A PERSONALIZED, INDEPENDENT, PRO-ACTIVE WEALTH MAMANGEMENT FIRM

RealGrowth Investment Counsel

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Our Current Stance

EQUITIES: I learned early on in my investment career that it is critical to identify risk and endeavour to protect the downside. If you can achieve that, the upside normally takes care of itself. Compounding dividends and capital gains was, and is still, a magical formulae for success.

Sometimes the risk is so clear that you want to stand on the barricades and shout. But sadly most investors are driven by greed and seldom see when markets become high risk.

The end of the 1980s was one of those obvious periods, especially in the property market. Stocks then crashed in 1987. If you weren't leveraged during this time, or sell due to fear, either crash didn't wipe you out. But in commercial property, partly due to the heavy carrying costs, and because of leverage, a lot of investors get killed and sadly that is what happened in the early 1990s.

As recently as last summer, interest rates were zero and they only had one way to go. To be invested in any kind of long bonds or high priced stocks, as many in the high technology arenas were, was not prudent. Being out of severely oversold energy, the summer before, was also not prudent.

We believe the same things are true today. We are staying away from overpriced "fad" type stocks and any kind of long-term bonds, and are staying invested in underpriced energy and other commodity/mining stocks that are oversold and comfortably (excess net internally generated cash flow) pay high dividends.

INFLATION: Inflation is going to be a tough nut to crack. If the Western Central banks raise interest rates too high, then their respective economies could collapse under the weight of higher interest costs and lower tax revenues. With debt levels already at all-time highs that scenario could be a non-starter.

(Continued on page 2)

Month in Review

TO OUR CLIENTS: Your portfolios performed very well in 2022, with solid positive returns, and significantly ahead of the general markets. This growth, in your portfolios, was driven in part by the energy stocks (with high dividends), the best performing sector in 2022. Rising interest rates, high inflation and weakening economic growth led to the general market indices experiencing their largest declines since 2008. Technology and overpriced growth stocks were the hardest hit. Looking forward into 2023, inflation, interest rates and a looming recession will be primary concerns. In addition, the continuing Russia-Ukraine conflict and concerns surrounding China may add to market volatility. Keeping this in mind, it is important to maintain our asset allocation, with continued core investment in energy, staples, industrial stocks and gold.

Tax Free Savings Account (TFSA)

2023 TFSA Contribution:
$6,500

Cumulative Contribution 2009 - 2023:
$88,000

Thankfully, we did not follow the "traditional" 60/40% (stock/bonds) portfolio old belief structure, as it clearly failed in 2022. In addition, we avoided a number of pitfalls such as the over-priced flavors of the day.

There were few paper assets in which to hide or to "balance" one's portfolio. Believers in that idle portfolio configuration were skewered from both sides of that mix. For decades having 40% invested in long maturity bonds made sense, but not anymore. Interest rates rose off 0% levels and did it quickly. We had made the decision to stay in very short-term, high quality government notes and/or cash some time ago as we knew rates had to rise at some point. We didn't know when or how quickly that would happen, but the "handwriting" was clearly on the wall.

The U.S. and other Western government Federal Reserve Banks declared war on inflation—or their very narrow

(Continued on page 2)

CLOSING STOCK MARKET AVERAGES AS AT MONTH END

	31/12/2022	30/09/2022	Change(3 Months)	Change (Dec 31/21)
Dow Jones Industrial Average (DJ)	33,147	28,726	15.39%	(8.78%)
Standard & Poor's 500	3,840	3,586	6.879%	(18.95%)
NASDAQ	10,466	10,576	(1.96%)	(33.17%)
Toronto Stock Exchange	19,384	18,444	5.10%	(8.7%)
London (FT100)	7,452	6,894	8.09%	0.19%
CDN $/U.S. $	0.783¢	0.7307¢	6.71%	(7.19%)
CDN$/Euro	0.6895¢	0.7441¢	(7.34%)	(0.87%)
Gas	4.47	6.95	(35.68%)	21.63%
Oil (West Texas Inter)	$80.26	$79.49	0.97%	6.71%
Gold	$1,826.20	$1,672	9.22%	(0.88%)

Our Current Stance

(Continued from page 1)

The only answer may be something in between. Already the U.S. Federal Reserve is talking about 5% interest rates as a figure that they say is very restrictive. However, with inflation closer to 10%, that means that they remain accommodative, and the economy can continue to grow and cover government expenses.

FIAT CURRENCIES: Regardless, we believe that the U.S. dollar is in the early process of losing its relevance, as a global reserve currency, with nations like China and India and organizations like OPEC+ dealing amongst themselves and away from the U.S. dollar as a vehicle for global trade.

Have the short-term policies of the U.S. hurt their, and Canada's, superior position in the world economy? It should be noted that currently, 20% of international trade is destined for the U.S.; at the same time, more than a third of international trade is invoiced in U.S. dollars and nearly 60% of global foreign exchange reserves are held in U.S. dollars. This situation has already started to change. A natural solution for China and its many trading partners, particularly energy and other commodities exporters, would be to find a new non-national currency reserve asset upon which to trade. This new global currency would result in non-aligned central banks cutting their U.S. dollar reserves, U.S. Treasury yields soaring and the greenback falling 25% versus a basket of currencies. In fact, recognising the weaponization of the U.S. dollar by the U.S. government (completely blocking Russia from the U.S. swift trade system), non-Western allied countries are making moves to leave the U.S. dollar, and the IMF, to create an international clearing union (ICU) and a new reserve asset. World trade in U.S. dollars is a very large boat that is going to be difficult to turn, but it will turn in time. And when it does the momentum could be unstoppable.

INTEREST RATES: In 1970, total US debt was 1.5X GDP. Today it is 3.6X. This means that in order to achieve a nominal growth in GDP, debt had to grow 2.5X as fast as GDP.

The conclusion is simple. Without credit and printed money there would be no real GDP growth. So the growth of the U.S.

(Continued on page 3)

Month in Review

(Continued from page 1)

view of what "inflation" is. And so net on the year, because of this credit/ money tightening cycle, the general stock markets were down anywhere from 10% to 20%, Treasury-Bonds were down 22% and real estate assets were down as well. In the face of that, the Bloomberg Commodity Index was up about 14% and your portfolios were up solidly as well. The Western Central Banks are fighting a changing world structure by depressing demand for goods and services, real estate affordability and manufacturing capabilities. But they can only do that in their own countries, and they have no effect on world-wide supplies - or on the economies or foreign policies of most other countries in Asia, India and the East.

The risk of a major escalation of the war in Ukraine is considerable. Russia's main aim, they say, is for the Minsk agreement to be honoured whilst elements in the U.S. seem to want to weaken Russia in a direct conflict. Many in the U.S. believe that a defeat for the U.S. in this conflict (many are saying it's a proxy war – to the detriment of Ukraine and its people) would be the end of the U.S. dollar, hegemony and their economy. At the same time, Russia (and China in the background – as they must be thinking about Taiwan) is determined not to lose the war, whatever it takes. This is the kind of background that has a high risk of ending badly, and making the suffering of the Ukrainian people even worse.

LOOKING FORWARD: Even more than previous years, we are watching a number of geopolitical events, very closely, that will likely continue to affect the markets – more so, we think, than the markets seem to realize.

Whether or not COVID came from a lab or a street market, we believe that the policy reaction of a global shut down may have affected the economy, and psyche of the population, more than it would have had governments focused on fixing our health care system.

Even though history has seen far greater per-capita death tolls in the form of cholera, the bubonic plague, smallpox, influenza or a number of other pathogens, government officials, with the support of a politically influenced mainstream media, did a good job having us believe that they locked us down, went trillions more into debt (and an umpteenth market bailout) because they care so much about us.

Many believe that "the largest ships survive storms, whereas small boats sink."

But such faith that massive and globally coordinated increasingly CENTRALIZED institutions or even governments (like China?) is somehow safer and superior to individual freedom ignores the example of the Titanic. In short: we aren't so sure because big ships sink too—and often with higher casualty rates.

In the face of world-wide government protectionism, many investors have become nervous about 2023. They are buying historically high amounts of insurance via stock market hedges. For our part, we have seen it happen too many times. When the masses go one way, reality often goes another.

DEBT: For sure there is a great deal of debt around the world and any mishap can tip any ship over very quickly. However, with the U.S. Presidential elections so close on the horizon, we doubt the U.S. government will do much financially to rock the boat. What we aren't so sure about is their aggressive stance on Russia and China, and how they will react going forward.

ECONOMICS: This Is Simply Insane. Total debt-to-GDP in the US is 420%, higher than during the Great Depression and after WWII. With governments unwilling to raise taxes or cut spending, central-bank deficit monetization (printing money) will once again, despite the Federal Reserve con-

(Continued on page 3)

Our Current Stance

Continued from page 2)

(and Canadian) economy is an illusion manufactured by bankers and led by the private Federal Reserve Bank. In today's world GDP can only grow if debt grows at an exponential (ever increasing) rate.

The gap between debt and GDP growth is clearly unsustainable. Regardless, with frenetic money printing in the next few years in an attempt to save the U.S. financial system, the gap is likely to widen even further before it is eroded.

Temporarily the U.S. has achieved this illusory wealth, but the time may be near when the "Piper" must be paid.

OIL AND GAS: Oil and gas remain the base for which all production in the world is needed. It affords those who have economic and political power.

But first let's understand that in spite of the believers that climate change is due solely to human activity, unfortunately there may be no serious alternative to fossil fuels for generations. Fossil fuels account for 83% of the global energy.

Global growth can only be achieved with energy. Since renewables today only account for 6% and are growing very slowly, there will be no serious alternative to fossil fuels for many decades.

In spite of that, Western governments in Europe and the U.S. have not only stopped investing in fossil fuels, but also closed down pipe lines, coal mines and nuclear power plants. These are political decisions but not good economic ones, and could lead to a breakdown of the world economy. Add to that the Russian sanctions that are inspiring China and others, such as the BRIC countries, to look for alternatives to the dollar as the world's reserve currency – the currency used in all (not any more) oil and gas transactions.

Fossil fuel production is likely to decline by 26% in 20 years' time. Increases in nuclear, hydro and renewables just will not compensate for that fall. The effect will be a reduction in global GDP.

(Continued on page 4)

Month in Review

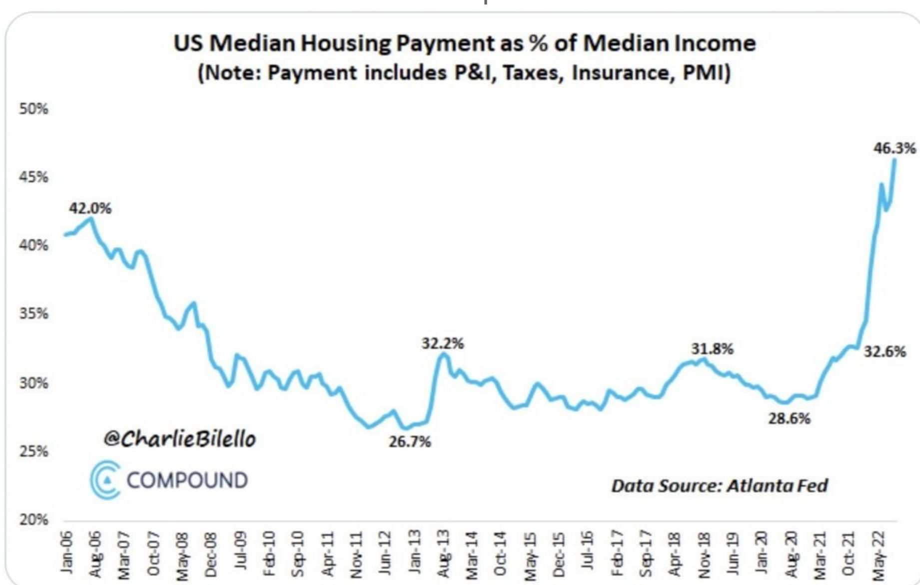
Continued from page 2

stant speak of fighting inflation, be seen as the path of least resistance.

In fact, can this be true? The Bank for International Settlements (BIS) has warned that pension funds and other 'non-bank' financial firms now have more than $80 trillion of hidden, off-balance sheet U.S. dollar debt in the form of Foreign exchange swaps. I don't even know what that amount can mean; is that like a multiverse universe?

cheap, we believe that industry is ripe for a big upside move.

There has been a recent collapse in M2 (Money Supply) growth and that could lead to a financial black swan event of significant proportions. That could be anything from a significantly large company running into financial trouble and or a stock market plunge or both. If that happens, and in the face of almost daily U.S. Federal Reserve officials espousing their inflation fighting stances, the government and politically



We don't think that raising interest rates is going to go over very well with the voting public.

CONCLUSION: The "Buy gold and sell stocks" strategy has been on fire recently. For our part, we hold gold mining companies as insurance against fiat money losing purchasing power and stock market reversals.

As a result: gold mining stocks have started to significantly outperform overall equities. Technically, the gold stocks-to-S&P 500 ratio just broke out from key resistance and because the gold equities are relatively historically

motivated Federal Reserve banks would be forced to eat crow and flood the markets with money. That could, or need not, stop the markets from falling, but could also lead to a crisis of the use of fiat money.

That could play into the hands of Russia, China and others who want to get a bigger piece of the world economic pie and end U.S. dollar hegemony.

There is no doubt that 2023 is going to be a tricky ride.

(Continued from page 3)

The U.S. House of Representatives passed legislation on Thursday January 12th, banning sales of crude oil from the nation's Strategic Petroleum Reserve to China , a move taken after a portion of President Joe Biden's record drawdown from the reserve in 2022 (political move to lower prices) went to Chinese buyers. The bill would prohibit the Department of Energy, which manages the reserve, from selling oil to any entity owned, controlled, or influenced by the Chinese Communist Party. The BRIC countries, which include Brazil, Russia, India, China and South Africa, have another agenda. They represent 41% of the global population and 26% of global GDP.

Saudi Arabia also wants to join, and that would add a great deal to its economic power. The GCC countries (Gulf Corporation Council), which consist of Saudi Arabia, UAE plus a number of Gulf countries, have 40% of the oil reserves in the world. In addition, the SCO (the Shanghai Cooperation Organisation) is a Eurasian political, economic and security organisation headquartered in China. It covers 60% of the area of Eurasia and over 30% of global GDP. They would also be part of the "other" category of countries looking to trade oil and gas amongst themselves. This would lead to that wider group gaining global importance as the U.S., and Europe are left out of that new global pact.

PRECIOUS METALS: Gold cannot solve the laundry list of fracturing political, social, cultural and economic directions different countries are heading in and making the daily headlines. However, as investors owning companies that mine gold and pay dividends, allows us a cast-iron amount of insurance that allows for holding other investments that can move along the same currents as the markets.

While we cannot fully predict the precise timing of when the markets may misbehave in the near-term, that kind of insurance is a great asset to have as a core position.

Without exception, physical gold has always been the only form of real money that has survived the demise of many fiat currency systems over generations. Even hard/metal currencies were being debased by ancient metallurgists. Modern money printers have benefited from the illusion of being able to print wealth and power but not even digital cons/coins will be able to give enough stability for world-wide trade to expand.

It's not so much about being right but starting a discussion on the challenges the global economy faces. Fundamentally, a war economy (one that we seem to be in presently) is inflationary and we expect investors to better realize that in 2023.

Political Shorts

A New Year 2023

Well, here we are in a new year, with some changes that will affect what happens for the remainder of the year.

1. In the U.S., the Republicans have taken control of the House of Representatives. This will make it harder for President Biden and the Democrats to Govern effectively. It will cause disruption and have an effect on the financial markets.

The age of Shooters keeps getting lower, with a 6-year-old shooting his teacher. It makes one think that there may be something deeply wrong with the country's psyche. Almost never a week goes by without a tragedy.

The U.S. debt level is higher than it has ever been, and the possibility of a financial default keeps getting closer every year. Will this be the year of "Default?" Probably not. However, the dollar will be negatively affected, continuing to lose its world dominance.

2. The Ukraine/Russia war will probably continue and become more intense, as the west continues to supply Ukraine with more heavy weaponry. At present it is a Proxy war between the West and Russia with Ukraine as the intermediary. The fear is that the local war escalates into a world war. That would be devastating.

3. China's actions towards Taiwan keeps getting more bellicose. Will this be the year that China takes the inevitable jump to attack Taiwan? While we don't think so, it is possible China, may well do so to divert attention from its troubles at home.

4. Inflation may relent somewhat in some areas, but it should continue overall, and will put the U.S. Fed in a no-win position. If it raises rates, it could put the economy into recession. If it does not, inflation will eventually do the same.

5. This should be the "Year for Gold." As the U.S. dollar continues to weaken, and lose its world dominance, countries like China and India may increase the amounts they are buying and selling in oil, in different currencies and sometimes even in gold.

All in all, this could be a difficult year with a good chance for a recession.

At RealGrowth we continue to hold to our current Asset Allocation Model structure, while always positioned to make any changes necessary. Holding a well-diversified portfolio, with gold securities as a core holding, as insurance for a possible collapsing U.S. dollar and other changes sweeping the globe.

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