

December 2020

## How Much Upside is Left?

The juxtaposition of strong financial markets within a struggling global economy in 2020 highlighted how different the two can act. The S&P 500, typically a bellwether for stocks due to its broad sector diversification and revenue sources, ended the year near an all-time high while the economy attempts to cope with lockdowns and rising COVID cases.

It's hard to understand how the index ended the year near a high while unemployment rates remain elevated and cyclical sectors continue to be pressured. We believe this performance may be attributable to two factors: extensive stimulus and depressed yields.

2020 saw the largest increase in global aggregate money supply in history, with governments pumping 14 trillion USD into the system, vastly eclipsing the previous record of 8.38 trillion in 2017, which you may remember was another blockbuster year for stocks. In conjunction, central banks lowered their benchmark rates while investors piled into sovereign bonds, pushing down yields across the curve. This two-pronged response to the pandemic's impact on financial markets may have led to the all-time highs we've been experiencing recently.

The undesired impact from massive increases in the money supply is usually high inflation, although this market reaction may be lessened if we consider Japan as a case study. Japan, where government debt is 233% of Nominal GDP (as a comparison, Canada was 54% in March), has struggled to meet their inflation target of 2% along with most other developed economies. Granted, Japan must overcome other socioeconomic factors like an aging population, high domestic demand for government debt, and strong cultural norms.

All in, we're optimistic on equities going into 2021. International equities have rallied relative to U.S. stocks, partly due to a weakening US dollar; small cap indexes are beginning to outperform large caps; and a vaccine rollout will help improve the operating environment for cyclical sectors. If we do experience higher inflation, our portfolios are positioned with asset classes which outperform in these environments and we can quickly increase our positioning in value-oriented companies that are typical beneficiaries.

### Portfolio Contributors

- Risk-on sentiment continued to drive holdings of ARK Innovation ETF (ARKK) higher, up nearly 10% in local-currency terms
- Although added mid-month, iShares Global Clean Energy ETF (ICLN) returned nearly 20% from the date of purchase, in local-currency terms

### Portfolio Detractors

- Corporate bond holdings within the Canso Corporate Bond fund (CFM124F) fell during the month, down 2.83%



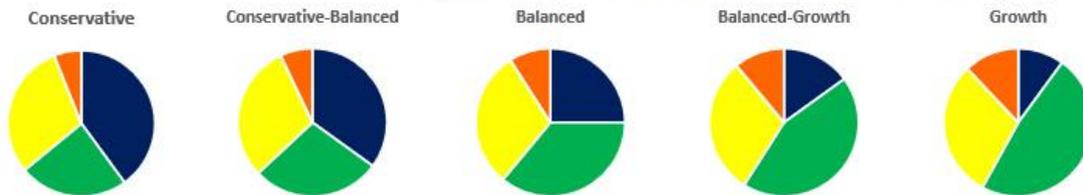
Invest with  
PURPOSE

**Investment and Benchmark Performance**

as of December 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>	0.7%	1.7%	2.1%	4.5%	4.1%	3.9%	4.5%	7.6%	-0.4%	3.4%	3.6%
Canadian Universe Bond Index	0.5%	0.8%	1.2%	8.6%	5.6%	4.0%	8.6%	7.3%	1.0%	2.4%	1.0%
<b>CPF Equity Model</b>	4.3%	15.7%	23.9%	13.6%	9.3%	10.3%	13.6%	19.2%	-3.6%	15.0%	8.7%
MSCI World Index (CAD)	2.1%	8.1%	13.8%	11.4%	10.0%	9.4%	11.4%	21.5%	-1.5%	14.4%	2.9%
<b>CPF Alternative Model</b>	1.5%	1.2%	2.8%	6.5%	5.1%	6.1%	6.5%	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%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>CPF North American Stock Model</b>	-0.3%	9.4%	15.9%	12.2%	10.4%	14.9%	12.2%	24.9%	-4.2%	27.5%	16.9%
50% S&P/TSX60 + 50% S&P500	2.3%	9.5%	16.2%	10.0%	8.7%	11.2%	10.0%	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>	1.7%	3.7%	6.1%	6.6%	5.2%	4.9%	6.6%	10.0%	-1.4%	4.9%	4.1%
<b>Conservative-Balanced Portfolio</b>	2.3%	5.7%	8.9%	7.6%	5.7%	5.2%	7.6%	10.8%	-1.6%	5.2%	3.8%
<b>Balanced Portfolio</b>	2.7%	7.0%	10.9%	8.4%	6.1%	5.8%	8.4%	12.0%	-2.0%	5.8%	4.6%
<b>Balanced-Growth Portfolio</b>	3.1%	8.4%	12.9%	9.2%	6.5%	6.2%	9.2%	12.3%	-1.8%	6.9%	4.6%
<b>Balanced-Growth w/ Stock Portfolio</b>	2.8%	8.5%	13.8%	12.7%	8.2%	7.7%	12.7%	13.6%	-1.5%	8.9%	4.8%
<b>Growth Portfolio</b>	3.3%	9.0%	13.8%	9.4%	6.7%	6.5%	9.4%	12.7%	-1.9%	7.5%	4.7%

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

Sources:

- <https://www.bloomberg.com/opinion/articles/2020-12-28/one-number-mattered-to-global-markets-in-2020?sref=ehyX7t7d>
- <https://www.ceicdata.com/en/indicator/japan/government-debt--of-nominal-gdp>
- <https://www.ceicdata.com/en/indicator/canada/government-debt--of-nominal-gdp#:~:text=Canada%20Government%20Debt%3A%20%25%20of%20GDP,-1962%20%2D%202020%20%7C%20Yearly&text=Canada%20Government%20debt%20accounted%20for,52.7%20%25%20in%20the%20previous%20year>

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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