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Anticipated Interest Rate Hikes

The latest Fed minutes came across as hawkish and revealed policymakers' concern about worsening inflation. The members said that the jobs market is nearing full employment. The probabilities of a March interest rate hike of 0.25% surged to 72%, according to fed futures trading contracts. If enacted, this will mark the Fed's first rate hike in three years to counter inflation.

The U.S. central bank has already paced up QE tapering. The central bank plans to buy $60 billion per month of bonds in combined Treasuries and agency mortgage-backed securities starting in January, down from $90 billion in December and 120 billion from the start of the pandemic through November. Plus, the bank upped its economic growth projections, raised its inflation outlook, and cut unemployment rate projections.

While officials did not make any plans about when the Fed will start rolling off the nearly $8.3 trillion in Treasuries and mortgage-backed securities it is holding, statements out of the meeting indicated that the process could begin in 2022.

"Almost all participants agreed that it would likely be appropriate to initiate balance sheet runoff at some point after the first increase in the target range for the federal funds rate," the meeting summary highlighted. With the possibility of a hawkish Fed in 2022, stocks started falling and government bond yields started rising.

The winding down of economic stimulus by central banks in Canada and the United States has investors readying for rising interest rates in the coming months.

While higher rates are bad for borrowers, there are sectors of the economy (and market) that benefit. For instance, **financial services companies** can take advantage of the wider spread between the rates they charge borrowers and what they have to pay savers. Commodities and consumer discretionary stocks also tend to do well, as companies benefit from the economy picking up steam.

Investors should maintain their equity allocation, as stocks tend to outperform bonds while the economy is growing and rates are rising. High-quality dividend-paying stocks are a must-have, as companies will likely increase their payout rates during this period.

A booming economy typically means strong corporate profits, which allows companies to boost their payouts. They will also be compelled to raise their dividends to keep up with higher rates paid on savings accounts and bonds.

BANK	DIVIDEND % INCREASE	BUYBACK AS % OF SHARES	BUYBACK COST (AS OF ANNOUNCEMENT)
Bank of Montreal	25%	3.5%	C$3 billion
National Bank of Canada	23%	2.1%	C$695 million
Toronto-Dominion Bank	13%	2.7%	C$4.6 billion
Bank of Nova Scotia	11%	2%	C$1.95 billion
Royal Bank of Canada	11%	3.2%	C$5.68 billion
Canadian Imperial Bank of Commerce	10%	2.2%	C$1.4 billion

Bank's share prices are raising on anticipation of Interest Rate Hikes.

How can we take advantage of potential interest rate hikes which may cause the share prices of banks to increase?

- ☐ Option 1 – Buy individual banks
- ☐ Option 2 – Buy an ETF

Buying Individual Bank shares

Royal Bank (RY) – 1YR Weekly

TD Bank (TD) – 1YR Weekly

Cdn Imperial Bank of Commerce (CM) – 1YR Weekly

Bank of Montreal (BMO) – 1YR Weekly

Point here is that banks have already had a run-up. Could be a stretch to see if they can increase by an additional $ 30- $ 50 in 2022. Now, if it is acquired purely for long-term dividends, that's another strategy for another time. The purpose here is to take advantage of potential interest rate hikes with may have POSSIBLE additional dividends & share buy backs (see page 3 above).

Also, the share prices may not be within everyone's reach e.g. it will be expensive to buy 1,000 RY shares at $ 140!

What are Exchange-Traded Funds (ETF)

An ETF is a basket of securities, shares of which are sold on an exchange. They combine features and potential benefits of **stocks**, **mutual funds**, or bonds. Like individual **stocks**, ETF shares are traded throughout the day at prices that change based on supply and demand. ETFs are bought and sold throughout the day on stock exchanges while mutual funds are bought and sold based on their price at day's end.

Here are a few things to keep in mind when trading ETFs: Pricing - ETFs have two sets of prices: Market Price and net asset value (NAV).

MARKET PRICE

• ETFs are bought and sold on exchanges at the market price. The market price can change throughout the trading day. Factors like supply, demand, and changes in the value of an ETF's investments can affect the market price.
• You can get price quotes any time during the trading day. Quotes have two parts: bid and ask. • The bid is the highest price a buyer is willing to pay if you want to sell your ETF units. The ask is the lowest price a seller is willing to accept if you want to buy ETF units. The difference between the two is called the "bid-ask spread".
• In general, a smaller bid-ask spread means the ETF is more liquid. That means you are more likely to get the price you expect.

NET ASSET VALUE (NAV)

• Like mutual funds, ETFs have a NAV. It is calculated after the close of each trading day and reflects the value of an ETF's investments at that point in time.
• NAV is used to calculate financial information for reporting purposes – like the returns shown in this document. Orders There are two main options for placing trades: market orders and limit orders. A market order lets you buy or sell units at the current market price. A limit order lets you set the price at which you are willing to buy or sell units. Timing In general, market prices of ETFs can be more volatile around the start and end of the trading day. Consider using a limit order or placing a trade at another time during the trading day.

Who is this ETF for?
Investors who:

• Are seeking a mixture of long-term capital growth and regular monthly income.
• Are planning to hold the investment for the medium to long term.
• Are seeking to include exposure to stocks of Canadian companies that have demonstrated reliable annual dividend growth within their portfolio.
• Are comfortable with the level of risk noted above.

A WORD ABOUT TAX
In general, you will have to pay income tax on any money you make on an ETF. How much you pay depends on the tax laws where you live and whether or not you hold the ETF in a registered plan,

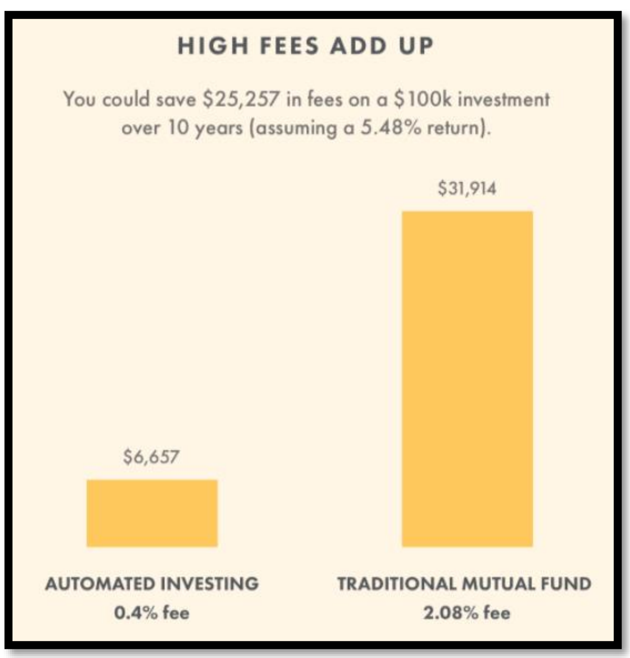
such as a Registered Retirement Savings Plan or a Tax-Free Savings Account. Keep in mind that if you hold your ETF in a non-registered account, distributions from the ETF are **included in your taxable income**, whether you get them in cash or have them reinvested.

You could say that the ETF is a relative of the mutual fund, which is another way to purchase many stocks at one time. But there are a few **major differences** between ETFs and mutual funds. Whereas mutual funds tend to have human mutual fund managers who actively traded stocks in and out of the fund based on which ones they predict will go up or down, the vast majority of ETFs are unmanaged by humans.

Instead, many ETFs are programmed with an algorithm that simply track an entire economic sector or index, like the S&P 500 or the US bond market. For this reason, mutual funds are generally referred to as being "actively managed" and ETFs "passively managed," though there are many exceptions to this rule. Unlike mutual funds, which are priced just once a day, ETFs can be bought and sold during the entire trading day just like individual stocks. That is why they are called "exchange traded" funds.

Because most ETFs do not require humans to make trading decisions, they tend to come with lower management expense ratios (MERs) than mutual funds. MERs, represent the percentage of the value of the entire fund that is deducted annually to cover the fund's operating expenses. In other words, they are a management fee. Since computers work cheap and humans do not, it is not unusual for a mutual fund to charge a 1% or higher annual MER and ETFs a fraction of that. Between 0.05% and 0.25% represent the normal range of MERs for ETFs. Because of this, ETFs are often considered a low-cost alternative for investors on a budget.

Though these numbers may all appear pretty small, a fee or 1 or 2 percent can substantially erode investment gains over the long term. In fact, studies have shown over and over again, fees are directly predictive of returns, the higher the fees, the lower the returns.



Downside of ETF

ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their Net Asset Value (NAV), and are not individually redeemed from the fund.

THE FINANCIAL SECTOR will be a major beneficiary of rising rates – specifically banks and insurance companies. In a rising rate environment, banks typically benefit from the wider spread between the interest rates they charge on loans and what they pay on deposits - with the recent lifting of capital distribution restrictions for Canadian banks, their return on equity may get a further boost.

For specific bank-related funds that could do well in a rising rate environment, **THE BMO EQUAL WEIGHT BANKS INDEX ETF (ZEB-T)** with an MER of 0.28 per cent, which ensures continuing diversification by equally weighting its ownership of Canada's Big Six banks.

BMO Equal Weight Banks Index ETF has been designed to replicate, to the extent possible, the performance of the Solactive Equal Weight Canada Banks Index , net of expenses. The Fund invests in and holds the Constituent Securities of the Index in the same proportion as they are reflected in the Index.

Benchmark Info: The Solactive Equal Weight Canada Banks Index includes Canadian exchange listed securities in the diversified bank industry. Constituents are subject to minimum market capitalization and liquidity screens. In addition, each security in this Index is allocated an equal weight rather than a market capitalization weight.

Fund Benefits

- Designed for investors looking for growth solutions
- Exposure to Canadian bank stocks
- Equal weighted to lessen security specific risk

2021

Download Distribution History (Excel)

Distribution Period[1]	Ex-Dividend Date	Record Date	Pay Date	Cash Distribution Per Unit	Reinvested Distribution Per Unit [2]	Total Distribution Per Unit
Jan, 2021	Jan 27, 2021	Jan 28, 2021	Feb 02, 2021	0.100000	0.000000	0.100000
Feb, 2021	Feb 24, 2021	Feb 25, 2021	Mar 02, 2021	0.100000	0.000000	0.100000
Mar, 2021	Mar 29, 2021	Mar 30, 2021	Apr 05, 2021	0.100000	0.000000	0.100000
Apr, 2021	Apr 28, 2021	Apr 29, 2021	May 04, 2021	0.100000	0.000000	0.100000
May, 2021	May 26, 2021	May 27, 2021	Jun 02, 2021	0.100000	0.000000	0.100000
Jun, 2021	Jun 28, 2021	Jun 29, 2021	Jul 06, 2021	0.100000	0.000000	0.100000
Jul, 2021	Jul 28, 2021	Jul 29, 2021	Aug 04, 2021	0.100000	0.000000	0.100000
Aug, 2021	Aug 27, 2021	Aug 30, 2021	Sep 02, 2021	0.100000	0.000000	0.100000
Sep, 2021	Sep 28, 2021	Sep 29, 2021	Oct 04, 2021	0.100000	0.000000	0.100000
Oct, 2021	Oct 27, 2021	Oct 28, 2021	Nov 02, 2021	0.100000	0.000000	0.100000
Nov, 2021	Nov 26, 2021	Nov 29, 2021	Dec 02, 2021	0.100000	0.000000	0.100000
Dec, 2021	Dec 29, 2021	Dec 30, 2021	Jan 05, 2022	0.120000	0.160000	0.280000
Year to Date				**1.220000**	**0.160000**	**1.380000**

Monthly Payout.

INSURANCE COMPANIES

Insurance companies typically take the premiums paid by their customers and invest them, largely in a fixed-income portfolio. Both property and casualty and life insurers stand to generate stronger investment returns in a higher interest rate environment. To take advantage of this trend through a Canadian-listed ETF, - Suggestion: **THE ISHARES EQUAL WEIGHT BANC & LIFECO ETF (CEW)**, which invests in Canada's Big Six banks as well as the country's top insurance companies such as Sun Life and IA Financial. It has an MER of 0.61 per cent.

Investment Objective: Seeks to provide a diversified, equal-weighted portfolio of common shares of the largest Canadian banks and life insurance companies.

Top 10 Holdings | All Holdings

as of Jan 13, 2022

Custom Columns

Ticker	Name	Sector	Market Value	Weight (%)
CM	CANADIAN IMPERIAL BANK OF COMMERCE	Financials	CAD 24,449,842.95	10.67
BMO	BANK OF MONTREAL	Financials	CAD 23,615,774.67	10.30
RY	ROYAL BANK OF CANADA	Financials	CAD 23,410,272.40	10.21
BNS	BANK OF NOVA SCOTIA	Financials	CAD 23,401,417.41	10.21
IAG	IA FINANCIAL INC	Financials	CAD 22,994,742.21	10.03
TD	TORONTO DOMINION	Financials	CAD 22,750,795.47	9.93
MFC	MANULIFE FINANCIAL CORP	Financials	CAD 22,657,499.15	9.89
SLF	SUN LIFE FINANCIAL INC	Financials	CAD 21,922,324.67	9.57
NA	NATIONAL BANK OF CANADA	Financials	CAD 21,351,559.08	9.32
GWO	GREAT WEST LIFECO INC	Financials	CAD 21,242,990.34	9.27

Please DO NOT buy mutual funds, stick to the ETF & do your research (including tracking technical indicators) PRIOR buying.

END