

May 2021

Economic Optimism

Canadian and U.S. equity markets rose through the month, with the S&P/TSX 60 up 4.60% and the S&P 500 up 0.18%, which ended the month early on 28-May as U.S. markets were closed for Memorial Day. The TSX has outperformed the S&P 500 by 4.4% this year after lagging through 2020, driven mostly by the recovery in the energy sector, which is up 36.41% year-to-date. Yields on Canadian and U.S. Treasuries, an indicator of investor outlook on the economy, were relatively flat on the month, down 7 and 5 basis points respectively, both ending the month at 1.48%.

Long-term yields impact rates provided by lenders, most importantly mortgage rates. As rates are expected to continue climbing with the economic recovery, regulators passed new legislation to ease the overheated Canadian real estate market. On June 1st, new stress test requirements came into effect requiring borrowers to qualify at a rate 200 basis points higher than their offered rate or at 5.25%, whichever is higher. It will likely take some time for the new rules to impact market prices as there is a backlog of borrowers who qualified under the old rules and who have not been able to find a property yet.

Canadian banks have seen profits surging in 2021. Defaults on loans have been manageable and less than forecasted as generous government stimulus has allowed borrowers to manage debt payments through the pandemic. Profit growth is being driven by retail and commercial lending (mortgages and loans) and capital market divisions.

The Canadian dollar showed continued strength in May against the U.S. dollar, driven by higher oil prices and the differential in central bank policy with the U.S. as the Bank of Canada moved to begin slowing its quantitative easing programs. The currency is testing ranges last seen in 2017, ending the month at 1.20 against the greenback. The exchange rate is expected to be rangebound between 1.26 and 1.20 for the next twelve months, according to analysts at Manulife.

Portfolio Contributors

- **The Ninepoint Gold Bullion (NPP226)** fund appreciated 5.74% with the rally in gold following economic reports of higher inflation.
- **iShares Global Healthcare ETF (XHC)** finished up 2.03%. The healthcare sector has seen a boost with the reopening as hospitals begin scheduling elective procedures again.

Portfolio Detractors

- **ARK Innovation ETF (ARKK)** struggled once again during the month, down -8.95%. The fund holdings are grappling with higher inflation expectations and potential unwinding of stimulus support.
- **iShares Clean Energy ETF (ICLN)** ended the month down 3.19%. While the renewable energy industry has been hurt recently, the fund is still up 69.56% over the last year

All returns are sourced from SIACHarts and FACTSET

Invest with
PURPOSE

Investment and Benchmark Performance

as of May 31st

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2021	2020	2019	2018	2017
CPF Fixed Income Model	0.5%	-0.4%	-2.4%	0.4%	3.2%	2.8%	-3.1%	4.5%	8.3%	-0.4%	3.4%
Canadian Universe Bond Index	0.6%	-0.7%	-4.2%	-1.8%	5.0%	2.6%	-4.6%	8.6%	7.3%	1.0%	2.4%
CPF Equity Model	-1.6%	-1.2%	5.0%	25.4%	8.9%	9.8%	-0.6%	15.0%	19.2%	-3.6%	15.0%
MSCI World Index (CAD)	-0.6%	4.2%	8.1%	21.5%	10.9%	11.4%	5.9%	11.4%	21.4%	-1.5%	14.4%
CPF Alternative Model	1.1%	2.5%	4.1%	7.9%	5.7%	6.0%	2.2%	7.3%	7.8%	1.1%	9.6%
Absolute Return of 5% Per Year	0.4%	1.3%	2.5%	5.0%	5.0%	5.0%	2.1%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	0.6%	13.3%	16.7%	36.7%	13.1%	17.3%	16.9%	12.2%	25.1%	-4.2%	27.5%
50% S&P/TSX60 + 50% S&P500	1.6%	9.8%	15.0%	33.5%	12.8%	12.6%	12.4%	10.0%	25.5%	-6.9%	15.1%

All performance data tracked in SIACharts. All returns are gross of advisor fees.



Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2021	2020	2019	2018	2017
Conservative Portfolio	0.0%	0.2%	1.4%	7.4%	5.2%	4.4%	-0.7%	7.3%	10.8%	-1.5%	5.0%
Conservative-Balanced Portfolio	-0.1%	0.2%	2.0%	10.1%	5.7%	4.8%	-0.6%	8.2%	11.6%	-1.7%	5.2%
Balanced Portfolio	-0.3%	0.1%	2.8%	12.4%	6.1%	5.4%	-0.3%	9.2%	12.8%	-2.2%	5.8%
Balanced-Growth Portfolio	-0.5%	0.0%	3.5%	14.8%	6.7%	5.9%	-0.1%	10.1%	13.0%	-2.0%	7.0%
Balanced-Growth w/ Stock Portfolio	-0.2%	1.6%	5.1%	18.2%	8.5%	7.7%	1.8%	13.5%	14.4%	-1.7%	8.9%
Growth Portfolio	-0.6%	0.0%	3.9%	15.9%	6.9%	6.2%	0.1%	10.4%	13.5%	-2.1%	7.5%

All performance data tracked in SIACharts. 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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