

September 2021

"The September Effect"

Nearly all financial assets traded down during the month, outside of energy-related equities and commodities. A slowing Chinese economy, potential U.S. domestic policy errors, and stagflation fears dominated headlines and spurred the sell-off in both equities and fixed income markets. Evergrande, China's largest real estate developer, looked poised to default on interest payments as the corporation struggles to operate under a mountain of debt with the newly imposed 'three red-lines' regulations from the People's Bank of China. Contagion into other areas of China's economy look contained and the risk of a 'Lehman moment' of cascading defaults from reduced liquidity is fading. We have taken steps to ensure there is no exposure to this debt in our Steadfast Fixed Income Pool.

Several central banks turned to a hawkish tone, signaling comfort with the current pace of economic growth and a willingness to tighten monetary policy if they feel the economy is heating up too quickly. Notably, the U.S. Federal Reserve indicated they may begin reducing asset purchases (otherwise known as Quantitative Easing) as soon as November in an effort to stave off higher inflation. Bond markets are pricing in policy rate increases starting in 2022.

As the global economy reopens, the energy market has been under a crunch of low supply and high demand. In Europe, some manufacturers have shuttered production lines as energy input costs related to natural gas have made operations unprofitable. Spot prices of natural gas trading on the New York Mercantile Exchange (NYMEX) have climbed 140% year-to-date, the highest they've been since December 2008. Aside from being an important input in production and processing of materials, natural gas is used extensively by consumers to heat homes, which is contributing to higher headline inflation.

The month's weak performance helped reinforce the "September Effect" theory for superstitious investors. It's believed that financial markets generate weaker returns in the month following summer vacations as investors come back ready to harvest taxable gains and losses before the end of the year.

Portfolio Contributors

- **Toronto Dominion Bank (TD)** shares climbed 2.34% to trade near a 52-week high given more attractive margins on loans to consumers and businesses.
- **Enbridge Inc. (ENB)**, one of our energy positions, gained 1.63% following higher crude oil and natural gas prices.

Portfolio Detractors

- **Shares of ARK Innovation ETF (ARKK)** fell 9.42% as the high-growth holdings struggled with inflation concerns.
- **Nucor Co. (NUE)** traded down 15.89% given worries about supply chain disruptions and higher energy costs.

*All returns are for the reported month and in local currency.
All data sourced from SIACHarts and FACTSET.*



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 2021	2020	2019	2018	2017
CPF Fixed Income Model	-0.7%	0.3%	1.6%	-0.4%	3.5%	2.5%	-2.1%	4.5%	8.3%	-0.4%	3.4%
Canadian Universe Bond Index	-1.5%	-0.7%	1.0%	-3.5%	4.2%	2.2%	-4.3%	8.6%	7.3%	1.0%	2.4%
CPF Equity Model	-5.5%	-1.1%	3.8%	21.8%	9.7%	9.8%	3.9%	15.0%	19.2%	-3.6%	15.0%
MSCI World Index (CAD)	-3.8%	2.1%	7.9%	21.8%	11.6%	12.3%	12.7%	11.4%	21.4%	-1.5%	14.4%
CPF Alternative Model	-0.1%	2.6%	4.9%	7.3%	6.9%	5.6%	5.2%	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%	3.8%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	-5.1%	1.2%	10.7%	33.1%	15.2%	16.6%	21.7%	12.2%	25.1%	-4.2%	27.5%
50% S&P/TSX60 + 50% S&P500	-3.4%	0.0%	7.7%	26.0%	12.0%	12.2%	15.0%	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	-2.4%	0.6%	3.4%	6.3%	5.9%	4.4%	2.0%	7.3%	10.8%	-1.5%	5.0%
Conservative-Balanced Portfolio	-2.6%	0.6%	3.5%	8.6%	6.4%	4.8%	2.4%	8.2%	11.6%	-1.7%	5.2%
Balanced Portfolio	-2.8%	0.6%	3.9%	11.0%	6.9%	5.4%	3.1%	9.2%	12.8%	-2.2%	5.8%
Balanced-Growth Portfolio	-3.1%	0.6%	4.2%	13.4%	7.7%	6.0%	3.8%	10.1%	13.0%	-2.0%	7.0%
Growth Portfolio	-3.3%	0.5%	4.3%	14.5%	8.0%	6.3%	4.2%	10.4%	13.5%	-2.1%	7.5%
SRI-ESG Enhanced Portfolio	-2.7%	1.4%	6.1%	13.1%	13.5%	-	6.3%	21.5%	18.6%	-1.3%	-

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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