

December 2023

Navigating the Winds of Change

As we reflect on the performance of global financial markets at the close of 2023, it's heartening to report a strong finish to the year. December marked the second consecutive month of notable gains, a positive trend that has invigorated investor sentiment. Particularly impressive were the returns from fixed income investments (like bonds), driven largely by the anticipation of interest rate cuts by major central banks in 2024. This optimism stems from recent economic data showing a decrease in inflation for the first time in several years. It's a signal that might lead to easier monetary policies, boosting the appeal of various investment types. The resilience of the U.S. economy specifically, evident in increased spending, further bolsters confidence in a stable economic trajectory, commonly referred to as a 'soft landing.'

Turning our attention to the Canadian economy, there's a nuanced picture emerging for 2024. The nation is expected to witness a rebound in economic growth during the latter half of the year, an optimistic forecast underpinned by potential interest rate cuts as early as spring. The first half of 2024 might be challenging, with stagnant growth due to the lingering impact of higher interest rates, but a deep recession seems unlikely. Inflation, though still above the comfort zone at 3.1%, is expected to stabilize, leading to a strategic reduction in interest rates by the Bank of Canada. It's a delicate balance, as returning to pre-pandemic low interest rates is neither expected nor desirable. The focus is on fostering a rate that supports sustainable growth and keeps inflation in check.

In the dynamic world of technology stocks, 2023 was a remarkable year, especially for Canada. Canadian tech stocks in the S&P/TSX Composite Index outshone their American counterparts in the S&P 500 and Nasdaq 100, boasting an impressive 70% increase compared to less than 60% in the U.S. In Canada, Celestica Inc, an AI equipment manufacturer, and e-commerce giant Shopify led the charge. This achievement places Toronto's tech sector at the forefront, surpassing peers in major markets like Germany, the UK, France, and even the tech-heavy regions of Japan, Korea, Australia, and China. The rebound comes after a challenging period, with Canadian tech stocks experiencing a significant 52% drop in 2022, a steeper decline than the 24% seen in the S&P 500.

The landscape of different investment classes in 2023 painted a diverse picture. While U.S. stocks showed remarkable performance, outshining their global counterparts, Chinese equities lagged, impacted by their slower economic rebound. This disparity highlights the unique challenges and opportunities that different markets present. Interestingly, the last few months of 2023 saw a surge in both stock and bond markets, fueled by the growing belief in the global economy's ability to maintain its strength. This period also witnessed an interesting twist in the commodities market: gold prices rose amidst geopolitical tensions, yet other commodities like oil and industrial metals didn't fare as well. The U.S. dollar and Asian currencies also experienced a downturn, contrasting their earlier trends.

Portfolio Contributors

- **Bank of Montreal (BMO)** posted solid Q4 earnings, despite pessimism in the banking industry for the majority of 2023. Shares surged 13.9% in December.
- Shares of **Granite Real Estate Investment Trust (GRT.UN)** rallied over the past month, largely due to expectations of declining interest rates into 2024.

Portfolio Detractors

- Shares of **Apple Inc. (AAPL)** slid 3.7%, mainly due to recent analyst downgrades. Softness in iPhone sales and service revenues is the main concern being cited.
- **Canadian Tire Corp. (CTC.A)** was down 2.4% for the month. Weakening consumer demand and higher savings has put further downward pressure on shares.

*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 29th, 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	3.1%	6.3%	3.8%	6.7%	-1.3%	1.7%	6.7%	-8.3%	-1.8%	4.5%	8.3%
Canadian Universe Bond Index	3.6%	8.3%	4.1%	6.6%	-2.9%	1.3%	6.6%	-11.7%	-2.8%	8.6%	7.3%
CPF Equity Model	3.8%	9.8%	5.2%	12.1%	-1.3%	5.7%	12.1%	-19.8%	6.9%	15.0%	19.2%
MSCI World Index (CAD)	2.3%	8.6%	6.9%	19.5%	8.8%	11.8%	19.5%	-11.6%	21.9%	11.4%	21.5%
CPF Alternative Model	-0.1%	1.0%	1.4%	3.8%	5.9%	7.2%	3.8%	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%	4.2%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	1.0%	6.5%	1.6%	13.5%	11.3%	14.1%	13.5%	-9.1%	33.8%	12.2%	25.1%
50% S&P/TSX60 + 50% S&P500	4.0%	9.5%	6.3%	17.0%	7.7%	11.5%	17.0%	-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	1.6%	4.9%	2.6%	8.0%	2.5%	5.2%	8.0%	-5.4%	5.4%	8.7%	10.3%
Conservative-Balanced Portfolio	1.5%	5.0%	2.5%	8.2%	2.7%	5.7%	8.2%	-5.7%	6.1%	9.5%	11.3%
Balanced Portfolio	1.5%	5.0%	2.5%	8.5%	3.1%	6.3%	8.5%	-6.0%	7.3%	10.3%	12.5%
Balanced-Growth Portfolio	1.4%	5.1%	2.4%	8.8%	3.4%	6.8%	8.8%	-6.2%	8.4%	11.2%	12.8%
Growth Portfolio	1.4%	5.2%	2.4%	9.1%	3.6%	7.1%	9.1%	-6.5%	9.1%	11.4%	13.4%
SRI-ESG Enhanced Portfolio	3.1%	8.4%	7.0%	24.3%	8.8%	13.0%	24.3%	-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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