

# Portfolio Strategy

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

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**Our view:** The recent surge in volatility in 2022 is the result of several factors including: **1)** stubbornly high inflation; **2)** policy normalization efforts by central banks globally (e.g., the US Federal Reserve, Bank of Canada, etc.); **3)** the ongoing Russia Ukraine war, and the related global sanctions which followed the invasion; **4)** COVID-19 lockdowns; and, **5)** a deep slowdown in the Chinese economy, which is the second largest economy in the world.

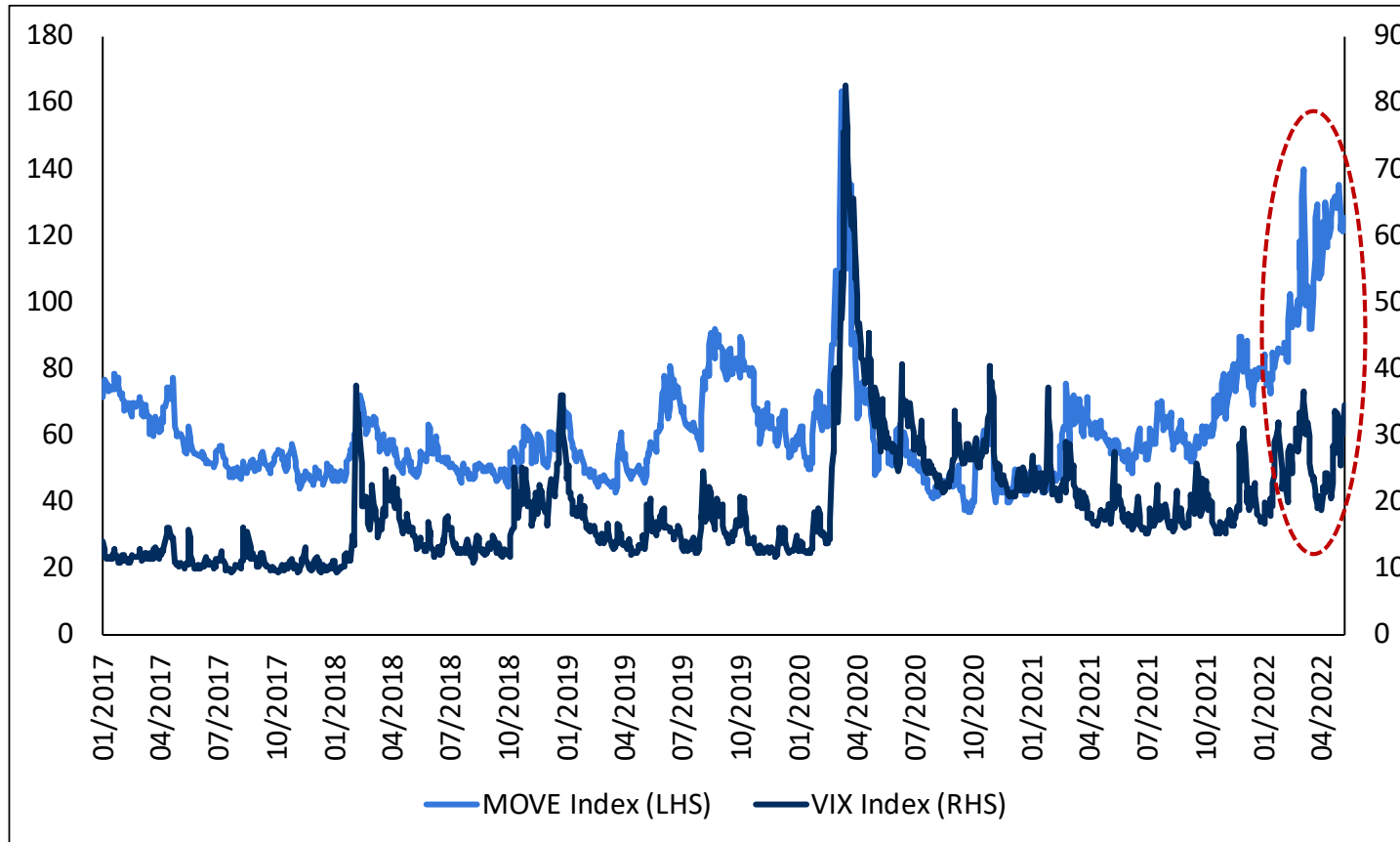
Since the beginning of the year, we have stated that, while a repeat of 2021 market performance was unlikely, we expected markets to head higher, but follow a much more choppy path than in 2021, as extreme COVID-19 policy measures/levels of accommodation begun to unwind. However, that said, we remind investors that the Canadian/US economies are in relatively good shape versus the rest of the world economies – **the cleanest dirty shirts in the laundry** – with economic growth still expected to rise above trend in 2022 and grow at a more normalized pace in 2023 rather than contract. As well, the employment rate has rebounded above pre-pandemic levels with corporations on both sides of the border in relatively good financial shape. For the S&P 500 and the S&P/TSX indices, we are expecting above trend earnings growth in 2022 and trend growth in 2023. And following the sell-off in markets globally since the beginning of the year, equity valuations also appear way more attractive than at the start of 2022, and are supportive of our constructive view for US and Canadian equities to outperform many of their peers/markets globally in 2022.

While it may be difficult to see the **bigger picture amid all the uncertainty**, here are a few **certainties** 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” – Warren Buffett.**
- **Stay rational when markets/investors appear to be behaving irrationally.**
- **Ignore your emotional tendencies and stick to your plan; otherwise, you may end up buying-high & selling-low.**
- **Volatility/market sell-offs should be expected and are NORMAL even during broader bull market cycles!**
- **Diversification + Asset Allocation = **

# Uncertainty – A Major Theme for 2022

## Volatility Measures Spike in 2022..



Source: Bloomberg; Data as of May 6, 2022.

- ✓ The Russian Invasion of Ukraine
- ✓ Stubbornly High Inflation
- ✓ Lockdowns & A Significant Slowdown in China
- ✓ Stagflation/Slowing Global Growth
- ✓ Recession Fears
- ✓ EPS Risks – Downward Revisions
- ✓ Equity/Bond Market Valuations
- ✓ COVID-19 (Down to the bottom vs. '20/'21)
- ✓ .....

# A Shaky Start For Equities Globally...

## Global Equity Market Performance

Equities	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
<b>Americas</b>								
Canadian Equities (Broad Market)	19,999.69	-8.5	-6.8	-5.0	25.1	5.6	22.9	-8.9
Canadian Equities (Large Cap)	1,215.79	-8.1	-6.6	-4.7	28.0	5.6	21.9	-7.6
Canadian Equities (Small Cap)	721.09	-13.9	-8.4	-6.3	20.3	12.9	15.8	-18.2
Nasdaq	11,623.25	-15.2	-19.6	-25.5	22.2	44.9	36.7	-2.8
U.S. Equities (Large Cap)	3,991.24	-11.0	-12.7	-15.9	28.7	18.4	31.5	-4.4
U.S. Equities (Mid Cap)	7,023.01	-11.1	-13.3	-17.2	22.6	17.1	30.5	-9.1
U.S. Equities (Small Cap)	4,379.21	-11.6	-15.2	-21.2	14.8	20.0	25.5	-11.0
U.S. Equities (Broad Market)	4,222.33	-11.4	-13.6	-17.2	25.7	20.9	31.0	-5.2
U.S. Growth	8,858.34	-14.7	-18.6	-24.8	25.8	38.3	35.8	-2.1
U.S. Value	5,735.17	-8.2	-8.4	-8.6	25.4	2.9	26.3	-8.6
<b>Europe</b>								
FTSE UK	439.77	-5.6	-4.2	-0.9	18.4	-11.7	18.1	-9.2
Euro STOXX 50	3,526.86	-7.3	-14.6	-16.4	24.1	-2.6	29.3	-11.2
FTSE 100	7,216.58	-5.7	-4.2	-0.8	18.4	-11.5	17.3	-8.7
France CAC 40	6,086.02	-6.0	-13.5	-13.7	31.9	-5.0	30.5	-8.0
Germany DAX (TR)	13,380.67	-6.3	-13.6	-15.8	15.8	3.5	25.5	-18.3
Russia RTS	1,088.02	5.1	-24.2	-31.8	15.0	-10.4	44.9	-7.4
<b>Asia Pacific</b>								
Hang Seng Index	20,001.96	-9.4	-18.3	-14.2	-11.8	-0.3	13.0	-10.5
Japan Nikkei 225	26,319.34	-2.5	-3.7	-7.7	6.7	18.3	20.7	-10.3
SSE Composite Index	3,004.14	-7.6	-13.7	-17.5	4.8	13.9	22.3	-24.6
<b>Major Aggregates</b>								
Global Equities	2,086.29	-9.9	-11.8	-14.6	24.7	14.1	28.1	-6.9
Global Developed Markets (ex U.S. & Can)	1,218.16	-5.7	-7.7	-9.2	19.2	1.3	22.3	-10.5
Emerging Markets Equities	60,065.59	-7.4	-14.1	-13.7	0.1	19.5	18.5	-9.7

Source: FactSet, Raymond James Ltd., as of May 9, 2022

# Few Places to Hide...

## Global Fixed Income, FX and Commodities Performance

Fixed Income	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
Canadian Bonds (Aggregate)	94.55	-2.9	-7.2	-10.8	-2.6	8.4	6.9	1.3
Canadian Bonds (Government)	94.61	-3.0	-7.4	-11.2	-3.0	8.5	6.6	1.4
Canadian Bonds (Corporates)	94.28	-2.5	-6.6	-9.8	-1.3	8.4	8.0	0.9
U.S. Bonds (Aggregate)	93.12	-2.4	-7.1	-10.1	-1.5	7.5	8.7	0.0
U.S. Bonds (Government)	92.93	-1.8	-6.3	-9.0	-2.3	7.9	6.8	0.9
U.S. Bonds (Corporates)	93.60	-3.9	-9.2	-13.2	-1.1	9.4	13.8	-2.1
U.S. High Yield Bonds	91.68	-4.0	-7.1	-9.9	4.7	6.5	15.1	-2.0
Global Bonds	96.69	-4.5	-10.1	-12.4	-4.7	9.2	6.8	-1.2
Global High Yield	86.04	-5.2	-9.7	-12.0	1.0	7.0	12.6	-4.1
Yields	Yield	1Mo	3 Mo	YTD	2021	2020	2019	2018
Canada Benchmark Bond - 10 Year	3.02	-3.2	-10.0	-13.1	-4.4	0.5	4.4	10.0
US Benchmark Bond - 10 Year	3.55	-3.2	-6.1	-9.1	-1.0	1.1	-4.9	5.2
Australia Benchmark Bond - 10 Year	2.84	-5.0	-12.0	-15.3	-6.3	-11.0	8.6	2.9
China Benchmark Bond - 10 Year	0.24	2.5	3.2	1.7	-12.7	-0.1	-1.9	-17.2
Japan Benchmark Bond - 10 Year	1.97	-0.2	0.6	-0.7	-0.5	-0.4	0.2	0.4
United Kingdom Benchmark Bond - 10 Year	3.08	-1.9	34.9	29.2	-35.4	44.0	-2.7	-19.7
Currencies (In CAD)	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
U.S. Dollar	1.30	3.0	2.3	2.7	-0.9	-1.8	-5.1	9.0
Euro	1.37	-0.3	-5.7	-4.9	-7.8	7.1	-6.8	3.8
British Pound	1.60	-2.6	-7.0	-6.7	-1.8	1.4	-1.2	2.6
Japanese Yen (in JPY)	0.01	-1.8	-9.5	-9.4	-11.1	3.4	-4.1	11.9
Commodities	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
Gold (per ounce)	1857.10	-4.4	1.2	1.6	-3.5	24.6	18.9	-2.1
Silver (per ounce)	21.87	-11.2	-6.0	-5.3	-12.8	46.8	16.7	-8.3
Copper (per pound)	4.19	-11.2	-8.9	-5.9	26.8	25.8	6.3	-19.9
Crude Oil (WTI per barrel)	103.09	4.8	15.1	36.9	55.8	-20.9	35.4	-25.3
Natural Gas (per million btu)	7.03	11.9	75.3	88.4	46.9	16.0	-25.5	-0.4

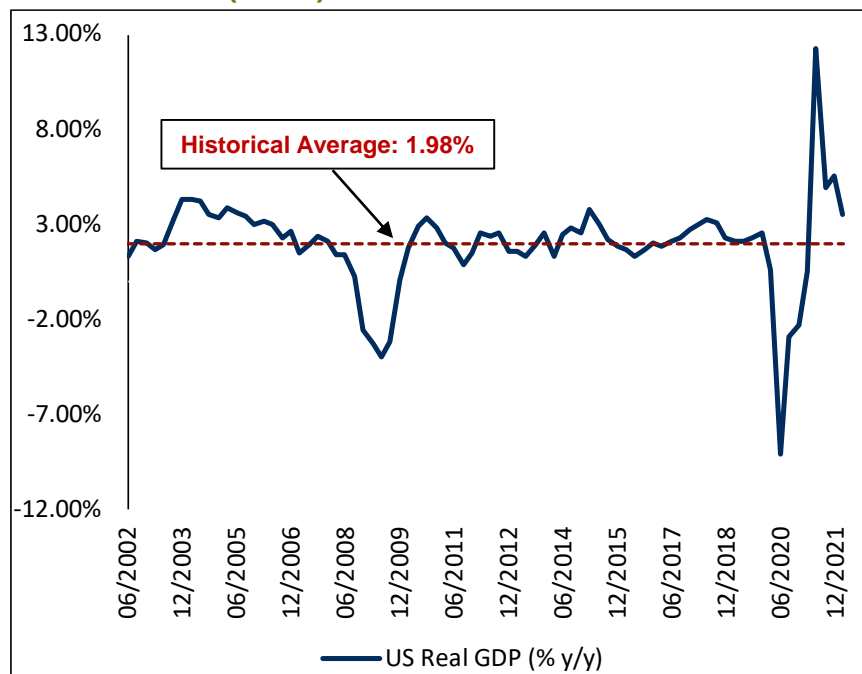
Source: FactSet, Raymond James Ltd., as of May 9, 2022

**....However, Canadian & US Economic  
Fundamentals Still Remain Relatively Strong....**

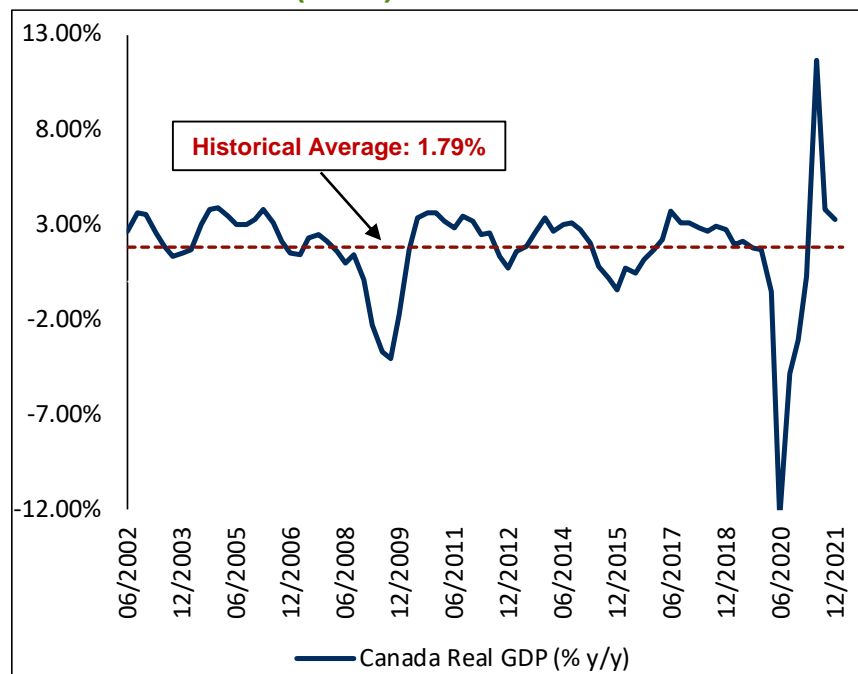
# Real GDP Growth Above Trend in 2022

While economic growth or the year-over-year change in real GDP is down considerably from peak levels in 2021, we still expect real GDP to grow above trend in 2022, and to normalize towards the long-term trend rate in 2023. While we acknowledge that downside revisions are possible for current consensus real GDP estimates given the many uncertainties on the horizon, a lot would have to go wrong to push the Canadian and US economies into a recession in 2023; it is not our base case assumption.

## US Real GDP (%Y/Y)



## Canada Real GDP (%Y/Y)



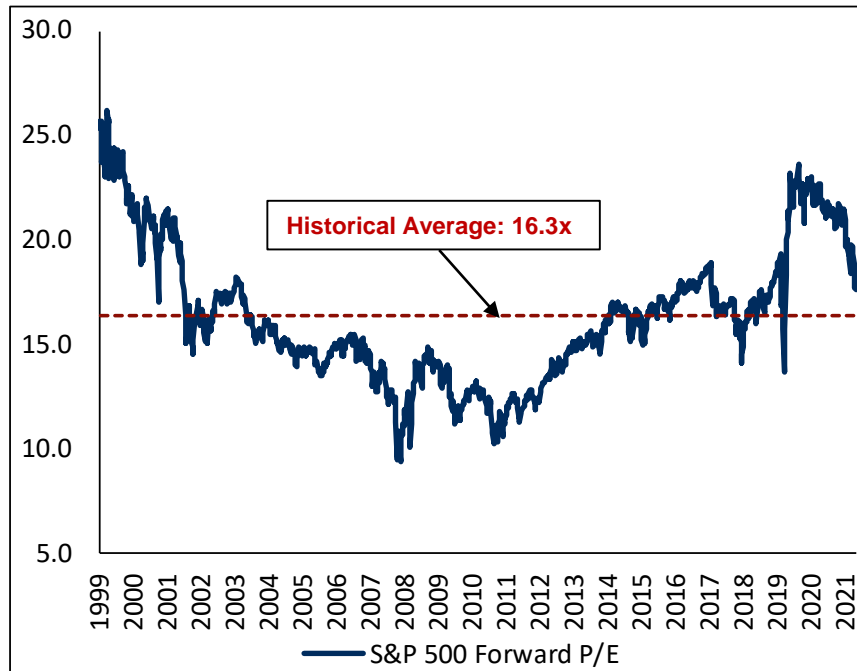
Source: FactSet; Raymond James Ltd.; US data as of March 31, 2022; Canada data as of December 31, 2021



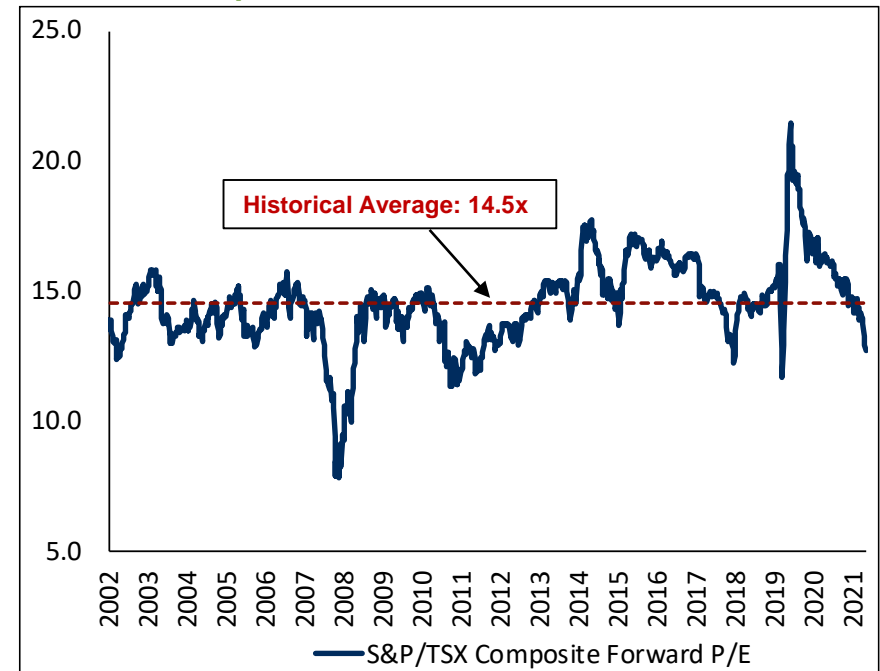
# Valuations Attractive Across the Board..

The market sell-off prompted by the massive deleveraging by large institutions/hedge-funds globally as yields have risen has pushed valuations back down towards/below the historical long-term averages. Given the strong economic and consumer backdrop, coupled with the resiliency in earnings amid all the uncertainty (discussed in the next slide), we see good opportunities across many sectors/industries and equity markets in both Canada and the US. **Our recommendation is to remain selective, focusing on high-quality businesses with durable business models, which have proven their ability to perform well throughout the business cycle.**

## S&P 500 Forward P/E



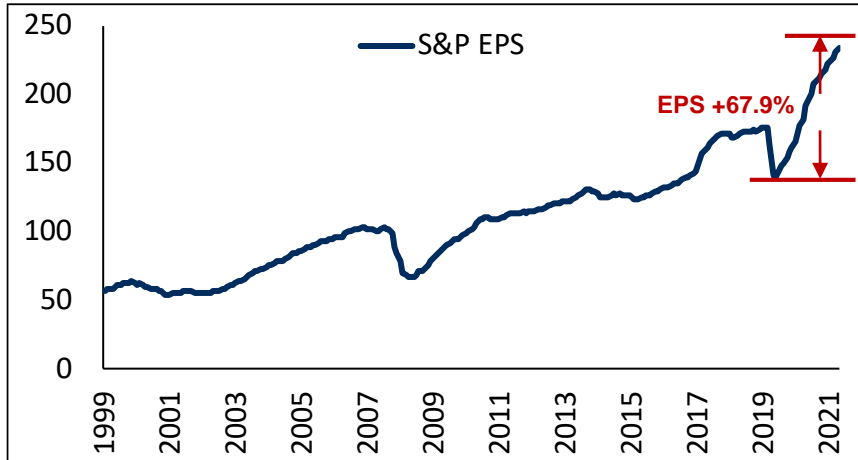
## S&P/TSX Composite Forward P/E



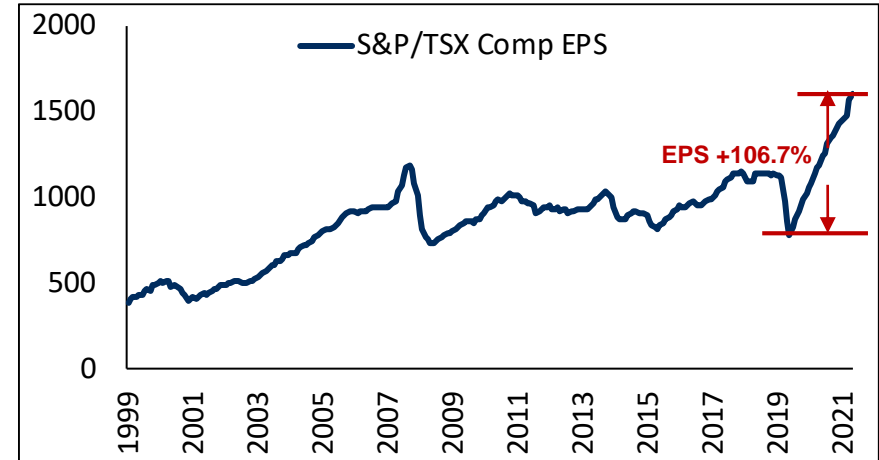
Source: FactSet; Raymond James Ltd.; Data as of May 6, 2022; S&P 500 Forward P/E historical average is 16.3x (1999/12/31 – 2022/5/6), S&P/TSX Forward P/E historical average is 14.5x (2002/12/31 – 2022/5/6)

# Earnings Holding in Strong So Far...

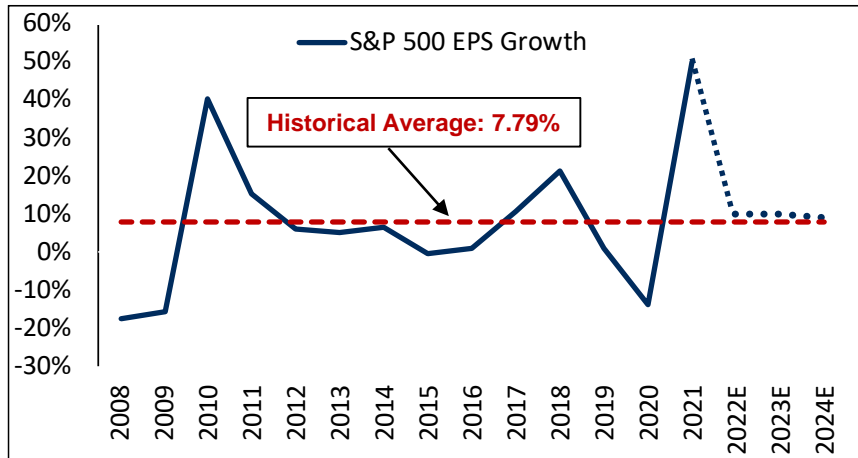
**S&P 500 EPS**



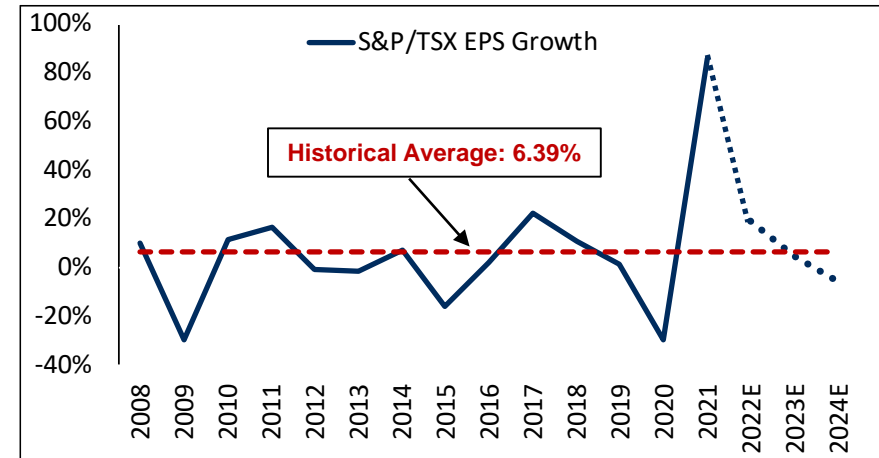
**S&P/TSX Comp EPS**



**S&P 500 EPS Growth Above Trend In 2022**



**S&P/TSX EPS Growth Above Trend In 2022**



Source: FactSet; Raymond James Ltd.; Data as of April 29, 2022

**....Our Advice To Investors Is To Focus On  
The Big Picture!....**

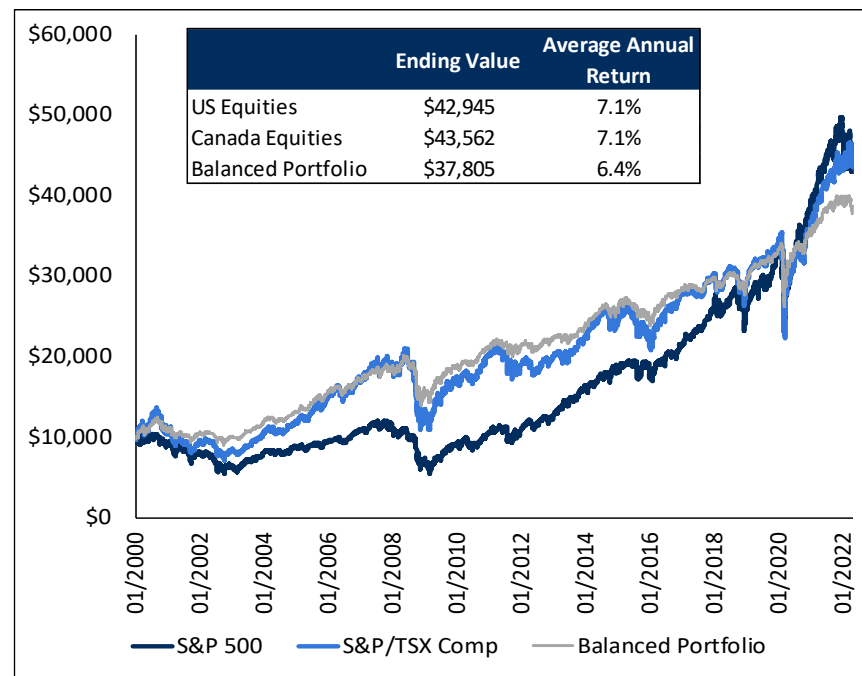
# Market Moving Headlines Come & Go...

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 ~21 years despite all the headlines/dire outlooks. For example, the S&P 500 and the S&P/TSX indices have both generated total returns of ~7.1% 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 May 6, 2022. 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 Post-Corrections Since 2000

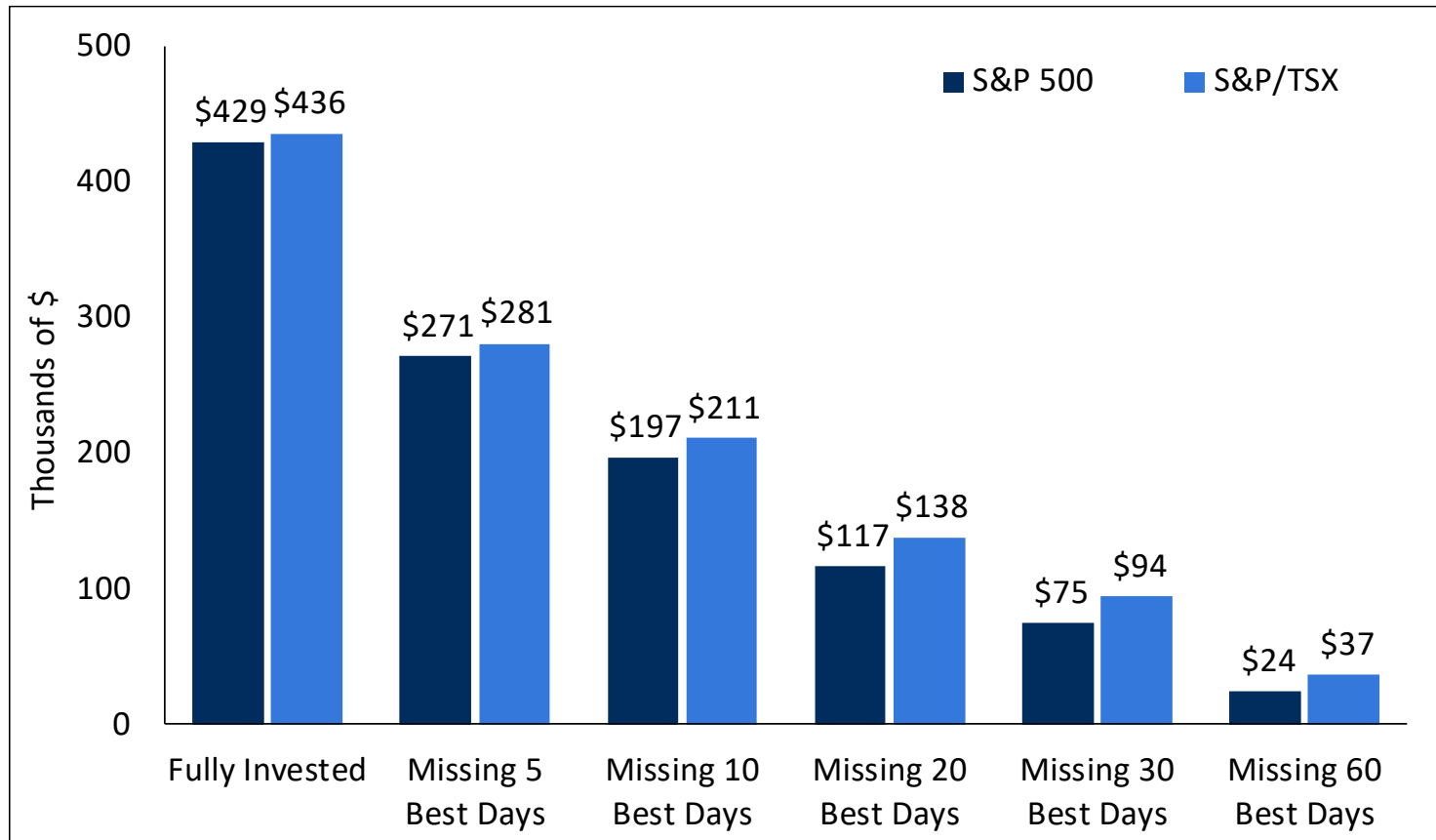
## S&P 500 Index Corrections & Bear Markets (2000 - Current)

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%	99.2%
1/3/2022	4796.6	5/6/2022	4123.3	-14.0%	?	?
Average (2000-2021):				-20.7%	22.8%	36.6%
Median (2000-2021):				-19.3%	25.9%	37.7%
Average (1980-2021):				-18.6%	24.9%	39.2%
Median (1980-2021):				-16.0%	25.9%	44.5%

Source: FactSet; Data as of May 6, 2022

# Avoid Temptations to Time the Market..

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



Source: FactSet; Data as of May 6, 2022; 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

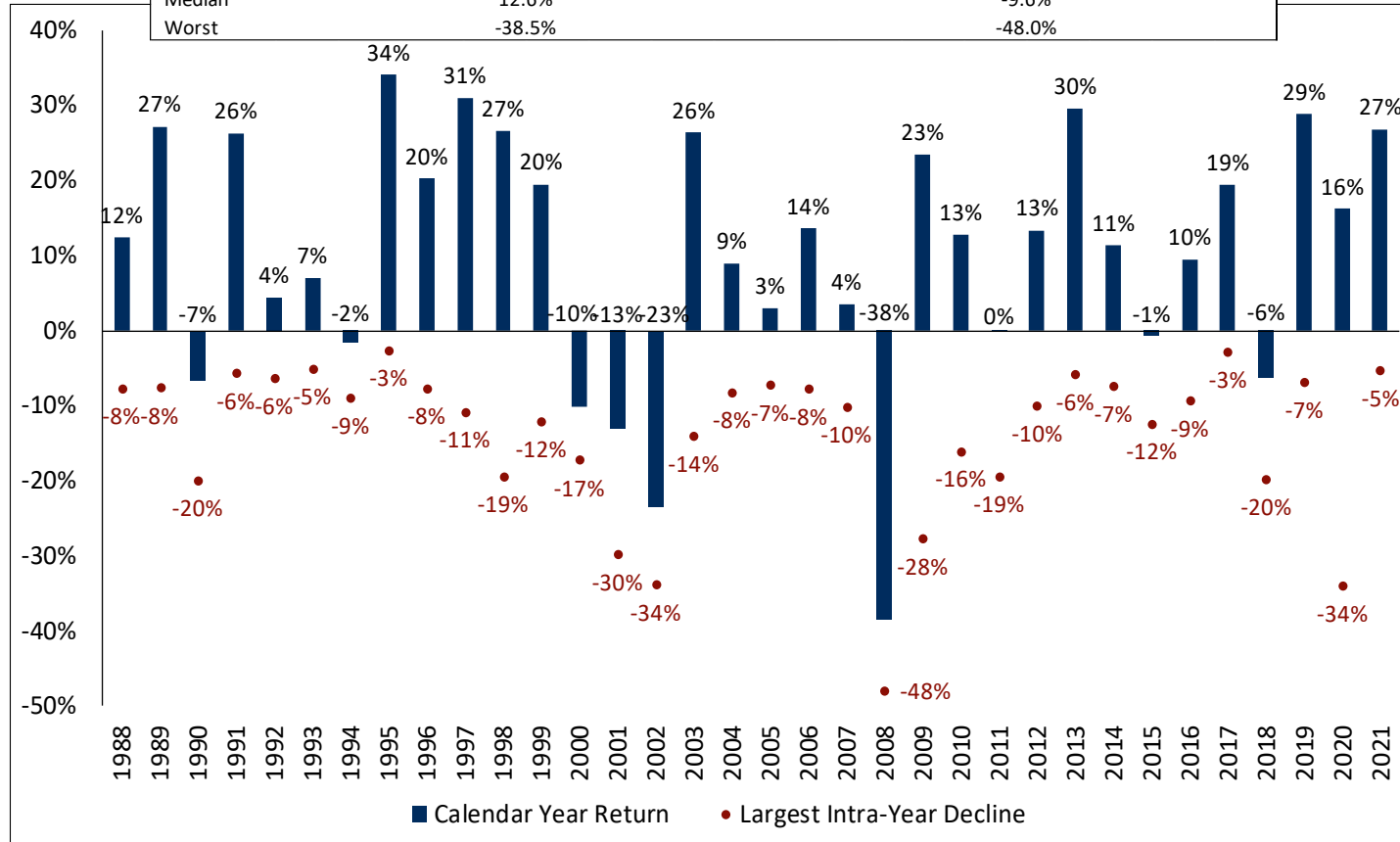


Source: Raymond James Ltd.; For illustration purposes only

# 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%



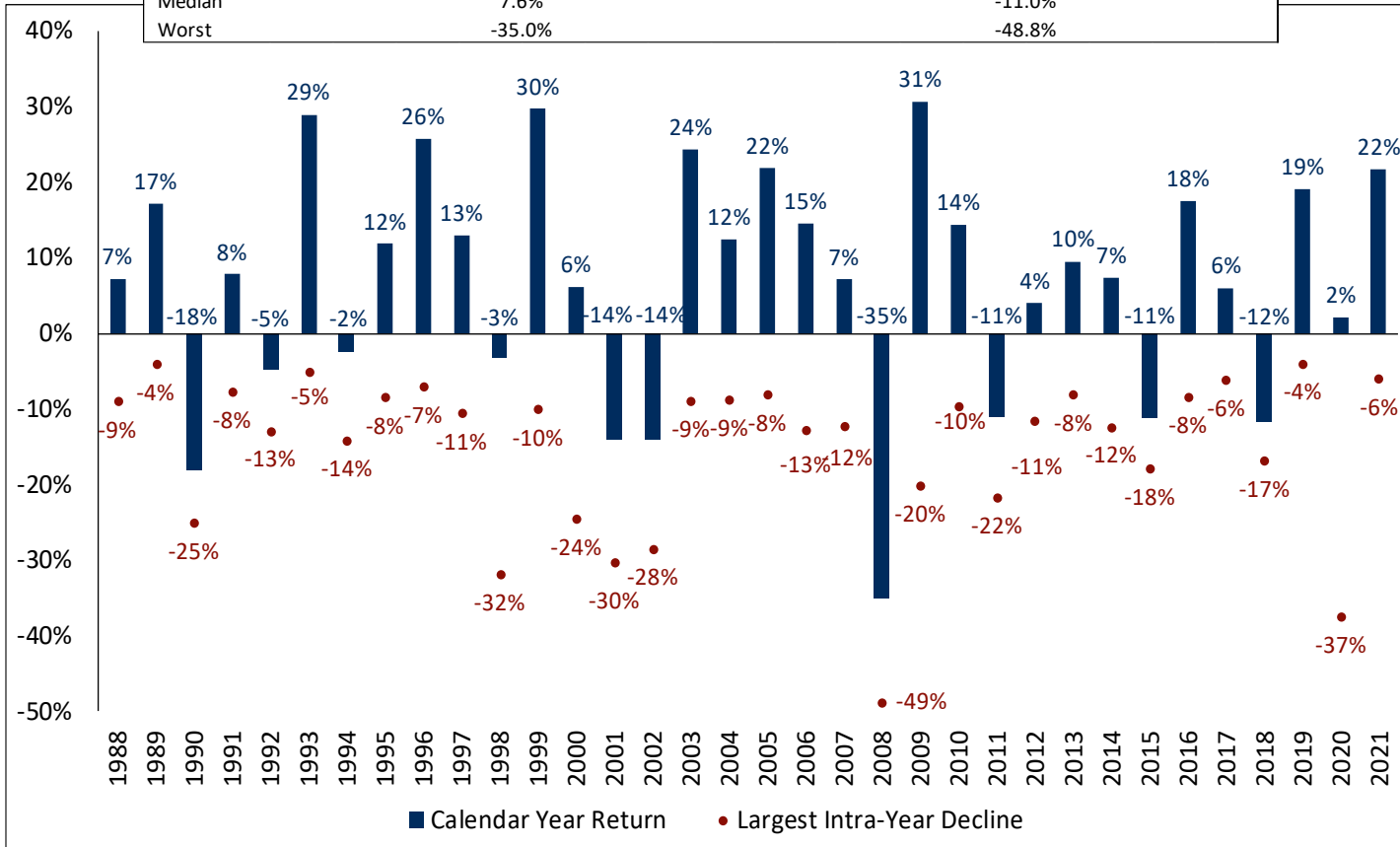
Source: FactSet; Data as of December 31, 2021



# 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	Emerging Mkt Equities 16.0%	US Equities 41.3%	US Equities 23.9%	US Equities 21.6%	Canadian Equities 21.1%	Emerging Mkt Equities 28.7%	US Bonds 9.1%	US Equities 24.8%	Emerging Mkt Equities 16.6%	US Equities 27.6%	Cash 0.1%
	International Equities 15.3%	International Equities 31.6%	US Bonds 15.5%	US Bonds 20.5%	US Equities 8.1%	International Equities 17.4%	US Equities 4.2%	Canadian Equities 22.9%	US Equities 16.3%	Canadian Equities 25.1%	Canadian Equities -1.9%
	US Equities 13.4%	Balanced Portfolio 15.1%	Balanced Portfolio 12.8%	International Equities 19.5%	Emerging Mkt Equities 7.7%	US Equities 13.8%	Cash 1.3%	International Equities 16.5%	Balanced Portfolio 9.5%	International Equities 10.8%	US Bonds -8.7%
	Balanced Portfolio 8.2%	Canadian Equities 13.0%	Canadian Equities 10.6%	Balanced Portfolio 9.6%	Balanced Portfolio 6.4%	Canadian Equities 9.1%	Canadian Bonds 1.0%	Balanced Portfolio 14.5%	Canadian Bonds 8.6%	Balanced Portfolio 10.2%	Balanced Portfolio -9.4%
	Canadian Equities 7.2%	US Bonds 4.6%	Canadian Bonds 8.3%	Canadian Bonds 3.3%	Canadian Bonds 1.3%	Balanced Portfolio 9.0%	Balanced Portfolio -0.1%	Emerging Mkt Equities 12.9%	International Equities 6.4%	Cash 0.0%	US Equities -11.4%
	Canadian Bonds 3.4%	Emerging Mkt Equities 4.3%	Emerging Mkt Equities 7.0%	Emerging Mkt Equities 2.4%	Cash 0.5%	Canadian Bonds 2.4%	International Equities -5.6%	Canadian Bonds 7.3%	Canadian Equities 5.6%	US Bonds -2.6%	Canadian Bonds -11.7%
	US Bonds 1.5%	Cash 0.8%	International Equities 4.1%	Cash 0.5%	US Bonds -1.1%	Cash 0.6%	Emerging Mkt Equities -6.5%	US Bonds 3.0%	US Bonds 5.6%	Canadian Bonds -2.8%	International Equities -12.6%
Lowest Return	Cash 0.8%	Canadian Bonds -1.3%	Cash 0.8%	Canadian Equities -8.3%	International Equities -2.0%	US Bonds -3.2%	Canadian Equities -8.9%	Cash 1.6%	Cash 0.5%	Emerging Mkt Equities -3.1%	Emerging Mkt Equities -14.1%

Source: FactSet; Data as of May 6, 2022. All returns are in CAD. Asset classes are represented by: S&P/TSX Composite TR Index (Canadian Equities); iShares Core Canadian Universe Bond Index ETF (Canadian Bonds); S&P 500 TR Index (US Equities); iShares Core U.S. Aggregate Bond ETF (US Bonds); MSCI EAFE (International Equities); MSCI EM (Emerging Market Equities); iShares Premium Money Market ETF (Cash); The asset allocation of the Balanced Portfolio is 20% Canadian Equities + 20% US Equities + 10% International Equities + 10% Emerging Market Equities + 20% Canadian Bonds + 20% US Bonds

**“Be Fearful When Others Are Greedy, & Greedy  
When Others Are Fearful!” - *Warren Buffett***

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