QUARTERLY REPORT:

APRIL | 2022

Steven Switzer, CIM
Portfolio Manager
steven.switzer@raymondjames.ca

The Great Resetssion

Many of you remember "The Great Recession" of 2008-2009 which began with the collapse of Lehman Brothers roiling global markets. Many investors' futures were permanently altered, some for the better, many for the worse if they panicked and sold near bottoms.

Presently in 2022 we face "The Great Resetssion" as idealism and policy shift dramatically. Only four short months ago we looked to the future reopening of our world and economies as we learned to live with Covid. So much has changed since January.

The cruel and devastating war on Ukraine has begun quickly deconstructing globalization that has been decades in the making. Covid issues brought much of these issues to the forefront, "supply chain issues", "bottlenecks", "factory shut-ins", "shipping costs" and so on. It's all been headline news. Jack White even named his 2022 tour, Supply Chain Issues. Can't make that one up: Jack White Unveils 'Supply Chain Issues' 2022 Tour Dates - Variety

The pandemic has permanently affected so many businesses for local and global reasons. The war in Ukraine has highlighted this globalization issue even more. This will have similar outcomes due to cause and effect, just like I mentioned last time. This reset will also have many winners and many losers. They will just be different this time, just like in 08-09 and 20-21. We can see it already. Clients that adored their US holdings for years and despised their Canadian ones are very happy I did not acquiesce and sell those positions. I had many ask me to. The baton has been passed and the race is still going strong.

With the war, and ensuing sanctions, you can clearly see countries are starting to "pick" sides and the realization that being too dependant on your possible future adversary is a very flawed approach to energy and food security.

This is very dichotomous situation as being witnessed by higher energy and food prices and isn't about to change overnight. Thankfully, we are heavily weighted towards energy and hold other commodity plays that should benefit over this transition in the PIMG group.

Global resources once thought of as evil are in vogue and that does not look to change soon. The scarcer the resource the more valuable it may (or may not) become.

Companies and governments alike are starting to see the need to have stable and reliable sources of materials, factories and labour that need to be closer to home or, at minimum, secured with a stable supplier.

Switzer Financial Services of Raymond James Ltd.

10202B - 100 Ave Fort
Saskatchewan, AB
T8L 1Y8

587.285.3340
www.switzerfinancialservices.ca/

That all comes at a cost as we see today with much higher and persistent inflation than was anticipated by the Fed. They could not predict the war a few short months ago. I do not blame them. The adapt with the times, as do we with your portfolios.

As China, India, Russia (and many other developing nations) looks to possibly strengthen/secure their trade relationships, the US, Europe, Canada, Australia (and many other developed nations) are starting a decoupling of reliance on others and securitization of must-have assets like oil, coal, natural gas, potash, nitrogen (and so many others) has begun.

The despised energy sector has now been retitled as a “transition necessity” until alternatives become economical and scalable to our economies (as I roll my eyes…) and now older enemies become possible friends to try to secure lower costs. Iran, Venezuela once pariahs to the USA are now sitting across tables negotiating oil. Wow.

Policy shift (and government deals to stay in power) have become the new norm as consumers awaken to the fact the all the past actions and rhetoric to affect climate change has done absolutely nothing to help our climate or our costs. They now beg companies to produce more to lower costs. While I do think this will make transition to some cleaner energy assets sooner, this too does not happen overnight and also needs a ton of (or billions of tons… ugh) new mines, production facilities, and incentives to implement. This too will come at a high cost that we are seeing at the pumps and grocery stores. Not so easy to fix quickly, folks.

The USA released a record amount from their strategic reserves not once but twice in the last six months to alleviate the oil price shock we see. This is still paltry and will do nothing to affect oil prices…from Reuters: ***Biden's 180 million-barrel release is equivalent to about two days of global demand, and marks the third time Washington has tapped the SPR in the past six months. read more.***

The full article is here is you want it:

Biden spurs record emergency oil release in 'moment of peril' for world | Reuters

It actually may cause the opposite affect as they do need to replace this supply back into reserves, at what price will they do that and when? We all know how efficient and intelligent governments are with our money. There is still a U.S. election in November. I’m sure gas prices will be lower in October if Biden has his way.

Folks, I’ve said this countless times before, the stock market is a forward-looking mechanism. Don’t look back at companies and think just because they were once up at a higher price they will get there again. Some may, many may not. We are in a Reset being affected by inflation and de globalization and these are not times to look backwards. It’s time to re-tool. I am trying to do that slowly and as we see how far this goes.

Interest rate increases and policy moves are going to happen while the jobs markets are strong. This will cause heavy volatility and re-pricing of stocks and it looks like the move to more value from growth will follow.

Beware of the fearmongering about a recession. The talk of yield curve inversion and recessions lead headline news daily. Sure, it is coming, they always do…just not quite yet in North America. Even in recessions there are winners and losers.

This on CNBC about Carnival cruise lines just last week: ***Carnival (CCL) – Carnival rallied 3.6% in the premarket after the cruise line operator said the seven-day period from March 28 through April 3 was the busiest week for new cruise bookings in the company’s history.***

Do they think a recession is lurking? I think not.

Then this from Levi’s on late Tuesday also quoted from CNBC: ***Denim retailer*** *Levi Strauss & Co. on Tuesday reported fiscal first-quarter earnings and revenue that topped analysts’ estimates as it sold more of its jeans and T-shirts at higher price points, often directly to customers.*

Levi also reaffirmed its forecast for fiscal 2022, assuming no significant worsening of inflationary pressures or closures of global economies. It took into account any hit from its recent decision to temporarily suspend business in Russia, which represents roughly 2% of its total sales.

The retailer has yet to see consumers trade down for less expensive apparel, even as everything from gasoline prices to grocery bills surge, Levi CEO Chip Bergh told CNBC in a phone interview.

Do they think a recession is lurking soon? I think not.

The North American consumer remains strong and still fairly well-funded though 2022. There undoubtedly will be pressures ahead with policy changes and tightening balance sheets, but this takes time to play out. There are no more free rides from governments. Therefore markets are struggling and will remain volatile. The Great Resetssion is in the cards and the hands will be dealt out in the coming days, weeks, months. We are at the table, and I think we have a great hand moving forward.

So as long as we are more right than wrong, we all should win. We remain overweight in Energy. We are also nicely weighted to REITs. Dividends stocks are very prevalent in sideways markets-and we own many.

I also recently had a very productive meeting Thursday with the CFO and VP, Corporate Development & Strategy of a firm we presently own in PIMG about their current and future yield. We shall see where that goes in coming weeks when they report.

As always, please call or respond to this email if you want to discuss your personal circumstances more in-depth. Spring is a beautiful time of year so hopefully you can enjoy watching the world awake from winter.

Cheers,

Steve