

September 2023

Shifts in Commodity Markets

Concerns about rising oil prices, rising interest rates, and the potential U.S. government shutdown negatively affected investor sentiment in September, leading to the worst monthly performance of the S&P 500 since December. When yields rise dramatically on government bonds, it forces a repricing of risk-assets like equities, commodities, and currencies as we saw in September.

For years, gold prices were primarily influenced by money prices, with gold rising as interest rates fell and vice versa. However, this correlation seems to be shifting. Even as inflation-adjusted rates reached their highest since the financial crisis, gold's response has been muted. This change challenges investors to reassess gold's "fair value." While various models suggest gold might be overpriced, factors like robust central bank purchasing and the anticipation of a US economic slowdown appear to be supporting gold's price.

The Russian oil price cap, introduced at US\$60 a barrel by the Group of 7 nations and other countries, aimed to restrict the Kremlin's income while allowing Russian oil to flow. However, its efficacy has waned. While it seemed successful initially, the recent rise in global oil prices has rendered the cap ineffective, as Russian crude values increase. A concerning outcome of this cap is the emergence of an unofficial fleet of older tankers, often in poor condition, transporting Russian oil, elevating the risk of environmental catastrophes. The cap lacks enforceability, with no real mechanism to verify the price claims made in purchase affidavits. Despite its well-intentioned goal, the price cap might be doing more harm than good by reducing the quality and safety of the transporting vessels, potentially leading to imminent environmental threats.

Investment trends in traditional energy like oil and gas and industrial metals like copper, which is key for the energy transition, are moving in different directions. Recent geopolitical events have spurred more investments in oil and gas due to their reliable supply chains. This growth is evident with oil and gas investments increasing by an average of 15% yearly since 2000. On the other hand, copper miners, influenced by low prices and the lengthy process of starting new projects, are investing more heavily in extending their current, profitable ventures rather than exploring new ones. This focus might delay the global 2050 net-zero-emissions goals.

Lithium prices have dropped sharply due to concerns about Chinese demand, nearing half of its value from a recent peak in June and significantly below last year's record. Usually, there's a surge in lithium demand in China during the fourth quarter because of battery production. However, significant restocking hasn't occurred this year, suggesting that battery makers still have a surplus. Analysts predict further price drops, attributing it to cautious restocking amidst weaker consumer demand and slowing EV sales growth. Despite the downturn, long-term projections indicate substantial growth in lithium demand by the decade's end.

Portfolio Contributors

- Energy markets surged, leading to a 2.78% gain for the **iShares S&P/TSX Energy Index**
- **Dynamic Credit Absolute Return II's (DYN2755)** long/short strategy added 1.23%.

Portfolio Detractors

- Changing investor expectations for higher rates for longer meant the **MSP Global Income Fund (MAJ383)** pulled back 1.68% last month.
- Global equities within the **iShares Core Equity ETF (XEQT)** fell 3.73% due to concerns.

*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, 2023

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2023	2022	2021	2020	2019
CPF Fixed Income Model	-1.7%	-2.4%	-2.3%	1.6%	-2.8%	0.4%	0.3%	-8.3%	-1.8%	4.5%	8.3%
Canadian Universe Bond Index	-2.5%	-3.8%	-4.5%	-1.1%	-5.2%	0.0%	-1.5%	-11.7%	-2.8%	8.6%	7.3%
CPF Equity Model	-4.8%	-4.2%	-3.1%	7.6%	0.8%	2.1%	2.1%	-19.8%	6.9%	15.0%	19.2%
MSCI World Index (CAD)	-4.2%	-1.5%	3.1%	19.3%	8.9%	8.1%	10.8%	-12.2%	21.9%	11.4%	21.5%
CPF Alternative Model	-0.2%	0.2%	1.0%	4.8%	6.6%	6.9%	2.5%	7.1%	6.9%	10.3%	7.8%
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	-4.3%	-4.6%	-0.1%	10.2%	12.4%	10.2%	6.6%	-9.1%	33.8%	12.2%	25.1%
50% S&P/TSX60 + 50% S&P500	-4.0%	-2.6%	2.3%	13.5%	7.8%	7.0%	7.3%	-14.5%	24.7%	10.0%	25.5%

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


Chart Area

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2023	2022	2021	2020	2019
Conservative Portfolio	-2.3%	-2.3%	-0.7%	5.5%	2.6%	3.7%	2.8%	-5.4%	5.4%	8.7%	10.3%
Conservative-Balanced Portfolio	-2.4%	-2.4%	-0.7%	5.9%	3.4%	4.1%	3.0%	-5.7%	6.1%	9.5%	11.3%
Balanced Portfolio	-2.5%	-2.5%	-0.6%	6.2%	4.2%	4.4%	3.3%	-6.0%	7.3%	10.3%	12.5%
Balanced-Growth Portfolio	-2.7%	-2.6%	-0.6%	6.6%	5.1%	5.0%	3.5%	-6.2%	8.4%	11.2%	12.8%
Growth Portfolio	-2.8%	-2.7%	-0.5%	6.9%	5.5%	5.2%	3.7%	-6.5%	9.1%	11.4%	13.4%
SRI-ESG Enhanced Portfolio	-3.7%	-1.4%	5.0%	19.8%	8.0%	10.2%	14.6%	-8.8%	13.5%	21.0%	18.1%

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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