



Our view on global investment markets:

September 2019 – “Why you should be concerned about Canada”

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The opinions and views expressed in this publication are those of the firm and the author.

He Shoots, He Scores!

Most people know that Canada is an awesome country.

After all, it's the only flag in the world that is proudly worn by backpackers.

Canada is also the only country in the world that if it was allowed to enter three teams, it would win Olympic gold, silver and bronze medals in hockey.

And despite not having played a single game in nearly 20 years, the Montreal Expos remain one of the most popular baseball teams on the planet.

While the big cities of Toronto, Vancouver and Montreal attract all of the attention - the real hearts of the country beat in St. John's, Halifax, Winnipeg and Calgary.

Yes, it's a lovely place.

Now get ready for the punchline: it's also a place that is on the cusp of experiencing an escalation in severe financial stress.

The level of financial complacency and financial ignorance towards Canada's financial vulnerability is off the charts.

Which of course, makes getting to know the *real* Canadian financial story all the more important.

Don't Be Confused

The investment industry just loves to confuse the heck out of everything.

It loves to confuse the big bank analysts.

It loves to confuse the big box medias.

It loves to confuse the mutual fund sales people.

And most of all, it absolutely cherishes every moment it gets to confuse the little guys. The ones also known as retail investors, private clients, or as Goldman Sachs likes to call them - Muppets.

The best confusion strategies, focus on casually mentioning a gaggle of banal financial terms including alpha, enterprise value, earnings growth, PE ratios, Sortino ratios, book value and on and on and on.

The objective here of course, is to sound really smart and set the ground rules that "we" always know way more than "you" will ever know about money and markets.

Naturally, simply challenging the investment pro and asking further questions will quickly melt away this façade and allow you to see if there is actually anything behind the curtain.

But the best and most proven strategy to generate confusion and misdirection is the good-old "relative" comparison approach.

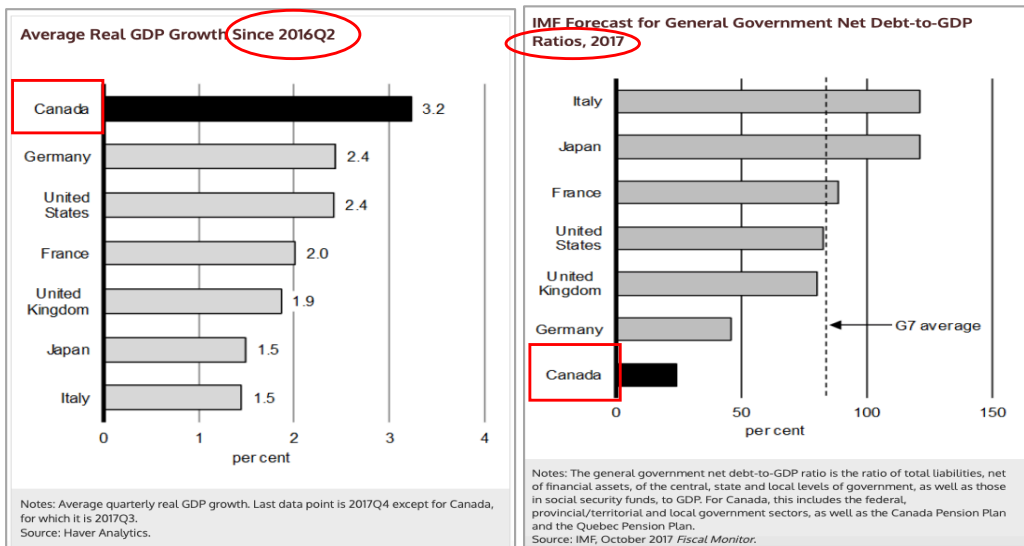
It's a Trick!

Its success lies in the effectiveness of looking away from the actual subject which of course, helps with the avoidance of peeling away a few layers of the juicy onion.

And this is where Canada comes in to play.

In the investment world, Canada ranks at the top across effectively every important factor amongst G7 countries.

The Canadian Federal Government, the International Monetary Fund, the Bank of Canada, and all the Canadian Banks tell us; compared to the other G7 countries - Canada is by far and away the best, the brightest, the fastest growing, and the most fiscally conservative of this inclusive group.



As you can see from these charts - Canada's superiority across economic growth and debt levels is unrivaled.

Objectively, we agree that economic growth and the ability to generate economic growth from lower debt levels is an important factor to consider.

Subjectively, we are puzzled why these charts are using data points starting at June 30, 2016 for growth and at 2017 for debt ratios.

Why not show growth rates since 2015? Or why not show debt levels at the end of 2014?

The answer is, as you already know - these dates tell a less than nice story and does not support the narrative that Canada is undoubtedly a financial success.



And naturally, it continues the strategy of generating confusion.

The Wheel

And when one begins to question this continuous river of enthusiasm, it is virtually guaranteed to create confusion.

To better understand why confusion reigns deep, both Canadians and foreign investors need to understand where the information is coming from, and how is it being fed to the investing public.

Here at IceCap we begin, end and live every day in the investment world. Yes, we have a fiduciary duty to our clients to keep up on these sort of things, AND we absolutely love keeping up on these sort of things.

Put another way - it's our job and we love our job.

Yet within Canada, the majority of investors simply do not have the time to dig deeper to gain the investment knowledge to objectively understand what they are being told. Nor do most people have the interest in following this mess to begin with.

As a result, the majority of investors are reliant upon the big media outlets who dominate the industry, and the big Canadian banks that dominate the industry - who ironically, feed the big media outlets with their version of what is happening in the investment world.

This is how the wheel moves.

Of course, one must consider that Canada's culture is one built upon stability, keep your nose down and remain nice and polite at all times.

In other words, Canada has been and always will be - awesome.

Foreign investors have even less access to investment information about Canada. Most foreign banks simply rely upon Canadian banks for investment research. While other investors rummage around mutual fund commentaries and other narrative supporting fictions.

The best news, shows Canada's banks as being strong, well managed with stock prices to support it.

So. On the top of it - Canada does look very attractive as a destination for your investment dollars.

Yet (and this is where the real fun begins), on the bottom of it - Canada has some investment demons that have the real potential to rise from the depths and very quickly create even more confusion for those who wear rose-coloured glasses.

In many ways, this is the crux to understanding any market - knowing what is important and knowing what is unimportant.

And this is where the real confusion comes into play - the financial world is NOT linear. What was important 10, 20, and 50 years ago is NOT necessarily important today.

Yet, the human brain - and especially the human brain that keeps the Canadian wheel turning, is only able to think in a linear fashion.

If it's too good to be true...

After all, using the ever popular, rear-view financial mirror is what makes Canada appear as the jewel of the G7 crown.

Yet, the money world couldn't care less about the past.

The future really is your future.

And the financial future today is one that has been set-up for enormous moves in interest rates, currencies and foreign capital flows.

The reason these seismic moves are being carelessly dismissed by the long-term Canadian investor - you know, the ones who have never, ever sold their bank stocks - is for 2 reasons:

1 - these moves have never occurred in any living person's lifetime

2 - these concerns are only affecting markets outside of Canada

And this is precisely why you should be concerned about the underlying risk inside of Canada.

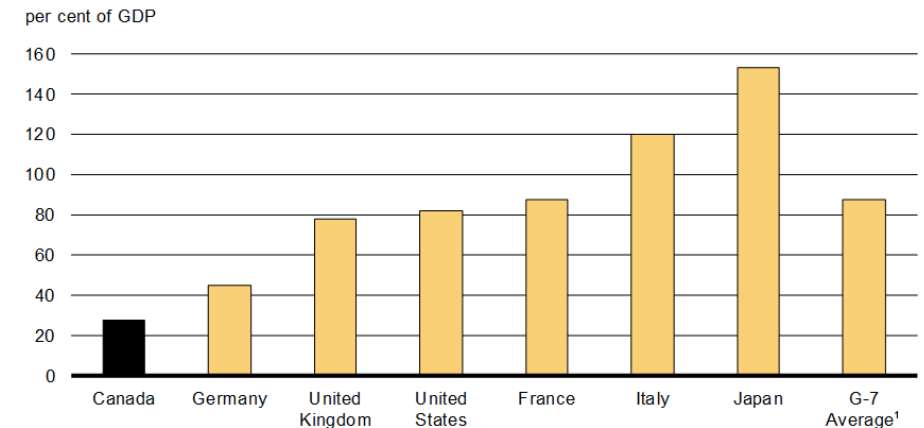
It all starts with DEBT

Let's get straight to the point - while Canada's Federal government debt metrics are *okay*, Canada's Provinces are set-up for a significant liquidity event.

And no one is aware of it.

Canada Has the Lowest Total Government Net Debt Burden Among G7 Countries

G7 Total Government Net Debt, 2017



¹ Weighted by nominal GDP converted to U.S. dollars at average market exchange rates.
Source: International Monetary Fund, Fiscal Monitor (April 2018).

Let us explain.

To start with, whenever you see the **above chart** and headline, understand first of all - this is a relative comparison and it is prepared to show Canada as being the best.

And as all financial data can always be twisted and painted to tell any story, just know the Italians have their own version which shows them as being the best at generating current account surpluses. The Americans have the largest capital account surpluses, while the Japanese have the highest savings rates. And on and on it goes.

Don't be fooled and don't be lazy. Use your intuition, if something is too good to believe, it probably isn't.

Few people know this...

And this is where we begin to peel away a few layers to really see the future of Canada's financial engines.

Ever since the end of WWII, the entire western world has been binging on a debt fueled spending spree.

And this debt fueled spending spree has been entirely enabled by a lifetime of consistently lower and lower interest rates.

IceCap has talked, walked and squawked about this run away interest rate train for a while now, and have been positioning for a Minsky Moment to arrive.

And for Canada, this moment is not visible to the majority of investors and the public. In fact, it is tucked away inside dreadfully boring and tedious data reports that we actually find rather interesting.

Let's start the great reveal by simply stating the facts, connecting the dots and outright tell you the following:

While borrowing by Canada's Federal Government has grown steadily over the years, borrowing by Canada's Provinces has **EXPLODED** - and especially since the 2008-09 crisis.

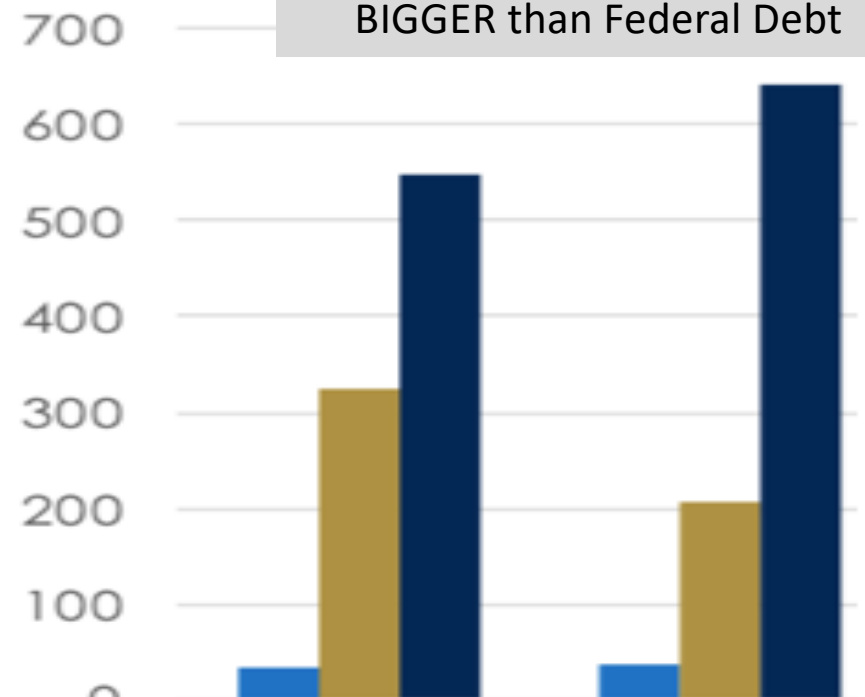
So much higher in fact, that 20 years ago, total Provincial debt was about \$120 Billion LESS than the total debt of the Federal government.

Today, Provincial debt totals over \$60 Billion MORE than Federal debt.

Bonds Outstanding By Type

\$ billions

Canadian Provincial Debt is now **BIGGER** than Federal Debt



Source: IFSD.ca

Source: The Institute of Fiscal Studies and Democracy

■ 1977 ■ 1997 ■ 2017

Liquidity Trap

Put another way, Canadian Provincial Debt use to be dwarfed by Canadian Federal Debt. Today, the tables have turned.

Now, on its own, one group having more debt outstanding than another group isn't necessarily a bad thing.

It is what it is.

Yet, let's follow why IceCap believes Provincial Debt has the real potential to morph into a serious financial event.

And all it requires is the ability, patience and most of all, the foresight to dig deeper, peel away another layer of this monetary onion and most importantly - wash away the confusion generated by the industry.

Let's make it really simple:

The Canadian Provincial debt market is now BIGGER than the Canadian Federal Debt market.

10 years of coordinated central bank policies to push interest rates lower, have enabled Canadian Provinces to borrow increasingly larger amounts at decreasingly lower interest rates.

As interest rates around the world have declined to the lowest levels ever recorded, investors have increasingly allocated more and more capital to higher yielding bonds, such as Canadian Provincial bonds.

And here's the kicker: the MOST liquid Canadian Provincial bond is 5x less liquid than its equivalent Canada Federal bond.

Of course, this means the LESS liquid Canadian Provincial bonds have virtually no secondary market.

In other words, when the moment arrives when a crisis in bonds and currencies re-escalate, the biggest bond market in Canada will effectively have low to no liquidity.

In the investment world, this is a classic liquidity trap. It's super easy to buy-in, but impossible to sell-out.

When this occurs (and it will), it will have two effects:

- 1) Investors who hold Canadian Provincial bonds will absolutely experience losses and near-impossible valuation markings.
- 2) The cost of borrowing for each Canadian Province will skyrocket.

Yes, this is a negative story. And if you believe global interest rates will forever remain low AND global economic growth will re-accelerate, then this isn't a worry and you should start or continue to invest in Canadian Provincial debt.

If you are objective and concerned about the potential for capital losses, read on.

Zero = Zero

Reading On

Since the 2008-09 Great Financial Crisis, Canadian Federal Debt has increased by 50%, while Canadian Provincial Debt has increased by 104%.

To appreciate whether these debt loads are sustainable, one has to look to the future.

Luckily for the world, two separate groups have done this for us.

The Canadian Federal Department of Finance and the Institute of Fiscal Studies and Democracy have crunched the numbers and determined that Canada's debt load is not only completely manageable, it will practically melt away over the next 37 years.

Chart (Next Page) shows how from 2022 to 2046, Canadian Federal Debt is expected to be reduced from 30% of GDP all the way down to 5% of GDP.

This is incredible, marvelous and - *unbelievable*.

These numbers should encourage one to ask - what economic growth rates are used to calculate GDP and what interest rates are used to calculate interest payments on debt.

This is where it gets interesting.

For starters, the **ONLY** way for any country to reduce its Debt/GDP is to

have its economy grow faster than its debt and borrowings.

And for this to happen, naturally you need really strong economic growth.

But more importantly, it also assumes this stronger economic growth will generate tax revenues that are greater than government spending.

Or put another way, fiscal deficits turn into fiscal surpluses AND the government has the steely nerves to use these surpluses to pay down the debt outstanding.

And, the cherry on top is that all governments over this 37 year period have to be committed to paying down the debt with the surpluses.

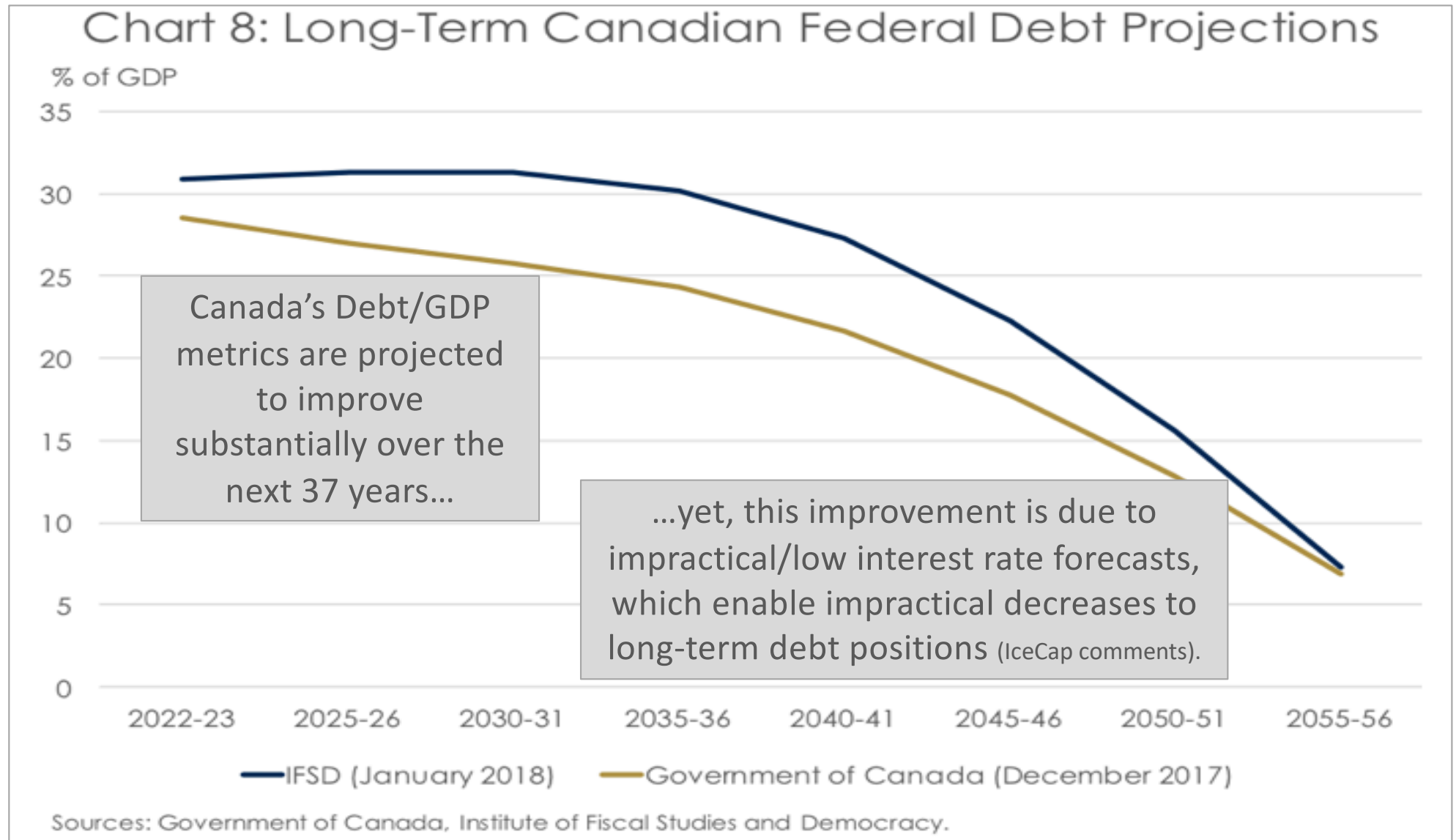
From a subjective perspective - the probability of any western world economy growing fast enough to exceed 50 years of accumulated debt and interest payments, AND not touching the surpluses is ZERO.

From an objective perspective - the probability remains the same.

When the next global financial crisis begins, Canadian Provincial debt has the potential to spiral down a very dark and deep hole.

And when this occurs, it will cause untold amounts of financial stress, political stress and social stress.

Canadian Federal Debt/GDP Projections



Smallest Change = Largest Change

The stress occurs because, although Ottawa is not obligated to bailout any provincial financial crises, global financial markets will force it to feel obligated to cover a provincial financial crises.

The knock-on effects will snowball.

Of course, these projections are based upon numbers. And as we stated, numbers can be twisted and tied to support any old and new argument.

Yet, this is where real financial research and analysis can identify real financial gems.

In the investment world, financial gems do not necessarily have to be something that goes up in value. Identifying something that will go down in value can be equally satisfying.

And as we dig deeper into this Canadian Provincial Bond story, we're finding all sorts of gems.

For starters, independent think tank forecasts over the next 5 years demonstrates just how fragile and sensitive Debt/GDP data is for the country.

Chart (next page) details how using a 4.0% interest rate expense on outstanding debt produces a RISING debt load. Whereas using a 3.8% interest rate expense produces a DECLINING debt load.

This is a really neat example of how a seemingly minor change in interest rates can cause a run away train to accelerate, or create a fiscal nirvana.

And if it matters (and it should), note that the IMPROVING debt load forecast was created by the Federal Government (FES), who obviously has an incentive to show improving financial metrics, especially with an election a few weeks away.

While the DETERIORATING debt load forecast was created by an independent think tank, who may or may not have an incentive to show deteriorating financial metrics.

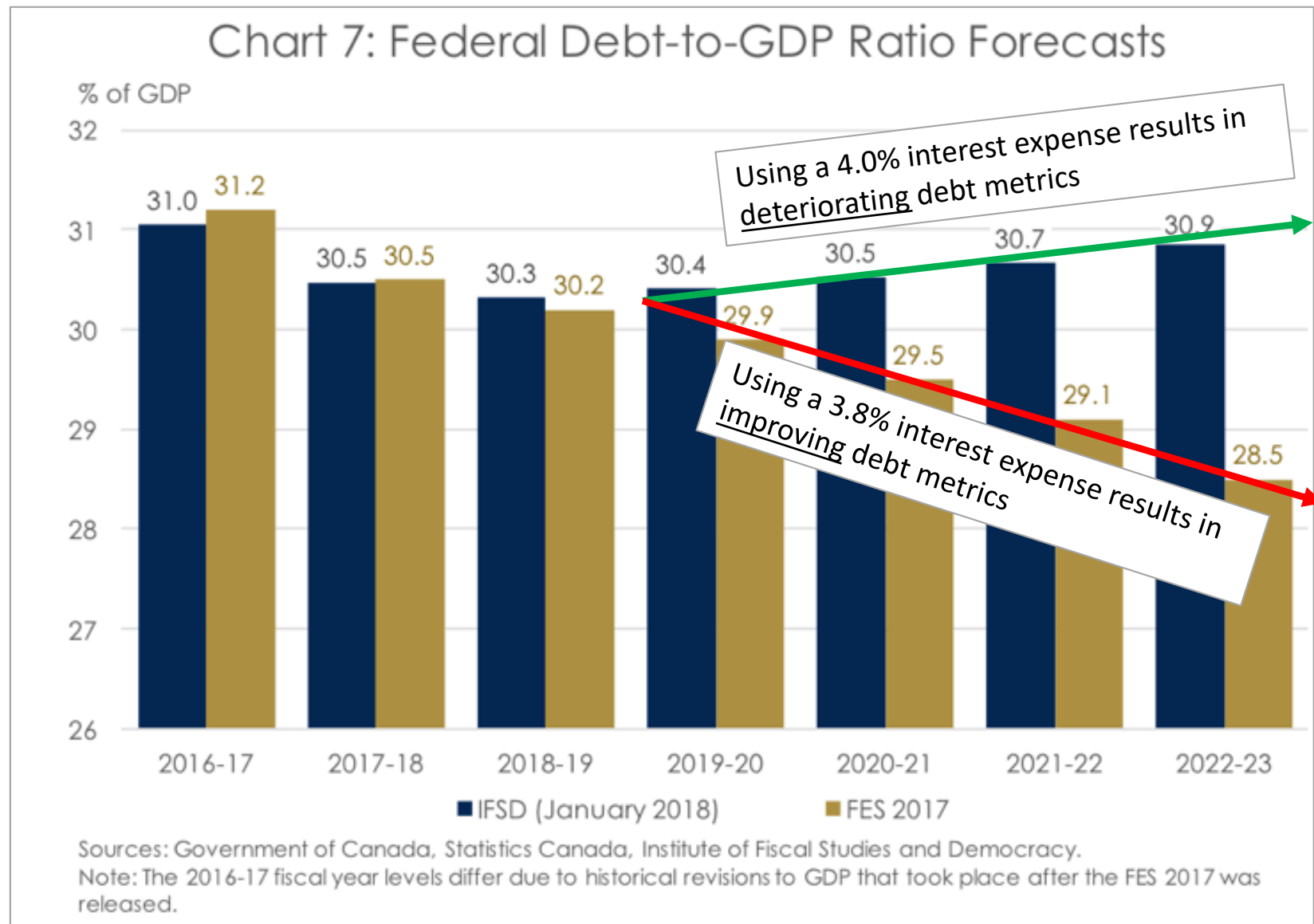
Regardless of whether you support the government led or the independent led metrics, the point is that the slightest change in interest rates used to borrow will have an exponential impact on the outcome.

IceCap believes long-term interest rates are absolutely going to surge. And when this surge occurs, both of these debt/GDP forecasts become irrelevant.

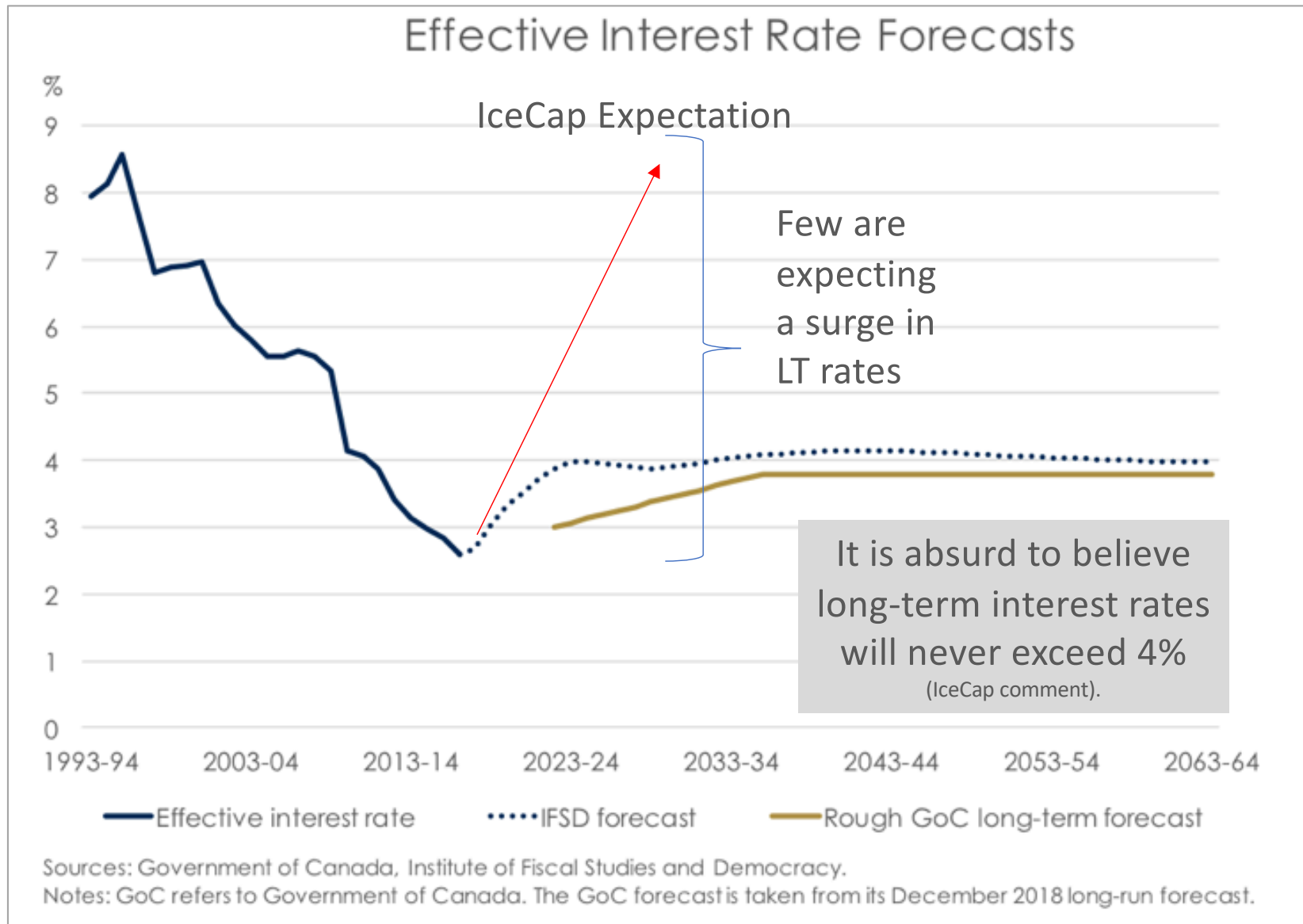
Chart on page 11 shows our expectations for future Debt/GDP metrics based upon higher long-term interest rates.

And let's just say, it ain't pretty.

Slightest change in interest rates produces significant changes in debt



Absurd long-term forecasts



It's Crazy

Of course, IceCap could be wrong.

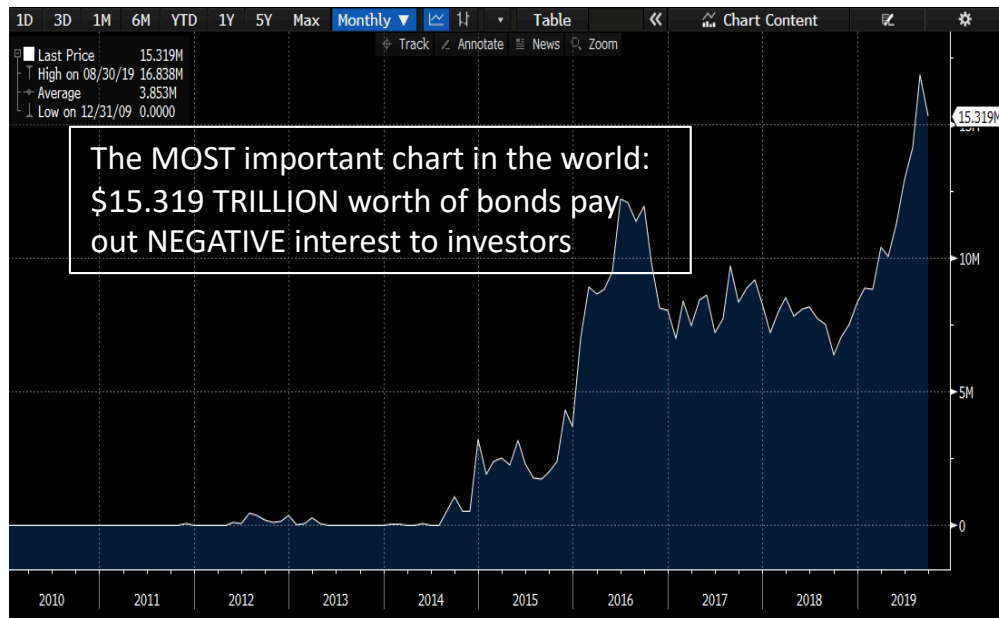
Long-term interest might stay low for the next 40+ years.

Economic growth might accelerate and exceed accumulated debt and deficits for the next 40+ years resulting in all debts being repaid.

All bad performing bank loans might be repaid, and reduce the need for bank equity raises.

And, most notably - the economic cycle might simply disappear.

Naturally, for this to happen, it means the price of EVERY bond in the



world rises to a level that has never before been achieved. And if you're thinking this is too good to be true, then you are correct.

Chart on this page shows the amount of bonds in the world that currently pay investors a **NEGATIVE** rate of interest.

The amount is close to \$16 TRILLION and put another way, investors have decided they are perfectly comfortable with paying interest rather than receiving interest.

Yes, it's pretty crazy. So crazy in fact, that we believe these investors are crazy and will eventually experience SIGNIFICANT losses.

Of course, this entire charade of zero, and negative interest rates, combined with money printing was signed off by all of the world's central banks - including the Bank of Canada.

It is true the Bank of Canada has not implemented zero/negative rates, nor money printing - yet they are fully on board with the club of the global central bank brethren.

Recently, I attended a Bank of Canada presentation and when the Deputy Governor was asked about low rates, financial repression and socializing the bad debt problem - the response was as follows "low rates are good for everyone, next question".

This is where we regret to inform the Bank of Canada and all other investors who nod in blind agreement with the central banks - low

Everyone cannot win

rates are NOT good for everyone.

Low and negative rates are another one of the tricks to generate confusion to the masses.

Yes, low rates are good for anyone who wants/needs to borrow.

Yet, underneath this colossal financial onion is another layer. And this layer of people are represented by investors and private capital.

Low rates is simply the transfer of savings and productivity from one group to another.

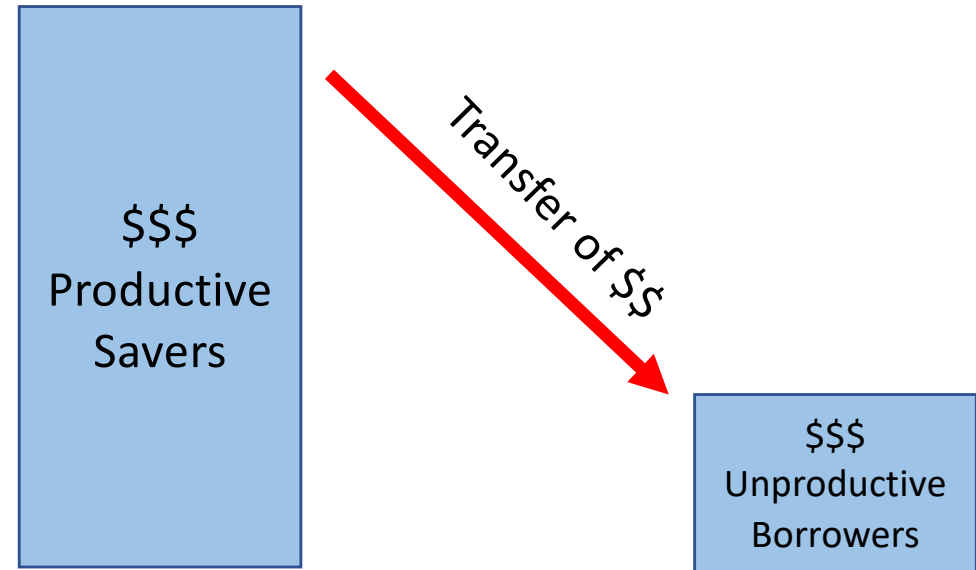
Low rates rob savings and income from the most conservative (and productive) investors in the world. And then transfers these lost savings to those who are borrowing at low rates - which are primarily unproductive levels of governments around the world.

Diagram on this page illustrates this transfer of wealth. For the last 10 years, this transfer of wealth has been and is still occurring in every country in the world.

Yet - we're confident this diagram/concept has received very little coverage in the media, the big bank mutual fund reports, or from the central banks.

While this stealth transfer of wealth is not receiving any attention; the other transfer of wealth is receiving a lot of attention.

The Effect of Low Interest Rates



- Low rates, transfers lost savings from conservative/productive investors to unproductive borrowers.
- Low rates enabled governments/others to borrow increasingly higher amounts that would not have been available had rates not been lowered.
- Canadian Provinces have been a major beneficiary of low global interest rates.
- Once long-term rates rise, these borrowers will experience untold stress

EVERYTHING is linked together

By this we are referring to the dramatic rise in financial markets and the wealth gap between the very wealthy and everyone else.

For now, we will not be diving deeper into this increasingly important event - investors should absolutely realize and understand the social and political effect it is having around the world.

Remember - EVERYTHING is linked together. Social, political, economic, monetary and financial factors have all converged at this single point in time to create this world we live in today.

Income-gap figures don't speak to deepening poverty



By **Heather Scofield** Economics Columnist
Thu., Aug. 22, 2019 | 4 min. read

Admittedly, global macro issues covering zero/negative interest rates and money printing - and the resulting transfer of wealth is lost on many.

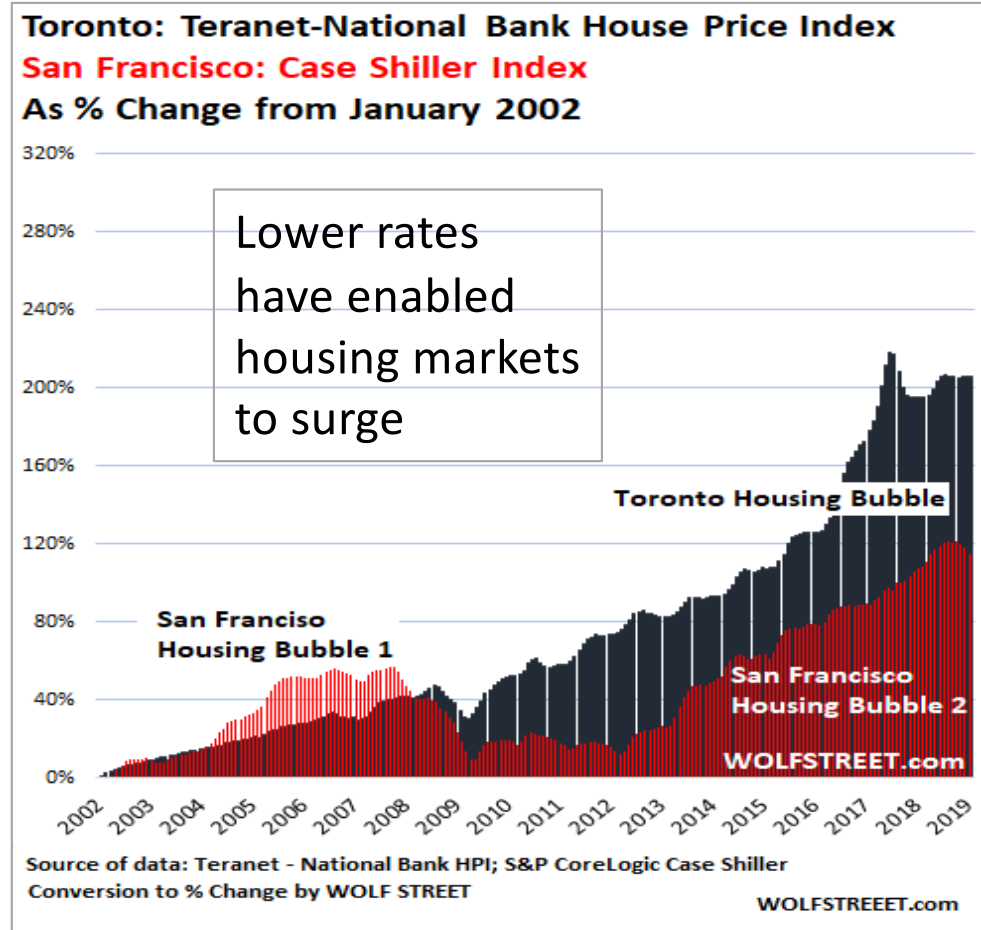
After all, it is an elusive phenomena that receives zero coverage.

Yet, in your next meeting with your financial professional, your political representative, and your banker - we challenge you to ask about this transfer of wealth and how it affects your financial portfolio.

Be prepared for more confusion.

As for the Bank of Canada - currently it remains steadfast that their monetary policies are working for the greater good of all Canadians.

Yet, the Bank of Canada also remains silent about the risks created by this "lower rates are great for everyone mantra":



Canada is the only one...

There has never been a free lunch in the investment world. Just as investors have to face this fact, so too do central banks.

Which truthfully, puts the Bank of Canada in a really tight spot.

On one hand they need rates to remain low - for without low rates, the Canadian economy, bank loan portfolios and housing markets absolutely take a dive off the deep end.

On the other hand, it is desperate to claim that their current rate policy is creating inflation, employment and confidence in the Canadian system. And that their policy has been so correct, that it doesn't need to lower rates any further.

In the financial world - the Bank of Canada is telling the world it is **HAWKISH** - or in layman's words, it will not be lowering rates anytime soon.

IceCap completely, totally, in all certain terms - disagrees.

Every other central bank in the world is either cutting interest rates, or telling the world they will be cutting interest rates. In fact, the **table next column** shows how central banks have reacted and communicated over the last few months.

As you can see, the Bank of Canada is a lone wolf and all this nonsense about it not cutting rates is nonsensical.

IceCap fully EXPECTS the Bank of Canada to join the rest of the world and begin to first state that they will begin cutting rates and then by the end of 2020 be close to that magical number of 0%.

IceCap believes some of the greatest asymmetrical risk-return opportunities available in the world right now are linked to the Bank of Canada and their rate cutting cycle.

Don't be confused or in awe of central banks - IceCap certainly isn't.

Dovish (cutting rates)	Hawkish (not cutting rates)
United States	Canada
Eurozone	
Britain	
Japan	
Australia	
New Zealand	
Brazil	
Russia	
India	
China	
Hong Kong	
Korea	
Indonesia	
South Africa	
Turkey	
Mexico	
Philippines	
Thailand	

Europe + Asia = Risk to Canada

Let's wrap this up.

So far, we shared how Canadian Provincial Debt has more than DOUBLED over the last 10 years, and is now larger than Canadian Federal Debt.

We've also shared how this accumulation of debt has been enabled by global central banks, systematically lowering rates to 0% and negative %, plus printing money.

Also - we've shared how the MOST liquid Provincial Bond issue is up to 5 times LESS liquid than the equivalent Federal Government Bond. This means the remaining Provincial Bond issues effectively have no liquidity should a stressful bond/FX event occur.

Next, we showed how near-term and long-term forecasts for debt reduction in Canada is completely dependent upon economic growth exceeding current levels for the next 40 years, while long-term interest rates remain at current levels or lower for the same 40 year period.

We've also expressed our view that the nut that cracks the Canadian bond market will come from OUTSIDE of Canada.

Currently, the global bond market has been blown into the largest financial bubble we'll ever see in our lifetime. This is best demonstrated by nearly \$16 Trillion in bonds having a negative yield.

This is the financial market that will experience a re-escalation of

financial stress. The beginning fissure will likely occur first in either Europe or emerging markets - both of which are obviously outside of Canada.

And this is where the fallacy of Canada lies - due to this risk creeping about in other markets, Canadians and the Canadian industry remains incredibly complacent.

Yet, as this stress begins to grow - it is inevitable that it will reach the shores of Canada.

And when it does, investors demand and require liquidity - something the largest bond market in Canada does not have.

Once this begins, it will have an impact on budgets for all Canadian Provinces. The budget impact will manifest itself in two ways:

- 1) Higher interest expenses - which evidently takes tax revenues away from other areas of spending;
- 2) Lower tax revenues from the resulting slowing economies.

To appreciate the impact of interest paid on debt outstanding - see the **charts on the next page**.

The amount of money spent by the Federal Government on Debt Servicing Costs is equivalent to what it currently spends on pensions and education.

At the provincial level - Debt Servicing Costs average 7.4% of tax revenues received.

Canada CANNOT Tolerate Higher Interest Rates

Figure 2: Consolidated government debt servicing costs compared to other expenditures, 2015/16

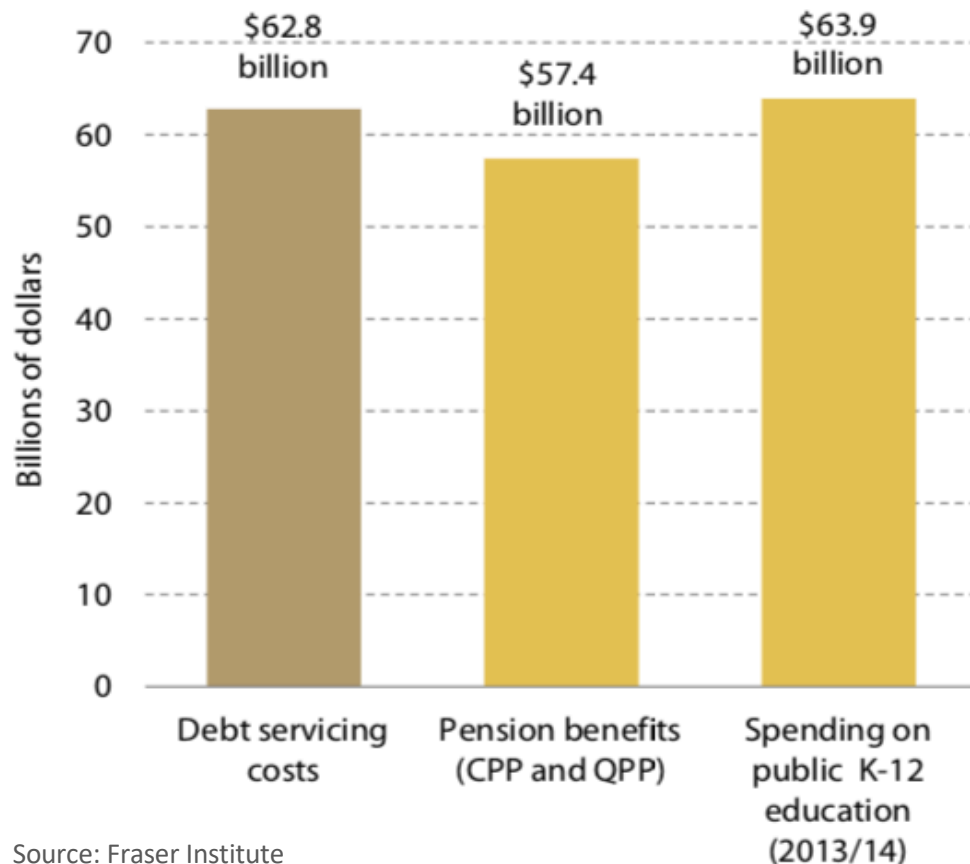


Table 3: Federal and provincial debt servicing costs, 2016/17

Source: Fraser Institute

	Debt servicing costs (\$ millions)	Debt servicing costs as percent of revenue (%)
BC	2,577	5.1
AB	1,024	2.4
SK	530	3.9
MB	874	5.7
ON	11,375	8.6
QC	10,047	9.8
NB	700	8.0
NS	830	8.1
PE	127	7.4
NL	1,114	15.9
FED	24,900	8.7

Bonds have become Riskier

In other words - and this is true for the entire global interest rate sphere - neither the Canadian Federal nor Provincial Governments can tolerate higher long-term interest rates.

A crisis in bond markets will cause **long-term** rates to rise dramatically.

A rise in **long-term** rates will result in governments allocating more of their tax revenues towards debt servicing costs, meaning less tax revenues are available for pensions, healthcare, education and so on.

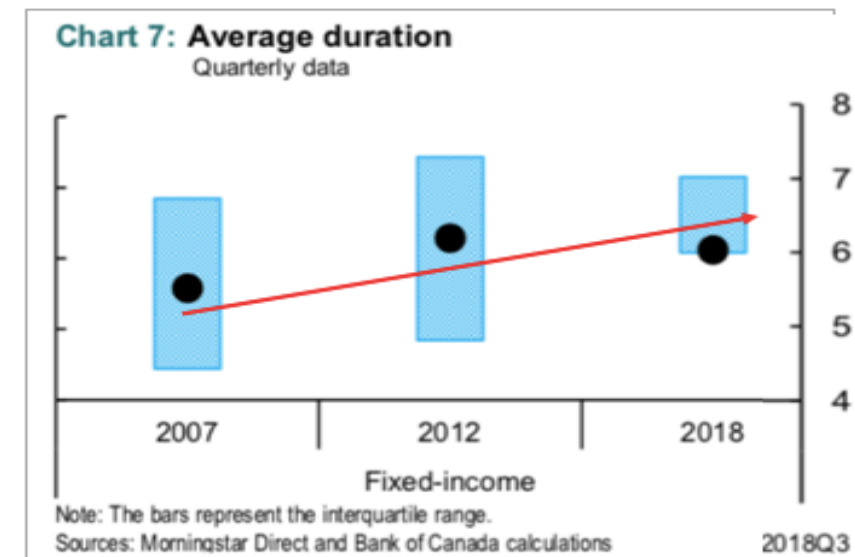
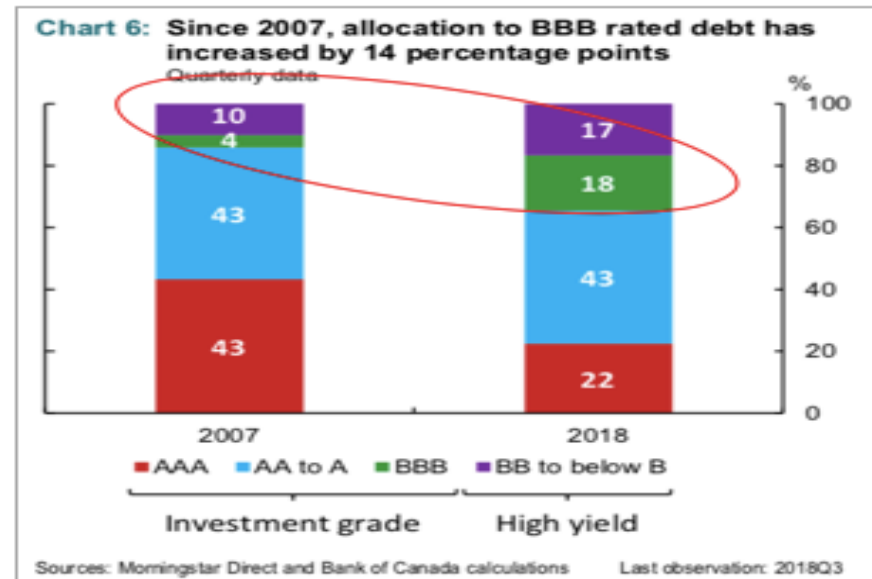
Some will say, all this happens at the government level and it will not affect me at all.

That's not entirely true - these financial stresses will also directly impact your bank account.

In addition to expected increases in taxes to cover the widening deficits, investors should know that central bank policies have affected Canadian investment markets in another way that receives little attention - it has caused bond funds to become increasingly riskier.

Charts next column shows how over the last 10 years, the average Canadian Bond fund has increased its market risk exposure by increasing duration and increasing the exposure to lower quality bonds.

This is important.



Dreams vs Nightmares

When stress re-escalates across global bond markets, bond investors will be surprised by the losses that are being reported in their supposedly conservative funds.

As the losses accumulate, increasingly more investors will sell and force bond managers to raise cash during an illiquid market.

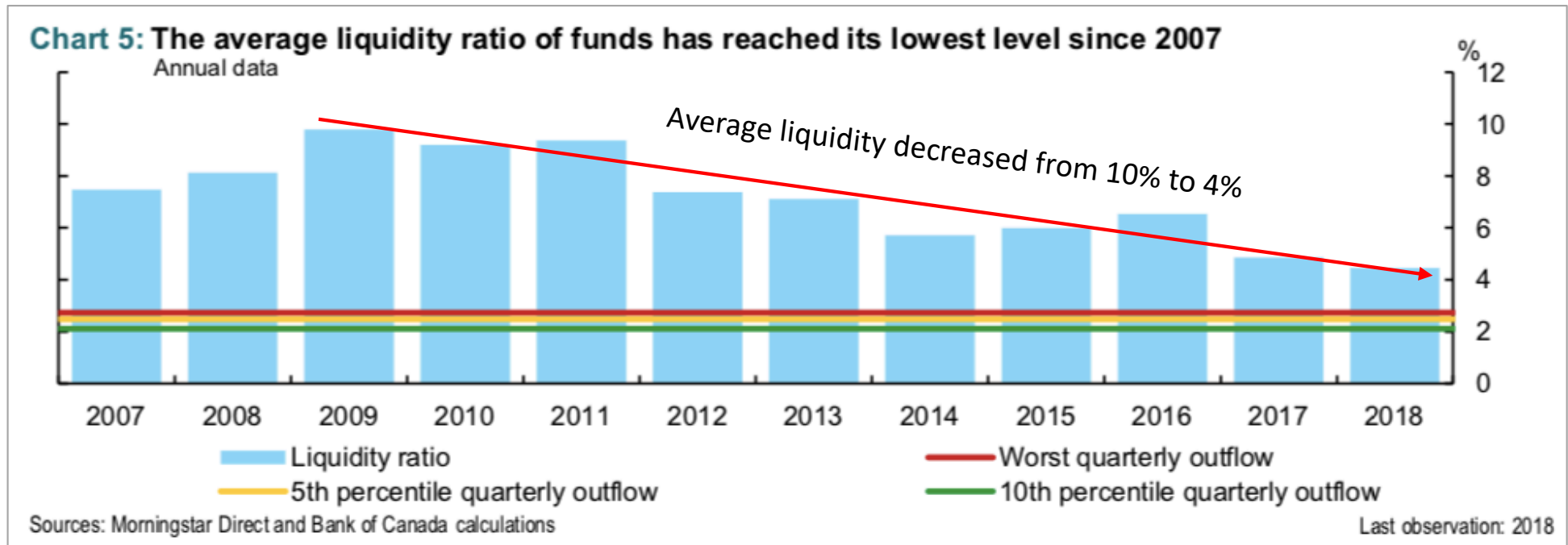
Let's just say, while lower and lower rates have been a dream for bond fund managers, the mere thought of trying to immediately sell something in an illiquid market is the nightmare for bond fund managers.

To further demonstrate the liquidity risk in Canadian bond funds, spend some time on **this Chart below** which shows how since the 2008 crisis, liquidity within bond funds have decreased by over 50%.

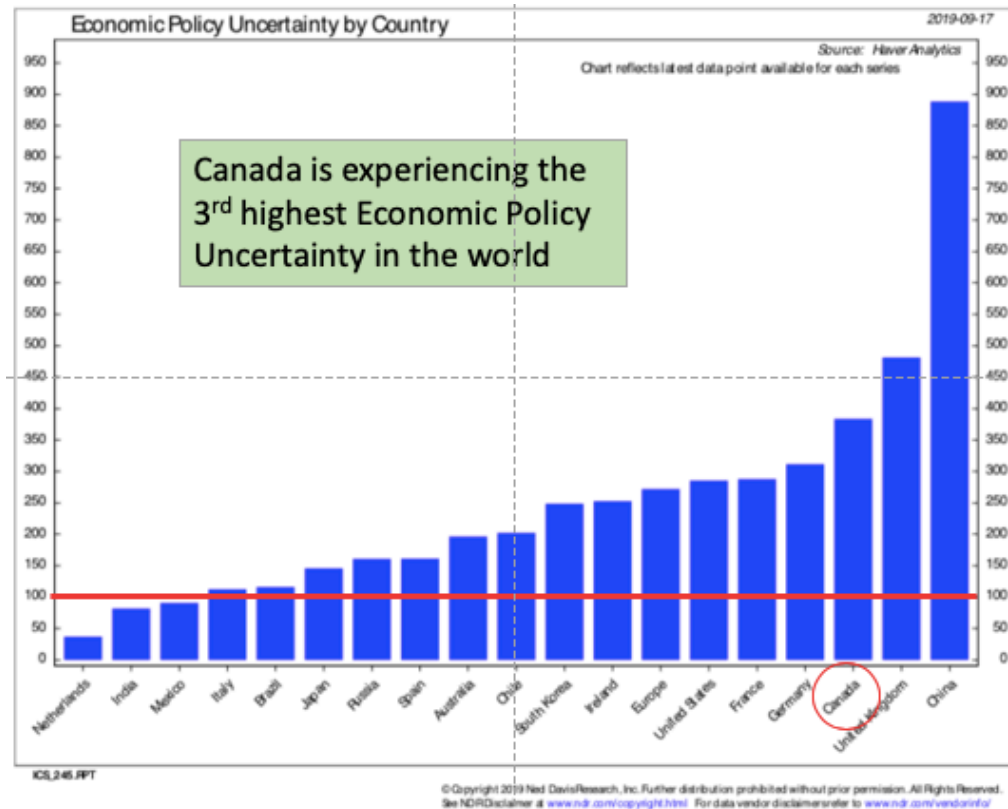
Conclusion:

At times, writing the IceCap Global Outlook can be challenging. The challenge is finding a subject that is interesting, will affect global markets, and will be of interest to investors everywhere.

Although the Canadian Provincial Bond story may not be of direct interest to many of our readers, we ask you to consider these exact



Economic Uncertainty



Canada ranks as the country with the 3rd highest level which on its own is enough to demonstrate that the economy is vulnerable.

More worrisome is the fact that only 3 countries are below the 100 level which indicates they are not experiencing high levels of uncertainty.

Links to most charts and data points are available here:

<https://www.bankofcanada.ca/2019/04/staff-analytical-note-2019-9/>

http://www.rbc.com/economics/economic-reports/pdf/canadian-fiscal/prov_fiscal.pdf

<https://www.ifsd.ca/web/default/files/Presentations/Reports/18007%20-%20Decomposing%20Provincial-Canada%20Yield%20Spreads-%20Does%20Fiscal%20Discipline%20Matter%3F%20-%2030%20August%202018%20-%20FINAL.pdf>

<https://www.fin.gc.ca/ftr-trf/2018/ftr-trf-18-eng.pdf>

<https://ifsd.ca/fr/blog/last-page-blog/federal-fiscal-forecast-slow-spending>

same dynamics affecting the Canadian market and how it will affect your local market.

We are confident you'll find parallels.

And if you're unsure if Canada is a stand alone story, review this last graph which shows the level of economic uncertainties around the world.

Fund Offering

IceCap Strong Dollar Fund

May 1, 2019

KEY BENEFITS

Diversified exposure to the knock-on effects of a rapidly appreciating U.S. Dollar.

Exposure to markets & securities that are not easily accessed.

Potential to act as a strong overall portfolio hedge.

Potential for a strongly asymmetric return profile.

All Financial Roads Go Through the U.S. Dollar



This presentation is not an offer to sell securities of any investment fund or a solicitation of offers to buy any such securities. Securities of IceCap Strong Dollar Fund Ltd (Master Fund) managed by Santiago Capital (General Partner) and IceCap Asset Management (Sub-Advisor) are offered to selected investors only by means of a complete offering memorandum and related subscription materials which contain significant additional information about the terms of an investment in the Fund (such documents, the "Offering Documents"). Any decision to invest must be based solely upon the information set forth in the Offering documents, regardless of any information investors may have been otherwise furnished, including this presentation.

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- Santiago Capital LLC has appointed IceCap Asset Management Limited as sub-advisor for a new special purpose vehicle.
- The fund is structured to benefit from what we believe will be opportunities across global bond, currency, credit, equity and volatility markets.
- Available for Accredited and Eligible investors only.
- Those who qualify and are interested please contact:

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Cautiously Cautious

Our Strategy

Stocks

We remain at a neutral allocation to equities. In early September, our primary equity models came very close to signalling a sell rating however they quickly recovered. A recession is coming, and it will likely signal a change to our equity strategy. For now, we remain neither bullish nor bearish.

Bonds

We remain incredibly concerned about bond markets. Our bond strategies remain at minimum levels with minimum duration risk and minimum credit risk. We continue to warn anyone who is chasing 3%-7% yields in any asset class. We believe there is considerable downside risk, and asymmetrical risk-return relationships across these strategies.

Currencies

No change. Global funding markets are grinding tighter, signalling that there is a shortage of USD around the world. We remain positioned to benefit from a potentially surging USD.

Gold

We've completely missed the 20% rally in gold from June to September. The fundamental reasons for holding gold have certainly grown stronger over the last few months, yet we remain concerned that gold will have one more leg down before hitting its stride again. The emergence of a surging USD will initially be negative for gold.



Keith Dicker, CFA founded IceCap Asset Management Limited in 2010 and is the Chief Investment Officer. He has over 25 years of investment experience, covering multi asset class strategies including equities, fixed income, commodities & currencies.

Keith earned the Chartered Financial Analyst (CFA) designation in 1998 and is a member of the Chartered Financial Analysts Institute. He has been recognized by the CFA Institute, RealVision, MacroVoices, Reuters, Bloomberg, BNN and the Globe & Mail for his views on global macro investment strategies. He is a frequent speaker on the challenges and opportunities facing investors today, and is available to present to groups of any size.

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