

Episode 10

Play Macro Game
Saturday February 15, 2025

Episode 10 - Play Macro Game

On This Week's Episode - Saturday February 15th

- Government debt, inflation, interest rates, GDP, and employment.
- Long term holdings survive disruption.
- Use the “30 Minute Drill” to confirm trajectory and look for opportunity.
- View our weekly stock example - Emera pulled at random from our portfolio.
- Headline from the investing news.
- Closing thoughts for next week

This Episode Brought to you By Express Innovation Personal Finance

At EI Personal Finance we focus on providing straightforward tools to manage your wealth planning.

We are not part of a financial advisor network or a financial institution.

We are everyday investors with a track record of building wealth using easy to use dashboards to ensure you are on course to achieve your long term investing goals.

Our Thirty Minute Drill delivers an immediate view of all assets and a scorecard to consistently track your results.

We help you take control of your investments and reduce fees that erode your long term returns.

Visit us at expressinnovation.ca and book an appointment today for as little as \$99 and you will own a personalized toolkit to easily support your long term financial objectives.

Episode 10 - Play Macro Game

- Government debt, inflation, interest rates, GDP, and employment

1. Government Debt

- **Impact on fiscal policy:** Government debt influences how much the government can spend and borrow. Excessive debt may limit future government spending or lead to higher taxes.
- **Confidence in economy:** High levels of government debt can reduce investor confidence and increase the cost of borrowing for the government.
- **Sustainability:** Debt management is critical to ensure that debt levels do not become unsustainable. When debt levels are too high, it can lead to economic instability.

2. Inflation

- **Purchasing power:** Inflation affects the purchasing power of consumers. If inflation is too high, wages may not keep pace, reducing individuals' real income.
- **Interest rates and monetary policy:** Central banks often adjust interest rates to control inflation, making it an important factor in shaping monetary policy.
- **Uncertainty and investment:** High or unpredictable inflation creates uncertainty, which can discourage investment and savings, potentially slowing economic growth.

3. Interest Rates

- **Cost of borrowing:** Interest rates directly influence how expensive it is for businesses and consumers to borrow money. Lower rates encourage borrowing and investment, while higher rates can have the opposite effect.
- **Consumer spending and business investment:** Changes in interest rates can affect consumer and business decisions regarding spending, saving, and investing, impacting economic growth.
- **Monetary policy tool:** Central banks adjust interest rates to manage inflation and stabilize the economy. It is a critical tool for controlling the money supply.

4. Gross Domestic Product (GDP)

- **Economic output and growth:** GDP measures the total economic output of a country and is an essential indicator of economic health. Strong GDP growth indicates a growing economy, while a shrinking GDP suggests contraction.
- **Living standards:** A rising GDP generally correlates with improving living standards, as it typically indicates higher production and income levels.
- **Policy decisions:** Policymakers rely on GDP growth to gauge the effectiveness of economic policies and adjust strategies accordingly.

5. Employment

- **Economic stability:** High employment levels indicate a healthy economy with high productivity and consumer spending, contributing to economic growth.
- **Labor force participation:** Employment figures reflect the level of labor force participation, which is important for understanding potential output and human capital in the economy.
- **Social implications:** Unemployment or underemployment can lead to social and political challenges, impacting overall societal well-being and increasing government spending on welfare programs.

Episode 10 - Play Macro Game

Long Term Holdings Survive Disruption

Long-term stock holding can survive macroeconomic disruptions by maintaining a diversified portfolio, investing in resilient companies, staying committed during volatile periods, and adapting to changing market conditions. Examples from the past two decades, such as Amazon during the financial crisis or Apple and Microsoft navigating various disruptions, show that with the right strategies, long-term investors can not only survive but thrive through challenging times.

Episode 10 - Play Macro Game

Resilience in diversified portfolios: Diversification allows investors to cushion losses in certain sectors.

Strong fundamentals matter: Resilient companies with solid financials, diverse business models, and growth potential tend to fare better during disruptions.

Staying invested is often the best strategy: Though volatile, markets tend to recover over time, rewarding long-term investors.

Adapt to changes: Embrace new economic and technological trends to capture growth opportunities.

Government interventions can stabilize: Fiscal and monetary policy measures help mitigate economic disruptions, aiding in market recovery.

Episode 10 - Play Macro Game

1. Diversification

- **Why it works:** Diversifying across different sectors, industries, and geographies helps minimize the impact of a single economic event on a portfolio. When one sector is hit hard, others may perform better helping to balance the overall risk.
- **Example:** During the **2008 Financial Crisis**, while banks and real estate stocks plummeted, technology companies like **Apple** and **Google** (now Alphabet) performed relatively well due to strong consumer demand and growth in digital services. Investors who had diversified portfolios were able to cushion losses from the worst-hit sectors.

Episode 10 - Play Macro Game

2. Focus on Resilient, Well-Established Companies

- **Why it works:** Companies with strong balance sheets, established market positions, and diversified revenue streams tend to survive economic downturns better. These companies often have the ability to innovate, adapt, and capture market share during recovery.
- **Example: Amazon** during the **2008 Financial Crisis**—despite the economic downturn, Amazon’s diversified revenue stream (retail, cloud services, digital media) allowed it to continue growing. Its Amazon Web Services (AWS) division, which wasn’t as significant back then, became a key driver of growth in the years that followed.
- **Example: Microsoft** also proved resilient during the dot-com bubble burst in the early 2000s and the 2008 recession, as its strong product lineup (e.g., Windows, Office) continued to be in high demand, and its shift toward cloud computing and subscription-based revenue models (e.g., Office 365) helped stabilize the business.

Episode 10 - Play Macro Game

3. Staying the Course (Riding Out Volatility)

- **Why it works:** Long-term investors who remain committed during periods of high volatility tend to benefit from market recoveries. Stock prices often rebound after recessions or disruptions, rewarding those who stayed invested.
- **Example: The COVID-19 Pandemic** (2020) caused severe market volatility, with the S&P 500 dropping over 30% in a matter of weeks. However, long-term investors who held on to their stocks during this period saw significant rebounds as the economy began recovering, with stocks like **Tesla** and **Apple** reaching new all-time highs by 2021.

Episode 10 - Play Macro Game

4. The Power of Compound Growth

- **Why it works:** Long-term stock holdings benefit from the compounding effect, where reinvested dividends and capital gains generate additional returns over time. Even in volatile periods, staying invested allows for the benefit of compounding once the economy stabilizes.
- **Example:** Over the last 20 years, **Apple** is a prime example. Despite facing multiple disruptions like the dot-com bust, the 2008 financial crisis, and the pandemic, Apple's stock has seen extraordinary growth. Investors who held onto their stock during downturns saw significant returns due to the company's innovation and growth, especially in the smartphone and services market.

Episode 10 - Play Macro Game

How Does this Relate to the 30-Minute Drill:

- We are constantly monitoring our quarterly success against objectives.
- Our investing trajectory includes ETF’s as part of “steady Eddie” approach.
- Passive, low cost investments with a modest dividend will grow over time and should be set it and forget it.

2021 Jan 1				
Non Registered - TFSA, Canadian Margin, US Margin	Total Value	Cash	Invested	% Cash
Cash Accounts	\$5,000	\$5,000	\$0	0
CDN Margin	\$15,000	\$1,000	\$24,000	7%
US Margin	\$15,000	\$1,000	\$24,000	7%
TFSA	\$80,000	\$0	\$100,000	0%
Totals	\$115,000	\$7,000	\$108,000	6%
Registered - RRSP/RESP	Total Value	Cash	Invested	% Cash
RRSP+Commuted Pension \$	\$250,000	\$5,000	\$295000	2%
Totals	\$250,000	\$5,000	\$295000	2%
Grand Total All	\$365,000	\$12000	\$403000	3%
House Value	\$400,000			
Auto Values	\$20,000			
Other Assets	\$55,000			
Total of All Assets	\$840,000			
Total Liabilities	\$275,000			
Total Assets Net Liabilities	\$565,000			
Available TFSA Contribution	\$5,000			
Available RRSP Contribution	\$5,000			
Forecasted Investment Income				
USD CAD =	1.33			
Mortgage Rate	4.5%			

Two Very Simple Dashboards

Most Work First Time

30 Minutes Every Quarter

Share with FA or CPA

Make Small Adjustments

Quarterly Top Three Account Performance and Activity - Thom's Sample						
Returns and Top/Bottom Equities	US Margin	Action	Can Margin	Action	RRSP	Action
10 Year Return	256%	Target 97%	83%	Target 97%	59%	Target 110%
5 Year Return	143%	Target 40%	53%	Target 40%	28%	Target 48%
Top Three						
1						
2						
3						
Bottom Three						
1						
2						
3						
Other Holdings						
ETF's Listed Above						
Considering						
Other Notes						
	to fall back once USA drops interest rates in line with EU and other G7 countries, ETF participation with Vanguard or Blackrock but looking at adding others. Portfolios structured to include Transports, Pharma, Telecom, Tech, Financials, Energy and Technology. Moving to 25% ETF to capture broader market while maintaining top names by sector where possible.					

Episode 10 - Play Macro Game

February 15, 2025

Review the Master Spreadsheet

Review YTD Results in the Sample Portfolio

Discuss a Headline in the Financial News

Episode 10 - Play Macro Game

February 15, 2025

Review the Master Spreadsheet

2021 Jan 1				
Non Registered - TFSA, Canadian Margin, US Margin	Total Value	Cash	Invested	% Cash
Cash Accounts	\$5,000	\$5,000	\$0	0
CDN Margin	\$15,000	\$1,000	\$24,000	7%
US Margin	\$15,000	\$1,000	\$24,000	7%
TFSA	\$80,000	\$0	\$100,000	0%
Totals	\$115,000	\$7,000	\$108,000	6%
Registered - RRSP/RESP	Total Value	Cash	Invested	% Cash
RRSP+Commuted Pension \$	\$250,000	\$5,000	\$295000	2%
Totals	\$250,000	\$5,000	\$295000	2%
Grand Total All	\$365,000	\$12000	\$403000	3%
House Value	\$400,000			
Auto Values	\$20,000			
Other Assets	\$55,000			
Total of All Assets	\$840,000			
Total Liabilities	\$275,000			
Total Assets Net Liabilities	\$565,000			
Available TFSA Contribution	\$5,000			
Available RRSP Contribution	\$5,000			
Forecasted Investment Income				
USD CAD =	1.33			
Mortgage Rate	4.5%			

Key Data::

Non-Registered Accounts - YTD Returns = 32%; Profit/Tax Loss Harvesting Plans; Adding safety in fixed income 5% overall?, reducing total names for 2025.

Registered Accounts - RRSP Contribution room to Feb, 2025, adding safety in fixed income?, Reducing total names - shift out of mediocre names.

Staying in 20% Cash - Profit Taking Apple and Alibaba

Other Assets:

- Home - Value of Home
- Autos - Value of Autos
- Other - List with values

Debt:

- Mortgage - Total amounts owing
- Line of Credit - Total amounts owing
- Auto Loans - Total amounts owing

- USD/CAD - Document for Quarter
- Mortgage Rates - Document for Quarter
- LOC Rates - Document for Quarter

TOTAL ASSETS LESS LIABILITIES - QoQ and YoY Growth/Decline
Highlight Contributors to Growth or Decline

Episode 10 - Play Macro Game

February 15, 2025

Returns and Top/Bottom Equities	US Margin	Action	Can Margin	Action	RRSP	Action
10 Year Return	256%	Target 97%	83%	Target 97%	59%	Target 110%
5 Year Return	143%	Target 40%	53%	Target 40%	28%	Target 48%
Top Three						
1						
2						
3						
Bottom Three						
1						
2						
3						
Other Holdings						
ETF's Listed Above						
Considering						
Other Notes	Returns do net reflect dividend income; Canada market assumed to “catch up” some of gap to USA over next three years, USD to fall back once USA drops interest rates in line with EU and other G7 countries, ETF participation with Vanguard or Blackrock but looking at adding others. Portfolios structured to include Transports, Pharma, Telecom, Tech, Financials, Energy and Technology. Moving to 25% ETF to capture broader market while maintaining top names by sector where possible.					

Review YTD Results

Key Data::

10 Year Returns - US Margin 256%; Canadian Margin 87%; Canadian Registered: 56%

5 Year Reruns - US Margin 146%; Canadian Margin 46%; Canadian Registered 32%

US Markets driving overall portfolio growth including USD at 1.41 CAD.

Top US Names: Apple, JP Morgan and

Top Canadian Names: TC Energy, Royal Bank of Canada, XAW ETF, and Couche Tard

What are we looking at:

Profit taking in Q1 to harvest some gains.

Adding fixed income as % of overall portfolio - Bull run has been great and we fully participated.

Adding to laggards with positive financials.

Other:

Alibaba Rollercoaster

Bell Canada Disaster

TD Bank Struggles

Episode 10 - Play Macro Game

February 15, 2025

Pick A Stock - Emera



Another solid Utility stock from the Canadian market. S&P over ten years a better but normalize last two years and this is a solid dividend paying stock.

Episode 10 - Play Macro Game

February 15, 2025

Pick A Stock - Emera

EMERA INC (EMA-T)

Utilities / Electric Utilities & IPPs / Electric Utilities

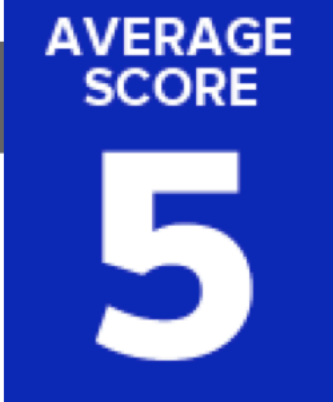
DETAILED STOCK REPORT

Report Date: 2025-Feb-16

Last Close	Avg Daily Vol	52-Week High	Trailing PE	Annual Div	ROE	LTG Forecast	1-Mo Return
56.53 (CAD)	1.7M	56.70	25.4	2.90	6.6%	3.9%	9.7%
2025 February 14 TORONTO Exchange	Market Cap	52-Week Low	Forward PE	Dividend Yield	Annual Rev	Inst Own	3-Mo Return
	16.7B	44.13	18.0	5.1%	7.4B	31.9%	12.1%

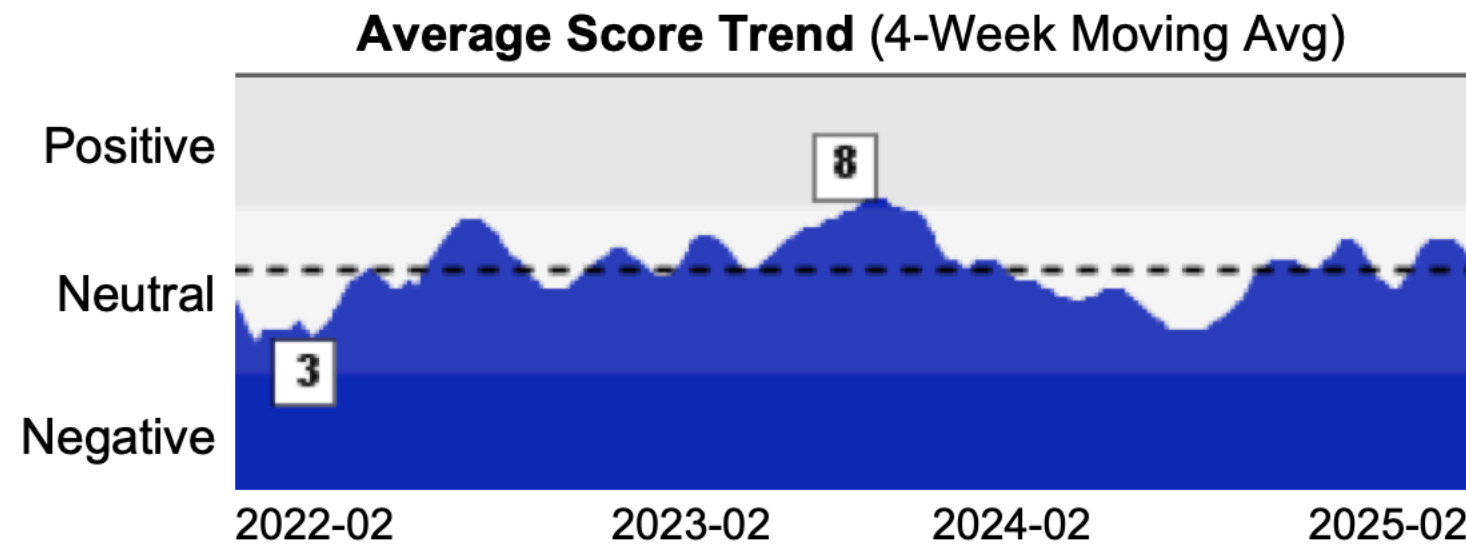
AVERAGE SCORE

NEUTRAL OUTLOOK: EMA's current score is relatively in-line with the market.



Score Averages

Electric Utilities & IPPs Group:	5.1	Large Market Cap:	7.6
Utilities Sector:	5.6	TSX Comp Index:	7.5



Peers	-6M	-3M	-1M	-1W	Current	1Y Trend
CUP'U	10	8	9	8	8	
FTS	7	6	7	6	6	
H	8	6	6	6	6	
EMA	6	4	6	5	5	
REVV	5	7	5	5	4	

Episode 10 - Play Macro Game

February 15, 2025

Emera

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Asses
53.80 CAD	50.00 CAD	1.08	15.90 CAD Bil	Narrow	Mid Value	Low	Standard	6 Nov 2024 06:00, UTC
2 Dec 2024	8 May 2024 14:53, UTC		3 Dec 2024					

Competitors

	Emera Inc <small>EMA</small>	Duke Energy Corp <small>DUK</small>	NextEra Energy Inc <small>NEE</small>	Fortis Inc <small>FTS</small>
Economic Moat	Narrow	Narrow	Narrow	Narrow
Currency	CAD	USD	USD	CAD
Fair Value	50.00 8 May 2024 14:53, UTC	114.00 16 Aug 2024 12:09, UTC	73.00 29 Oct 2024 15:45, UTC	59.00 12 Aug 2024 21:32, UTC
1-Star Price	62.50	142.50	98.55	73.75
5-Star Price	40.00	91.20	51.10	47.20
Assessment	Overvalued 3 Dec 2024	Fairly Valued 3 Dec 2024	Fairly Valued 3 Dec 2024	Fairly Valued 3 Dec 2024
Morningstar Rating	★★3 Dec 2024 23:09, UTC	★★★3 Dec 2024 22:42, UTC	★★★★3 Dec 2024 22:40, UTC	★★★★3 Dec 2024 23:10, UTC
Analyst	Andrew Bischof, Strategist	Andrew Bischof, Strategist	Andrew Bischof, Strategist	Andrew Bischof, Strategist
Capital Allocation	Standard	Standard	Exemplary	Standard
Price/Fair Value	1.08	1.00	1.05	1.06

Episode 10 - Play Macro Game

February 15, 2025

Weekly Headline

OPINION

The 2025 Globe and Mail Digital Brokerage Ranking: Improvements all around, but a clear winner emerges



ROB CARRICK > PERSONAL FINANCE COLUMNIST

PUBLISHED FEBRUARY 13, 2025

UPDATED YESTERDAY

This Episode Brought to you By Express Innovation Personal Finance

At EI Personal Finance we focus on providing straightforward tools to manage your wealth planning.

We are not part of a financial advisor network or a financial institution.

We are everyday investors with a track record of building wealth using easy to use dashboards to ensure you are on course to achieve your long term investing goals.

Our Thirty Minute Drill delivers an immediate view of all assets and a scorecard to consistently track your results.

We help you take control of your investments and reduce fees that erode your long term returns.

Visit us at expressinnovation.ca and book an appointment today for as little as \$99 and you will own a personalized toolkit to easily support your long term financial objectives.