

January 2023

Scorching Start for Equities

The new year has brought a surge in equity markets as slowing inflation has led to the anticipation that central banks are near peak rates. Canadian CPI rose 6.3% year over year in December, while falling 0.6% month over month. Slowing inflation and economic activity stoke the belief that a formal recession is coming in 2023, with many projecting the economic slowdown to begin around mid-year.

Companies like Google, Microsoft, and Salesforce have laid off thousands of employees in an effort to cut costs. Many of the companies are citing over hiring during the high growth periods in 2020-2021 as a catalyst for the layoffs. Even after the aggressive head count management, most of these companies are significantly larger than they were before the pandemic.

Rising interest rates have put pension fund managers in a rare surplus to their liabilities. These fund managers are now making strides in derisking their portfolios by shifting their asset allocation from equities towards bonds. This shift could lead to as much as US\$1 trillion flowing into fixed income markets.

Citadel, the hedge fund associated with Citadel Securities, made history in 2022 posting a record profit of US\$16 billion and is considered among many as the new 'hedge fund king'. Citadel Securities gained wide recognition in 2021 due to its involvement in the GameStop saga. Multi-strategy hedge funds proved to be a profitable asset class in 2022, generating positive returns in a difficult year.

In an effort to slow runaway inflation in Argentina, which is nearing 100%, the country is said to be working on a common currency with its largest trading partner, Brazil. The currency union would link South America's largest economy with one of the continent's weakest. A similar pairing was attempted in the past before the idea was abandoned in 1988 due to economic turmoil.

On January 24th, stocks like McDonald's, Walmart, and Morgan Stanley experienced dramatic price movements on the New York Stock Exchange (NYSE), with some swinging 25% within a few minutes. The cause of the volatility was human error, after a NYSE employee forgot to disable a disaster recovery system from the previous day. The NYSE has accepted full responsibility and will use an internal fund to reimburse losses to any participants.

Portfolio Contributors

- Lower inflation and interest rate expectations caused a burst in risk-on assets and as a result **ARK Innovation ETF (ARKK)** jumped 27.82%.
- Shares of **Nucor Corporation (NUE)** rose 28.23% as the company significantly beat fourth quarter earnings.

Portfolio Detractors

- **Johnson & Johnson (JNJ)** fell 7.49% after a US court ruled they cannot contain the liabilities relating to litigation against their talc division within a spin-off.
- **Procter & Gamble (PG)** dropped 5.47% after posting earnings with a slight miss on profits and sales volumes.

*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 January 31st

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2023	2022	2021	2020	2019
CPF Fixed Income Model	2.6%	4.2%	0.5%	-4.0%	-1.0%	1.3%	2.6%	-8.1%	-0.2%	4.5%	8.3%
Canadian Universe Bond Index	3.0%	4.3%	-0.1%	-5.8%	-2.2%	1.0%	3.0%	-11.7%	-0.2%	4.5%	7.3%
CPF Equity Model	6.2%	7.1%	4.8%	-7.3%	1.3%	3.5%	6.2%	-19.8%	6.9%	15.0%	19.2%
MSCI World Index (CAD)	5.2%	7.2%	5.9%	-2.4%	7.8%	8.0%	5.2%	-11.6%	21.1%	11.4%	21.4%
CPF Alternative Model	0.5%	1.5%	2.5%	7.1%	7.7%	6.5%	0.5%	6.5%	9.1%	7.3%	7.8%
Absolute Return of 5% Per Year	0.4%	1.3%	2.5%	5.0%	5.0%	5.0%	0.4%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	3.6%	1.8%	-1.2%	-5.7%	10.2%	10.7%	3.6%	-9.4%	33.8%	12.2%	25.1%
50% S&P/TSX60 + 50% S&P500	6.5%	5.7%	1.7%	-6.2%	7.4%	7.4%	6.5%	-14.5%	24.7%	10.0%	25.5%

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 2023	2022	2021	2020	2019
Conservative Portfolio	2.6%	3.0%	1.7%	-1.0%	3.1%	3.9%	2.6%	-5.5%	6.6%	7.3%	10.8%
Conservative-Balanced Portfolio	2.6%	3.0%	1.8%	-1.1%	3.5%	4.2%	2.6%	-5.7%	7.2%	8.2%	11.6%
Balanced Portfolio	2.7%	3.0%	1.8%	-1.2%	4.1%	4.6%	2.7%	-6.0%	8.2%	9.2%	12.8%
Balanced-Growth Portfolio	2.8%	2.9%	1.9%	-1.3%	4.7%	5.1%	2.8%	-6.3%	9.3%	10.1%	13.0%
Growth Portfolio	2.9%	2.9%	1.9%	-1.4%	4.9%	5.2%	2.9%	-6.5%	9.9%	10.4%	13.5%
SRI-ESG Enhanced Portfolio	4.5%	6.6%	2.5%	-0.9%	10.4%	9.9%	4.5%	-9.1%	18.8%	21.7%	18.6%

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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