February 2021 Commentary

2021 has started with a another record monthly close for our hypothetical model portfolio. Though we finished January with a 1.62% gain, this was actually down more than 5% from the peak registered on January 21st. The correction we expected has begun but it doesn't look like it has any legs based upon the initial phase. As always, we really don't know but it may turn out that we see more short term gains before any meaningful downside.

Like December, we did no trading in our model. The brings us to two and a half months since we last did a trade, which has never happened before.

We continue to hold a small amount of cash. We haven't seen an opportunity to get it to work so we are beginning to deploy that over the coming weeks.

Market Update

The Biden Administration has been installed in the U.S. and we believe this will be the catalyst to big changes to not just the U.S. economy, but that of the entire world.

As we mentioned in previous letters, the battle for the White House went far beyond left vs. right, or Trump vs. Biden. The most important outcome to be decided would be where the U.S. landed with respect to the World Economic Forum's Great Reset agenda; get on board or a two-by-four in the spokes? It has turned out to be the former.

The speed with which the Biden Administration has acted to reverse the course set over the last four years has been impressive. With a spate of executive orders, taxes are going up, energy production is set to be curtailed – and with it the U.S.'s nascent energy independence – and accords that are global in scope are being re-engaged. These include the Trans Pacific Partnership (TPP), the World Health Organization and the Paris Climate Accord.

A common refrain we've heard over the last couple of months is that with Trump gone, there will be a return to normalcy. We expect the opposite. If we are correct about the U.S. engaging the aforementioned Great Reset, what we see ahead is a radical re-shaping of the political and economic landscape. We expect debt, energy prices, conflict and economic disorder to be on the rise as world leaders attempt to get this massive undertaking off the ground.

Debt will rise because the plan requires big spending to achieve its grandiose goals. One of the most costly features is implementing some form of guaranteed universal basic income (UBI). In Canada we've seen various incarnations of income support for those economically affected by the pandemic. Our expectation is that this is not temporary and will not end with the pandemic. Instead we expect these supports to transition economically vulnerable Canadians to some form of UBI. This will take place in many countries around the globe.

Energy prices will rise simply because a major producer is being taken offline. For decades the U.S. could not produce enough energy to power itself and had to rely instead on importing oil from places like Saudi Arabia, Canada and Venezuela. That paradigm was turned on its head over the last three years. The U.S. ramped up domestic energy production so rapidly that it became the biggest energy producer on Earth and a net exporter. It seems that will now be reversed in deference to environmental considerations and this should logically increase energy prices. Our Keystone pipeline from Alberta – already well under construction – was halted with the stroke of a pen within 48 hours of the new administration taking the reigns down south.

We expect conflict to increase. The last four years have seen the U.S. engage in zero wars and actually begin to repatriate troops from abroad. From Syria to North Korea to Iran, no action took place. Without having to depend upon oil from the Middle East, no troops were necessary to protect that oil. This seems likely to be reversed given our comments on energy above.

As for economic chaos, we see it as baked in the cake. There will be repercussions for over-spending, debt accumulation and the distortions engendered by central bank manipulation of interest rates and sovereign debt markets.

Finally, taxes are going up south of the border. The Biden ticket campaigned on it and, to their credit, they are delivering. We can take that one at face value.

For all these reasons in conjunction with the economic destruction created by ongoing lockdowns to combat Covid, we would not be surprised to see a recession into 2022.

Conclusions for our Portfolios

We expect continued, increased differentiation within the market. In other words, there will be a bigger difference between strong stocks or sectors and the weak ones than there has been in the last eight years or so. The market will reward individual stock picking skill more than it has. For several years now it has been very hard to beat the market because many stocks were participating in the growth. There have been many individual days of late where our correlation to market returns has been very low and even negative. 2020 saw us handily beat the broad S&P500 index even while sitting on some cash. This has be very hard to do over the last few years. It is the kind of market that will play strongly into our hands if it continues.

Commodities could finally do well. We are seeing the beginnings of what could turn out to be the next up cycle. After being stuck in a bear market since late 2011, the time for commodities to shine and with them the fortunes of Canadian equities could be at hand. We can't know for sure. What we do know is that it does look like the conditions for rising energy prices are in place. We could also see supply disruptions leading to rising prices in food commodities. It's been 10 years so if the time is not at hand, it is drawing nearer.

Stocks should do well. We've been around long enough to understand how much we don't know. We are far beyond thinking we understand the world. Having said that, we don't think the market is rallying because we have a change in administrations in the U.S. Rising energy prices, rising regulatory requirements and rising taxes have not traditionally been the formula for rising stocks. Frankly, we don't know why stocks are strong right now. What makes most sense to us is that our years-long, ongoing thesis is well under way. The more confidence is lost in the world's leadership, the more money will move from their aegis (i.e. sovereign debt) to private enterprise. Art and collectibles are accelerating. The stock market is at record levels. We expect that to continue not in spite of the coming disorder but because of it.

As always, we like to finish our comments with a strong caution about trying to figure out where we're going ahead of time. The predictions found in this letter + $2.10 will buy you a Starbucks Tall Dark Roast coffee!

Upcoming Events

Long time clients know that we love to put on events of all kinds. Some are more about business, some are just to have fun and see everyone together. It's been very frustrating to not have been able to do something for a year and counting. So – we're planning a couple of online events. The first will be in early March and it will be business. Our featured speaker is Jeremy Fehr, the Founder and CEO of our analytical partners SIA Charts & SIA Wealth Management.

Jeremy is a legend and a pioneer in the industry. He is the creative force behind how we build and manage portfolios. Without SIA, we would not have been able to produce such amazing and consistent first quartile portfolio returns. He'll be giving you his take on how current events, including the U.S. election and the pandemic, might affect our portfolios going forward.

Look out for details coming soon. This event is not for clients only. If you have friends or family who are looking for answers or an alternative voice to what they've been hearing elsewhere, they are more than welcome.

We'll also be hosting another event shortly thereafter. This one will be more on the fun side, so stay tuned for more details coming soon on that one as well.

February 2021 Portfolio Review

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

Cash	9.10%
Diversified Global Equity Portfolio	37.67%
Specialty Retail	12.16%
Electronics & Semi-Conductors	10.85%
Diversified Canadian Equity Portfolio	10.23%
Leisure	5.70%
Automotive	5.25%
Manufacturing	4.83%
Internet	4.21%

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

% Held	Security	Symbol	Sector	Price	Yield
9.10%	Cash				
5.25%	APTIV PLC	APTV	Automotive	$ 170.66	0.13%
6.18%	ASML Holding NV	ASML	Electronics & Semi-Conductors	$ 682.34	0.43%
10.23%	BMO SIA Focused CDN EQ ETF	ZFC	Canadian Equity Portfolio	$ 36.82	1.72%
4.83%	Deere & Co	DE	Manufacturing	$ 368.91	0.82%
4.21%	Expedia Group Inc	EXPE	Internet	$ 158.53	0.21%
5.26%	Five Below Inc	FIVE	Specialty Retail	$ 224.48	0.00%
6.91%	Pinduoduo Inc	PDD	Specialty Retail	$ 211.68	0.00%
4.66%	Qualcomm Inc	QCOM	Electronics & Semi-Conductors	$ 199.63	1.29%
5.70%	Sea Limited	SE	Leisure	$ 276.83	0.00%
37.67%	SIA ML Global Tactical Pool	SWI220	Global Equity Portfolio	$ 25.91	6.08%

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Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Returns	
2021	1.62%												**1.62%**	**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.

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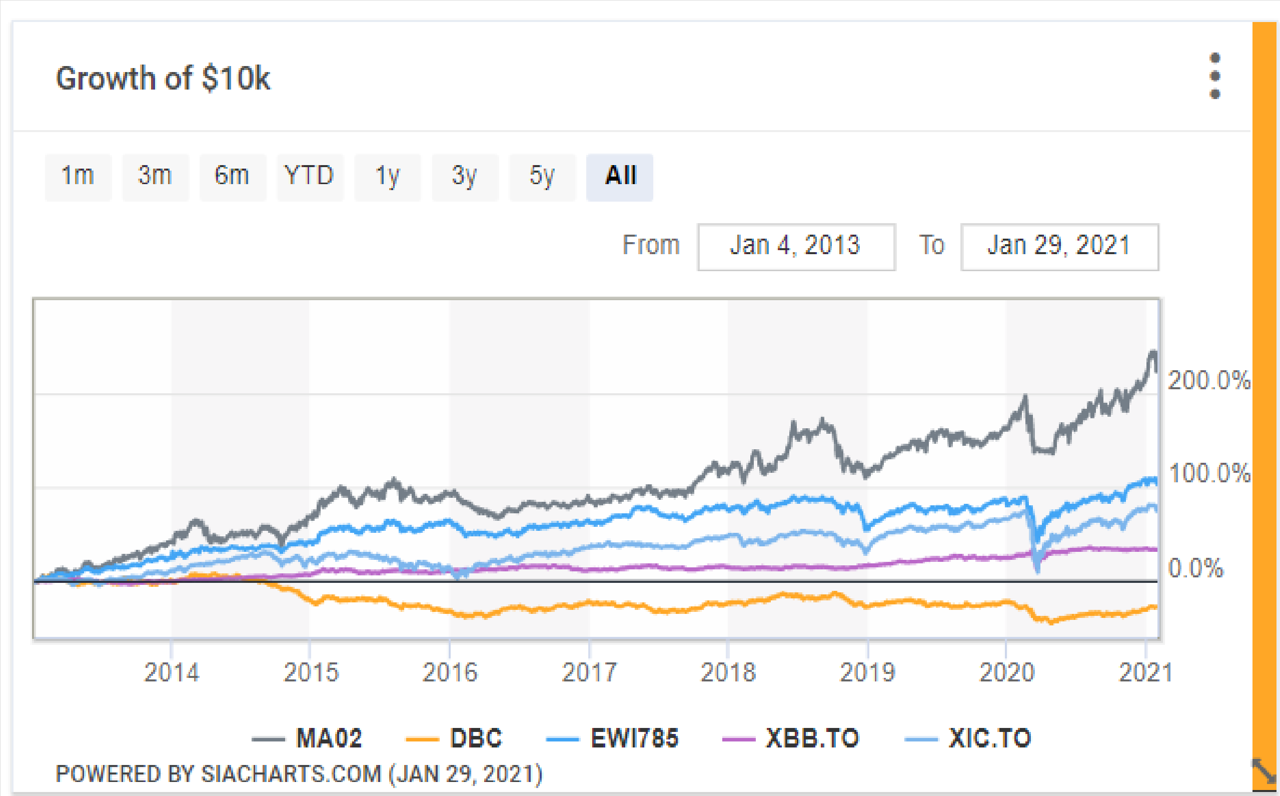

Growth of $10,000	Jan. 04, 2013 - Jan. 31, 2021
Mott Liokossis Model (MA02)	$32,668
World Stock Equal Weight Index (EWI785)	$20,359
Canadian Stocks (XIC.TO)	$17,508
Canadian Bonds (XBB.TO)	$13,354
Commodities (DBC)	$7,254

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