

June 2020

Has The Stock Market Moved On From COVID-19?

Ending a quarter of strong recovery from March-lows, the S&P 500 was up 1.8% and the S&P/TSX Composite up 2.1%, in their respective local currencies. Year-to-date, the S&P/TSX Composite has struggled to keep pace with the recovery in the S&P 500, lagging by 5.1% as of June 30th. The Canadian index must cope with a higher concentration to energy companies, a sector which is still down 32.4%, while the S&P 500 benefits from tech-related constituents like Microsoft, Apple, Amazon, etc.

Investors and analysts alike are beginning to factor in the higher odds of a Biden administration into their 2021 outlooks. The primary focus of analysis stems from the potential reversal of the 'Trump tax cut'. Biden has proposed reversing half of this tax cut, bringing the statutory rate to 28%, up from the current 21%. This would have the effect of reducing Earnings Per Share (EPS), a key metric in calculating the value of a company's shares.

Although tail end risks are still present due to the possibility of another government-mandated shutdown or a ramp up in the trade dispute between the U.S. and China, investors are feeling more confident that the worst is behind us. The Canadian ETF market saw record capital inflows through the first half of 2020, with \$22.4 billion being invested across equity, fixed income, and multi-asset/commodity ETFs. This is the largest amount of new capital allocated to ETFs in a half-year period in the past decade. Some speculate this new money is stemming from lower discretionary spending and higher savings rates as many people have not returned to their regular consumption patterns since the COVID-19 shutdowns started.

Our views on risk have shifted since the start of the pandemic and we are now focused on building resiliency towards inflation and corporate delinquencies into the portfolio. In the long term, we believe the amount of money printing from stimulus that has taken place will have adverse effects as economies emerge from the crisis. In the short term, as government stimulus begins to run out and there are permanent changes to consumption behaviours, companies with high debt levels may begin to default on their debt payments.

Portfolio Contributors

- Exposure to high-growth and innovative companies within the ARKK ETF
- Positioning in mid-cap global stocks through EdgePoint Global Portfolio

Portfolio Detractors

- Natural gas holdings within the ZGI ETF
- Low volatility stocks caused the XMS ETF to lag the S&P 500 index

Invest with
PURPOSE

Investment and Benchmark Performance

as of June 30th, 2020

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2020	2019	2018	2017	2016
CPF Fixed Income Model	0.9%	4.5%	1.5%	3.4%	3.3%	3.3%	1.5%	7.6%	-0.4%	3.4%	3.6%
Canadian Universe Bond Index	1.8%	7.5%	7.3%	7.8%	5.2%	4.0%	7.3%	7.3%	1.0%	2.4%	1.0%
CPF Equity Model	0.5%	9.5%	-8.3%	-4.2%	3.9%	5.7%	-8.3%	19.2%	-3.6%	15.0%	8.7%
MSCI World Index (CAD)	0.9%	14.5%	-2.1%	5.9%	7.8%	8.1%	-2.1%	21.5%	-1.5%	14.4%	2.9%
CPF Alternative Model	0.1%	3.6%	0.0%	1.8%	3.3%	3.4%	0.0%	5.2%	1.9%	9.4%	5.9%
Absolute Return of 5% Per Year	0.4%	1.3%	2.5%	5.0%	5.0%	5.0%	2.5%	5.0%	5.0%	5.0%	5.0%
CPF Thematic Growth Model*	3.9%	25.9%	10.2%	17.5%	14.3%	10.9%	10.2%	26.5%	-2.8%	12.6%	10.5%
MSCI World Index (CAD)	0.9%	14.5%	-2.1%	5.9%	7.8%	8.1%	-2.1%	21.5%	-1.5%	14.4%	2.9%
CPF North American Stock Model	0.8%	13.6%	-3.3%	-1.9%	8.8%	12.9%	-3.3%	24.9%	-4.2%	27.5%	16.9%
50% S&P/TSX60 + 50% S&P500	2.1%	17.2%	-5.4%	2.0%	6.7%	7.0%	-5.4%	25.5%	-6.9%	15.1%	15.1%

All performance data tracked in SIACHarts.com & Morningstar Direct. All returns are gross of advisor fees.



Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2020	2019	2018	2017	2016
Conservative Portfolio	0.7%	5.0%	-0.2%	2.0%	3.5%	3.3%	-0.2%	10.0%	-1.4%	4.9%	4.1%
Conservative-Balanced Portfolio	0.6%	5.7%	-1.8%	0.8%	3.3%	3.1%	-1.8%	10.8%	-1.6%	5.2%	3.8%
Balanced Portfolio	0.6%	6.1%	-2.8%	0.0%	3.4%	3.1%	-2.8%	12.0%	-2.0%	5.8%	4.6%
Balanced-Growth Portfolio	0.6%	6.6%	-3.8%	-0.8%	3.2%	3.2%	-3.8%	12.2%	-1.8%	6.9%	4.6%
Balanced-Growth With Stocks Portfolio	1.0%	8.7%	-1.4%	1.6%	4.8%	4.2%	-1.4%	13.6%	-1.5%	8.9%	4.8%
Growth Portfolio	0.5%	6.8%	-4.3%	-1.2%	3.2%	3.1%	-4.3%	12.7%	-1.9%	7.5%	4.7%

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Proxy funds used for benchmark indexes:

- Canadian Universe Bond Index: iShares Canadian Universe Bond Index EFT (XBB.TO)
 - MSCI World Index (CAD): iShares MSCI World Index EFT (XWD.TO)
- NBF Montly Capital Market Performance
 - <https://www.bloomberg.com/news/articles/2020-07-06/canada-s-16-5-billion-etf-binge-one-for-the-history-books>

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