
News and Insights

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Canadian Banks: The Details Matter

We have a saying around here at Veritas, 'The details matter.'

As David Milstead at The Globe & Mail wrote this week, buried deep within the securities filing of Canadian banks are their forward-looking economic indicators for GDP, unemployment and housing. Each bank must provide a benign case, base case and adverse case for each economic indicator.

The banks use those indicators to forecast losses on performing loans, also called their provisions for credit losses (PCLs). The banks actually use much more sophisticated models to forecast PCLs, but this is as much as shareholders get to see.

Our Financial Services Analyst Nigel D'Souza tracks these indicators quite closely for our clients as it helps him predict how hard the banks are going to get hit with credit losses on performing loans in the future, or vice versa.

In other words, if a bank was too optimistic and the economy worsens, then PCLs may have to escalate down the road, and shareholders will take the hit.

It works in reverse too. When the outlook is too pessimistic, Canadian banks could reverse PCLs down the road as they did at the end of the pandemic.

The banks often have very different forecasts quarter to quarter and the article walks through some of those differences, highlighting that Nigel thinks the Bank of Nova Scotia (NYSE, TSX: BNS) may need to set aside more money if the economy tumbles. A 100% weighting to Scotiabank's "very pessimistic" scenario - a step below its adverse scenario - would result in a \$1.1-billion increase in allowances for performing loans.

Read the full story: [***If your bank accentuates the positive, bad news may follow***](#)

CFA Society Toronto: 2023 Annual Equity Symposium

Veritas President and CEO Anthony Scilipoti will present at the CFA Society Toronto's [**2023 Annual Equity Symposium**](#) on January 31. This annual half-day conference brings together

a series of influential Portfolio Managers who will share unique insights into their investment process, market outlooks and top investment ideas.

Other speakers include Trevor Scott, CFA, Founder & Portfolio Manager, Tidefall Capital Management; John Ewing, CFA, Co-President & CIO, Ewing Morris; Rui Cardoso, CFA, Managing Director, U.S. and International Equities, Beutel Goodman; Izet Elmazi, CFA, Chief Investment Officer, Bristol Gate; and Jennifer Nowski, CFA, Vice President & Director TD Asset Management.

The event is sold out, but if you have tickets already, then Anthony is speaking from 3:00 to 3:30 pm ET.

And no, we're not giving away what he'll be presenting, but let's just say you won't want to miss it.

Ben Graham Centre's 2023 Value Investing Conference

Anthony will also be the opening speaker at Ivey Business School [Ben Graham Centre's 2023 Value Investing Conference](#), organized and chaired by Dr. George Athanassakos, Professor of Finance and the Ben Graham Chair in Value Investing.

The conference is a full day, April 19, 2023, 7:45 AM - 4:45 PM at the Delta Hotels downtown Toronto.

The mission of the Conference is to promote the tenets of value investing as pioneered by Benjamin Graham, to expose participants to the various value investing methods used by practitioners, and to encourage and support academic research and study in the area of value investing.

Other speakers include Howard Marks, Co-Chairman, Oaktree Capital Management, L.P., Los Angeles, CA, USA; Vito Maida, Founder and President, Patient Capital Management Inc.; Ratul Kapur, CIO, Partner and Portfolio Manager, Scheer, Rowlett & Associates Investment Management Ltd.; Rui Cardoso, Managing Director, U.S. and International Equities, Beutel, Goodman & Company Ltd.; Laura Geritz, Founder, CEO, Co-CIO and Portfolio Manager, Rondure Global Advisors; and Robert Robotti, Founder and Chief Investment Officer, Robotti & Company Advisors LLC.

Speaking of Dr. Athanassakos, we recommend reading his latest article for The Globe: [Stock market returns over the next 30 years will be nothing to write home about](#)

Here is the conclusion (we couldn't have said it better ourselves): *The hefty average nominal and real stock returns experienced over the last 30 years are not going to be repeated, or even come close to, in the next 30 years. On average, stock returns will be nothing to write home about. This does not mean that individual stocks will not do well. Stock picking and fundamental analysis will be key to outperformance going forward.*

Related:

Veritas Foundation

The Veritas Foundation, which is part of the Veritas Group of Companies, issues a monthly report on the Canadian charitable industry. The latest report covered the Top Risks Facing Canada's Charitable Organizations in 2023. Risks include economic, technology, talent, fundraising, reputation, and Pandemic recovery. This report presents specific strategies that can be adopted to confront these challenges and minimize their negative impact.

[Download the executive summary](#) (which includes links to purchase the full report).

Veritas Asset Management Inc.

Veritas Asset Management Inc. was launched in 2016 to leverage the forensic accounting-based research of Veritas Investment Research Corp. This month's market commentary discusses the new normal for markets in 2023.

Exiting the pandemic, the hope was that the world would get back to normal, and in many ways, it has. In the investment world, however, this normal may be one that investors haven't seen in a while.

Markets are still adjusting to inflation pressures; rising wages; positive real interest rates; and narrowing corporate margins. This market commentary outlines some of the trends Veritas Asset Management Inc. believes are redefining what normal looks like for markets in 2023 and discusses the investment opportunities it sees going forward.

Read the full commentary on Veritas Asset Management Inc.'s website: [Redefining Normal](#).

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