

The Market Letter



Market Commentary

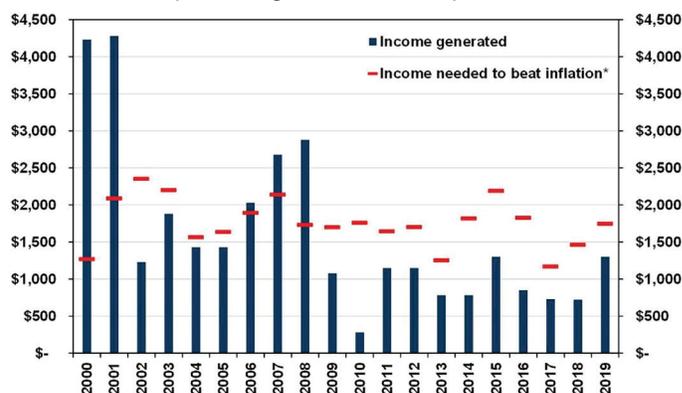
The dramatic stock market recovery continues from the March lows. Both the TSX in Canada and the S&P500 in the U.S. are firmly in positive territory since the start of the year. Client portfolios too are in healthy shape and should finish off the year in good fashion, barring any unforeseen market disasters over the coming weeks.

With COVID-19 continuing to rage around the world, how can stock markets be performing so well? As I said in my last letter, this is down to a variety of factors including massive government stimulus and record low interest rates. Another major factor coming into play is the rollout of vaccines just around the corner. The effectiveness of these vaccines is unprecedented, ranging anywhere from 90% to close to 100%. New technologies employed in the development of these vaccines hold hope for treating cancers and other diseases as well. Remember, the stock market is forward looking and will discount the current situation (if not entirely) if there is light at the end of the tunnel. That light is getting awfully close.

Where do we go from here and what can we expect for 2021? Stocks are pricing in a lot of optimism and I regularly tell my clients to be prepared for pullbacks along the way. The market will take 2 steps forward and 1 step back, nothing goes up in a straight line indefinitely. However, 2021 could be a good year for stocks if you are willing to tolerate some volatility. With the U.S. election behind us and the vaccine rollout about to begin, our chief investment officer is calling for "risk-on" and increasing his weighting toward stocks. There is a lot of pent-up capacity in the economy that is yet to be unleashed. Businesses have been sitting on the sidelines with their cash and will begin spending again as the Covid fog begins to clear.

Interest rates are also an important consideration. In the near term, central banks are likely to remain extremely accommodative. In a zero-rate world, stocks look relatively attractive when compared to bonds and this should limit risks to the downside. As the chart below shows, fixed income alone will not be enough to meet the needs of investors and most require some exposure to stocks.

Income earned by investing \$100,000 in a 1-yr, GIC (Canada)



CIO Office (data via Refinitiv).

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Core Holdings Update

For Canadian exposure, our **Growth & Income Private Portfolio (Basket)** consists of 16 high-quality Canadian companies. We focus on companies that can sustain and grow their dividends over time. **Our 1-year return to November 30th was +5% vs +0.88% for the TSX and our return since inception has been 11.5% per year.** Although portfolio turnover is low, we've been busy the past few months adjusting our weightings, taking advantage of seasonal trading opportunities, and making trades to help with tax planning. We took profits on our banks in early September after a great run over the summer. After a subsequent dip, we added back to our banks in early October ahead of the start of their period of seasonal strength. We also trimmed our position in high-flying Northland Power and have been steadily adding to Brookfield Asset Management. Lastly, we sold Pembina Pipeline to take advantage of the taxable

loss and switched into Keyera. Keyera operates a similar business and has just as much recovery potential and a higher dividend. **For investors looking for active management at a reasonable cost, or who are looking to shed their high fee Canadian mutual funds, please consider our Basket.**

For exposure outside of Canada, we continue to favour the **Canoe Global Defensive Equity Fund**. Canoe uses an active hedging program that helps dampen price movements when market volatility increases to the downside. This helps preserve capital in periods when markets are challenging and allows for outsized returns over the long term. **The maximum drawdown from peak to trough since Covid began was only -16.9% vs -34% for the S&P500 and the 1-year return to November 30th was +9.4%.**

Year-End & New Year Planning

Tax Planning:

Any losing positions in your portfolio can be sold before year-end to offset this year's realized capital gains (already done for clients who hold my Basket). You can also carry losses back to offset gains from the 3 previous years. We will be sending our clients realized capital gains reports in February & March to help with the preparation of tax returns. **As always, we advise our clients to wait until early April to file as some tax slips are not mailed until the end of March.**

RESP Contributions:

Contributions for 2020 must be made by December 31st. All contributions up to \$2500 qualify for the 20% savings grant (\$500 on \$2500).

TFSA Contributions:

Make sure your tax-free savings accounts are topped-up. The 2020 contribution limit is \$6000 and will be the same again in 2021. The total contribution room for someone who has never contributed to a TFSA is \$69,500, increasing to \$75,500 in 2021. We will be contacting clients in the New Year advising them to top-up their TFSAs.

RRSP Contributions:

The RRSP contribution deadline for the 2020 tax year is March 1st, 2021. The contribution limit is 18% of the previous year's earned income, or \$27,320, whichever is less.

Fixed Income Rates

Daily Money	
NBI Cash Performer (CAD)	0.35%
NBI Cash Performer (USD)	0.30%

GICs	
1-Year	1.00%
2-Year	1.15%
3-Year	1.25%
4-Year	1.40%
5-Year	1.60%

Rates are as of December 8, 2020 and are subject to change at any time.

Mortgage Rates	
1-Year fixed	2.19%
2-Year fixed	1.84%
3-Year fixed	1.64%
4-Year fixed	1.64%
5-Year fixed	1.64%
Variable rate	Prime - 0.85% = 1.60%

Rates are as of December 8, 2020 and are subject to change at any time.

Referrals

My clients often ask me if it's okay to refer family and friends. I want to emphasize that this is highly encouraged! My business is built on word of mouth and I am always happy to sit down with a prospective client to discuss my process. If you feel it is appropriate, please feel free to pass along my contact information.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. **This commentary reflects my opinions alone and may not reflect the views of National Bank Financial Group.** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your investment advisor to verify whether this security or sector is suitable for you and to obtain complete information, including the main risk factors.

- Ian Stockdill

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Canadian Growth & Income Private Portfolio



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Portfolio Performance*

	3 months	6 months	1 year	Since inception
PORTFOLIO Performance	9.41%	16.13%	5.09%	11.56%
BENCHMARK TSX Composite	4.09%	13.15%	0.88%	n/a

*As of November 30, 2020

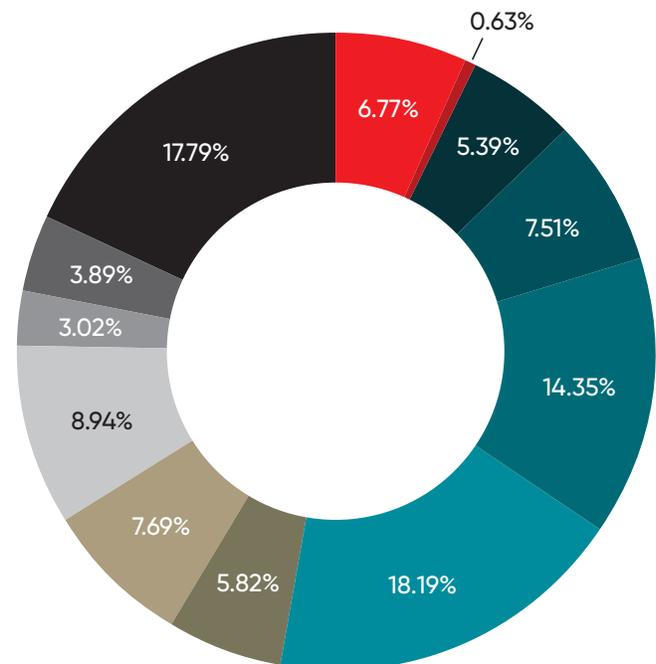
Investment Strategy

- › Risk management and portfolio diversification are key
- › Seeking high quality company with strong management teams
- › Seeking companies that pay stable & growing dividends
- › Willing to pay for some growth potential but at a reasonable price
- › May occasionally take advantage of tactical opportunities to overweight or underweight certain sectors

Who is this Investment For?

- › Seeking diversified Canadian equity exposure
- › Willing to tolerate a moderate level of risk with a minimum time horizon of 5 years
- › Seeking tax efficient income

Portfolio Sector Breakdown



Portfolio Holdings

Issuer	Ticket	Sector	Weight
Purpose High Interest Savings ETF	PSA	Cash	0.63%
Alimentation Couche-Tard	ATD.B	Consumer Discretionary	7.51%
Brookfield Asset Management	BAM.A	Asset Management	6.77%
Brookfield Infrastructure	BIP.UN	Infrastructure	8.94%
Enbridge	ENB	Energy	4.51%
H&R Reit	HR.UN	Real Estate	3.02%
Innergex Renewable	INE	Utilities	8.39%
Keyera Corp	KEY	Energy	3.66%
National Bank	NA	Financials	6.67%
Northland Power	NPI	Utilities	9.40%
Open Text	OTEX	Information Technology	7.69%
Parkland Fuel	PKI	Energy	6.18%
Royal Bank	RY	Financials	5.80%
TD Bank	TD	Financials	5.72%
Telus	T	Communication Services	5.39%
Toromont Industries	TIH	Industrials	5.82%
Waste Connections	WCN	Support Services	3.89%

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