lost in. Simply return to your breath. That's it! That's the practice.



What are the Benefits of Being Mindful:

Those that learn and regularly practice the techniques of mindfulness often report that they experience decreased levels of stress and anxiety, less rumination and worry and an increased ability to focus on tasks for longer periods of time. They tend also to experience less emotional reactivity toward others and experiences, increased relationship satisfaction, as well as greater self-insight, intuition and a measured increase in feelings of calm.

Further Resources:

To learn more about the practice of mindfulness you may find the following books useful - *Wherever You Go, There You Are: Mindfulness Meditation in Everyday Life* by Jon Kabat-Zinn; *The Art of Breathing: The Secret to Living Mindfully* by Danny Penman; *Mindfulness: An Eight-Week Plan for Finding Peace in a Frantic World* by Mark Williams; *The Power of Now* by Eckart Tolle and *The Miracle of Mindfulness: An Introduction to the Practice of Meditation* by Thich Nhat Hanh.

Gregory Lawrence, CPA, CMA, CFA
Vice President, Wealth Management





ORIGINS AND UNDERSTANDING: (CONTINUED FROM PAGE 1)

Institutional investors such as pension funds, university endowments, and sovereign wealth funds, have an unconstrained, open-architecture investment universe. These hard-to-access institutional opportunities allow these sophisticated investors to have the ability to create portfolios with broader diversification, which may allow for better risk adjusted returns. This is the main reason that Canada's Pension Plan is deemed to be so successful.

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At Northland Wealth we dedicate considerable resources to generating access to investment solutions that tend to only be available to institutional investors. In addition, as fiduciaries to the family's we serve, we perform extensive and rigorous due diligence on the managers and opportunities we look at.

The following examines just a couple of the managers we have met with over the past few months.



With its deep political connections and 32 year track record, the Carlyle Group has amassed more than US\$200 billion in capital under management and is considered one of the world's preeminent private equity firms. As one of the only Canadian investors

to be invited, Northland Wealth was pleased to attend Carlyle's global partners meeting. At this annual event, which is held in Washington, D.C., investors travel from Europe, the Middle East, Asia, Latin America and North America with the objective of being updated on Carlyle's current and upcoming funds along with key economic and political insights. .

For example, as of year-end 2017, the number of public companies in the U.S. had declined by half from its peak in 1997 .

In making their case for private equity investing, meaning in companies that are not listed on a public stock market, Carlyle made the convincing case that many growing companies avoid being listed because of the disclosure challenges it presents. For example, as of year-end 2017, the number of public companies in the U.S. had declined by half from its peak in 1997. Many may remember that Elon Musk recently considered taking Tesla private. There are now fewer good opportunities in the public markets than in recent times.

Starwood Capital is a specialized manager, founded by Barry Sternlicht, which focuses on the investment, management, and construction of real estate assets globally. Northland Wealth was fortunate to be

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UPDATE AND OUTLOOK (CONTINUED FROM PAGE 3)

In the meantime, the economic background remains positive in the United States, Canada and much of the world.



In the U.S. unemployment is the lowest in decades and a significant number of new

entrants have joined the workforce. Wage levels are also rising, the consumer sector is in good shape, and inflation remains muted. Projections for corporate earnings growth in 2019 are still in the high single digit range. Most financial forecasts see a small decline from the 3% U.S. GDP growth rate in 2018 to 2.8% in 2019. Assuming the Federal Reserve does not push rates aggressively higher the possibility of a recession in 2019 seems remote.

In Canada, despite poor political policies which have severely damaged our energy industry, resulting in the loss of high-paying jobs and corresponding tax revenues, the Canadian economy has chugged along at a reasonable growth rate of plus 2% in 2018. Employment has also increased, which is attributable to Canada benefiting from high U.S. growth. Real estate markets in Vancouver and Toronto are a continuing source of concern. Housing prices in Vancouver and Toronto have fallen slightly and the number of sales is down sharply. So far it appears that some further easing in these two overheated markets is to be expected, but no collapse is anticipated. Despite the Bank of Canada forecast of plus 2% GDP growth in 2019, somewhere just less than 2% seems more likely – but still positive growth.

Financial markets in 2019 are likely to remain volatile. In the absence of a recession in 2019, and the market realization that a recession is not in the cards, equity markets in North America should recover modestly. In Canada oil prices should rise as 2019 progresses, which should improve energy equity prices - a major TSX component. Fixed income markets will likely see interest rates moving sideways to slightly up. An inversion of the yield curve, a good predictor of recession to come, is unlikely. With inflation rates

remaining low there will be little pressure on central banks to aggressively push bank rates higher.

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Our strategy in the fixed income asset class continues to avoid exposure to long-term fixed income investments while favouring opportunities that focus on the “real economy” rather than the “financial economy”. The areas where we see the greatest return vs risk is in the area of supplying growth capital for companies (private debt), hard asset lending (private mortgages), along with critical infrastructure.



In the equity portion of portfolios we favour the utilization of ETFs to gain a low-cost and diversified global exposure, which utilize a combination of indexing along with low-volatility factor based strategies. For investors with long-term horizons and a reduced need for liquidity, private equity (both in the growth equity and secondary sectors) has the potential to create value in excess of the public markets over time.

As a complement to fixed income and equity asset classes, we view multi-family real estate as having good potential, as strong rent growth should compensate for higher interest rates.



introduced to the firm when members of our investment team attended the Skybridge Alternative (SALT) investment conference held in the southwest United States in 2016.

During our 12 month due diligence process, one of the challenges that we considered was that the 11th fund from Starwood would be in excess of \$5 billion (the total raised was \$7.5 billion) which could lead to challenges in deploying investors' capital in opportune ways. Starwood is not the only real estate fund to raise such a large fund, as the total un-invested capital looking for real estate investments has risen to a record of \$294 billion as of September 30, 2018. In deploying these assets, an emerging trend is to buy whole publicly listed real estate investment trust (REITs) and take them private. An example is Starwood's purchase of the Canadian listed Milestone REIT for US\$2.85bn in January of 2017. Based on our discussion with Starwood's deal team and advisory teams at accounting firms, the expectation is that there may very few publicly available real estate investment opportunities in the next decade.

When Northland Wealth connected with AIMCO to compare notes, they were amazed that we had the ability to access the same opportunities at the same fee schedule as a \$100 billion pension fund does.

Northland Wealth is now conducting diligence on an investment fund focused on public companies listed on Chinese mainland exchanges. This fund is only available to institutional clients and has outperformed its benchmark index by 9% a year over the past ten years. Alberta Investment Management Corporation (AIMCO) has recently committed \$500M to this fund. When Northland Wealth connected with AIMCO to compare notes, they were amazed that we had the ability to access the same opportunities at the same fee schedule as a \$100 billion pension fund does.

As one of North America's leading family offices, Northland Wealth's role is to find, access and utilize the best investment opportunities available. This is what is known as “open architecture” and is one of our key differentiators versus what is available through banks and brokers in Canada. Over time, we will look forward to sharing our insights and unique investment opportunities that we find.

David Cockfield, MBA, CFA
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CEO & Chief Investment Officer





“AN OUNCE OF PREVENTION IS BETTER THAN A POUND OF CURE”: BENJAMIN FRANKLIN

A recent article in a monthly newsletter of a good friend really resonated with me. It was not the direct message that was being sent, but rather the deeper implications on financial planning and more specifically that of insurance. Too often we focus solely on “the fix” to a problem, rather than a more rational avoidance of



the problem in the first place. This, in the truest form, is reflected by the comprehensive financial planning process that we use to develop a

Wealth Plan at Northland. Insurance definitely has a place in the financial make up of one’s net-worth; however, greater protection can potentially be obtained through diligent prevention.

Below is the article which outlines ten signs your home may be vulnerable to theft. Hopefully it resonates with you as well, and at a minimum provides you with some good ideas on how to protect your home from theft.

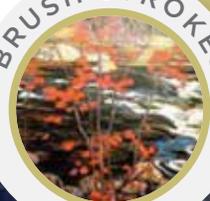
Why do criminals target some houses over others? Studies have shown that burglars tend to target newer neighbourhoods and houses in the middle of a block as opposed to corner lots. While some of these factors are out of your control, you may be attracting burglars to your home without realizing it. Here are some ways you could be making your home a target.

YOUR TRASH REVEALS YOUR SPENDING HABITS

Leaving the cardboard box of a new 75-inch TV, or shopping bags from high-end designers on your curb could attract burglars looking to swipe valuable items. Spend some extra time breaking down larger boxes and ensure all labels are hidden.

YOUR SHRUBS ARE TOO THICK

If you have thick shrubs that cover the front, back and sides of your house, this could invite burglars who are banking on taking cover behind your greenery. Keep your landscaping low enough so that your neighbours can be on the lookout for shady activity.



ART IS MY ANCHOR



Often we go through life keeping busy with work, family and many other obligations. It is not until “retirement” that we find the time to follow our passions and make an investment in ourselves. Mary, a client from Waterloo Ontario, is a perfect example of someone who has rekindled her passion and transitioned it into a viable business.

Art is my anchor, and the process of creating grounds me. Like many artists, I showed an interest in art early on. However my education did not take me in that direction.



Through my child rearing years, I always experimented with some form of art. First it was pottery, then water colours. It wasn’t until I moved to Waterloo that oils became my choice of media, but I found that too messy, so moved over to acrylics.



Throughout the years I have taken various classes, but it was not until we started wintering in Sarasota Florida, that I discovered abstract art and fell in love. I enrolled in the Sarasota Art Centre and have now taken numerous classes during the winter for the past six years.

Most of my work is acrylic on canvas or wooden panels, however I do mix that up with collage, oil sticks, cold wax, crayon and charcoal. My preference is to work on larger pieces - 3 feet by 3 feet being my favourite size to work with.



"AN OUNCE OF PREVENTION IS BETTER THAN A POUND OF CURE": BENJAMIN FRANKLIN
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Mary has sold and displayed her paintings in both Florida and Ontario and has also been accepting a number of commissions.

As Mary has proven, it is never too late to chase your passion. Retirement has always been known as a change of pace, but maybe it should be considered as a change in direction, or better still, the next stage.



Invest in yourself! Follow your passion, whether it is to start a business, or simply provide the true joy you deserve. Life is too short and we should all make some time for ourselves and our passions.



If you are interested in connecting with Mary about her passion, please contact our office and we would be happy to assist.

Jeff Sproul, Hon BBA, PFP, CIM
Vice President, Wealth Management
and Associate Portfolio Manager



A Northern Night

(photo on page 6)

Frank Johnston
Of The Group of Seven

Frank (Franz) Johnston was born in Toronto on June 19, 1888. Right out of high school he began work as a commercial artist at Grip Limited. It was here that he met the founding fathers of the Group of Seven. He exhibited in their first show in 1920. His affiliation with this group was brief and he officially broke away from the group in 1924.

He was a principal of the Winnipeg School of Art and taught at the Ontario College of Art (1927-29). Franz Johnston passed away in 1949, and was buried in the McMichael Canadian Art Collection Burial Grounds in Kleinburg, Ontario.

YOU DON'T COLLECT THE MAIL

A porch or mailbox overflowing with mail gives away the fact that you're on vacation – or that you're a neglectful homeowner and might not be as vigilant about your property.

YOUR SOCIAL MEDIA GIVES YOU AWAY

When you're away on vacation, it's natural to want to post pictures of your panoramic views and sun-kissed selfies. But to the eyes of a criminal, these



pictures signal to them that your house is empty and unguarded. To avoid attracting this type of unwanted attention, make sure your social media profiles are private and only accessible to people you know.

YOUR WINDOWS ARE TOO EASY TO OPEN

After doors, the next most common entry point for burglars are windows on the first level. Jimmying a window open is surprisingly easier than you think, so aside from installing a home security system it's best to use a window jam that will prevent the windows from being opened all the way.

YOUR PROPERTY IS TOO DARK

Criminals don't like operating around light, which makes a dark home an easy target. Turn your porch light on at night and install outdoor lights along your walkway or driveway. Even better, consider motion-activated lights that turn on when it detects a person.

YOUR DOOR LOCK IS NOT THAT GOOD



You can't prevent burglars from attempting to pick your door lock, but you can make it harder for them. Consider

installing a secondary lock to stall criminals and choose one-inch-long dead bolts with a reinforced metal box strike. Do the same for all your exterior doors.

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"AN OUNCE OF PREVENTION IS BETTER THAN A POUND OF CURE": BENJAMIN FRANKLIN
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YOUR PETS COULD MAKE YOU TARGETS

Many burglars will walk away at the sight of a loud dog, even if it's a barking miniature poodle. However, the sight of a cat, or even a quiet dog, might alert criminals to the fact that your home security system is off, or that a door or window may be left open for your furry friend. Keep pets away from windows and close the drapes.

YOUR DRIVEWAY LOOKS UNTOUCHED

If there's a pristine layer of snow on your driveway and no signs of tire tracks or footprints, it's a dead giveaway that the home has been empty for a while. Ask your neighbor to shovel your driveway or create tracks leading up to your house.

YOUR SECURITY KEY PAD IS IN PLAIN SIGHT

Make sure your security company installs the control pad in a discreet place away from the windows. If burglars take a peek inside and can easily spot the pad, they'll be able to tell if your alarm system is on or not, making your home vulnerable to a break-in. Better yet, make sure to turn your alarm system on every time you leave the house.

Jeff Sproul, Hon BBA, PFP, CIM
Vice President, Wealth Management
and Associate Portfolio Manager



IMPORTANT NOTICE:

The RRSP deadline for the 2018 tax year is Friday March 1st, 2019.

You can also take full advantage of RESP and TFSA plans by contributing early in the year or setting up a direct deposit plan.

The information provided in this newsletter is for informational purposes only and should not be used as investment or tax advice. For investment advice tailored to your specific situation and investment objectives, please contact a Northland Wealth Management professional.



Keeping At It: The Quest for Sound Money and Good Government

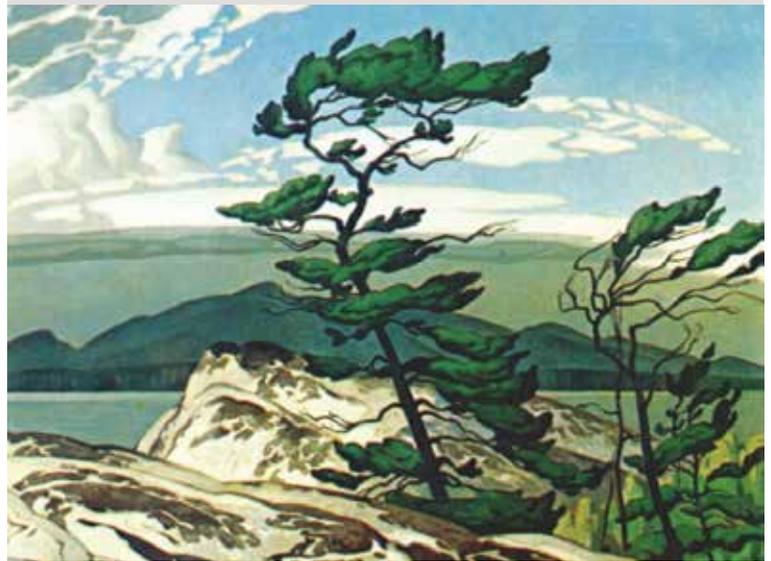
by Paul Volcker

The extraordinary life story of the former chairman of the Federal Reserve, whose absolute integrity provides the inspiration we need as our constitutional system and political tradition are being tested to the breaking point.

The Fifth Risk

by Michael Lewis

If there are dangerous fools in this book, there are also heroes, unsung, of course. They are the linchpins of the system those public servants whose knowledge, dedication, and proactivity keep the machinery running. Michael Lewis finds them, and he asks them what keeps them up at night.



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