

# Portfolio Strategy

***Focus on the “Big Picture” Amid all the Uncertainty....***


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**Our view:** The recent surge in volatility so far in 2022 is the result of rising inflation and expectations of policy normalization by major central banks globally, including the Federal Reserve and the Bank of Canada. While we expect policy normalization efforts to remain a catalyst for volatility moving ahead, the Russian invasion of Ukraine has resulted in much greater uncertainty over the short-term. Firstly, our thoughts and prayers go out to all those affected by these tragic turn of events; however, we remain hopeful for a peaceful and diplomatic resolution to this crisis. Since the beginning of the year, we have stated that, while a repeat of 2021 returns/risk profile was unlikely, we were still expecting normalized returns of 5-10% for the year for the S&P 500 and the S&P/STX index. We remind investors that the US and Canadian economies are in relatively good shape with economic growth still expected to rise above trend in 2022. As well, employment levels have recovered to pre-pandemic levels in record time. Additionally, corporations on both sides of the border remain in good financial shape. For the S&P 500 and the S&P/TSX indices, we are still expecting above trend earnings growth in both 2022 and 2023, which is in line with or slightly above consensus expectations. And following the recent sell-off, equity valuations also appear way more attractive than at the start of 2022 and are supportive of our constructive view for the US and Canadian economies and markets in 2022. While it may be difficult to see the bigger picture amid all the uncertainty, here are few **certainties** we would like to share with investors:

- **It pays to stay invested - avoid the temptations to time the market; it's a losing proposition for even the smartest minds (e.g., Long-Term Capital Management).**
- **Ignore the headlines/noise and remember to be “fearful when others are greedy, and greedy when others are fearful”.**
- **Stay rational when others/markets appear to be behaving irrationally.**
- **Ignore your emotional tendencies and stick to your plan; otherwise you may end up buying-high & selling-low.**
- **Volatility should be expected and is NORMAL even during bull market cycles!**
- **Diversification + Asset Allocation = **

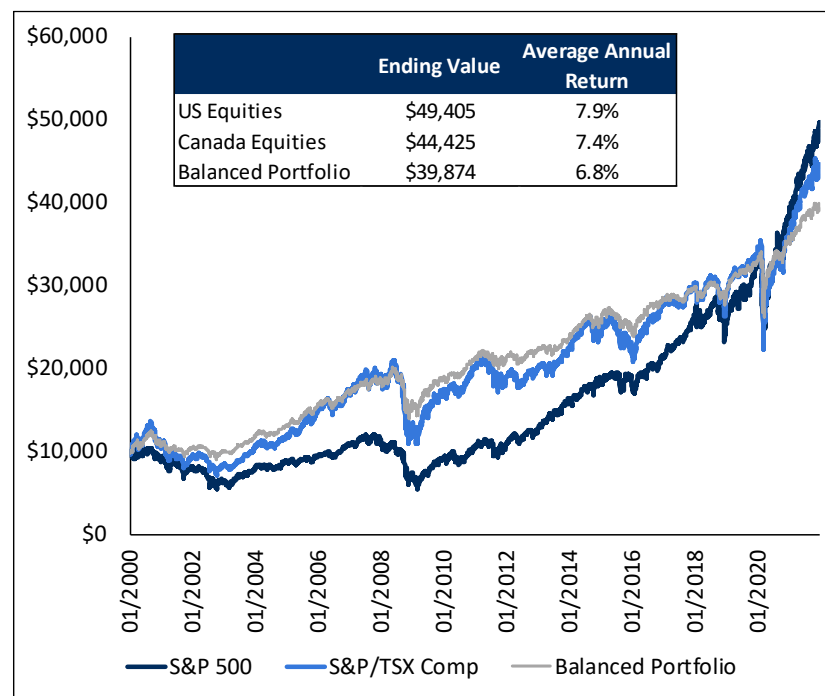
# Market Moving Headlines Come & Go...

While it may be difficult to avoid all the “sharp corners” (periods of volatility/sharp sell-offs) in the market cycle, we remind investors that markets have continued to rally higher over the past ~20 years despite all the headlines/dire outlooks. For example, the S&P 500 and the S&P/TSX indices have generated total returns of ~8.0% and ~7.5%, respectively, on an annualized basis over this period.

## Headlines Come & Go – This Too Shall Pass....

Year	S&P 500	S&P/TSX	Headline
2000	\$1,320.28	\$8,933.68	Y2K aftermath   Tech bubble
2001	\$1,148.08	\$7,688.41	Recession, 9/11
2002	\$879.82	\$6,614.54	Corporate Accounting Scandals
2003	\$1,111.92	\$8,220.89	Bush Jr. declares War in Iraq
2004	\$1,211.92	\$9,246.65	U.S. has massive trade & budget deficit
2005	\$1,248.29	\$11,272.26	Record oil & gas prices
2006	\$1,418.30	\$12,908.39	Housing bubble bursts
2007	\$1,468.36	\$13,833.06	Sub-prime loan crisis
2008	\$903.25	\$8,987.70	Banking and credit crisis
2009	\$1,115.10	\$11,746.11	Jobs Recession
2010	\$1,257.64	\$13,443.22	Sovereign debt crisis
2011	\$1,257.60	\$11,955.09	Eurozone crisis
2012	\$1,426.19	\$12,433.53	U.S. fiscal cliff
2013	\$1,848.36	\$13,621.55	Federal Reserve begins to taper
2014	\$2,058.90	\$14,632.44	Ebola outbreak   <b>Annexation by Russia</b>
2015	\$2,043.94	\$13,009.95	Commodity sell off
2016	\$2,238.83	\$15,287.59	Brexit
2017	\$2,673.61	\$16,209.13	Oil Price Decline
2018	\$2,506.85	\$14,322.86	Equity Markets Sell Off
2019	\$3,230.78	\$17,063.43	U.S.-China Trade War
2020	\$3,756.07	\$17,433.36	COVID-19 Pandemic
2021	\$4,766.18	\$21,222.84	Record Inflation

## Growth of \$10,000 since 2000..



Source: FactSet; Data as of December 31, 2021. Growth of 10K Chart: For illustration purposes only. Start investing on January 1, 2000 with an initial investment of \$10,000. The performance of US Equities is represented by S&P 500 TR Index. The performance of Canada Equities is represented by S&P/TSX Composite TR Index. The performance of Canada Fixed Income is represented by FTSE Canadian Government Bond. The asset allocation of the Balanced Portfolio is 60% S&P/TSX Composite TR Index and 40% FTSE Canadian Government Bond.

# Stocks Rally Higher After Corrections...

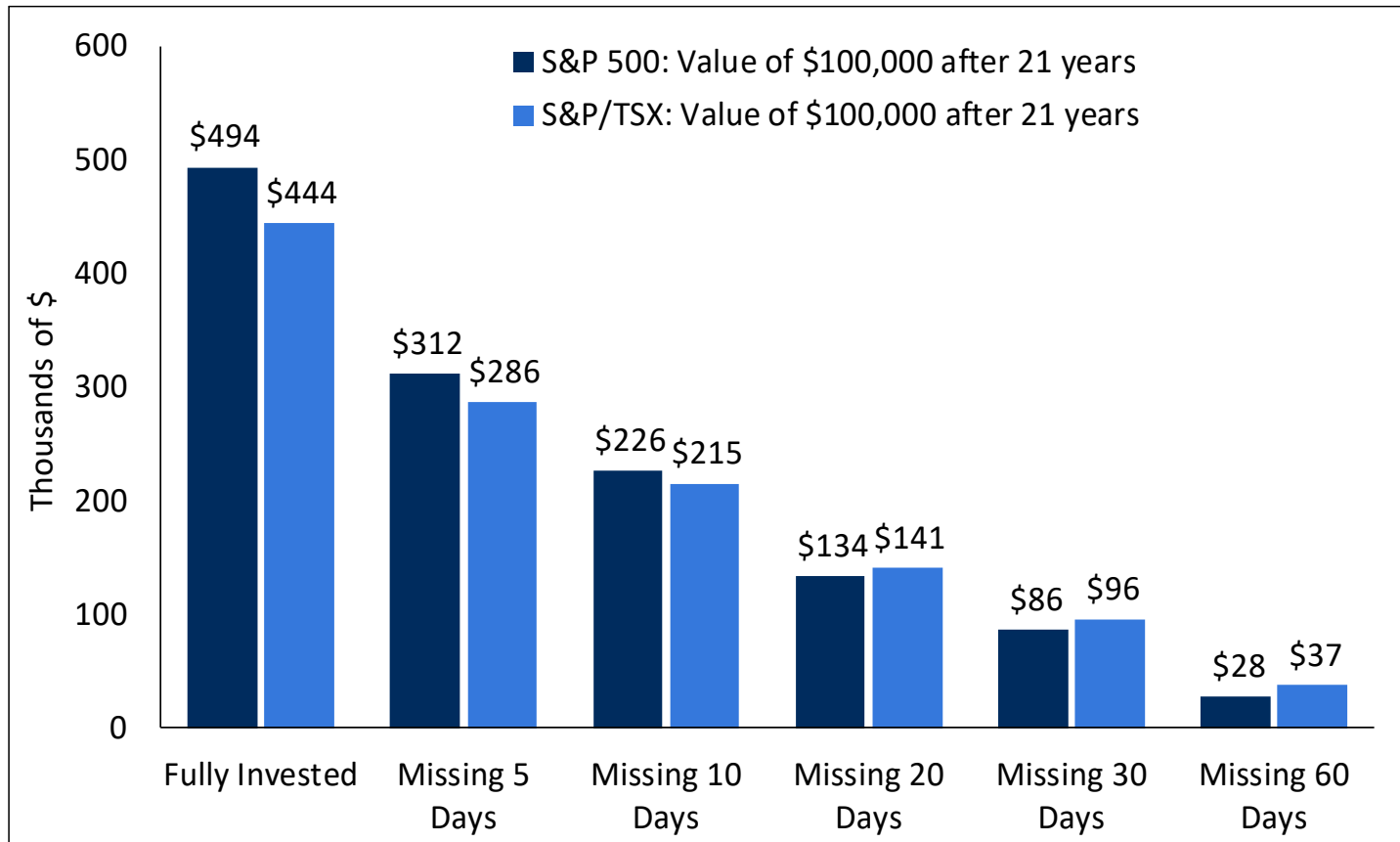
## S&P 500 Index Corrections & Bear Markets (2000 - Current)

High Date	S&P 500 High Price	Low Date	S&P 500 Low Price	10%+ Market Corrections	1-Year Return After Lows	2-Year Return After Lows
3/24/2000	1527.5	4/14/2000	1356.6	-11.2%	-12.8%	-18.1%
9/1/2000	1520.8	4/4/2001	1103.3	-27.5%	2.1%	-20.3%
5/21/2001	1312.8	9/21/2001	965.8	-26.4%	-12.5%	7.3%
1/4/2002	1172.5	7/23/2002	797.7	-32.0%	23.9%	36.2%
8/22/2002	962.7	10/9/2002	776.8	-19.3%	33.7%	44.5%
11/27/2002	938.9	3/11/2003	800.7	-14.7%	38.2%	49.9%
10/9/2007	1565.2	3/10/2008	1273.4	-18.6%	-43.5%	-10.0%
5/19/2008	1426.6	10/10/2008	899.2	-37.0%	19.2%	29.6%
10/13/2008	1003.4	10/27/2008	848.9	-15.4%	25.3%	39.3%
11/4/2008	1005.8	11/20/2008	752.4	-25.2%	45.0%	59.4%
1/6/2009	934.7	3/9/2009	676.5	-27.6%	68.6%	95.1%
4/23/2010	1217.3	7/2/2010	1022.6	-16.0%	31.0%	33.5%
4/29/2011	1363.6	10/3/2011	1099.2	-19.4%	32.0%	52.7%
5/21/2015	2130.8	8/25/2015	1867.6	-12.4%	16.3%	30.8%
11/3/2015	2109.8	2/11/2016	1829.1	-13.3%	26.6%	43.2%
1/26/2018	2872.9	2/8/2018	2581.0	-10.2%	4.9%	28.9%
9/20/2018	2930.8	12/24/2018	2351.1	-19.8%	37.1%	57.5%
2/19/2020	3386.2	3/23/2020	2237.4	-33.9%	74.8%	?
1/3/2022	4796.6	2/22/2022	4304.8	-10.3%	?	?
Average (2000-2021):				-20.5%	22.8%	32.9%
Median (2000-2021):				-19.3%	25.9%	36.2%
Average (1980-2021):				-18.5%	24.9%	37.3%
Median (1980-2021):				-16.0%	25.9%	44.5%

Source: FactSet; Data as of February 22, 2022

# Avoid Temptations to Time the Market..

Stay Invested, Markets Have Always Rewarded Long-Term and Patient Investors...



Source: FactSet; Data as of December 31, 2021; For illustration purposes only. Start investing on January 1, 2000 with an initial investment of \$100,000.

# Ignore Your Emotional Tendencies...

## Emotional Tendencies vs. Reality

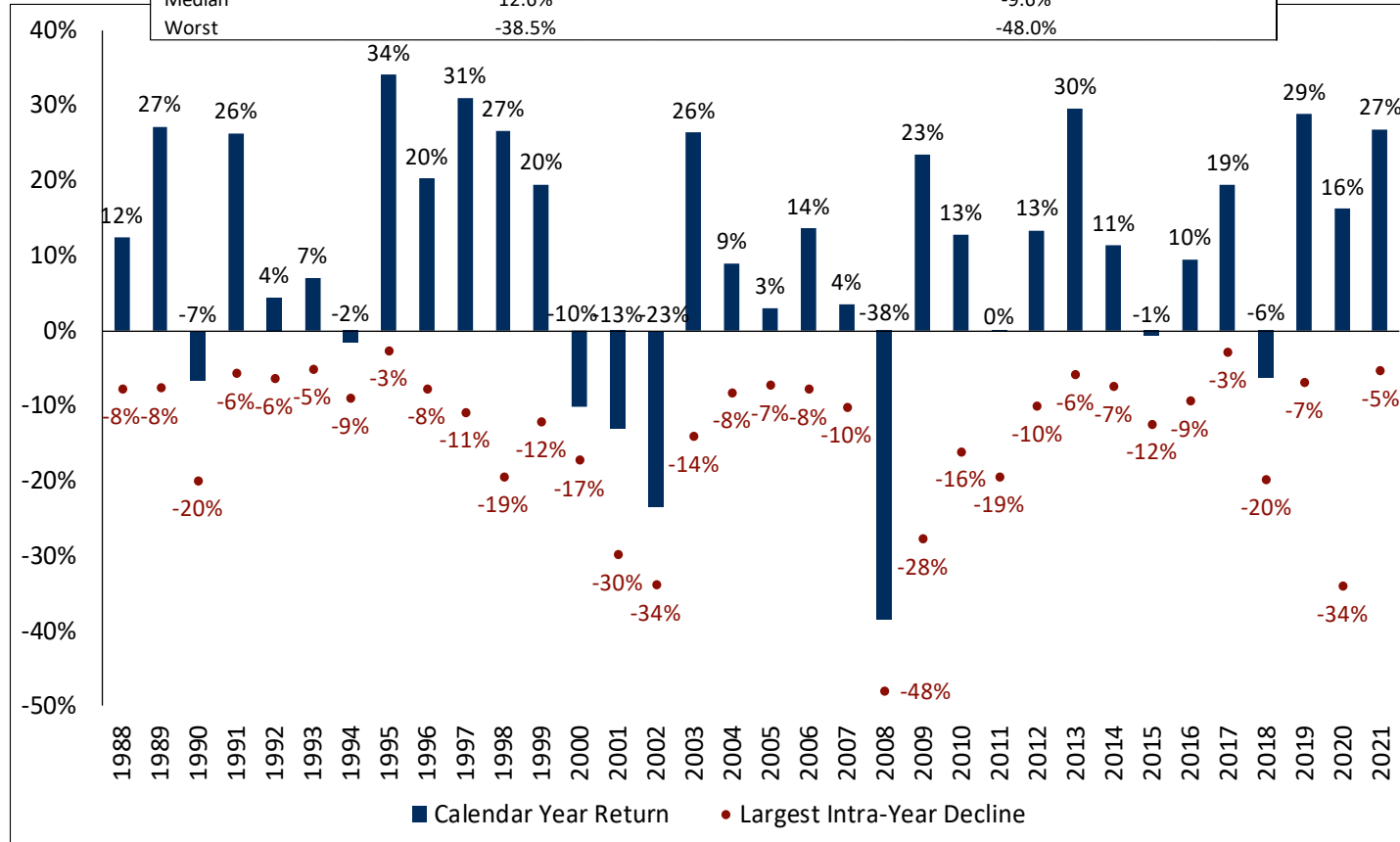


Source: Raymond James Ltd.; For illustration purposes only

# S&P 500 - Volatility is NORMAL...

## S&P 500 Calendar Year Returns and Largest Intra-Year Declines

	Calendar Year Return	Largest Intra-Year Decline
Best	34.1%	-2.5%
Average	10.5%	-13.7%
Median	12.6%	-9.6%
Worst	-38.5%	-48.0%

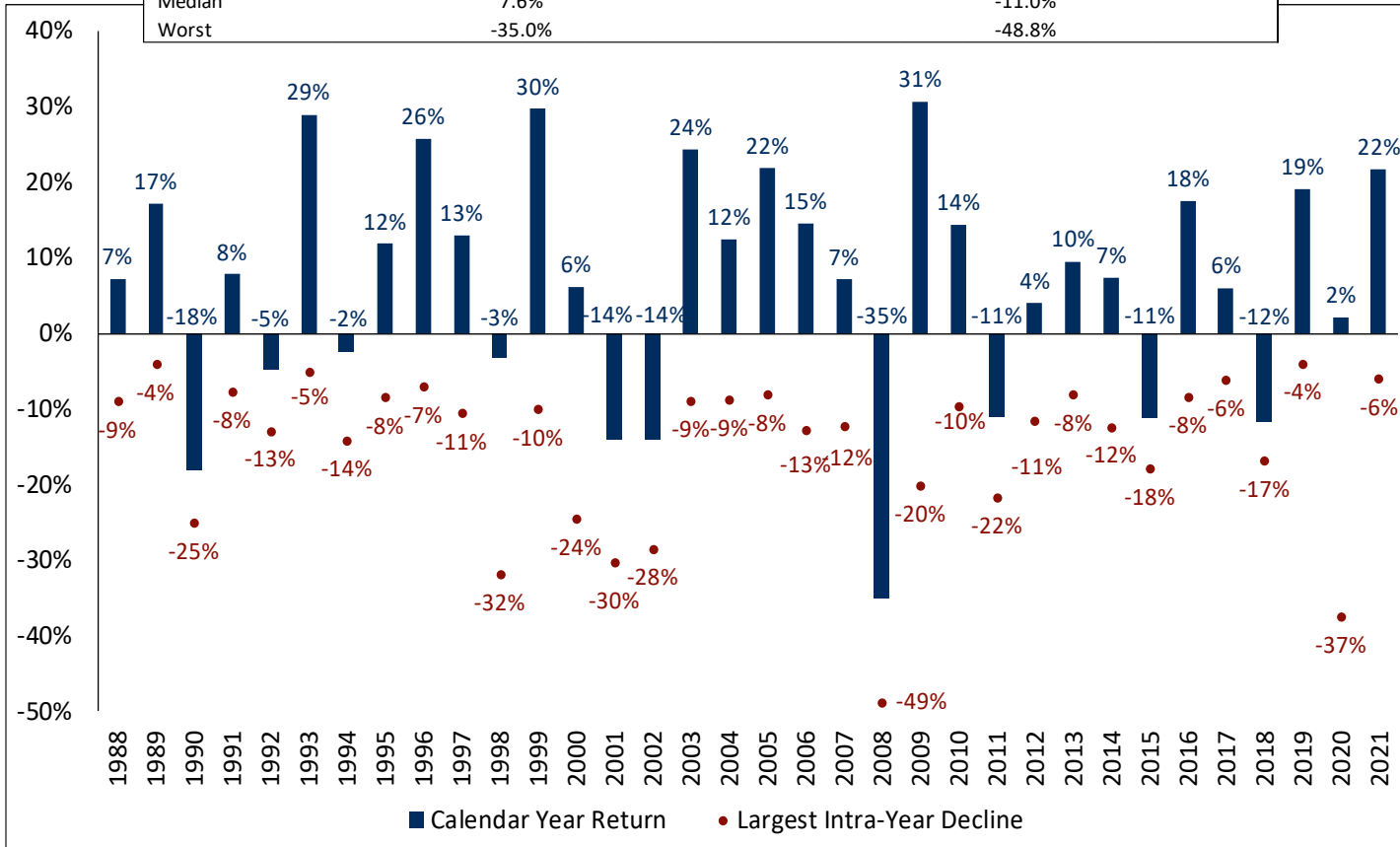


Source: FactSet; Data as of December 31, 2021

# S&P/TSX – Volatility is also NORMAL...

## S&P/TSX Composite Calendar Year Returns and Largest Intra-Year Declines

	Calendar Year Return	Largest Intra-Year Decline
Best	30.7%	-3.9%
Average	6.9%	-14.9%
Median	7.6%	-11.0%
Worst	-35.0%	-48.8%



Source: FactSet; Data as of December 31, 2021



# Diversification + Asset Allocation =



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD
Highest Return ↑      ↓ Lowest Return	European Equities 17.3%	US Equities 41.3%	US Equities 23.9%	US Equities 21.6%	Canadian Equities 21.1%	Emerging Mkt Equities 28.7%	US Equities 4.2%	US Equities 24.8%	Emerging Mkt Equities 16.6%	US Equities 27.6%	Cash 0.0%
	Emerging Mkt Equities 16.0%	European Equities 34.4%	Canadian Equities 10.6%	International Equities 19.5%	Balanced Portfolio 13.2%	European Equities 17.9%	Cash 1.3%	Canadian Equities 22.9%	US Equities 16.3%	Canadian Equities 25.1%	Canadian Equities -0.7%
	International Equities 15.3%	International Equities 31.6%	Balanced Portfolio 9.6%	European Equities 17.1%	US Equities 8.1%	International Equities 17.4%	Canadian Bonds 1.0%	European Equities 18.3%	Canadian Bonds 8.6%	European Equities 16.0%	Balanced Portfolio -1.7%
	US Equities 13.4%	Canadian Equities 13.0%	Canadian Bonds 8.3%	Canadian Bonds 3.3%	Emerging Mkt Equities 7.7%	US Equities 13.8%	Balanced Portfolio -4.9%	Balanced Portfolio 16.6%	Balanced Portfolio 6.8%	Balanced Portfolio 13.9%	Canadian Bonds -3.2%
	Canadian Equities 7.2%	Balanced Portfolio 7.3%	Emerging Mkt Equities 7.0%	Emerging Mkt Equities 2.4%	Canadian Bonds 1.3%	Canadian Equities 9.1%	International Equities -5.6%	International Equities 16.5%	International Equities 6.4%	International Equities 10.8%	Emerging Mkt Equities -4.2%
	Balanced Portfolio 5.7%	Emerging Mkt Equities 4.3%	International Equities 4.1%	Cash 0.5%	Cash 0.5%	Balanced Portfolio 6.4%	Emerging Mkt Equities -6.5%	Emerging Mkt Equities 12.9%	Canadian Equities 5.6%	Cash 0.0%	International Equities -8.1%
	Canadian Bonds 3.4%	Cash 0.8%	European Equities 2.8%	Balanced Portfolio -3.7%	International Equities -2.0%	Canadian Bonds 2.4%	European Equities -6.6%	Canadian Bonds 7.3%	European Equities 4.1%	Canadian Bonds -2.8%	US Equities -9.3%
	Cash 0.8%	Canadian Bonds -1.3%	Cash 0.8%	Canadian Equities -8.3%	European Equities -3.2%	Cash 0.6%	Canadian Equities -8.9%	Cash 1.6%	Cash 0.5%	Emerging Mkt Equities -3.1%	European Equities -10.0%

Source: FactSet; Data as of February 28, 2022. All returns are in CAD. Canadian Equities is represented by S&P/TSX Composite TR Index; Canadian Bonds is represented by iShares Core Canadian Universe Bond Index ETF; US Equities is represented by S&P 500 TR Index; International Equities is represented by MSCI EAFE; Emerging Market Equities is represented by MSCI EM; Cash is represented by iShares Premium Money Market ETF; The asset allocation of the Balanced Portfolio is 60% S&P/TSX Composite TR Index + 40% iShares Core Canadian Universe Bond Index ETF;

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