A PERSONALIZED, INDEPENDENT, PRO-ACTIVE WEALTH MAMANGEMENT FIRM

RealGrowth Investment Counsel

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Our Current Stance

EQUITIES: Your portfolios have continued to move higher this year due, in large part, to the emphasis on value and investing in those companies that can raise prices in a stagflationary environment. The general stock market, however, has been weak, reflecting the fact that governments around the world have painted themselves into a corner allowing for inflation and slower growth. With so much debt across the globe, plans to increase interest rates to combat rising inflation seem unfeasible. In addition, there is a movement to reign in the production of oil and gas. The irony, at this stage, is that it takes more energy to produce the environmentally "friendly" electric vehicles, wind turbines, solar panels and massive cloud data storage facilities (the mining of bitcoin, and the list goes on) than that which is being saved. If you want to lower inflation and make hydro carbons cheaper, allow the producers to find more. That will give us time to move to greener energy.

INFLATION: We are all aware that inflation is rising and we can see that interest rates have started to follow suit. We think that the increase in interest rates is lagging inflation, due to government manipulation of the money supply, but there may still be upside momentum to come in interest rates. That will not be a welcome sight to areas of the market such as long-bond funds and the overpriced high-technology industry

FIAT CURRENCIES: With the help of soaring energy prices, and soaring record levels of debt, the dollar's purchasing power continues to decline, which is underappreciated by the financial establishment and misconstrued by the U.S. Fed-

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Month in Review

TO OUR CLIENTS: The performance of your portfolios continued to improve throughout the month. It was actually a continuation of a very strong upward move in a number of your stocks from last year. We believe this trend, particularly in the area of rising oil prices, will be sustained and contribute to another positive year.

Tax Free Savings Account (TFSA)

2022 TFSA Contribution: $6,000

Cumulative Contribution 2009 - 2022: **$81,500**

The military developments between Russian and Ukraine do not affect our Asset Allocation Model. In fact the conflict only makes it more relevant, as rising prices of oil and gas will happen more quickly, and the devaluing of Western fiat currencies will cause gold prices to rise more and at a faster pace. All of which should be positive for your portfolios.

The scenario we see going forward, of profit margins maxing out due to rising raw material costs and central bankers remaining behind the inflation curve, is for a stagflationary economic environment. As such, we believe that the present Asset Allocation Model will remain the right plan of action for some time to come.

LOOKING FORWARD: The chart below is very interesting. It shows how overvalued many stocks are presently in the high-technology (risk on) space. There is a great deal of money flowing into areas that, on the surface, are "exciting" but are not making any money. Nor, in many cases, will they for a number of years to come…if ever. Money has been flowing out of the government (for example via artificially low interest rates) too easily and for too long. Few investors have experienced a real re-

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CLOSING STOCK MARKET AVERAGES AS AT MONTH END

	31/01/2022	30/11/2021	Change(2 Months)	Change (Dec 31/21)
Dow Jones Industrial Average (DJ)	35,132	34,484	1.88%	(3.32%)
Standard & Poor's 500	4,516	4,567	(1.13%)	(5.06%)
NASDAQ	14,240	15,538	(8.35%)	(9.10%)
Toronto Stock Exchange	21,098	20,659	2.13%	(5.9%)
London (FT100)	7,220	7,059	2.27%	8.40%
CDN $/U.S. $	0.7862¢	0.8070¢	(0.68%)	(0.58%)
CDN$/Euro	0.6963¢	0.6988¢	2.06%	0.6988%
Gas	4.87	4.57	6.56%	30.56%
Oil (West Texas Inter)	$88.15	$68.18	29.29%	17.21%
Gold	$1,797.92	$1,776.50	1.21%	1.67%

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eral Reserve. Rising interest rates are not due to the rising "cost" of money; they reflect the loss of a currency's purchasing power. Understanding that lenders have to be compensated for the loss of the value of the currency they hold, and the fact that historically both interest rates and the price of gold rise together, explains the rise of gold. Gold is the benchmark for which all currencies revolve around.

INTEREST RATES: As mentioned above, interest rates have been rising. World governments say they are tightening the money supply so as to increase interest rates. They want to do that to dampen the inflation sweeping the globe. Unfortunately, there are two main reasons for inflation, and merely stomping on demand will not affect inflation. All it will do is prevent more raw materials and manufactured goods from being produced, thus increasing their prices even more. Notwithstanding, central governments are, and will remain, behind the curve. Furthermore, interest rates may continue to rise regardless of what they say they are going to do because currencies will continue to be devalued.

OIL AND GAS: The global oil market's supplies remain exceptionally tight. Against that backdrop, when we look at global oil demand, we're back to pre-COVID levels. So there are strong reasons to believe that oil prices will continue to rise throughout this year, especially as Omicron passes.

The real story remains supply. We believe we're in a structural, multi-year bull market for oil that may not end until long after we see higher all-time high oil prices.

The most bullish factor for prices is the fact that OPEC seems to be running out of spare capacity. That factor alone, that realization, is going to be the most bullish, watershed event in decades.

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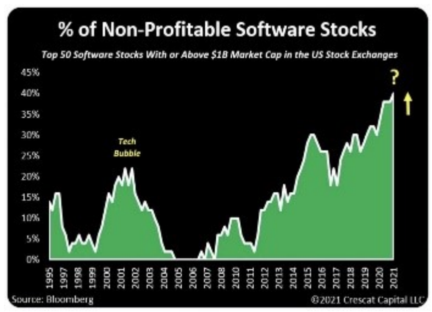
cession and/or a prolonged drop in the markets and, as such, seem unaware of the risks of investing in non-profitable or even ponzy-like schemes. We can argue what some of the more obvious ones are, but the point is that when the tide goes out, we will all have a much better view of those that were wearing bathing suits and those that were not.



More Price Hikes Coming In 2022: While it does seem like we've reached peak strain in the supply chain, many companies are still under a lot of stress and more price hikes may be coming. Below are some quotes, edited for easier reading, from various industries, that point out that the inflationary environment we are in could still take time to work through:

Accommodation & Food Services: "Supply chain challenges to procure supplies for restaurants remains an obstacle at present, along with staffing needs. We are considering further price increases."

Construction: "The escalation in costs for materials, fuel, labor, lodging and the like continues to negatively impact margins in an unsustainable direction."

Professional, Scientific & Technical Services: "Electronic chip shortage is severely affecting deliveries from the supply base, thus impacting the ability to deliver to customers."

Retail Trade: "Long lead times, transportation bottlenecks, delivery inconsistency and price increases continue to affect a range of products."

Utilities: "We continue to experience supply chain disruptions across the nation and around the globe, resulting in raw material and subcomponent shortages, longer manufacturer lead times, transportation resource constraints, labor pool issues and significant price increases. Supply management continues to recommend pulling in demand, placing orders earlier than historical lead times for long lead time materials, and qualifying secondary sources of supply (if applicable)."

Wholesale Trade: "Demand is good, but supply chain issues continue to get worse. Trucking availability is worsening. Labor shortages are causing issues. We could do much more business if we had more people and access to more products."

ECONOMICS: There has been a dearth of investment in the commodities markets. You can see this clearly by the chart below. A great deal of money has flowed into the technology markets and that is a good thing. However, because of the push to be carbon neutral, investment in oil and gas and many other raw commodities that the world economy depends on to live, has been neglected. Unfortunately, the new carbon friendly economy cannot exist, not in any meaningful way, without a large number of raw materials, such as oil and gas, to mine, manufacture and run.

Many raw commodity futures markets have been experiencing pricing "backwardation," the most since 1997. Backwardation means nearby futures trading at a premium to the

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OPEC raised its crude oil production by just 64,000 barrels per day (bpd) in January 2022, well below the 254,000-bpd increase in output allowed under the OPEC+ deal, as OPEC and its allies in the OPEC+ group continue to undershoot quotas and supply fewer barrels to the market than promised. This actually includes all 13 members of OPEC—including the three producers exempted from the OPEC+ quotas - Iran, Libya, and Nigeria.

For half a year now, OPEC+ has actually added lower volumes to the market each month than the 400,000 bpd nominal monthly increase announced in each of the OPEC+ meetings since August 2021.

Last but not least, the sanctions on Russia, which include the postponement of the Nord Stream 2 pipeline, carrying gas directly from Russian to Germany, will constrain supplies to Europe even more and that will have to be made up from somewhere else.

PRECIOUS METALS: Nothing has changed with the advent of bitcoin or more fiat money or less tapering. The only currency in the world that has, and will hold, its value through the test of time is Gold. It will be the only real protection, in the short-term, in a market downturn, and the only real protection in the long-term due to the never ending printing of fiat money, which devalues fiat currencies.

U.S. Treasury Secretary Janet Yellen wants permission for the U.S. to borrow more money so they can increase their debt ceiling again!. But we don't think there is too much more room left to print and borrow before the value of money deteriorates at a faster and obvious clip, to the point where borrowing money may become difficult. Many governments are talking the

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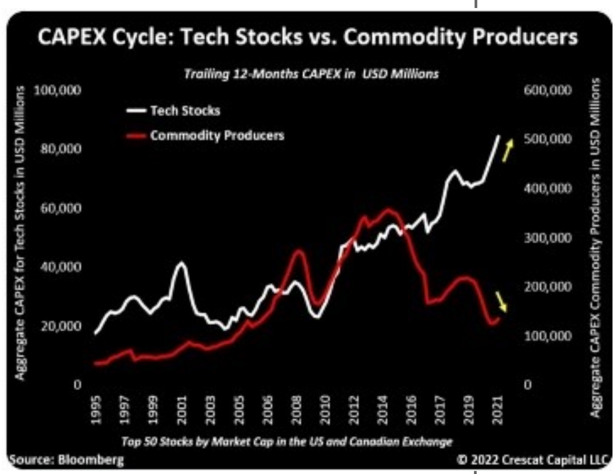
deferred contracts. Usually, deferred futures are higher-priced, due to a "time/cost-carry" premium. Backwardation suggests strong near-term demand for a commodity. Futures curves seem to be pricing in shortages, and crude oil prices are leading the raw commodity price surge. Thus, crude will be a very important market for investors to monitor in the coming months.



The key outside markets today see crude oil prices higher and trading around $92 a barrel. The U.S. Treasury 10-year note yield is presently over 2%--the highest in over two years, but substantially below the inflation rate. To stop the devaluation of Western currencies, interest rates would have to rise above the inflation rate (well over 7%) and for an extended period of time. We do not think that with the current amount of government debt, the economy would be able to handle the higher interest payments without some sort of major recession. As such, fiat currencies only have one way to go, and against major commodities (like oil and gas), that direction is down.

CONCLUSION: 1) Up until recently, the Federal Reserve was buying $80billion (b) of U.S. Treasury debt being issued/borrowed by the U.S. government… PER MONTH. Since 2015, foreigners have been net sellers of about $900b of Treasury notes and bonds per year and that has reduced their percentage of U.S. treasury holdings to only about 1/3 from half. So who exactly is going to step in to buy at least $900b of U.S. paper per year after March? The president of the New York Federal Reserve said it would be "appropriate" to raise the central bank's benchmark short-term interest rate in March and begin to reduce its $9 trillion stockpile of bonds "later this year…With today's strong economy and inflation that is well above our 2% longer-run goal" (try 7%-9%) "it is time to start the process of steadily moving the target range [for short-term interest rates] back to more normal levels" John Williams said in a virtual speech Friday, February 18th at New Jersey City University. Fed Chairman Jerome Powell has been quiet lately as he awaits a Senate vote on his confirmation for a second term. The Fed's next strategy-setting meeting is March 15-16.

2) There will be buyers of U.S. bonds, of course, but at what interest rate? The reality of a higher interest expense on a historically high mound of $30 Trillion of U.S. government debt (let alone equally high debts in European, Canada, Japan etc.) will put a strain on the economy and markets.

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talk about maintaining the purchasing power of their respective currencies, but behind the scenes they are selling their own currencies to buy gold.

Government policy makers have an unwritten plan to devalue debt by growing nominal GDP through surreptitious inflation. The valuation disparity between financial assets (especially the most highly valued high-technology companies) and tangible assets has never been more compelling. As such, we continue to hold core positions in high quality gold (and copper) producing, dividend paying, companies as insurance for a declining general market place and a currency that is losing its value faster every day.

Political Shorts

BIDEN/TRUMP

The situation regarding the Russian troop and equipment build-up, around the Ukrainian border, seems to have given most world leaders what they wanted or needed at this time.

J. Biden (President U.S.). The withdrawal from Afghanistan was a total disaster, making him look weak and lacking in conviction. This situation in the Ukraine has given him the chance to show strength and determination. It will take the attention away from his failures and zero in on the problems with Russia. It must be said that this was a political Life Saver for him.

B. Johnson (Prime Minister UK). For him (lucky fellow) this came just in time to save his political Bacon. Party after Party at 10 Downing Street when it was a NO, NO. He is now able to turn the people's attention to the goings on in the Ukraine. And to "How dare you Mr. Putin. We will not allow it, we will trim your feathers."

Macron (President of France). Macron to the Rescue. This has given him the chance to show that he is a World Leader, especially with French elections coming up soon. He has had a couple of meetings with Putin. Long table and all… to no apparent result.

V. Putin (President Russia). He has never felt better. He has shown the west and NATO that they must consider Russia. He has had the Presidents of France, Germany and Hungary come to HIM. They all know that his Nuclear Armaments are Second-To-None and equal to those of the U.S.. He sees weakness in the U.S. and in the EU he sees dissention with Poland and Hungary where they are starting to do their own thing. Furthermore, by recognising the breakaway eastern parts of the Ukraine, Donetsk and Lugansk, he has in fact created a buffer zone he wanted in the first place (not likely enough for him). He may need to do nothing more. But only he knows. What is of interest, is that a large portion of the population of Eastern Ukraine, and a big minority of Ukrainians in the Western half, are pro-Russian.

World. Any sanctions on Russia may very well bring retaliatory ones from them, such as cutting off gas supplies to the Ukraine, or even other EU countries. This would put upward pressure on the price of gas and oil in Europe and world-wide. This might well have a detrimental effect on the Democratic Party's election chances in the upcoming U.S. midterm elections. The Russians might also enact massive cyberattacks on Europe and the U.S.. So sanctions on Russia are not a one way street.

Does Russia Have a Point? Moscow has now got the West's attention when it comes to the perceived injustices of the post-Cold War security order in Europe.

From Putin's perspective, NATO has welched on the deal not to expand eastwards towards Russia's borders.

Not only have the three Baltic republics (all former Soviet Socialist Republics), Poland and other former Warsaw Pact countries all joined NATO, but now the prospect of neighbouring Ukraine doing the same is too much for Moscow to bear.

Putin wants this changed or the Damoclean sword of a Russian invasion will forever hang over Ukraine.

"He wants to negotiate a new security deal but from a position of strength" says Ghanem Nuseibeg, a Senior Visiting Fellow at Harvard. "In a way he has already partially succeeded with Macron talking of a new security order."

We at RealGrowth, are very much aware of what is going on in the world and act accordingly if changes need to be made to our Asset Allocation Model. Right now, we believe we are well positioned to gain from what is happening.

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