



**July 2022**

Welcome to our Liahona Capital Q2, 2022 newsletter!

## **Real Estate Market View**

On Wednesday, July 13<sup>th</sup>, the Bank of Canada raised the central bank's policy rate a full percentage point to 2.5%. We all knew this was coming however we suspect the full point may have come as a surprise to most. Bank of Canada has explained the aggressive move is to bring inflation back to target. They also noted real-estate activity has already weakened substantially from what it described as an "unsustainable pace" during the pandemic. It expects both housing transactions and prices to decline into 2023 as interest rates rise.

On Wednesday, June 15, the Canadian Real Estate Association (CREA) released its national housing statistics for the month of May alongside an updated forecast. Below, CREA's Senior Economist Shaun Cathcart provides an update on the current state of housing markets in Canada and explains what the data means for members.

What does increased rates mean for mortgages?

*"Ultimately what we're seeing in mortgages, and by extension, housing markets is what has been expected and forecast for some time: higher rates leading to a slowdown to more normal levels of sales activity and a flattening out of prices.*

*What will happen next?*

*We still have supply shortages all over the place. This won't change overnight. But we've gone from that being the defining feature of the market, to borrowing costs being the defining feature of the market in very short order. The 2021 market was a wild ride. That's over. The 2022 market is now adjusting to a rapid rise in interest rates. It will find an equilibrium at some point based on what is currently expected."*

[CREA.CA](https://www.crea.ca)

What does this mean for **Liahona MIC**? We have seen a significant increase in Q2 in new mortgage application submissions as well as deals funded and placed into the MIC portfolio.

We have also been able to increase some of our rates back to where we were pre COVID. This is great news for MIC shareholders! We continue to follow our stringent underwriting processes as we closely monitor market trends. An indicator of this is our current Loan to Value (LTV) for the Fund which sits at 67%. We are in a position yet again necessitating more funds so we can facilitate these mortgages being submitted.

**\*Please note the term for Liahona MIC investments is 12 months with the potential to fulfill redemptions of up to 180 days.** This is to ensure we continue to have a well-rounded portfolio while balancing our cash flow. If you are interested in investing in Liahona MIC again or for the first time, please contact your Dealing Representative today!

Liahona MIC was a proud supporter at the recent Canadian Mortgage Brokers Association (CMBA) Annual Golf Tournament in Ottawa early last month. Shown below is our Business Development Manager Ken Macken with his group from Dominion Lending Centre. Left to right is Alamgir Hossain, Anmol Karir, Ken Macken and Hasanul Prince.



**FIRST ANNUAL OTTAWA GOLF TOURNAMENT**  
The Meadows Golf and Country Club June 2, 2022



## What's New?

We are excited to announce that Liahona Insurance & Wealth Creation has launched social media on the following platforms!



### **Olympia Benefits- Health Spending Account**

A Health Spending Account is a benefit to incorporated business owners where it provides reimbursements for a wide range of health-related expenses, over and above regular benefit plans. Often, typical 'group' or 'individual' health and dental benefit plans are expensive and small businesses don't typically qualify. Using a Health Spending account allows for medical expenses to be paid from your corporation and is 100% tax-deductible. The reimbursement is 100% TAX-FREE to you personally and allows for 100% medical coverage including dependants.

You get to withdraw money from your corporation TAX-FREE to pay for your personal medical expenses. A Health Spending Account turns your after-tax personal medical expenses into a before-tax business deduction.

For product information: <https://www.olympiabenefits.com/partner?10673>



Pay for your medical expense personally.



Submit your claim on your mobile device.



Send payment from your corporation.



Olympia reimburses your personal bank account.

For more information, please contact one of our advisors at Liahona Insurance & Wealth Creation Inc. at [clientrelations@liahonainsurance.ca](mailto:clientrelations@liahonainsurance.ca).

## Did you Know?

We can offer investments through a Registered Education Savings Plan (RESP)? Anyone can open a RESP account for a child—parents, guardians, grandparents, other relatives, or friends. For more information on how to start investing for a child's post-secondary education, reach out to your Liahona Dealing Representative today!



## Alternative Investments and Why They Are More Relevant Today

The typical asset allocation of 60/40 public market investments that has worked well for 40 years is now over. Interest rates decreased to their lowest level in history which gave investors great returns in both bonds and equities. Free money and high leverage will have consequences. There is a paradigm shift in the markets that will take years to unfold.

“THE TIMES ARE A-CHANGIN’

- ❖ Interest rates have been at their lowest levels for 14 years but are now rising
- ❖ Inflation is at its highest level in 40 years
- ❖ First major war in 75 years
- ❖ First world pandemic in 100 years

### What are the consequences?

When rates go down, bond prices go up. When rates go up, bond prices go down. We have started to raise rates to combat inflation. The average bond portfolio is down between 6-8% and will continue to lose value as rates rise.

Equity funds have lost between 10-20% this year. Supply chain, staffing issues, and higher debt costs are forcing analysts to decrease current and forward-looking earnings expectations.

Lower earnings expectations lead to lower equity values. As with corporations, individuals will have less spending power due to inflation (food/energy) and higher debt servicing costs on mortgages and other loans. The consumer will eventually spend less on non-essential items. Markets are expected to continue with high volatility over the coming years. Public stocks and bonds fluctuate based on human emotions.

This is where private equity fits in.

Private equity funds purchase companies and assets to add value and create steady cashflow. Like real estate, dental offices, mortgages, storage facilities, etc. are valued based on the actual value of the assets and the growth of the company, not human emotion (trading public stocks daily). What do the Pension funds, Insurance companies, and high-net worth clients want most? CAPITAL PRESERVATION AND LOW VOLATILITY.

Private equity is the fastest growing asset class and has historically proven to outperform the public markets. It offers capital preservation, steady returns, low volatility, and allows further diversification in your overall portfolio.

To learn more about private equity investments please reach out to your Liahona Dealing Representative!

## Fund Updates

To keep you informed about the various investments Liahona Capital offers, we are happy to share some recent Fund updates with you. This quarter we will highlight Liahona Mortgage Investment Corp. (LMIC) and Invico Diversified Income Fund (IDIF).

**Liahona MIC** saw steady growth in Q2 with our Assets Under Management now at \$46 Million as at July 1, 2022. We placed almost \$14 Million in mortgages this past quarter and raised just over \$3.5 Million in new investment dollars into the Fund! Call us today to learn more about Liahona MIC and how it might be the right fit to add to your investment portfolio.

**Invico Diversified Income Fund (IDIF)** had a strong start to the year and announced an additional distribution to unitholders as at March 31, 2022. This one-time non-recurring additional distribution was paid to Investors May 6, 2022 and reflected the performance of the Fund for Q1, 2022. Additionally, due to the Fund's performance, they announced an increase in their class B unit value from \$10.20 to \$10.57. They noted that they have continued to experience robust energy fundamentals for both oil and gas in North America, which has largely impacted the 1/3 of IDIF's current allocation to "real assets" in the energy sector. This has contributed positively to the Fund's overall performance and has provided IDIF Investors with an ongoing hedge against current inflationary pressures. Well done Invico!

For information on our products, or to make any investment, please contact your Liahona Dealing Representative!

Robert Rumley



Brandon Renault



Adam Gignac



Doug Edwards



Eric Anderson





## Summary

We appreciate your continued interest and investment with us. For additional information visit our website at [www.liahona.ca](http://www.liahona.ca)

As always, we welcome your feedback.

Sincerely,

## The Liahona Team

This newsletter is intended for information purposes only and does not constitute an offer to sell or a solicitation to buy securities. No securities regulatory authority or regulator has assessed the merits of the information herein or reviewed this newsletter. Past performance is not a guarantee of future results and readers should not assume the future performance of any fund will equal or exceed prior performance generally or that the investment objectives of any fund will be achieved.

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