

September 2020

The Economy Takes on a New Shape

As lockdown restrictions eased, a second wave of COVID cases surged across Europe and India. As a result, mobility-tracking data produced by Google and Apple shows people are willingly travelling less in these regions, putting increased pressure on companies that generate revenue from people moving about. BP, a UK-based oil company that gained notoriety in 2010 during the Deepwater Horizon spill, believes the world has achieved peak oil demand and consumption will continue to fall going forward as countries shift towards renewable energy sources.

U.S. Congress has yet to approve a new round of stimulus, which will likely exacerbate the 'K-shaped' economic recovery we are already seeing. In this case, the part of the K pointing to the top-right signifies the recovery of financial markets (i.e.: stock market, real estate), while the bottom-right signifies the slower recovery or worsening case of the real economy (i.e.: consumption, trade).

Given the strength of the financial recovery thus far in the U.S., we feel stocks in the region are reasonably priced, offering reduced opportunity for additional capital gains. In the eurozone, we expect unemployment to tick up in the second half of the year as government stimulus, like the short-term work scheme 'Kurzarbeit' implemented in Germany, begins to taper off. Although higher unemployment will dampen inflation expectations for the region, current equity valuations are more attractive than elsewhere.

There is optimism that a vaccine will be ready for distribution later this year or early-2021, which will help countries begin to return to pre-pandemic levels of activity. In North America, we appear to be moving into a new phase of the business cycle where economic slack is taken up and consumption begins to rise. Within Canada, business confidence is more positive than at the start of the year and business activity, as measured by the Manufacturing PMI, is back into expansionary values. While the road to recovery will be long and volatile, we feel much more confident given the foundations of the recovery we're observing.

Portfolio Contributors

- Holdings of Europe, Asia, and Far East (EAFE) equities within Manulife World Investment
- Exposure to defensive water utility stocks within the iShares Global Water Index ETF

Portfolio Detractors

- Broad exposure to global equities as markets retracted due to a second COVID wave
- Our gold position as the price began to soften towards the end of the month



Invest with
PURPOSE

Investment and Benchmark Performance

as of September 30th

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2020	2019	2018	2017	2016
CPF Fixed Income Model	0.1%	1.3%	6.7%	4.5%	4.0%	3.6%	3.7%	7.6%	-0.4%	3.4%	3.6%
Canadian Universe Bond Index	0.4%	0.4%	8.0%	6.9%	6.0%	4.0%	7.7%	7.3%	1.0%	2.4%	1.0%
CPF Equity Model	-0.2%	6.7%	16.9%	0.5%	5.5%	7.8%	-2.2%	19.2%	-3.6%	15.0%	8.7%
MSCI World Index (CAD)	-1.3%	5.3%	20.5%	9.5%	9.4%	9.6%	3.1%	21.5%	-1.5%	14.4%	2.9%
CPF Alternative Model	0.1%	0.8%	5.7%	3.1%	3.2%	5.4%	2.0%	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%	3.8%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	2.2%	5.4%	-0.6%	2.4%	10.7%	12.8%	1.2%	24.9%	-4.2%	27.5%	16.9%
50% S&P/TSX60 + 50% S&P500	4.4%	11.7%	9.9%	11.3%	9.5%	9.8%	3.5%	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	1.1%	3.5%	8.8%	4.4%	4.5%	4.4%	2.8%	10.0%	-1.4%	4.9%	4.1%
Conservative-Balanced Portfolio	1.4%	4.7%	10.6%	3.9%	4.6%	4.4%	2.0%	10.8%	-1.6%	5.2%	3.8%
Balanced Portfolio	1.6%	5.3%	11.7%	3.5%	4.5%	4.7%	1.5%	12.0%	-2.0%	5.8%	4.6%
Balanced-Growth Portfolio	1.8%	5.8%	12.8%	3.2%	4.5%	5.0%	1.0%	12.3%	-1.8%	6.9%	4.6%
Balanced-Growth With Stocks Portfolio	1.3%	6.5%	15.6%	6.2%	6.3%	6.2%	4.1%	13.6%	-1.5%	8.9%	4.8%
Growth Portfolio	2.0%	6.6%	13.7%	2.9%	4.6%	5.2%	0.8%	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 EF
- MSCI World Index (CAD): iShares MSCI World Index EFT (XWD.TO)

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