

ODLUM BROWN REPORT

02 2021



ODLUM BROWN
Investing for Generations®



The Show Must Go On

Despite its immense toll, the pandemic has yielded silver linings. In my bubble, the unexpected bonus has been the extra time to connect with my boys. Similarly, while we are disappointed to not be able to visit face-to-face at Odlum Brown's 27th Annual Address, this year's virtual event provides an opportunity to reach a broader audience and provide greater content.

At 3 PM on Wednesday, February 10, Odlum Brown's President and Chief Executive Officer, Debra Hewson, will kick off our online presentation. She will share how Odlum Brown's long history of taking care of our clients has been our differentiator through the challenges of the past year, and has led us to emerge well-positioned for the future. Then I will tell you why the probable surge in economic activity from a vaccine-driven uncorking of pent-up demand creates new risks and opportunities, and how we are positioning portfolios. Both Debra and I will answer a selection of questions previously submitted by our valued clients.

What's most exciting about this year's event is that video presentations from all of our highly regarded Equity Analysts will be served up à la carte after the main event. Previewed here, these presentations will be available on our website at odlumbrown.com following the Annual Address.

ESG Investing

Increasingly, investors are considering ESG – Environmental, Social and Governance – factors behind the companies in which they invest. In other words, are the companies they own good corporate citizens? While this approach is increasingly popular, evaluating a business's behaviour has long been part of our investment process. Equity Analyst

Stephen Boland highlights the risks inherent in investing alongside bad corporate citizens and the benefits of sticking with companies that consider their impact on all stakeholders.



Electric Vehicles 2.0

Over the last decade, we've seen a significant increase in the number of electric vehicles sold globally, from close to zero in 2010 to over two million last year. At less than 3%, electric vehicle sales still represent a relatively small percentage of total auto sales. However, this is expected to change as the key reasons against owning an electric vehicle – cost, range anxiety and limited choice – are starting to dissipate.

As a sequel to his 2018 Annual Address presentation, Equity Analyst **Fai Lee** examines General Motors

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and its new Ultium battery platform. Ultium is expected to make General Motors' electric vehicles cost competitive with internal combustion engine vehicles. In addition, Ultium offers significant design flexibility and will reduce development times for new electric vehicle models. General Motors is well positioned to capitalize on the expected long-term growth in electric vehicle demand. The company's attractive valuation and our optimistic outlook for its electric vehicle business make us very excited about General Motors' stock.

Data Centres

Demand for online services has increased during the COVID-19 pandemic. Many have relied on ecommerce to buy goods and groceries from home. We're connecting with family and friends with the click of a button, and we're consuming more entertainment over virtual platforms. Ironically, all this online activity requires substantial physical infrastructure, such as powerful computers (called servers) and data centres in which to keep that equipment.

Equity Analyst **Trevor Chang** looks at Equinix, a global data centre real estate investment trust that leases warehouse space and manages systems for clients mainly in financial services, information technology and media. His presentation outlines what makes Equinix unique among its peers, the interconnections it provides tenants, the custom management services it offers and how the transition to faster 5G speeds could benefit the company going forward.

Our reliance on online services was growing long before the pandemic and will likely persist into the future. By investing in the infrastructure that supports those services, we can take advantage of the growth of this industry without having to guess which platform or provider will come out on top.

Semiconductors

Have you ever heard the saying, "Big doors swing on little hinges"? It's often credited to W. Clement Stone, a 20th century American entrepreneur and philanthropist. Historical writings, however, suggest the proverb goes further back and references the massive cathedral doors seen all across Europe. The concept, though, is timeless, as it reminds us that sometimes it's the smallest things that allow big things to happen. This is no truer than when thinking about semiconductors today – those tiny little chips that make our digital gadgets go.

Equity Analyst **Steven Zicherman** describes how semiconductor technology is growing in relevance. Over the past few years, this growth has been driven largely by increasing smartphone use and cloud computing. As we look forward, this growth should remain robust thanks to innovations in the automotive and industrial industries.

Large technology companies are evolving in ways that may be underappreciated. Apple and Google are implementing their own custom computer chips to differentiate their products and services. By using their own technology, these companies are realizing significant performance improvements. While the list of most valuable technology companies often changes over time, we are comforted that the big technology companies of today are leveraging semiconductor innovations to sustain and grow their moats.

Canadian Banks

During the Great Financial Crisis of 2008-2009, Canadian banks fared much better than their international peers, but they still struggled mightily. Investors were skeptical of the Canadian banks for many years thereafter, nervous about their ability to withstand poor economic environments.

Equity Analyst **Benjamin Sinclair** will explain how the pandemic has given the banks the opportunity to prove these skeptics wrong. Credit losses spiked, capital



levels were put under pressure and the banks' top lines faced headwinds. Yet almost a year later, the story has changed in the banks' favour, with credit losses coming back down and capital levels rebounding.

The banks have certainly caught a few breaks, such as robust government stimulus measures and favourable equity markets, but they also deserve credit for their resiliency. Unlike during the Great Financial Crisis, the banks have been part of the solution rather than part of the problem. So as we look for solid companies to invest in for the long term, we have greater confidence in making the banks a part of that strategy.

Dividend-Paying Stocks

In the post-pandemic world, we believe boring will be rewarding. Equity Analyst **Cory O'Krainetz** discusses why the humdrum dividend-paying stocks like utilities and telecoms are particularly attractive in today's market.

Bond yields are uncommonly low, even negative in some cases, and offer very little income for savers. Ultra-low interest rates have also helped inflate stock prices in many sectors, yet many of Canada's most admired dividend-paying companies have been left behind. Instead, investors appear to be focused on more exciting industries, in search of faster growth and outsized returns. In our view, this distraction provides an attractive opportunity for dividend-seeking investors.

Utilities and telecoms may not be glamorous, but they play an important role in portfolios, providing a relatively stable source of income and growth.

Please visit our website at odlumbrown.com later this month to view the full presentations. We look forward to sharing more with you then.



MURRAY LEITH, CFA

Executive Vice President and Director, Investment Research

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Would You Name the Bank Your Beneficiary?

If you have ever applied for a mortgage, your lender likely offered you the option of purchasing life insurance to cover the mortgage. While it can be prudent to initially take out mortgage life insurance to address any coverage gap, it is worthwhile to consider replacing the mortgage life insurance policy with personally held coverage as the next step.

This month, we explore the major differences between mortgage life insurance and individual life insurance. Whether you're a first-time home buyer or a seasoned real estate investor, it pays to explore your options.

Mortgage Life Insurance vs. Individual Life Insurance

When does underwriting occur?

Often, after a claim is made (i.e., after your death). If the insurer determines that you were ineligible for coverage, no benefit is paid.

Before the life insurance company issues a policy.

Who owns and controls the insurance policy?

Your lender. Your insurance coverage is linked to your mortgage, and policy changes may be restricted. If you change lenders or refinance or sell your home, your existing coverage will likely terminate.

You. Your insurance and your mortgage are independent from each other (although your lender may require proof of coverage). You can change lenders or refinance or sell your home without affecting your coverage. Depending on the policy you choose, you may also have options to renew coverage despite future declines in health or insurability status.

Who is the beneficiary?

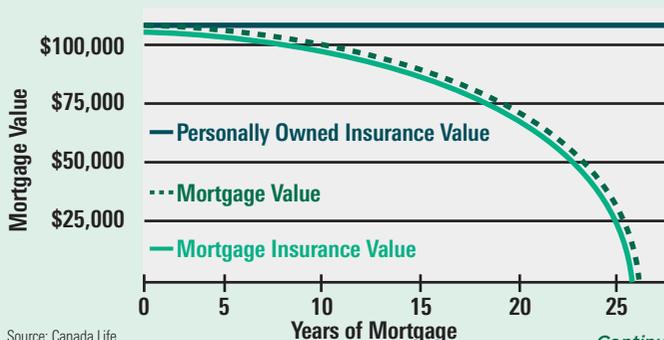
Your lender is the beneficiary. Your lender applies the death benefit directly to any remaining mortgage balance with no residual amount available for your family.

You decide who receives the death benefit. For example, you can designate beneficiaries to be your spouse, children, grandchildren or a registered charity. The beneficiaries decide how to use the proceeds, whether that is to repay outstanding debt, fund education or retirement plans, or for any other purpose.

How long does the coverage last?

As shown in the illustration below, mortgage life insurance declines as the outstanding mortgage balance declines and expires once the mortgage has been fully repaid.

You choose. You may wish to have coverage for a particular term (for example, while you have a mortgage or young children) or some form of permanent insurance for lifetime coverage. With individual life insurance, you can purchase a policy for which the coverage amount is guaranteed for the life of your contract.



Source: Canada Life

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If you are considering cancelling a mortgage life insurance policy in favour of an individual life insurance policy, please consult with a qualified insurance advisor first.

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How do the costs compare?

Premiums for mortgage life insurance are typically higher than for comparable term life insurance, partially because of the limited pre-purchase underwriting (i.e., medical and lifestyle details may be omitted). Although the coverage amount declines over time with each mortgage payment you make, the premiums you pay do not. This can be true even if you significantly accelerate your mortgage repayments.

Premiums for a term life insurance policy are typically lower than for comparable mortgage life insurance. With individual insurance, you have more flexibility in choosing the type of insurance that best suits your needs and your budget.

If you are considering cancelling a mortgage life insurance policy in favour of an individual life insurance policy, please consult with a qualified insurance advisor first.

Odlum Brown Financial Services Limited is in the business of caring for your financial well-being, and insurance can be an important component to protect your plans. If you would like more information regarding life insurance or other insurance topics, please contact us through your Odlum Brown Investment Advisor or Portfolio Manager.



DEBBIE STUART CLU, CHS
Estate and Insurance Planner
Odlum Brown Financial Services Limited

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Odlum Brown in the Community

We are committed to supporting the communities where we live and work, and are proud to sponsor the following upcoming virtual events:

The Odlum Brown FWE Gala: Pitch for the Purse Finale
Thursday, February 25 at 5 PM – Virtual Event



We are pleased to return as the Title Sponsor of the Odlum Brown FWE Gala: Pitch for the Purse Finale. The Forum for Women Entrepreneurs (FWE) designed Pitch for the Purse to help women entrepreneurs access capital to grow their businesses. This year's 19th annual gala will be a 60-minute virtual show. This exciting

program will see the three Pitch for the Purse finalists present their business vision, followed by a live audience vote for the winner of the \$50,000 cash prize. **To learn more about the gala and this year's finalists, visit fwe.ca/pitch-finale.**

Alzheimer Society of BC Breakfast to Remember
Thursday, March 4 at 7:30 AM – Virtual Event



Odlum Brown Limited is proud to be a Gold Sponsor of the Breakfast to Remember, a virtual event to raise funds for the Alzheimer Society of BC. Every year, business and community leaders come together (typically at breakfast events in Vancouver, Victoria

and Kelowna) to change the future for people affected by dementia. This year's event, now virtual and open to people from all across BC, will be out of this world, with a keynote address from a Canadian icon.

Find out more at BreakfastToRemember.ca.

