April 2021 Commentary

March broke our four month winning streak with a return of -3.36% for the month. This brings our year-to-date return in our hypothetical equity model to 3.78%. Starting mid-February we saw a notable slowdown in the momentum of the tremendous gains we enjoyed over the previous 3 ½ months beginning in early November. Although the decline in March was fairly modest, if you take the peak-to-trough measures from mid-February to the third week of March, we were actually down about 8.5%. That is a decent if not dramatic correction. It may or may not be enough to clear the decks and allow us to make some progress. Our guess is not. In any case, it certainly wasn't a dramatic enough correction to justify drawing down a line of credit to take advantage of the opportunity.

Market Update

March offered up a learning opportunity for newer clients if they were paying attention to the activity in their portfolios online (not that we recommend you do that). As investment advisors, we are regularly approached by third party money managers – usually in the form of mutual funds - hawking their wares. There is always some clever manager vying for our business and they frequently have some interesting approach to managing money. One thing we hear often is that they take a 'disciplined' approach to investing. We claim that as well and we are deadly serious about it. It's an industry buzzword but what does it really mean?

To us, what it means is that if you adopt an approach that has a defined set of rules, and you have good reason to believe it is effective, then you follow it. Simple as that. The concept is simple, but the execution is not easy. You have to understand that whichever one of the many different techniques you use to skin a cat, they all share one thing in common; the short term results are lumpy, uneven and completely unpredictable. They will all take you on a ride that alternates between having you believe you are a genius and knowing that the universe hates you. Every successful approach to investing has an error rate. If you make enough decisions over time, a certain percentage of them will be bad ones. *Discipline* is understanding this concept, not letting the short term affect your commitment and continually repeating the process so that you can get the results in the long haul. This is especially important when it comes to selling.

So what happened in March? On the 22nd, we purchased Vipshop (VIPS) for US$44.55. VIPS is an online discount retailer in China and it looked like a gem in our charting analysis. As it turns out, we purchased about 3% from the top. Just as we were buying, several directors and the chairman of the company filed to sell millions of their own shares. On March 24th, the stock dropped over 21% in one day. The next day it shed almost 11%. On March 26th, four days after we purchased it, we sold it for a 29% loss on what we paid.

We consider this to be a success. Why? This was by a long shot not the first time we've done a trade like this. We purchased a stock using a set of criteria that has a long, rich history of success. Eight plus years for us and much longer in the hands of other practitioners. When the stock failed to live up to expectations and triggered our sell criteria, we sold. This, more than anything else, is what separates us from our peers. Our combined almost 50 years of experience tells us that most investment advisors would have abandoned their process mid-stream and held on to that stock, hoping for a turnaround so they would not have to admit a mistake and take a loss.

This is what discipline looks like. You have unexpected short term results and a certain percentage of losing trades. If you accept that and apply your process doggedly, you can be exceptional. It's ugly in the trenches where we work. We do it so you don't have to.

Anecdotes from the World of Inflation

A theme we've been developing of late is the return of inflation. We've discussed in the past the seductive but flawed theory held by many, especially those new to the subject, that excessive government money creation causes inflation. We used to subscribe to this idea but inflation is much more complex than that. History teaches us that money creation alone will not necessarily lead to inflation. Without going down that path, today we want highlight a completely different cause of inflation that is underway now. It's one we could never have foreseen and it is being caused by shortages in supply. One of the consequences of the severe Covid restrictions in Europe – where they have really taken the concept to extremes – is that the food supply chain has been severely interrupted. According to Armstrong Economics, the world is headed for serious prices increases in basic foodstuffs. The Food Price Index (FFPI) of the Food and Agricultural Organization (FAO) of the United Nations increased 2.2% in one month from November to December 2020, the seventh consecutive monthly increase. Dairy products, meat, cereals and especially vegetable oil are all accelerating. The FFPI has gained 18% since May. 2020 was on average a three year high in the index.

The expected various mutations by region of Covid-19 will give politicians the opportunity to continue with their draconian shutdowns and travel restrictions. We expect this will intensify the supply chain interruption for probably another two or three years. Pay attention to your grocery bills in the coming months and years. We'll be watching to see how this affects various companies and if the impact is strong enough to drive certain stocks on to our buy list for your portfolio.

The warm weather is back and it's been a beautifully sunny finish to March. Fingers crossed we can look forward to a enjoyable summer in Ontario.

March 2021 Portfolio Review

Mott Liokossis Hypothetical Model sector breakdown at the end of February 2021:

Cash	3.98%
Diversified Global Equity Portfolio	38.96%
Specialty Retail	17.29%
Diversified Canadian Equity Portfolio	11.53%
Electronics & Semi-Conductors	6.19%
Leisure	5.85%
Automotive	5.55%
Manufacturing	5.51%
Internet	5.15%

SIACharts.com

Hypothetical Model Growth Portfolio Holdings at the end of March 2021:

% Held	Security	Symbol	Sector	Price	Yield
2.73%	Cash				
5.57%	Airbus SE ADR	EADSY	Aerospace & Defence	$ 35.66	1.41%
6.88%	ASML Holding NV	ASML	Electronics & Semi-Conductors	$ 775.40	0.37%
11.48%	BMO SIA Focused CDN EQ ETF	ZFC	Canadian Equity Portfolio	$ 37.01	1.72%
6.02%	Deere & Co	DE	Manufacturing	$ 469.92	0.68%
5.78%	Dicks Sporting Goods	DKS	Specialty Retail	$ 95.64	1.36%
5.62%	Expedia Group Inc	EXPE	Internet	$ 216.18	0.00%
5.49%	Five Below Inc	FIVE	Specialty Retail	$ 239.63	0.00%
5.39%	Pioneer Narural Resource Co.	PXD	Energy	$ 199.48	1.11%
39.75%	SIA ML Global Tactical Pool	SWI220	Global Equity Portfolio	$ 26.83	5.87%
5.29%	Tata Motors LTD	TTM	Automotive	$ 26.11	0.00%

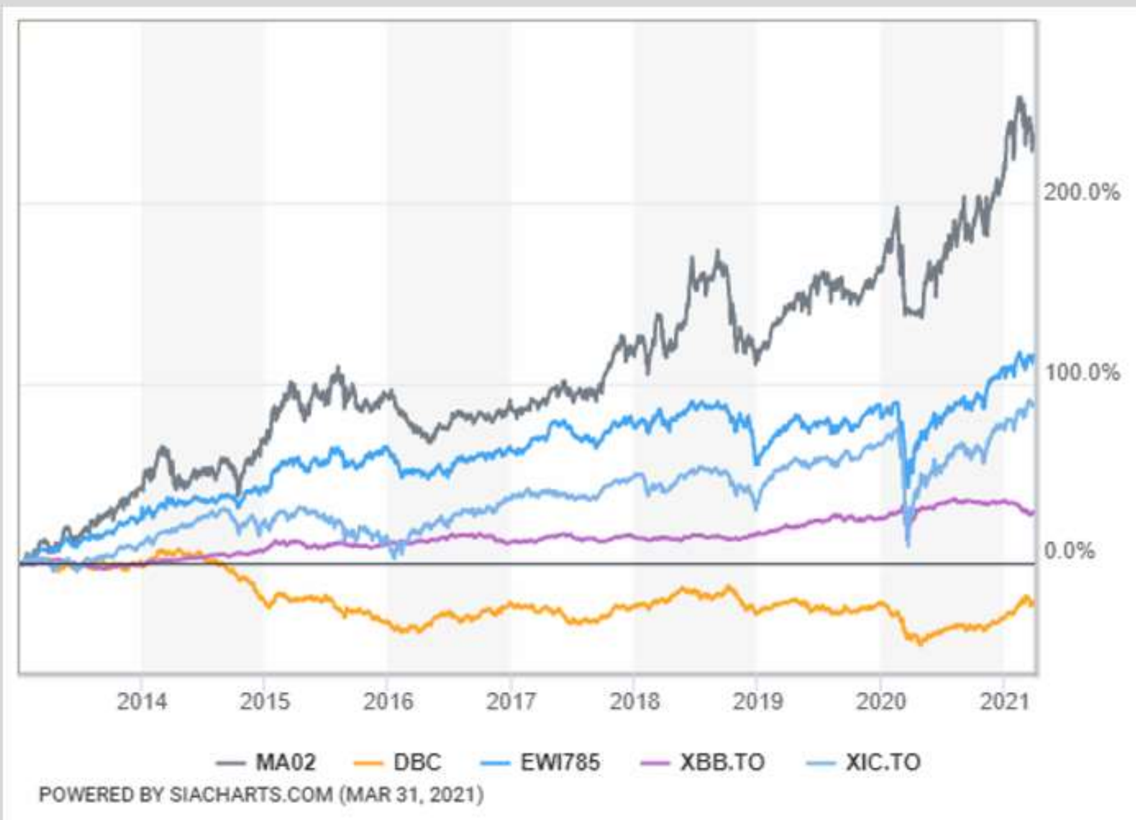
SIACharts.com

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Yearly Returns**	
2021	1.62%	5.68%	-3.36%										**3.78%**	**YTD**
2020	4.33%	-3.90%	-8.54%	-0.42%	9.70%	2.13%	5.75%	4.27%	-2.33%	-1.79%	7.32%	6.07%	**22.93%**	
2019	1.36%	5.01%	3.75%	3.46%	-1.58%	2.58%	0.97%	1.13%	-3.33%	-0.78%	3.76%	2.09%	**19.73%**	
2018	2.84%	0.81%	-0.31%	-0.79%	5.53%	8.19%	-0.60%	8.18%	-2.65%	-14.70%	-0.14%	-2.73%	**1.60%**	
2017	-1.26%	3.11%	0.49%	3.26%	1.45%	-3.95%	0.50%	2.31%	3.43%	7.33%	2.38%	-3.57%	**16.08%**	
2016	-3.29%	-2.97%	-3.70%	-3.30%	5.04%	1.01%	3.03%	-0.56%	1.02%	-1.70%	1.56%	0.82%	**-3.36%**	
2015	9.73%	2.78%	3.71%	-8.98%	10.69%	-4.34%	7.93%	-5.39%	-3.05%	0.23%	-0.08%	1.84%	**13.89%**	
2014	6.39%	6.38%	-5.18%	-4.67%	1.52%	1.94%	-1.25%	5.18%	-2.40%	0.44%	5.70%	3.57%	**18.08%**	
2013	6.00%	4.20%	3.95%	-2.83%	9.64%	-3.67%	4.06%	3.65%	3.29%	3.42%	4.68%	2.66%	**45.96%**	

Monthly & Annual Returns for the Mott Liokossis Hypothetical Model Growth Portfolio.
Performance reflects actual trades executed in our maximum growth model and does not include fees or expenses.
We use this hypothetical model as the basis for our clients' portfolios.

SIACharts.com



Growth of $10,000	Jan. 04, 2013 - Mar. 31, 2021
Mott Liokossis Model (MA02)	$33,364
World Stock Equal Weight Index (EWI785)	$21,462
Canadian Stocks (XIC.TO)	$18,813
Canadian Bonds (XBB.TO)	$12,823
Commodities (DBC)	$7,799

SIACharts.com

Click here to access your online account and tax statements.

Click here to learn more about the team.

Click here to contact us.

Blair Mott, FCSI, CIM, FMA
Vice President & Portfolio Manager, Investment Advisor
519-646-2146
blair.mott@nbc.ca

Tony Liokossis, B.A., FCSI, CIM
Vice President & Portfolio Manager, Investment Advisor
519-646-5728
tony.liokossis@nbc.ca

Stephanie Lindsay, HBA
Investment Associate
519-646-2149
stephanie.lindsay@nbc.ca

Juliana Weese
Investment Associate
519-646-2152
juliana.weese@nbc.ca