

*February 2022*

## Commodity Prices Ride High as Inflationary Pressures Continue

Volatility as a result of the invasion into Ukraine caused a selloff in equity markets, with the S&P 500 down 3.2%, the S&P/TSX stayed almost completely flat, and considerable losses for Investment Grade Corporate Bonds. Due to their inverse relationship, bond yields rose significantly as prices fell, creating a more difficult environment for corporations to borrow. We are cautiously watching the market for negative feedback loops resulting from higher commodity prices, supply chain disruption, and financial contagion.

Oil prices ran counter to equity markets, showing a high degree of strength in February. Benchmark prices for Brent Crude finished the month nearing \$98/bbl, while West Texas Intermediate approached \$96/bbl, with few signs of slowing price appreciation. The inflation-adjusted historical high for Brent Crude is \$180/barrel, indicating there is precedence for higher prices.

Supply disruptions resulted in a rapid price appreciation for commodity-related stocks. Two of our model positions, Nucor and Nutrien, saw their share prices gain 30% and 23%, respectively. According to Natural Resources Canada, Russia and Belarus combined are responsible for 38% of global potash production, meaning sanctions on their exports could push shares of Nutrien higher.

Our Steadfast Income Pool has escaped the downdraft related to the rapid depreciation of Russian fixed income securities. The Pool had a net exposure of less than 1% to Russian debt, specifically in the state-owned natural gas company Gazprom and Russian CDS. Russian President Putin signed a bill allowing borrowers to repay debts in Ruble, which is trading at a historical low against the US dollar.

The Bank of Canada raised interest rates by 25 bps, in line with consensus estimates. Through 2022, the central bank will need to find a balance between raising rates fast enough to combat inflation but at a slow enough pace to allow Canadian households to adapt to the higher cost of servicing debt. After contracting at the onset of the pandemic, Canadian household debt has surged back to all-time highs as the economy reopens and inflation begins to take hold.

### Portfolio Contributors

- Shares of **Nutrien Ltd** appreciated 23% as the price of their main product, potassium chloride, rallied 70%.
- **Nucor Corp** jumped 30% during the month as tariffs on foreign imports gave support to US steel prices.

### Portfolio Detractors

- **PayPal Holdings Inc** dropped 35% as valuations on high-growth stocks adjusted to higher risk-free rates.
- **3M Company** fell 10.5% after medium-term growth came into question given outstanding litigation and an inability to pass on higher costs to consumers.

*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 February 28th

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2022	2021	2020	2019	2018
<b>CPF Fixed Income Model</b>	-1.1%	-2.0%	-1.9%	-0.2%	2.5%	2.3%	-2.9%	-0.2%	4.5%	8.3%	-0.4%
Canadian Universe Bond Index	-1.0%	-2.8%	-4.4%	-3.2%	2.0%	2.1%	-4.4%	-0.2%	4.5%	7.3%	1.0%
<b>CPF Equity Model</b>	-2.9%	-11.1%	-13.4%	-5.3%	6.6%	7.0%	-10.8%	6.9%	15.0%	19.2%	-3.6%
MSCI World Index (CAD)	-2.8%	-4.4%	-3.6%	10.4%	12.3%	10.4%	-7.3%	21.1%	11.4%	21.4%	-1.5%
<b>CPF Alternative Model</b>	1.2%	1.7%	4.0%	9.9%	7.6%	6.1%	0.5%	9.1%	7.3%	7.8%	1.1%
Absolute Return of 5% Per Year	0.4%	1.3%	2.5%	5.0%	5.0%	5.0%	0.8%	5.0%	5.0%	5.0%	5.0%
<b>CPF North American Stock Model</b>	-1.0%	3.7%	2.4%	27.2%	17.6%	15.6%	-1.9%	33.8%	12.2%	25.1%	-4.2%
50% S&P/TSX60 + 50% S&P500	-1.7%	-1.4%	0.0%	16.3%	13.9%	11.2%	-4.6%	24.7%	10.0%	25.5%	-6.9%

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 2022	2021	2020	2019	2018
<b>Conservative Portfolio</b>	-0.6%	-0.9%	-0.9%	4.6%	6.0%	4.7%	-2.8%	6.6%	7.3%	10.8%	-1.5%
<b>Conservative-Balanced Portfolio</b>	-0.7%	-0.9%	-1.0%	4.9%	6.6%	5.1%	-2.9%	7.2%	8.2%	11.6%	-1.7%
<b>Balanced Portfolio</b>	-0.7%	-1.0%	-1.1%	5.5%	7.2%	5.6%	-3.0%	8.2%	9.2%	12.8%	-2.2%
<b>Balanced-Growth Portfolio</b>	-0.7%	-1.0%	-1.2%	6.0%	8.0%	6.2%	-3.2%	9.3%	10.1%	13.0%	-2.0%
<b>Growth Portfolio</b>	-0.8%	-1.0%	-1.3%	6.3%	8.3%	6.5%	-3.3%	9.9%	10.4%	13.5%	-2.1%
<b>SRI-ESG Enhanced Portfolio</b>	0.0%	-3.1%	4.3%	16.4%	16.2%	11.7%	-4.1%	18.8%	21.7%	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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