

December 2022

A Year of Price Discovery

December rounded out a year of particularly poor performance for financial markets. High inflation and rapidly rising interest rates led to abnormal losses within bond markets, challenging investor views that fixed income would serve as the safe part of their portfolio. The US dollar and crude oil were some of the few major financial assets that demonstrated positive performance. As inflation estimates continue to fall and the likelihood of developed economies entering a recession rises, the opportunity for looser financial conditions in the future should help support valuations in bond and equity markets.

The personal savings rate continues to fall and is now below long-term averages. Strong labour markets and wage inflation could help the savings rate recover in 2023 as spending will grow less quickly than real incomes. Households are still sitting on nearly US\$1.4 trillion in savings while bank deposits remain elevated, both of which should help insulate consumers from a prolonged recession. Consumer confidence rebounded in December as a result of easing price pressures.

Agricultural prices have stabilized near levels that prevailed at the start of 2022 as multiple forces that had pushed prices higher have since receded. The UN and Turkey have brokered a deal to maintain a safe maritime corridor which unblocked the export of corn, wheat, and other agricultural products. In addition, natural gas prices have fallen. Winter temperatures have been warmer than usual allowing European gas storage to trend above their most optimistic estimates. Natural gas is a major input into fertilizer production which is typically the largest share of farmer's operating costs.

Canadian home prices fell by the most on record last year as rapid interest rate increases forced the market to adjust. The benchmark home price fell 1.6% in December alone bringing the average to \$730,000. The total decrease from the peak reached in February is 13.2%. So far, the slump has been driven by buyers pulling back rather than forced selling by owners faced with rising borrowing costs. Transactions are down 39% from the same period last year as new listings continue to fall.

Portfolio Contributors

- As gold prices rallied on a weaker US dollar, units of **Ninepoint Gold Bullion (NPP226)** gained 3.7% through the month
- **Centurion Apartment REIT (CEN107)** moved slightly higher by 0.4%, demonstrating the portfolio's non-correlation to equity and bond markets

Portfolio Detractors

- **Transalta Renewables (RNW)** fell 20.8% after missing earnings estimates and issuing lower guidance for the upcoming year citing cost pressures
- Shares of **BMO Canadian High-Dividend ETF (ZWC)** traded down 4.7% following the Canadian equity markets lower as energy prices weakened

*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 December 31st

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2022	2021	2020	2019	2018
CPF Fixed Income Model	-0.7%	1.3%	0.7%	-8.1%	-1.4%	0.7%	-8.1%	-0.2%	4.5%	8.3%	-0.4%
Canadian Universe Bond Index	-1.5%	0.5%	0.8%	-11.7%	-2.3%	0.2%	-11.7%	-0.2%	4.5%	7.3%	1.0%
CPF Equity Model	-4.7%	5.4%	5.0%	-19.8%	-0.5%	2.5%	-19.8%	6.9%	15.0%	19.2%	-3.6%
MSCI World Index (CAD)	-4.1%	7.7%	8.1%	-12.1%	6.1%	7.4%	-12.1%	21.1%	11.4%	21.4%	-1.5%
CPF Alternative Model	0.0%	2.0%	2.8%	6.5%	7.9%	6.5%	6.5%	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%	5.0%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	-5.1%	3.8%	1.3%	-9.4%	10.8%	10.3%	-9.4%	33.8%	12.2%	25.1%	-4.2%
50% S&P/TSX60 + 50% S&P500	-5.4%	5.8%	1.6%	-14.5%	5.5%	6.5%	-14.5%	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
Conservative Portfolio	-2.1%	2.6%	2.4%	-5.5%	2.7%	3.4%	-5.5%	6.6%	7.3%	10.8%	-1.5%
Conservative-Balanced Portfolio	-2.3%	2.8%	2.5%	-5.7%	3.1%	3.7%	-5.7%	7.2%	8.2%	11.6%	-1.7%
Balanced Portfolio	-2.5%	2.9%	2.7%	-6.0%	3.6%	4.2%	-6.0%	8.2%	9.2%	12.8%	-2.2%
Balanced-Growth Portfolio	-2.7%	3.1%	2.8%	-6.3%	4.1%	4.6%	-6.3%	9.3%	10.1%	13.0%	-2.0%
Growth Portfolio	-2.9%	3.2%	2.9%	-6.5%	4.3%	4.7%	-6.5%	9.9%	10.4%	13.5%	-2.1%
SRI-ESG Enhanced Portfolio	-3.3%	4.5%	4.3%	-9.1%	9.6%	9.0%	-9.1%	18.8%	21.7%	18.6%	-1.3%

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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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