

FOR PRIVATE CLIENTS ONLY

## LUFT FINANCIAL MODEL PORTFOLIOS

### 2021 REVIEW & 2022 OUTLOOK

#### Storm After The Calm

Economic, geopolitical uncertainty rising after blockbuster year

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# Our Goal

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## SUMMARY

- While 2021 was an exceptionally strong year for global equities, surging market volatility and geopolitical uncertainty so far this year feels like the proverbial storm after the calm.
- The TSX Composite's 21.7% gain in 2021 was its best annual performance since 2009. The TSX is also one of the best-performing major indices globally this year, outperforming the S&P 500 by more than 12 percentage points YTD (as of March 7), thanks to its combined 30% weight in the energy (+26.5% YTD) and materials (+18.9%) groups. Even if the recent spikes in energy and commodity prices prove to be short-lived, we believe that a renewed global focus on supplies from stable sources may provide Canada a sustainable competitive advantage, which will benefit the TSX.
- We remain very confident in the outlook for Platinum Growth Fund – launched in November 2021 – and continue to add to it in client portfolios on market dips. The indiscriminate selling in growth stocks so far this year has engulfed high-quality companies along with the speculative, unprofitable stocks that had posted outsized gains over the past two years. The fund managers in the Platinum constituent funds focus primarily on large-cap stocks like Amazon, Alphabet and Microsoft, and while some of them are temporarily out of favour, their long-term prospects continue to be solid.
- Platinum Growth Fund and Steadfast Income Fund – which was launched in June 2021 – are run by best-in-class fund managers. In our opinion, the need for active management has never been greater, given the challenging environment for equities and fixed income, and we are confident that proactive positioning by these fund managers will enable them to outperform their benchmarks.
- The outlook for 2022 has been clouded by Russia's invasion of Ukraine, which has amplified growth risks for the global economy and caused two indicators of recession to appear on the horizon – crude oil trading well north of \$100 per barrel, and a potential inversion of the U.S. yield curve. The uncertainty caused by the war may force the Federal Reserve and Bank of Canada to tone down their hawkish rhetoric and cause market participants to reassess the number of rate hikes currently being forecast (five 25 basis-point hikes by the Bank of Canada, six to seven by the Fed).
- The risk posed by Covid to the global economy appears to be receding, but inflationary pressures are rising. On the plus side, U.S. companies have been raking in the profits with margins at record highs, with index EPS for the S&P 500 forecast to increase by about 10% annually this year and next to new highs; TSX Composite EPS is projected to grow at a slower pace but still reach record highs. Recent market declines have also improved valuations significantly for U.S. indices, with the S&P 500 on the verge of trading below the five-year average of its forward 12-month P/E for the first time in two years.
- We have been rebalancing client portfolios actively to capitalize on market volatility. In January 2022, we boosted portfolio exposure to the energy and financial sectors. We also rebalanced portfolios last week to take advantage of the S&P 500's 9% dip and deploy recent contributions. Our next rebalance target level is at around 4,000 on the S&P 500 or just below 20,000 on the TSX. In the event of further market declines, our strategy continues to be to accumulate positions in the equity sleeves of our portfolios, by trimming fixed income, preferred and alternative investment positions. While asset allocation for our main models is little changed from last year, we will make changes proactively as warranted by market conditions.

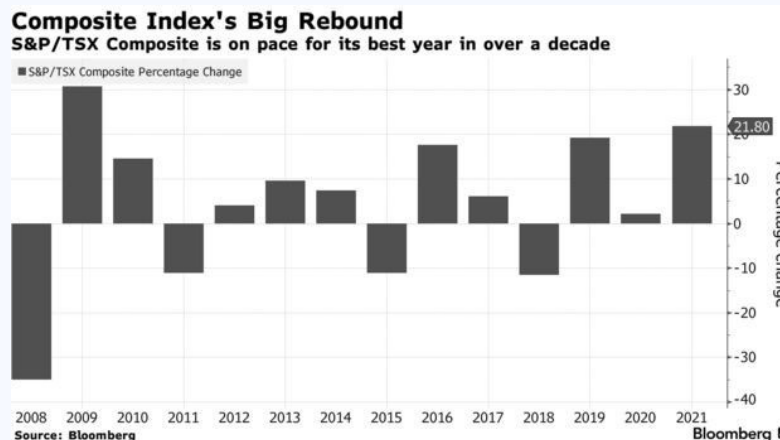
## AN EXCEPTIONAL YEAR FOR EQUITIES

2021 was an exceptionally strong year for global equities, as investors took in stride the constant threat of the pandemic and growing concern about inflation. That said, market volatility has surged so far this year, and so has geopolitical uncertainty triggered by Russia's invasion of Ukraine. The proverbial storm after the calm already makes last year's gains seem like a distant memory.

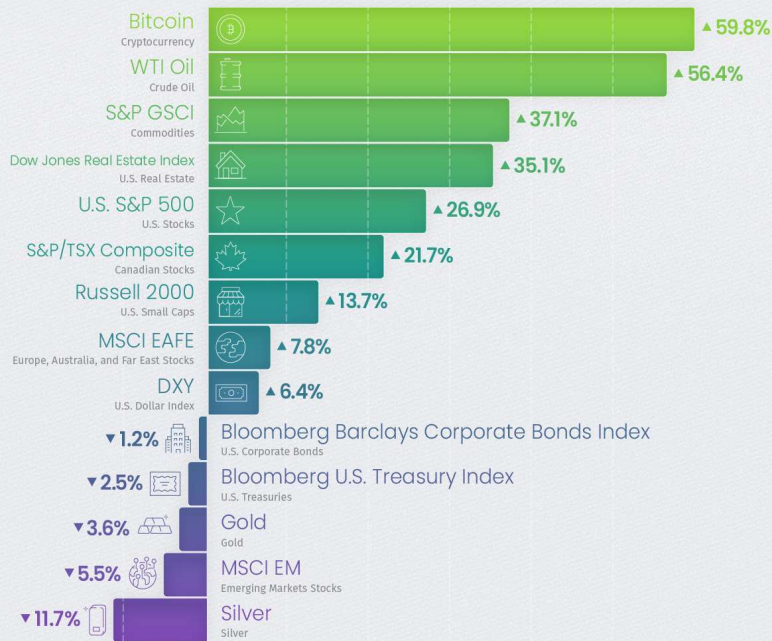
By the end of last year, the continued turnaround in investor sentiment since the "pandemic panic" of March 2020 had been nothing short of remarkable. With many major indices reaching record highs last year, the value of global equities had doubled from their 2020 pandemic lows by year-end 2021 (top chart).

The TSX Composite had its best year in over a decade, with its 21.7% gain marking the best annual performance since 2009 (bottom chart). The S&P 500 also turned in an impressive performance, notching up 70 record highs in 2021 as it surged 26.9% for its third straight double-digit gain, beating the Nasdaq Composite's 21.4% advance for the first time since 2016. The Dow Jones was up 18.7%, while the large-cap Russell 1000 index rose 24.8%, outperforming the small-cap Russell 1000's 13.7% advance by 10 percentage points.

Elsewhere, most major European indices also gained at least 20% in 2021. The largest emerging markets had divergent performances, with India's Sensex up 22.0% and China's Shanghai Composite lagging with a 4.8% advance. Brazil's Bovespa was one of the few major indices to lose ground in 2021 with a 11.9% decline, while Hong Kong's Hang Seng was the worst performer globally as it tumbled 14.0%. (Source: FactSet)



# Asset Classes 2021 Performance

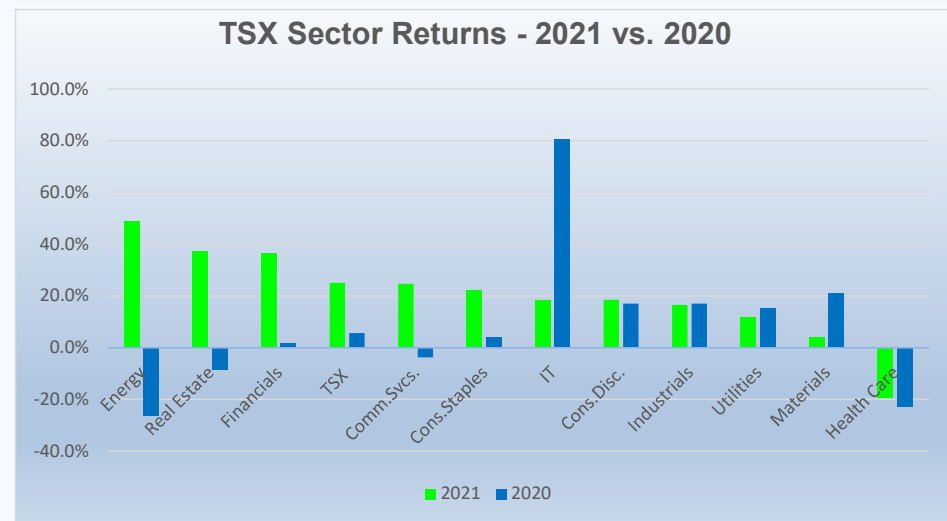


Source: Visual Capitalist

## ENERGY, FINANCIALS DRIVE 25% RETURNS FOR TSX

While equities had a stellar 2021, cryptocurrencies and commodities fared even better (chart on left), thanks to buoyant risk appetite. On the flip side, rising bond yields led to negative returns for fixed income; precious metals also declined in 2021.

Nine of the TSX Composite's 11 groups posted double-digit returns in 2021, contributing to the index's total returns (including dividends) of 25.1% in 2021. Crude oil's 56% surge over the year propelled the energy group to the top spot among TSX sectors with a return of 48.9%, while the financials sector returned 36.5%. The materials sector underperformed with a 4.0% return, while the plunge in cannabis-related stocks resulted in a return of -19.6% for health care, the only TSX sector to finish in the red. (Data Source: FactSet)



## PORTFOLIO REVIEW: CONTRIBUTORS AND DETRACTORS – PENSION MODEL PORTFOLIO

	Rescaled Weight	Return	Contribution		Rescaled Weight	Return	Contribution
Invesco S&P 500® Top 50 ETF	10.83	29.40	3.05	Invesco WilderHill Clean Energy ETF	1.28	-28.46	-0.67
CI Canadian REIT ETF	5.26	34.48	1.66	Barrick Gold Corp	3.26	-14.47	-0.48
CVS Health Corp	2.85	53.55	1.57	The Walt Disney Co	2.11	-15.24	-0.37
Westshore Terminals Investment Corp	1.65	85.27	1.57	Verizon Communications Inc	2.17	-8.32	-0.19
Loblaw Companies Ltd	2.32	67.88	1.37	BMO Asian Growth & Income F	4.19	-0.54	-0.02
AGF Global Select Series F	5.73	18.80	1.27	George Weston Ltd	0.02	24.46	0.01
Nutrien Ltd	2.20	59.88	1.26	Visa Inc Class A	2.37	-1.17	0.08
Shaw Communications Inc Shs -B- Non-Voting	1.89	69.14	1.23	Manulife Financial Corp	1.79	11.63	0.15
Qualcomm Inc	3.07	21.24	1.23	Restaurant Brands International Inc	1.77	1.97	0.19
CI Mstar Canada Mom ETF Comm	5.69	21.86	0.91	Magna International Inc	2.23	15.87	0.20

Source: Morningstar, Luft Financial

- In our Pension (Balanced Growth) model, the biggest contributors to performance in 2021 were a diverse bunch. The Invesco S&P 500 Top 50 ETF (XLG) was the top contributor for the second straight year; XLG and Qualcomm finished among the top contributors for the third successive year, while AGF Global Select Fund made it for the second year. On an interesting note, as many as four of the Top 10 contributors in 2021 – CI Canadian REIT ETF (RIT), CVS Health, Westshore Terminals and Shaw Communications – were among the laggards in 2020, proving that losing stocks or securities in one year can be winners in the next. Other top contributors in 2021 were Loblaw, Nutrien and the CI Canada Momentum ETF (WXM).
- The Invesco WilderHill Clean Energy ETF was the biggest detractor to performance last year, as clean energy stocks had a swift fall from grace in 2021. Other significant detractors last year were stocks such as Barrick Gold, Disney, Verizon and Visa, all of which are core positions in our client portfolios because of their sector leadership, long-term prospects and attractive valuations. Stocks like Disney and Visa should benefit substantially as economies continue to reopen, while Barrick Gold (+32% YTD) and Verizon (+5%) are outperforming the TSX and S&P 500 respectively by a huge margin.

## PORTFOLIO REVIEW: CONTRIBUTORS AND DETRACTORS – PROGRESS BALANCED GROWTH MODEL PORTFOLIO

	Rescaled Weight	Return	Contribution		Rescaled Weight	Return	Contribution
Fidelity Canadian Opportunities Sr F	26.25	24.69	7.30	BMO MSCI Emerging Markets ETF	8.18	-2.95	-0.62
TD U.S. Blue Chip Equity F	29.16	17.27	6.08	Starlight Global Infrastructure F	10.91	6.81	0.91
CI Canadian REIT ETF	10.91	34.48	2.91	BMO International Dividend ETF	14.58	9.08	1.54
BMO International Dividend ETF	14.58	9.08	1.54	CI Canadian REIT ETF	10.91	34.48	2.91
Starlight Global Infrastructure F	10.91	6.81	0.91	TD U.S. Blue Chip Equity F	29.16	17.27	6.08
BMO MSCI Emerging Markets ETF	8.18	-2.95	-0.62	Fidelity Canadian Opportunities Sr F	26.25	24.69	7.30
Unclassified	100.00	18.13	18.13	Unclassified	100.00	18.13	18.13

Source: Morningstar, Luft Financial

- Our smaller Progress model portfolios have far fewer securities than our larger models like Pension (Balanced Growth) and Pursuit (Growth), as they consist of ETFs and funds but do not include single stocks.
- In our Progress Balanced Growth model portfolio, the two biggest contributors to performance were unchanged from last year – Fidelity Canadian Opportunities Fund and TD US Blue Chip Equity Fund. The Fidelity Canadian Opportunities Fund, a diversified fund that includes stocks such as Dollarama, National Bank, CGI Group and Brookfield Renewable Partners among its top holdings, had a return of 21% in 2021. The TD US Blue Chip Equity Fund, which returned 31.3% in 2020, underperformed US indices with a 15% return in 2021. The Fund had a 56.5% weight in technology at year-end, with its top five holdings – Microsoft, Alphabet, Amazon, Apple and Meta Platforms – making up 47.6% of the fund.
- The Fidelity Canadian Opportunities Fund and TD US Blue Chip equity Fund have been long-term holdings in our client portfolios. Both funds are now an integral part of our Platinum Growth Fund, a fund-of-funds that was launched in November 2021.

## PORTFOLIO CHANGES AND REBALANCES SUMMARY

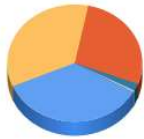
- Overall, the number of times we rebalanced client portfolios in 2021 was significantly below the number of rebalances that we made in 2020 to capitalize on rapidly changing market conditions.
- In March, we booked partial gains in one of our largest holdings – the Invesco S&P 500 Top 50 ETF (XLG) – by selling one-third of the position and deploying the proceeds into the Invesco S&P 500 Equal Weight Index ETF (EQL.U). The rationale for this rotation was to reduce the portfolio concentration risk that had risen in the S&P 500 due to the dominance of the FAANG stocks, and increase our exposure to value-oriented sectors.
- In June, we made a major change to the fixed income sleeve of client portfolios, by selling most of our existing holdings (except TD Fixed Income Pool) and buying the Steadfast Income Fund\*. The Steadfast Income Fund is managed by Majestic Asset Management, a portfolio manager of pooled funds based in Quebec. Additional details of the Steadfast Income Fund are provided on the next page of this report.
- On November 8, 2021, we launched Platinum Growth Fund\*, a diversified fund-of-funds run by best-in-class managers, and managed by Majestic Asset Management. As a growth-oriented fund, Platinum is the perfect complement to our other stock and ETF positions, as these predominantly have a value tilt. Platinum Fund details are on the next page of this report.
- Subsequent to year-end, in January 2022, we boosted portfolio exposure to the energy and financial sectors by adding the Invesco Canadian Dividend ETF (PDC), increasing allocation to US banks through the Financial Select Sector ETF (XLF), and boosting target weights for TD Bank and Manulife. We also rebalanced portfolios last week to take advantage of the S&P 500's 9% dip and deploy recent contributions.

**\*Disclosures:** 1. Robert Luft, Elvis Picardo and Aaron Arnold are Investment Committee Members for the Platinum Growth Fund, which is managed by Majestic Asset Management as the Portfolio Manager. Majestic is a portfolio manager of pooled funds and is not related to iA Private Wealth.  
2. Elvis Picardo is an Investment Committee Member for the Steadfast Income Fund, which is managed by Majestic Asset Management as the Portfolio Manager. Majestic is a portfolio manager of pooled funds and is not related to iA Private Wealth.

## PLATINUM GROWTH FUND & STEADFAST INCOME FUND

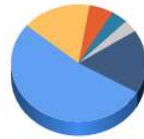
### PLATINUM GROWTH FUND

Asset Allocation  
(As of January 31, 2022)



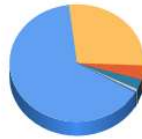
US Equity	35.19%
International Equity	34.68%
Canadian Equity	27.61%
Cash and Equivalents	1.96%
Income Trust Units	0.55%
Other	0.01%

Sector Allocation  
(As of January 31, 2022)



Mutual Fund	52.72%
Technology	16.58%
Consumer Services	5.76%
Energy	3.99%
Industrial Services	3.4%
Other	17.55%

Geographic Allocation  
(As of January 31, 2022)



North America	64.75%
Multi-National	27.59%
Europe	3.91%
Asia	2.78%
Latin America	0.72%
Other	0.25%

### STEADFAST INCOME FUND

Asset Allocation  
(As of January 31, 2022)



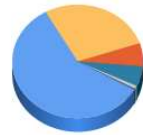
Foreign Bonds - Funds	27.96%
Canadian Bonds - Funds	23.79%
Canadian Government Bonds	14.98%
Foreign Government Bonds	10.82%
Foreign Corporate Bonds	6.16%
Other	16.29%

Sector Allocation  
(As of January 31, 2022)



Fixed Income	69.25%
Mutual Fund	28.44%
Cash and Cash Equivalent	2.29%
Consumer Goods	0.02%

Geographic Allocation  
(As of January 31, 2022)



North America	58.5%
Multi-National	27.96%
Europe	6.59%
Asia	5.73%
Latin America	0.87%
Other	0.35%

- Platinum Growth Fund consists largely of our previous core, long-term positions, such as TD US Blue Chip Equity Fund; Fidelity Canadian Opportunities Fund; Mackenzie Ivy Foreign Equity Fund; AGF Global Select Fund; and Russell Global Infrastructure Pool. It also includes two Dynamic funds with a long-term track record – Dynamic Global Equity and Dynamic Power American Growth – as well as the Pender Small Cap Opportunities Fund for small-cap exposure. We also replaced our previous emerging markets fund with the top-performing Fidelity Emerging Markets Fund.

- We remain very confident in the outlook for Platinum Growth Fund and continue to add to it in client portfolios on market dips. The selling in growth stocks this year has been quite indiscriminate, and has engulfed high-quality, profitable companies along with the speculative, unprofitable stocks that had posted outsized gains over the past two years. The fund managers in the Platinum constituent funds focus primarily on large-cap stocks like Amazon, Alphabet and Microsoft, and while some of them are temporarily out of favour, their long-term prospects continue to be solid.

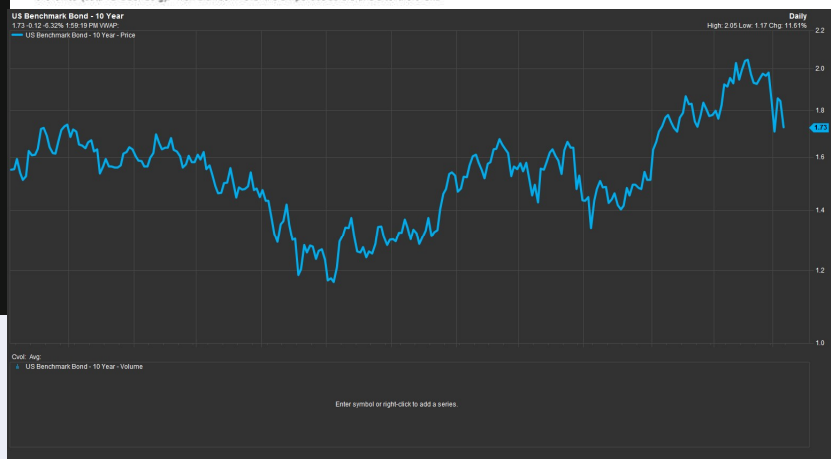
- Steadfast Income Fund consists primarily of fixed income funds and ETFs, with a small allocation to alternative fixed income products. These funds are actively managed by some of the best fixed income managers in Canada and globally, including PH&N, PIMCO, BMO and iA Clarington. The Fund has a yield above 3% and effective duration of 5.3 years. We are confident that the Fund's active management and proactive positioning by its fund managers will enable it to outperform in this challenging environment for fixed income, with multiple interest rate hikes forecast for this year and next.

Sources: Fundata, Majestic Asset Management, Luft Financial

S&P 500 price changes during geopolitical (military) events since 1939

Event date	Geopolitical (military) event	Before the event			After the event			Max drawdown*
		-3m	-1m	-1w	+1w	+1m	+3m	
2014-02-20	Start of Russian occupation in Crimea	2.7%	-0.8%	0.5%	0.9%	2.4%	3.2%	-5.8%
2003-03-20	Initial U.S. air strike in Iraq	-1.9%	2.7%	8.7%	-0.5%	2.2%	15.6%	-14.1%
2001-10-07	U.S. air campaign starts in Afghanistan	-10.0%	-3.2%	2.9%	1.9%	2.9%	9.4%	-20.9%
2001-09-11	September 11 attacks	-12.9%	-8.2%	-3.6%	-4.9%	-3.3%	4.3%	-23.1%
1991-01-17	Gulf War (U.S. intervention)	5.8%	-4.2%	1.5%	4.4%	15.2%	23.5%	-6.1%
1990-08-02	Iraq invades Kuwait	6.3%	-1.3%	-0.4%	-4.8%	-10.4%	-14.5%	-19.9%
1982-04-02	Falklands War	-7.1%	2.6%	0.5%	2.1%	2.3%	-4.5%	-12.7%
1968-01-30	Tet Offensive (Vietnam War)	-1.5%	-3.2%	-0.7%	-1.6%	-3.0%	4.4%	-9.3%
1967-06-05	Six-Day War	1.7%	-4.8%	-1.3%	2.0%	1.2%	4.3%	-6.5%
1964-08-02	Gulf of Tonkin incident	3.8%	0.7%	-0.3%	-1.6%	-1.6%	2.0%	-3.2%
1962-10-16	Cuban Missile Crisis	-1.0%	-2.8%	0.4%	-4.0%	3.8%	13.8%	-10.5%
1956-10-23	Suez Crisis	-6.3%	-0.8%	-1.3%	0.4%	-2.9%	-4.0%	-10.8%
1950-06-25	North Korea invades South Korea	9.0%	2.4%	0.9%	-7.6%	-8.7%	1.6%	-14.0%
1941-12-07	Attack on Pearl Harbor	-8.7%	-2.7%	2.2%	-6.3%	-2.5%	-12.4%	-20.1%
1939-09-01	Nazi Germany invades Poland	-2.1%	-8.1%	2.9%	11.8%	14.4%	9.1%	-10.8%
<b>Average</b>		<b>-1.5%</b>	<b>-2.1%</b>	<b>0.9%</b>	<b>-0.5%</b>	<b>0.8%</b>	<b>3.7%</b>	<b>-12.5%</b>
<b>Median</b>		<b>-1.5%</b>	<b>-2.7%</b>	<b>0.5%</b>	<b>-0.5%</b>	<b>1.2%</b>	<b>4.3%</b>	<b>-10.8%</b>
<b>% Positive</b>		<b>40%</b>	<b>27%</b>	<b>60%</b>	<b>47%</b>	<b>53%</b>	<b>73%</b>	

CIO Office (data via Bloomberg). \*Max drawdown over the 3m periods before and after the event.



## 2022 OUTLOOK CLOUDED BY RUSSIAN INVASION OF UKRAINE

- The economic outlook for 2022, which was already shaping up to be a volatile year, has been clouded by the Russian invasion of Ukraine on February 24, setting the stage for the worst military conflict in Europe since WWII.
- Markets are being rattled by soaring prices for energy and commodities, as well as dangerous tactics by Russia such as an attack on Ukraine's largest nuclear power plant. North American indices actually closed higher on February 24, led by a 3.3% surge in the Nasdaq Composite, as a massive intra-day reversal erased an earlier 2%-3% decline. With the S&P 500 currently 2.1% higher from its Feb. 23 close, what could account for this aberrant market behavior? Here are some reasons:
  - Despite the horrific impact of war in terms of the human toll and property destruction, geopolitical events have historically been buying opportunities. As the Table (top left) shows, the S&P 500 has been higher just three months after events like 9/11, the Gulf War, and even the start of WWII.
  - Investors have been on edge about the Federal Reserve's hawkish tilt to monetary policy since the beginning of the year. The uncertainty injected by the Russian invasion has led to a retreat in bond yields (bottom chart: U.S. 10-year Treasury yield), which has provided support to equities.
  - Technology stocks were oversold prior to the invasion, and the prospect that interest rates may not climb as rapidly as expected has spurred bouts of bargain hunting and a tendency to buy the dips.
- However, we are cautious about the tail risk posed to markets by a potential widening of the conflict if it drags on. With President Putin increasingly isolated and the Russian economy pushed to the brink of collapse by punishing economic sanctions, the prospect of a wider war cannot be totally ruled out. While yet unlikely, such a negative development could spark a swift market correction.

Sources: National Bank Investments (top chart), FactSet (bottom chart)

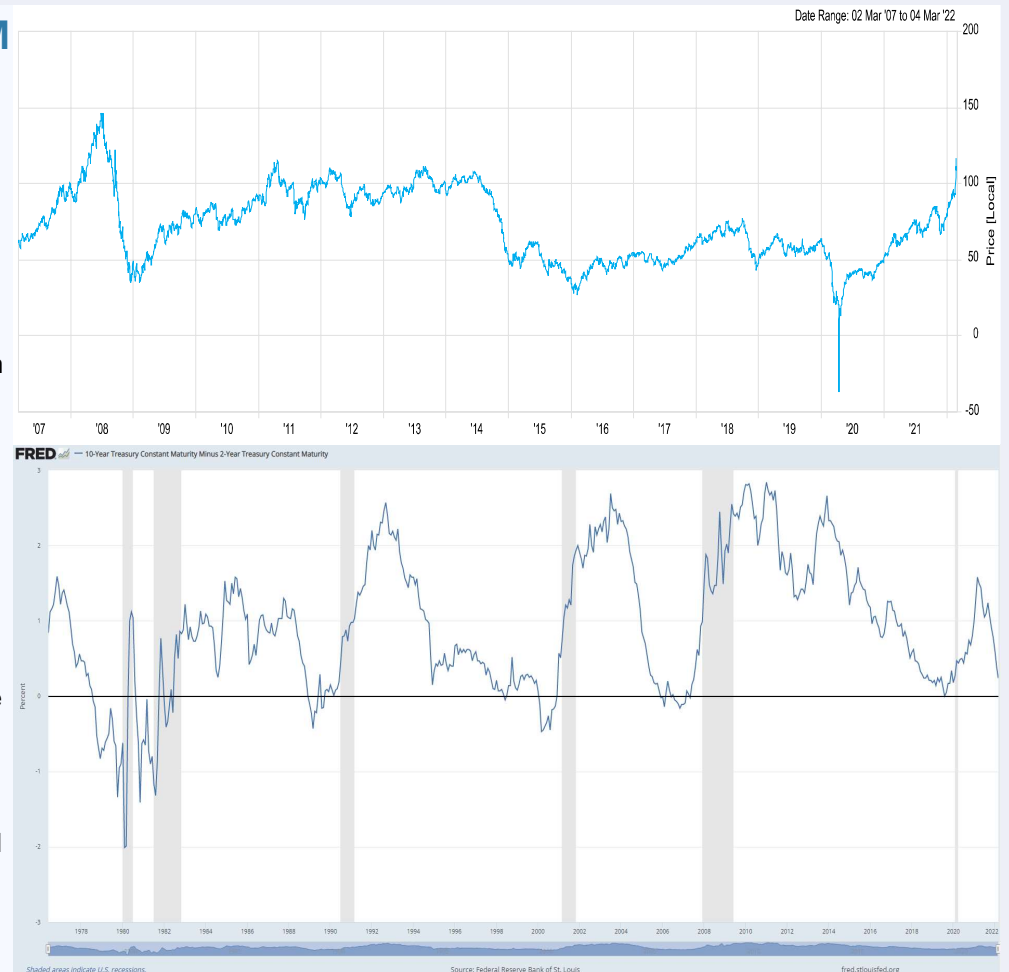
## RECESSION INDICATORS SUDDENLY LOOM

- In January, the IMF had forecast global growth to moderate to 4.4% in 2022, from 5.9% in 2021, largely due to downward revisions in the U.S. and China. That forecast is surely off the table now following the Russian invasion, which has amplified growth risks for the global economy and caused two indicators of recession to appear on the horizon.

**1. Crude Oil (well) over \$100:** Crude oil is currently trading at its highest levels since 2008 (top chart), with WTI crude trading above \$120 on March 7 on concern about a U.S. ban on Russian petroleum imports. Crude oil has soared more than 60% this year, and historically, oil price spikes of this magnitude have ended U.S. economic expansions and tipped the economy into recession, according to Pictet Asset Management.

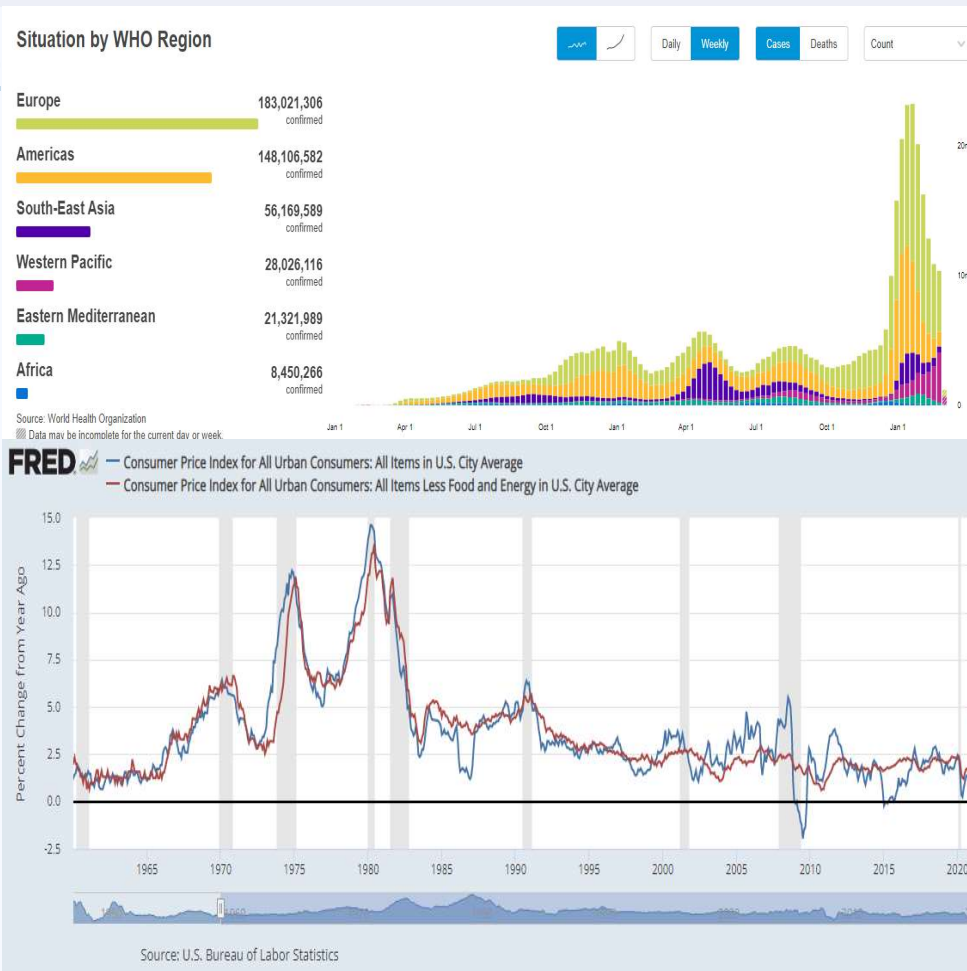
**2. US Yield Curve Inversion:** The yield curve inverts when short-term bond yields rise above long-term yields. This potent recessionary signal indicates that the US economy may be headed for trouble if the yield spread between the US 2-year and 10-year Treasuries – currently at about 24 basis points, down from more than 150 bps a year ago – continues to narrow. As the bottom chart shows, over the past 40 years, the U.S. economy entered into a recession (shown by the shaded areas) within months after the spread turned negative.

- While these risks could be mitigated if crude oil prices retreat, and the Federal Reserve backs off from its hawkish stance due to global uncertainty, we are monitoring these indicators closely.



## COVID RISK RECEDES, INFLATIONARY PRESSURES INCREASE

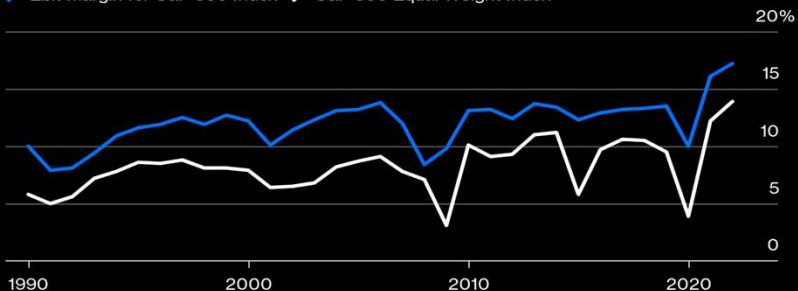
- The Russia-Ukraine war has replaced Covid-19 as the biggest risk – period – to the global economy. The fourth wave of the pandemic, driven by the Omicron variant, was exponentially larger than the previous three (top chart) but is now receding rapidly around the world. Although Omicron spreads much more easily than previous variants, it causes less severe illness, and as a result, healthcare systems have not been as overwhelmed as they were in earlier waves of the pandemic. With many jurisdictions in the process of easing mask mandates and other pandemic restrictions, life appears to be returning to normal after two long years. While new and deadlier variants might continue to pose a threat, the global economy should be able to counter these through continued vaccine / booster rollouts and new treatments.
- Inflation is no longer a “transitory” phenomenon, as the Federal Reserve claimed for much of last year, but now appears somewhat entrenched in the economy, with U.S. inflation rising to a 40-year high of 7.5% in January (bottom chart). Inflationary pressures have worsened since then, as energy and commodity prices have soared, and stressed supply chains have been disrupted even further. In Canada, inflation reached 5.1% in January, surpassing 5% for the first time since 1991. Persistently high inflation has profound implications for asset and portfolio returns, but given the economic distortions caused by the pandemic – and now by the Russian invasion – we will continue to mitigate this risk in a measured manner.



### Cashing In

U.S. companies are riding higher prices to record profit margins

▬ Ebit margin for S&P 500 Index   ▬ S&P 500 Equal Weight Index



Source: Bloomberg

Note: Ebit margin for 2022 is analysts' consensus estimate.

BloombergOpinion

S&P 500 Forward 12-Month P/E Ratio: 5 Years (thru Feb. 23)  
(Source: FactSet)



## EARNINGS OUTLOOK STILL SOLID, MARKET DECLINES HAVE IMPROVED VALUATIONS

- U.S. companies have been raking in the profits as they have been able to pass on rising input costs to maintain their profit margins. In fact, profit margins are at record highs (top chart), despite steep price increases for commodities and raw materials, and higher labour, energy and transportation costs.
- Based on earnings estimates compiled by FactSet, S&P 500 index earnings per share (EPS) is forecast to increase by about 10% annually this year and next to new highs of \$223.68 in 2022 and \$246.49 in 2023. TSX Composite EPS is projected to grow at a slower pace but still reach record highs, rising 9% to \$1,467 in 2022 and \$1,551 in 2023.
- Recent market declines have improved valuations for U.S. indices. At the S&P intra-day low of 4,115 on February 24, its forward 12-month price-earnings (P/E) ratio fell below the five-year average of 18.6 for the first time in two years. Based on the S&P 500 closing level of 4,201 on March 7, the forward P/E is now 18.8.
- The TSX typically trades at a significant discount to the S&P 500, and the present time is no exception, with the index trading at a forward P/E ratio of 14.5.
- Recent geopolitical developments and supply chain issues that could worsen if the Russia-Ukraine war drags on could affect the earnings outlook, which implies that corporate earnings could be subject to downside revisions over the year. But if there is a resolution to the conflict and economic reopening continues apace, markets may be well supported by solid earnings and improved valuations.

Sources: Bloomberg (top chart), FactSet (bottom chart)

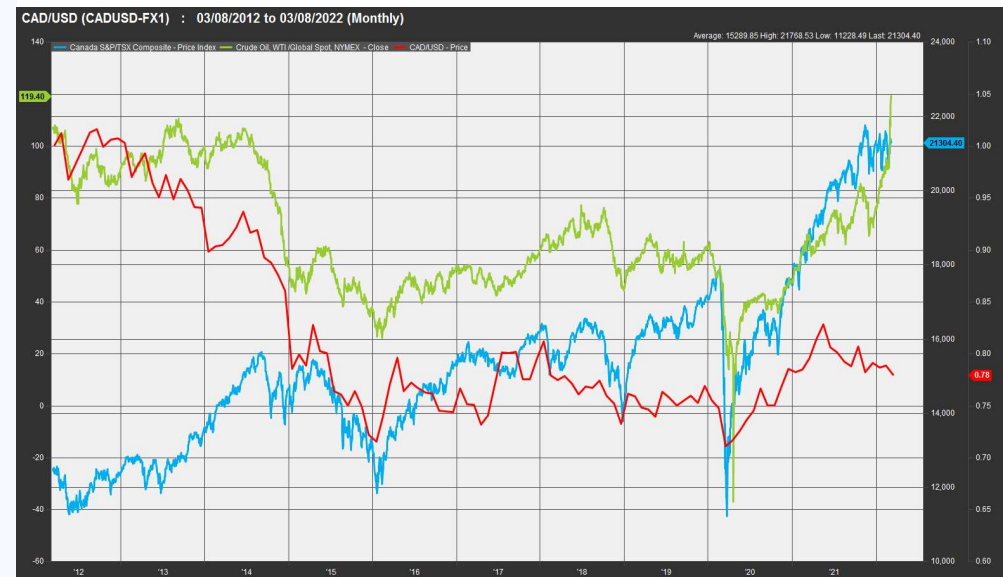
## PORTFOLIO STRATEGY – STAYING THE COURSE

- The pendulum of investor sentiment seems to have swung firmly from greed last year (exemplified by the boom in SPACs, cryptocurrencies and “meme” stocks) to fear this year (top chart). In our opinion, the market retreat so far this year has given rise to numerous buying opportunities for the long term.
- Our diversified portfolios are holding up well, due to their mix of growth and value stocks, fixed income and alternative investments, and US dollar exposure. The Canadian dollar’s unusual weakness despite crude oil’s price surge (bottom chart) has a net positive impact on our client portfolios.
- The TSX is currently one of the best-performing major indices globally, with a gain of 0.4% YTD (as of March 7), compared with a decline of 11.9% for the S&P 500. The index is reaping the benefits of its combined 30% weight in the energy and materials groups, which are up 26.5% and 18.9% respectively YTD. Even if the recent spikes in energy and commodity prices prove to be short-lived, a renewed global focus on supplies from stable sources may provide Canada a sustainable competitive advantage, which will benefit the TSX, in our opinion.
- Having rebalanced client portfolios last week, our next rebalance target level is at around 4,000 on the S&P 500 or just below 20,000 on the TSX. In the event of further market declines, our strategy continues to be to accumulate positions in the equity sleeves of our portfolios, by trimming fixed income, preferred and alternative investment positions. While asset allocation for our main models (see page 13) is little changed from last year, we will make changes proactively as warranted by market conditions.

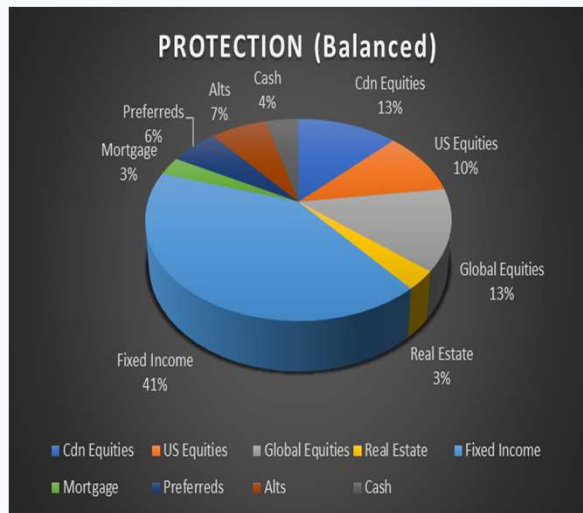
Sources: CNN.com (top chart), FactSet (bottom chart)

## Fear & Greed Index

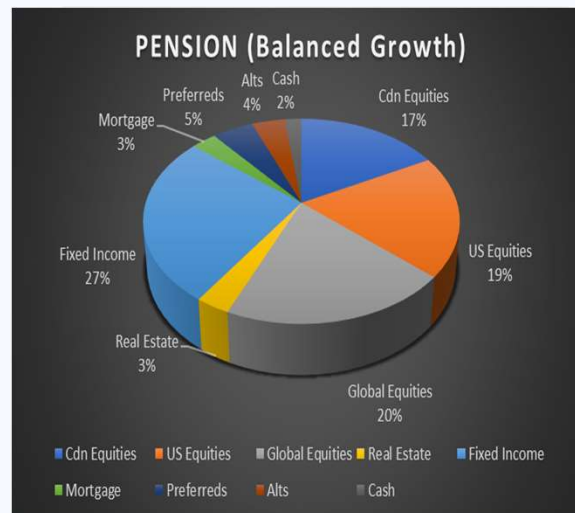
What emotion is driving the market now?



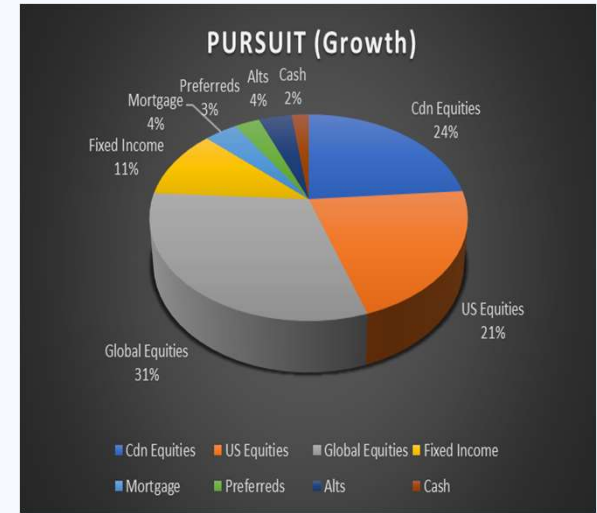
## MAIN MODELS ASSET ALLOCATION



**PROTECTION**



**PENSION**



**PURSUIT**

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