

October 2020

## Canada's Future Growth

Throughout October, investors took positions to de-risk portfolios in the run-up to the U.S. Presidential election. This de-risking, coupled with rising COVID infections and new lockdowns in Europe, resulted in the S&P/TSX and the S&P 500 ending negative for the month, down 3.11% and 2.66% respectively, measured in local currencies.

While we position our models to withstand the heightened volatility surrounding the U.S. election, we also want to focus on the positives in financial markets back home. The Bank of Canada has committed to maintaining its overnight rate near zero and to continue its quantitative easing program until slack is taken up in the economy, a constructive environment for equities. The Bank is forecasting economic growth of four percent on average in 2021 and 2022, far outpacing the growth rate prior to the pandemic.

The Canada Infrastructure Bank, a Crown Corporation founded in 2017 to fund revenue-generating infrastructure projects in Canada, announced plans to spend \$10 billion on major infrastructure initiatives. These will be concentrated investments in Clean Power, Agriculture, Broadband, Zero-Emission Buses, and Energy Efficient Building Retrofits.

According to the most recent available data, non-resident investors bought \$2.3 billion of Canadian equities in August, representing the largest inflow of foreign investment since February 2019. This new capital was largely focused on our banking sector, perhaps signaling continued confidence in the strong financial positions of Canada's banks. The change in capital flow shook the trend of net divestment over the prior two months.

### Portfolio Contributors

- Our thematic investment into water through the iShares Global Water Index ETF was flat for the month, outperforming the broad index
- Holdings of global credit within PIMCO Monthly Income helped the fund finish positive 0.70% as investors shifted towards fixed income with higher yields

### Portfolio Detractors

- International equity exposure within Manulife World Investment caused the fund to end the month negative 4.50%
- Global healthcare stocks within the iShares Global Healthcare ETF were dragged down, resulting in the ETF returning -5.56% for the month

Sources:

- 1) <https://www.bankofcanada.ca/2020/10/mpr-2020-10-28/>
- 2) <https://www.reuters.com/article/canada-economy-infrastructure/canada-infrastructure-bank-will-attract-private-investors-aims-to-bundle-retrofit-loans-idUSL8N2HA5QA>
- 3) <https://www150.statcan.gc.ca/n1/daily-quotidien/201016/dq201016a-eng.htm>

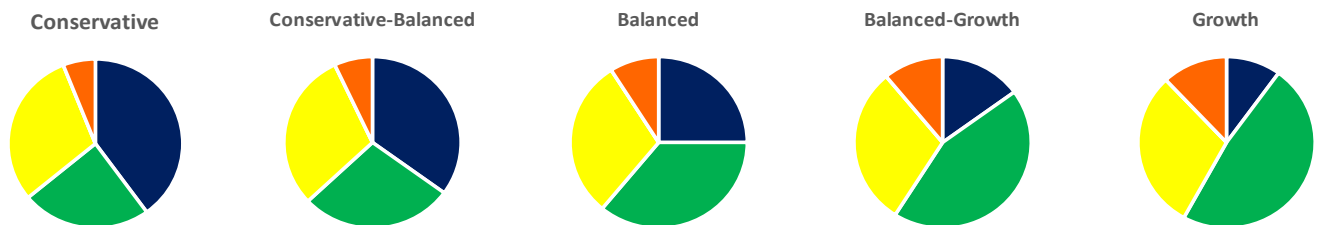
Invest with  
PURPOSE

Investment and Benchmark Performance

as of October 31st

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2020	2019	2018	2017	2016
<b>CPF Fixed Income Model</b>	-0.4%	-1.0%	2.4%	3.0%	3.4%	3.4%	2.1%	7.6%	-0.4%	3.4%	3.6%
Canadian Universe Bond Index	-0.9%	-1.8%	1.7%	6.6%	5.2%	3.9%	6.8%	7.3%	1.0%	2.4%	1.0%
<b>CPF Equity Model</b>	-5.1%	-0.2%	5.3%	-4.6%	2.5%	6.1%	-6.9%	19.2%	-3.6%	15.0%	8.7%
MSCI World Index (CAD)	-3.4%	-1.4%	6.5%	3.9%	6.2%	7.7%	-0.5%	21.5%	-1.5%	14.4%	2.9%
<b>CPF Alternative Model</b>	0.1%	-1.3%	2.4%	4.7%	4.2%	5.1%	3.7%	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%	4.2%	5.0%	5.0%	5.0%	5.0%
<b>CPF North American Stock Model</b>	-2.1%	1.3%	11.1%	1.6%	7.0%	12.3%	0.4%	24.9%	-4.2%	27.5%	16.9%
50% S&P/TSX60 + 50% S&P500	-2.8%	-1.6%	9.2%	2.4%	5.5%	8.1%	-2.4%	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
<b>Conservative Portfolio</b>	-2.0%	0.9%	3.6%	1.9%	3.3%	3.7%	0.8%	10.0%	-1.4%	4.9%	4.1%
<b>Conservative-Balanced Portfolio</b>	-3.0%	1.0%	3.8%	0.3%	3.0%	3.4%	-1.1%	10.8%	-1.6%	5.2%	3.8%
<b>Balanced Portfolio</b>	-3.5%	0.9%	4.0%	-0.6%	2.6%	3.5%	-2.1%	12.0%	-2.0%	5.8%	4.6%
<b>Balanced-Growth Portfolio</b>	-4.0%	0.9%	4.2%	-1.5%	2.4%	3.6%	-3.1%	12.3%	-1.8%	6.9%	4.6%
<b>Balanced-Growth With Stocks Portfolio</b>	-3.1%	1.7%	6.9%	2.8%	4.3%	4.6%	0.8%	13.6%	-1.5%	8.9%	4.8%
<b>Growth Portfolio</b>	-4.6%	1.0%	4.2%	-2.2%	2.2%	3.5%	-3.9%	12.7%	-1.9%	7.5%	4.7%

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

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)

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