

OCTOBER 13, 2021

# The Market Letter



## Market Commentary

September saw the return of volatility in the stock market and was the first negative month for the S&P500 since the start of the year. Several factors were at play: Resurgent covid cases, worries over inflation, rising energy prices, and political gridlock in the U.S. have all created headwinds for stocks. Despite a difficult month, 2021 has been a tremendous year overall with the S&P500 up +14.8% and the TSX up +15.1% since January 1<sup>st</sup>.

The recent surge in energy prices has been particularly interesting to watch. During the height of the market chaos in early 2020, crude oil futures prices were trading in negative territory, but today North American crude is almost \$80 per barrel and is significantly higher than pre-pandemic levels. Natural gas demand has surpassed pre-pandemic levels with crude not far behind, while shortages of coal have caused electricity shortages all over the world. China was forced to limit electricity usage and curtail factory production while Germany had to temporarily shut down at least 1 coal-fired power plant. All of this and we are not even into the winter heating season yet.

Along with rising energy prices, shortages of workers & materials, scrambled supply chains, and government support programs that have disincentivized people from returning to work have also contributed to inflation. The great debate between economists right now is whether recent price increases are simply transitory as economies reopen, or whether we are seeing longer term structural changes.

As with most things, the answer is probably not black and white and is a bit of both. Supply chains will adjust and a continued recovery in employment numbers should help. OPEC will likely agree to larger production increases if oil prices rise too far to avoid demand destruction. Longer term however, energy prices will remain volatile as the green energy transition will be an extremely bumpy road. The large oil & gas producers are no longer making big investments in new production as they shift more resources towards renewables and green tech. Without significant new supply, oil prices could remain elevated as the demand for fossil fuels will likely continue to grow for many years to come, particularly in the developing world.

Where do we go from here and how should you position your portfolio? From a seasonal perspective, September is on average one of the worst months for stocks, but the good news is the 6-month period of strength is right around the corner. If volatility continues into early October, the last part of the month can be a good entry point. If inflation numbers and bond yields start to moderate over the coming weeks, the stock market should stabilize as well. Longer term, we continue to favour stocks over bonds. Bond yields remain incredibly low by historical standards and central banks will likely drag their feet as much as possible on raising interest rates. Invest in good quality companies with solid balance sheets and the ability to defend market share and grow their dividends over time.

## Basket Update

For exposure to these sorts of companies, our Growth & Income Private Portfolio (Basket), is a concentrated portfolio of high-quality companies. ***Our 1-year return to September 30th was +22.8% and our return since inception has been +13.2% per year.*** Although portfolio turnover is low, we did make some adjustments and took advantage of some seasonal trades recently. Over the summer we initiated positions in AltaGas (ALA) and the Hamilton Australian Banks ETF (HBA). The Australian banking sector is interesting because like the Canadian banking sector, it is highly regulated and a monopoly. Yet Australia has less debt and a higher GDP per capita than we do, leading me to believe that these banks will perform well and raise their dividends as the country emerges from Covid and catches up on vaccination rates.

Following a quiet Summer, we took some profits in early September in most of our positions. We were 100% invested all through the Covid stock market recovery and this had served us well. Yet with rising risks and September's poor track record, it seemed prudent to raise some cash after such a good run. We remain mostly invested however and will redeploy cash as opportunities arise. ***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.***

## Estate and Financial Planning

1. **\*\*IMPORTANT\*\* Be sure to designate beneficiaries on your registered accounts (RRSPs, RRIFs, and TFSAs).**
2. If you have already designated a beneficiary, this is indicated on your NBF portfolio statement. Please check to make sure these designations are correct and up to date.
3. Be sure to review your Wills and Power of Attorneys (PoA) to make sure they are up to date. Please contact us if you require the name of a Lawyer to draft a Will or PoA.
4. Review your insurance policies to ensure they provide adequate coverage or are still relevant to your current situation. We have an excellent insurance specialist in our office who can review your policies. Please contact us for further information.
5. Investors often wonder how much they should be saving for retirement or those approaching retirement are unsure whether they will have enough to be okay. Please know we offer a wide range of planning tools to keep you on track or provide peace of mind. Please contact us for more information.

## Client File Updates

The New Year is often a busy time as we plan TFSA and RSP contributions and prepare for the upcoming tax season. In addition to this, starting in January we will be contacting clients to ensure their personal information is up to date. This is a new regulatory requirement that must be done every 2 years going forward. This can be completed via email, so no snail mail required. To help ensure this goes as smoothly as possible, please contact us to ensure your email addresses are up to date.

jamie.reinisch@nbc.ca

## Fixed Income Rates

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

GICs		Mortgage Rates	
1-Year	1.05%	1-Year fixed	2.49%
2-Year	1.43%	2-Year fixed	1.94%
3-Year	1.66%	3-Year fixed	1.94%
4-Year	1.76%	4-Year fixed	2.09%
5-Year	2.01%	5-Year fixed	2.14%
		Variable rate	Prime – 1.25% = 1.20%

Rates are as of October 6, 2021 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 practice 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 share 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



## Portfolio Manager, Investment Advisor



**Ian Stockdill**  
700-737 Yates Street  
Victoria BC V8W 1L6  
Tel.: 250-953-8461  
Toll Free: 1-800-799-1175  
E-mail: ian.stockdill@nbc.ca

## Portfolio Performance\*

	6 months	1 year	2 years	Inception as of Feb 1, 2019
PORTFOLIO Performance	8.55%	22.84%	11.51%	12.81%
BENCHMARK TSX Composite	8.73%	28.02%	13.13%	13.51%

\*As of September 30, 2021  
TSX Composite Total Return Index

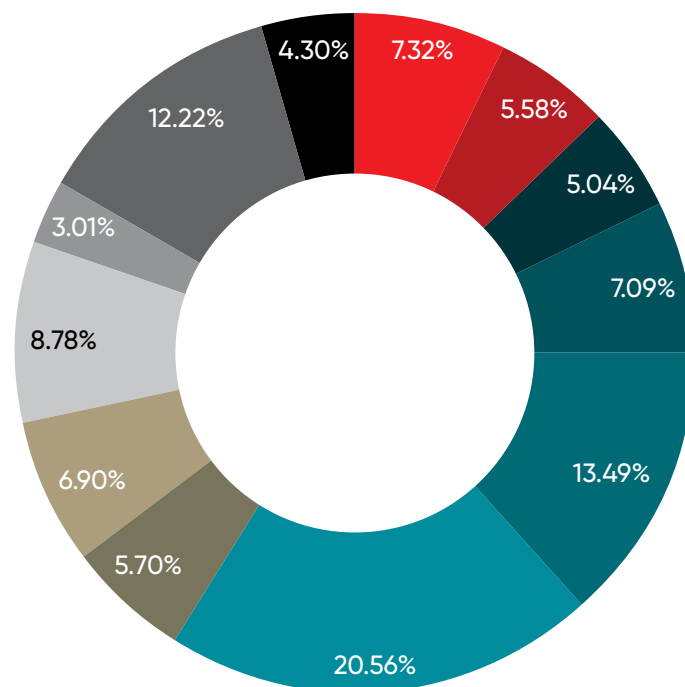
## Investment Strategy

- › 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	5.58%
Alimentation Couche-Tard	ATD.B	Consumer Discretionary	7.09%
AltaGas	ALA	Energy	2.89%
Brookfield Asset Management	BAM.A	Asset Management	7.32%
Brookfield Infrastructure	BIP.UN	Infrastructure	8.78%
Enbridge	ENB	Energy	4.86%
Hamilton Australian Bank ETF	HBA	Financials	3.80%
H&R Reit	HR.UN	Real Estate	3.01%
Innergex Renewable	INE	Utilities	5.63%
National Bank	NA	Financials	6.74%
Northland Power	NPI	Utilities	6.59%
Open Text	OTEX	Information Technology	6.90%
Parkland Fuel	PKI	Energy	4.39%
Royal Bank	RY	Financials	5.82%
TD Bank	TD	Financials	4.20%
Telus	T	Communication Services	5.04%
Toromont Industries	TIH	Industrials	5.70%
Waste Connections	WCN	Waste Disposal	4.30%
Whitecap Resources	WCP	Energy	1.35%

\*As of September 30, 2021

Ian Stockdill,  
Portfolio Manager  
250-953-8461  
ian.stockdill@nbc.ca

Jamie Reinisch,  
Associate  
250-953-8401  
jamie.reinisch@nbc.ca

Compliments of Stockdill Wealth Management  
National Bank Financial  
Suite 700, 737 Yates St, Victoria BC, V8W 1L6  
www.ianstockdill.com



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