Insights & Strategies

PRIVATE CLIENT SOLUTIONS

December 10, 2019

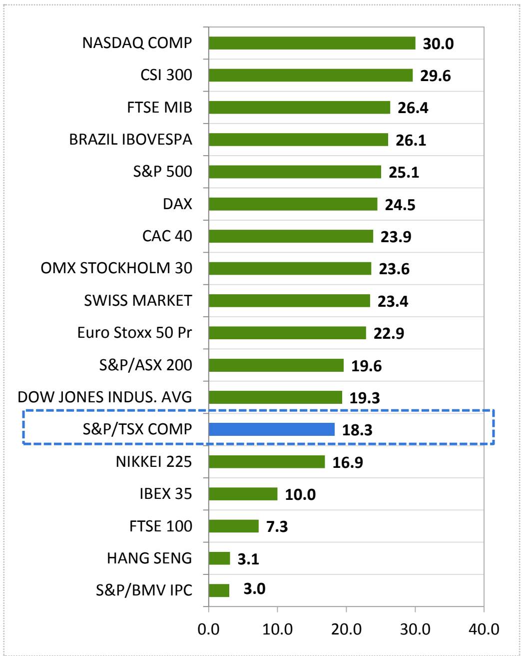
Inside this Issue

2019 - The Year That Was

One of the recurring themes over the past 11 months has been politicians' ability to "kick the can down the road". Trade deadline after trade deadline came and went. Same story with Brexit, as the UK failed to find a way to exit the EU, missing multiple deadlines and undergoing a change in leadership. Equity markets seemingly defied reason, climbing higher despite the exogenous risks facing a global economy ostensibly stuck in an ever-expanding slowdown. As equity markets continued to climb the "wall of worry", Trump was handed greater latitude to place additional pressure on America's trading partners. The most disruptive was the ratcheting up of tariffs on existing Chinese goods and the introduction of new tariffs on billions of additional goods. China responded and a tariff tit-for-tat war ensued for much of the year. It was not until the fourth quarter when a more conciliatory tone was struck between the two trading partners and new record highs were reached for both the US and Canadian markets.

This "can kicking" did inject the odd bout of volatility into asset prices even though many measures of volatility were relatively subdued in 2019. The CBOE Volatility Index averaged 16.3, in line with historical averages, and the index was at a near record low of 11.5 in November. One percent down days in the S&P 500 occurred just 15 times, compared to 32 times last year. In our view, this level of complacency was largely due to the significant shift in global monetary policy. In a rather abrupt manner, the vast majority of global central banks did a complete 180 degree turn. Most importantly, the US Federal Reserve indicated a willingness to cut rates. At the end of 2018, the market had forecast the US Fed to continue raising the Fed funds rate but, in a matter of weeks, consensus flipped to 3-4 rate cuts. The Fed eventually delivered its first rate cut in the summer, the first cut in over a decade. Year-to-date 60 central banks have delivered over 110 rate cuts to their main policy rate in a pre-emptive respond to the prospect that global growth would continue to sputter. However, central banks did not stop at just controlling their main policy rate; they also returned to more unconventional means by expanding their balance sheets through asset

2019 YTD Performance



Source: Bloomberg, Raymond James Ltd. As at Dec. 10, 2019

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purchases. These actions injected billions of additional liquidity into the financial system. The Bank of Canada (BoC), however, was the lone developed market central bank to buck the global easing trend, holding rates steady throughout the year. A resilient labour market, a rebound in Canadian housing and robust activity in the service sector have given the BoC breathing room to swim against the tide.

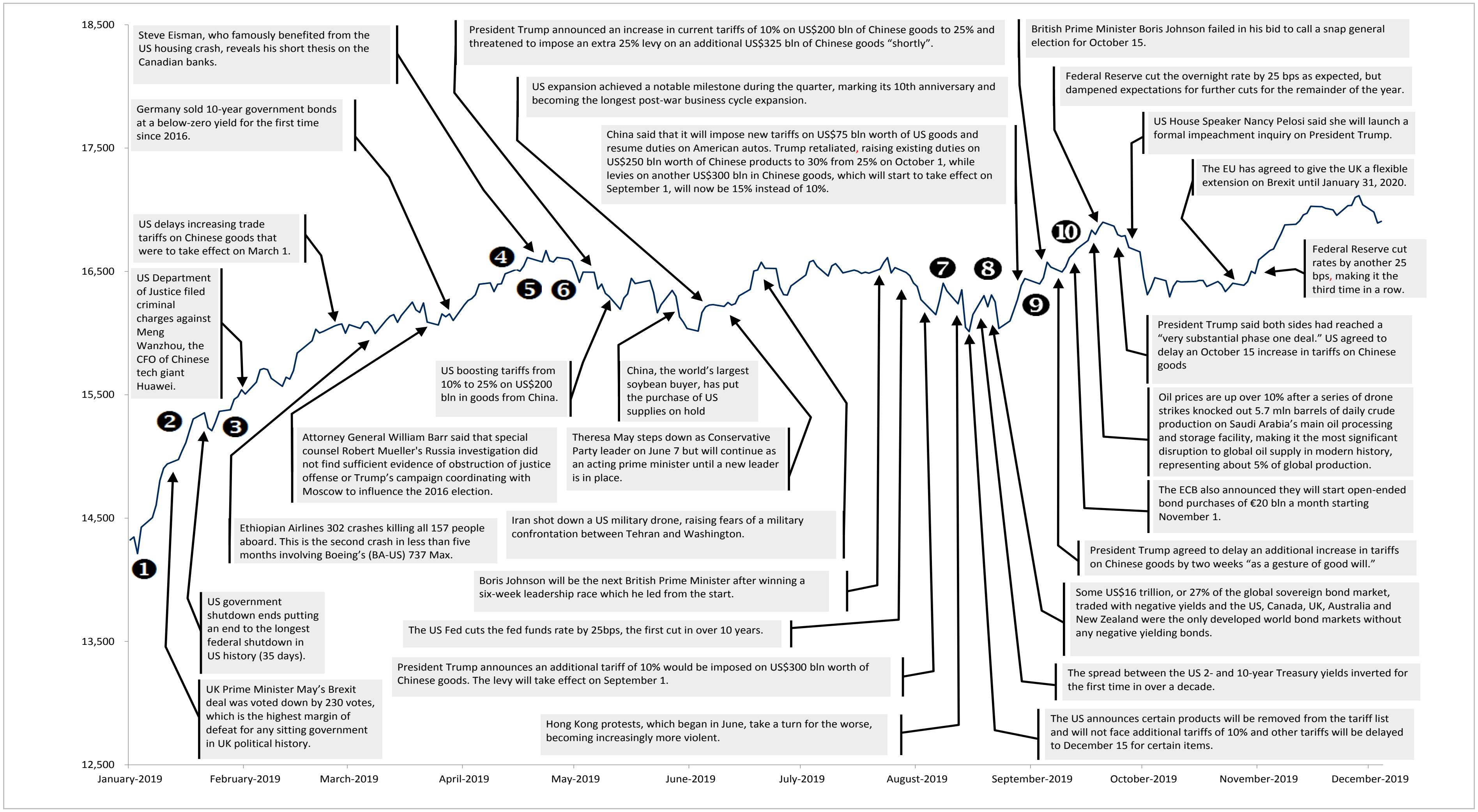
On the political front, both Canada and the US provided the markets with some extra headlines to absorb. It was an election year here in Canada, and Liberal leader Justin Trudeau narrowly hung onto power by winning a minority government in his second term. He must now find a way to unit a country divided by regional differences. Similarly, in the US, the country remains staunchly divided by party lines with no clear common ground. As we started the year, these divides were abundantly clear as the US government remained shut down as Republicans and Democrats battled over border wall funding. By mid year, Democrats anxiously awaited the Mueller investigation findings, which the Republicans characterized as a "witch hunt" and finally, as we near the end of 2019, Trump now faces impeachment in the House of Representatives over his handling of the Ukraine file.

Geopolitical tensions among the US, Russia, China, Iran, Saudi Arabia, Israel, Turkey, Syria, India and Pakistan were all on the rise. Relations between two cold war rivals, the US and Russia, appear to be on the brink of another arms race. The US pulled out of the Intermediate-Range Nuclear Forces Treaty of 1987, citing Russian non-compliance. An August 8 incident seemingly confirmed the US's claim of non-compliance after a failed recovery attempt of a nuclear-powered cruise missile (Skyfall) in the White Sea. India and Pakistan, two nuclear powers, engaged in military conflict in the disputed region of Kashmir. In the Middle East, the US increased pressure on Iran via sanctions, intensifying conflicts in the Strait of Hormuz, a major shipping lane. A missile attack on Saudi Arabia's main oil processing and storage facility this year was one of most significant disruptions to global oil supply in modern history, representing about 5% of global production. Thankfully, this incident did not escalate out of control.

It was an eventful year with plenty of noise to distract investors, but as we head into the final weeks of the calendar year, the Canadian market is on track for its best year since 2009 when the S&P/TSX gained 30.7%. Given the Canadian market's reasonable valuation, potential upside remains in 2020 as the global economy begins to respond to the easier monetary, and possible fiscal stimulus.

Jason Castelli, CFA

S&P/TSX: The Year That Was

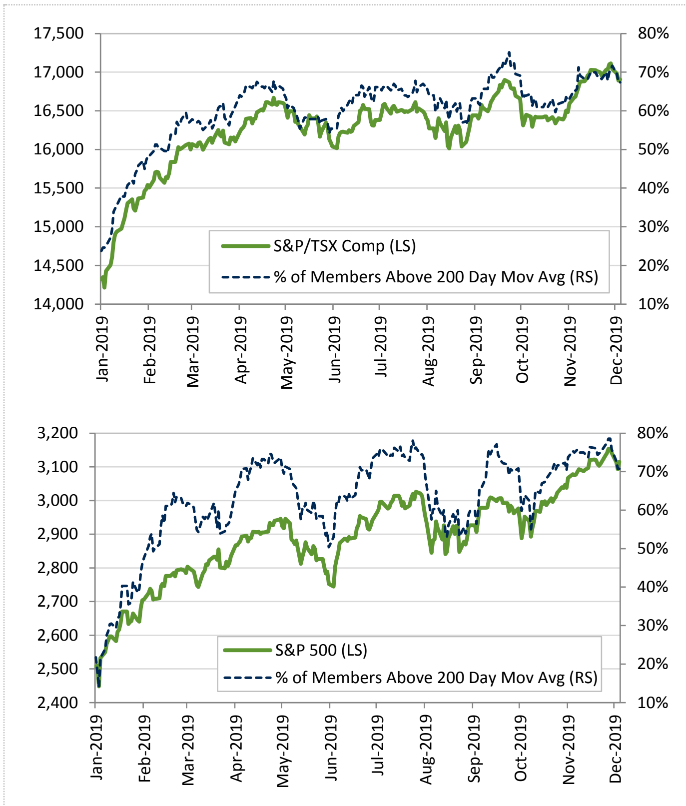


❶ US WTI crude closes at year low of US$44.35/bbl; ❷ Natural gas closes at year high of US$3.72/mmbtu; ❸ Canadian Govt. 10 year yield hits high of 2.047%; ❹ Copper closes at year high of US$299.55/lb; ❺ US WTI crude closes at year high of US$66.60/bbl; ❻ Gold closes at year low of US$1,265.50/oz; ❼ Natural gas closes at year low of US$2.03/mmbtu; ❽ Canadian Govt. 10 year yield hits low of 1.078%; ❾ Copper closes at year low of US$246.75/lb; ❿ Gold closes at year high of US$1,557.31/oz.

Equities: Reality Checks

Looking back over the year, we determined there were a number of topics to talk about concerning equity markets. The obvious point to make is that, with just a couple of weeks left in the trading year, 2019 has been a winning year for investors. Both the S&P/TSX and S&P 500 are up in the 20%-range YTD with strong breadth across most sectors of the market.

Canadian and US Markets Have Had a Good Year



Source: Bloomberg, Raymond James Ltd.

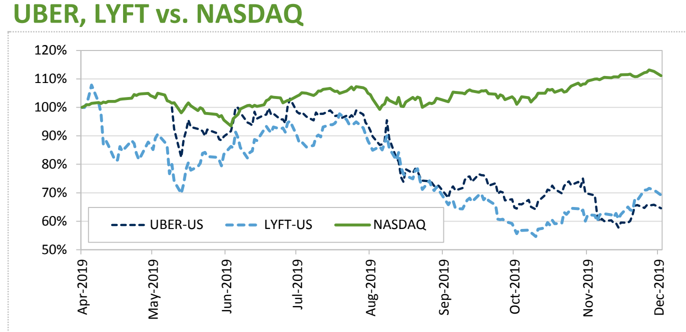
Despite the strong returns, in many ways, investor sentiment is not nearly as euphoric as we would typically expect after such a strong year. This can partly be blamed on the political uncertainty swirling on both sides of the border. Canada has emerged from a divisive federal election with a weakened Liberal government back in power. In the US, the circus around the Trump administration policies (particularly trade) and partisan impeachment hearings adds to the question marks, both domestically and internationally.

Another reason for the less than euphoric mood is that we also saw a number of interesting developments in the more speculative areas of the equity markets. When looking for a theme to describe 2019, we have dubbed it “the year of the reality check”. A number of companies and sectors that were previously high fliers, have come back to earth in 2019 – some in spectacular fashion. We have also seen the possibility of a shift in investment style coming back to life at the expense of previously preferred areas. In this month’s *publication,* we will take a look at the corners of the equity markets that experienced a reality check in 2019: high-profile IPO’s, cannabis, energy and value investing.

IPO’s: (Ride)-Sharing the Pain

In the land of initial public offerings, we saw a degree of rationality return to markets in both the US and Canada. Two high profile issues from the technology sector’s stable of “unicorns” went quite poorly. Ride-sharing companies Lyft (LYFT-US) and Uber (UBER-US) went public within two months of each other in the first half of the year and by December, both stocks were trading at more than 30% discounts to their IPO prices. Unlike earlier in the market cycle when tech IPO’s were released to huge investor demand and soaring prices, Lyft and Uber scared away many investors due to the fact they are hemorrhaging cash and neither are presenting a credible business plan to achieve profits any time soon. Add to that multi-billion dollar market capitalizations and a lot of early investors looking to cash out, and the result has been more sellers than buyers for what were two of the most anticipated IPO’s in recent memory. Another prominent Silicon Valley unicorn, The We Company (formerly WeWork) had to abandon its IPO altogether (as well as its founder and CEO) after investors turned-up their noses to another loss-heavy business model.

UBER, LYFT vs. NASDAQ



Source: Bloomberg, Raymond James Ltd.

In Canada, the largest IPO in 20 years had to be scrapped for similar reasons. GFL Industries pulled a multi-billion dollar offering due to investor concerns over its high debt-load and track record of operating losses. As a private company, GFL had attracted large amounts of capital from institutional investors to fund an aggressive growth model. However, in order for those investors to make an attractive return, the IPO came with an aggressive valuation and could not get enough support from public investors to move forward. The IPO failures on both sides of the border point to a shift in investor risk tolerance and a more guarded investment environment where a massive revenue growth story may not be enough to attract investment dollars at sky-high valuations.

Oil: Low Energy

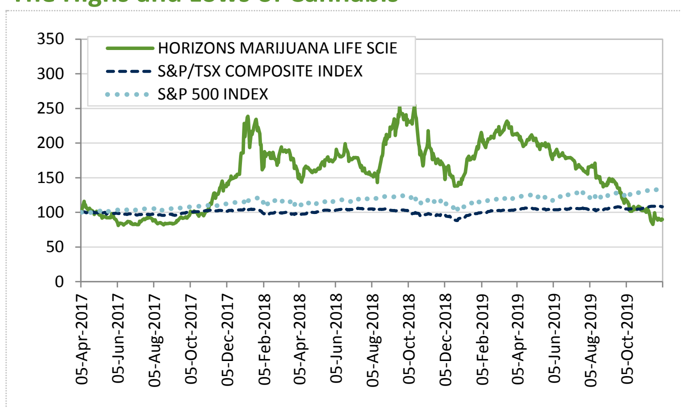
Energy is another sector facing a reality check in 2019. In Canada, an up and down 2019 continued on a path of investor apathy that has been unfolding under the Liberal governments. A lack of infrastructure continues to haunt the industry as well as a continued push from some activist investors to divest from many natural resource companies. The big change in the energy story for 2019, however, is what happened south of the border. Prior to 2019, the US shale oil industry had been the big winner in the international energy sector, thanks to low costs, blossoming reserves and business-friendly taxes and regulations. This winning streak ground to a halt in 2019 as China/US trade tensions put a cap on global demand growth at the same time that record production from Texas and other shale plays had outmatched infrastructure and demand. The result was a 13% drop in the S&P 500 energy sector in the second half of 2019.

Internationally, we also saw a signal that investors are becoming more cautious, with Saudi Arabia significantly scaling back its IPO of Saudi Aramco, one of the world's largest and most profitable companies. The public offering had originally been expected for early 2019, in the range of US$100 billion (5% of the company at a US$2.0 trillion valuation) and was expected to gain a high profile listing in New York or London. Instead, the timeline of the IPO has been pushed back to year end, now offering only 1.5% of the company at an estimated $1.7 trillion valuation (US$26 billion) and to be sold only on Saudi's domestic market. When it was first announced in 2017, the Aramco IPO was expected to be one of the biggest, global finance events of the decade. In the "year of the reality check", it is just another casualty.

Cannabis: Buy the Rumour, Sell the Dubes

Times have also changed for cannabis licensed producers (CLPs). Long gone are pre-legalization days when most cannabis companies soared on speculation that a legal cannabis market would even exist in Canada. At that time, investors were happy to "buy the rumour" and sent pre-revenue and pre-profit stocks to all-time highs, trading at speculative valuation multiples usually reserved for Silicon Valley tech start-ups and heavily promoted junior mining stocks. The Street was also very bullish prior to legalization with consensus forecasts anticipating annual cannabis sales of ~$3.2 bln by the next fiscal year for the eight largest cannabis CLPs by market cap. However, not long after cannabis became legal in late 2018, it was clear that investors were ready to "sell the news".

The Highs and Lows of Cannabis



Source: Bloomberg, Raymond James Ltd.

Top 8 Cannabis LPs

Ticker	Name	Mkt Cap ($ blns)	Street Sales Expectations			Sales Consensus Change		Street EPS Expectations			EPS Consensus Change		YTD Tot Ret
			Sep 2018	Dec 2018	Nov 2019	Pre-Legal	YTD	Sep 2018	Dec 2018	Nov 2019	Pre-Legal	YTD	
WEED	Canopy Growth	8.6	$921	$764	$427	-54%	-44%	$0.32	$0.19	($4.37)	-1458%	-2402%	-34%
ACB	Aurora Cannabis	3.5	$878	$874	$414	-53%	-53%	$0.13	$0.13	($0.16)	-217%	-219%	-53%
CRON	Cronos Group	3.1	$132	$117	$48	-63%	-59%	$0.11	$0.05	$2.57	2351%	5263%	-40%
TLRY	Tilray Inc	1.9	$146	$131	$173	19%	32%	($0.09)	($0.32)	($1.38)	-1636%	-532%	-73%
APHA	Aphria Inc	1.6	$561	$595	$591	5%	-1%	$0.75	$0.45	$0.07	-91%	-84%	-22%
CWEB	Charlottes Webs	1.5	$169		$99	-41%		$0.37		$0.03	-91%		-22%
HEXO	Hexo	0.7	$262	$232	$112	-57%	-52%	$0.31	$0.17	($0.22)	-171%	-227%	-40%
OGI	Organigram	0.5	$215	$207	$145	-33%	-30%	$0.43	$0.30	$0.04	-91%	-87%	-27%
Totals			**$3,284**	**$2,920**	**$2,010**	**-39%**	**-31%**	**$2.33**	**$0.97**	**($3.42)**	**-247%**	**-452%**	

Source: Bloomberg, Raymond James Ltd. As at December 3, 2019

After a short rally in the first quarter, 2019 effectively marks the year that cannabis stocks came back to earth. CLP shares were faced with selling pressure as the nascent industry struggled to justify sky-high valuations under the back-drop of regulatory uncertainty, industry scandals, and the need for more capital to fund both growth and operating losses. The Horizons Marijuana Life Sciences Index ETF (HMMJ-T) erased almost all of its gains since its launch in 2017, as the basket of securities declined by over 30% year-to-date (YTD). Altria-owned Cronos Group Inc. (CRON-T) and Constellation-owned Canopy Growth Corporation (WEED-T) fell 37% and 32%, respectively. During the year, a few headlines exacerbated the industry's situation. Perhaps the most significant was the firing of Canopy's founder and CEO, Bruce Linton, after Constellation executives were not pleased with the company's ongoing losses and aggressive spending. CannTrust Holdings (TRST-T) was another focal point, as it had its production and sales license suspended by Health Canada for having grown cannabis in unlicensed rooms. The vaping health crisis added salt to the wound, as there have been multiple reports indicating that users have been getting sick or dying from (synthetic and illegal) marijuana vape pens.

All of the above created a switch in investor focus from supporting companies achieving the largest market share gains, to expecting CLPs to generate profits and become self-funding. This is unrealistic for many CLPs, as they still require growth capital to build out growing spaces, hire more employees, create distribution networks, and fulfill purchase orders. In fact, many CLPs tapped the capital markets in 2019 to achieve their growth plans even as valuations continued to fall. Looking at the top eight CLPs, almost all issued more equity and/or took on more debt in 2019.

Alongside the sell off, the top eight CLPs have had their 2020 EPS expectations reduced substantially, confirming that fundamentals have deteriorated, with some estimates going from positive bottom line numbers at the onset of the year to negative as of the end of November. Now that a re-rating of CLPs has taken place, legalization 2.0 is in full effect, and Ontario and Quebec have announced plans to expand their retail channels, 2020 could present some positives for CLPs but it will come with the backdrop of a more critical and demanding investing public.

Value Investing: Is the Rotation a Reality?

As an investment style, value has underperformed growth and momentum since the financial crisis, with only a few short lapses where value made a comeback. Value stocks tend to exhibit lower valuations based on measures like price-to-earnings or price-to-book value, while growth stocks are those that have exhibited faster-than-average increases in revenues or profits, and momentum stocks are those that have seen large share price increases. However, here too we may be seeing a reality check in 2019 as a meaningful rotation from growth to value ensued in late August. Looking at different pockets of the market, value stocks are largely concentrated in cyclical sectors, meaning those that tend to do better as the economy improves and consumers have more discretionary income. As such, a rotation from growth to value could be signaling investor confidence in future growth is improving. From a tactical standpoint, our belief is growth should continue to work until the economy and corporate earnings find a firmer footing. As we mentioned in our November 14 *Weekly Trends* publication:

"*This year's value rotation started in late August, which coincided with the easing of US/China trade tensions, and the style received yet another boost from the White House's phased approach in striking a deal. Whether this becomes a real rotation or a head fake remains to be seen, but the recent price action is hard to ignore and, given equity prices often lead fundamentals, we are incrementally more positive on the markets, particularly as we head into the seasonally strongest period of the year. … growth has dominated since the financial crisis, but there have been periods during the current expansion where value made a comeback. While we continue to believe growth will outperform value over the longer term, there are opportunities to add value for alpha generation*".

Reality Check: Tortoise Defeats Hare!

Whether it was falling unicorns or the resurrection of some forgotten and neglected areas of the market, 2019 was a year of reality checks. Investors who were broadly diversified, stuck with high quality names and didn't forget about the merits of investing for value will probably end the year with some of the best equity returns of the current bull market. Those that tried to chase the "next big thing" may not be as satisfied. As we move into the New Year, we remind ourselves that bull markets tend to end during periods of investor euphoria and that reality checks in some of the frothier areas of the market can be helpful for constraining expectations and keeping a lid on speculative bubbles. With interest rates set to remain low and value investing trying to make a comeback, there could be room for further equity gains in 2020.

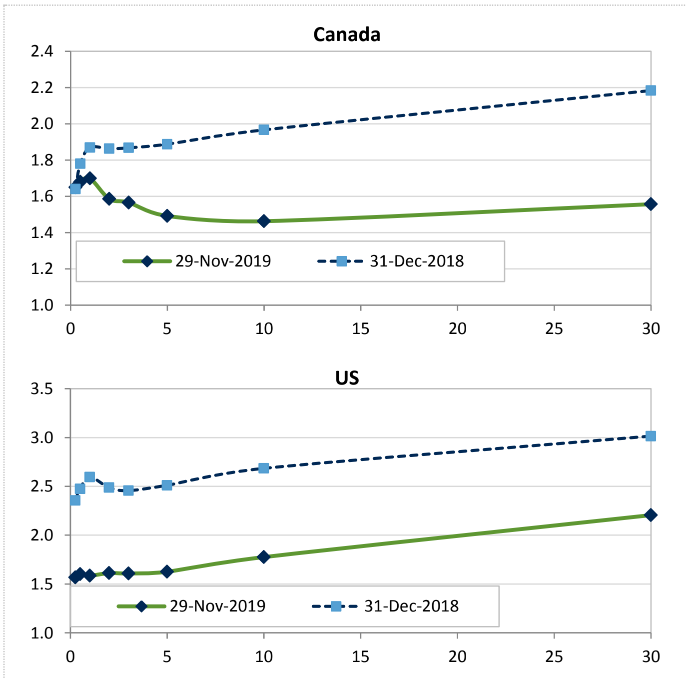
Robert Mark, CFA
Portfolio Manager

Larbi Moumni, CFA
Senior Equity Specialist

What A Difference a Year Can Make

This time in 2018, fixed income investors were ecstatic to see yields finally go up, as the Fed and Bank of Canada started raising rates after an extended period of near zero rates, giving guidance for as many as four interest rate hikes for 2019. Then came a swarm of US-China trade tensions, geo-political escalations, and a broader-than-expected global GDP slowdown, which made the hawks disappear into thin air and turned central banks towards a policy of cutting rates instead. Since the start of the year, the US Treasury curve is down roughly 90 basis points (bps) on the 2 and 10-year terms, and ~75bps on the 30-year. Although, more subdued in absolute terms, Canadian yields have also followed the declining trend, falling 30bps, 43bps and 58bps along the 2, 10 and 30-year terms, respectively.

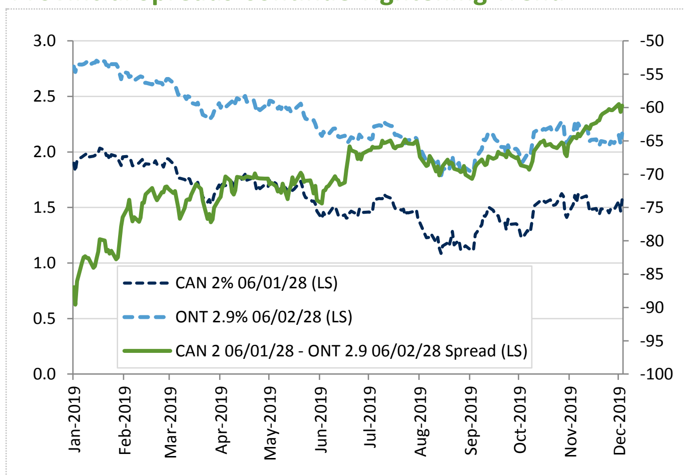
Yield Curves



Source: Bloomberg, Raymond James Ltd.

Two growing trends in the Canadian bond market during 2019 were bail-in and green bonds. Bail-in bonds are a new type of debt offered by banks in Canada that have been deemed systematically important (SIB) by the government of Canada through OSFI. They include Royal Bank, Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Bank of Montreal and National Bank. The list also includes insurer Desjardins Group. These bonds will be rated by the major rating agencies such as DBRS, S&P, Moody's and Fitch. They are one notch lower in credit than existing senior unsecured debt because if OSFI determines that a SIB has or is about to become non-viable, the Governor in Council can direct the CDIC to convert all or a portion of the bail-in bonds into common shares to be used as capital. Going forward, some new debt from these issuers will have a bail-in feature. Green bonds are still a very small portion of issues in our market, issued for financing environment-related projects. They have grown in popularity recently due to an increased awareness of ESG and sustainable investing, in addition to governments signing global climate treaties. Just over a month ago, Translink issued a very strongly subscribed green bond offering, which introduced an additional $200MM CAD of the product to the market.

Provincial Spreads Continue Tightening Trend



Source: Bloomberg, Raymond James Ltd.

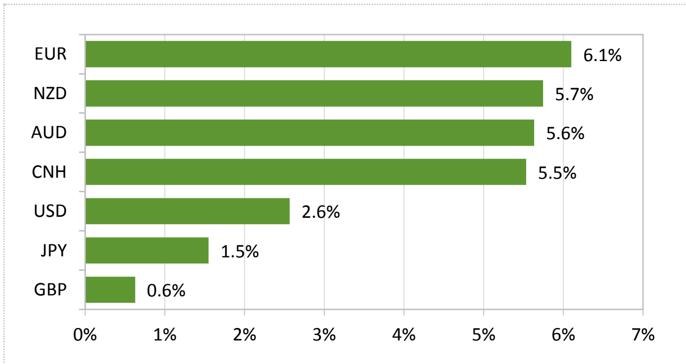
The second half of 2019 saw higher-than-average new bond issuance in Canada, supported by the low cost of borrowing brought on by the central bank rate cuts. Canadian provincial bonds displayed a steady streak of tightening throughout the year. Ontario's June 2028 bond, for example, started at a high of 89bps against the benchmark and is currently trading at 60bps. Investment grade credit has displayed similar trends across all industry sectors. With declining interest rates and tightening spreads, the hunt for yield grows increasingly tougher. Finally, year-over-year GIC yields are down between 65 and 110bps on average along the 1-5 year terms. Despite this loss of yield, for 1 to 2 year investments when retail clients are not sensitive to liquidity, GICs continue to be a strong option for fixed income investments.

Ahmed Husain
Fixed Income

When 'Vol' Fell Off the Wall

Despite a confluence of macroeconomic and political issues forming a cloud over the investment landscape, FX markets have been lackluster. In fact, the JPMorgan G7 Volatility Index, a popular gauge of FX volatility, is down 33.5% YTD. The jury is still out on whether the low vol can be chalked up to traders being hard pressed to make large directional bets, given the swath of headline risk, or the fact that news is being efficiently communicated and priced into markets.

2019 YTD CAD Performance Relative to G7

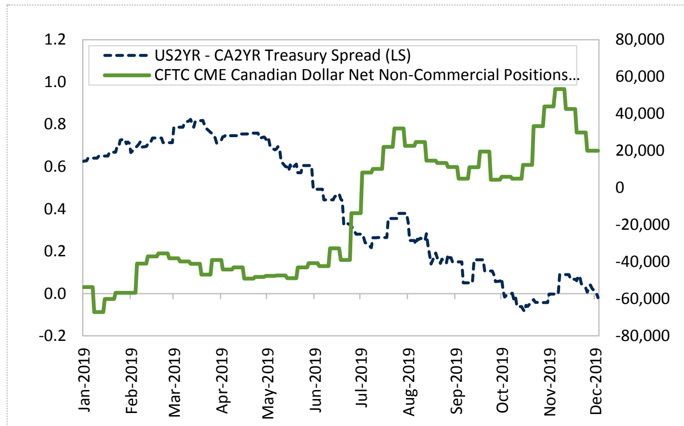


Source: Bloomberg, Raymond James Ltd.

After a tumultuous end to 2018, sparked by worries of fallout from the burgeoning US-China trade conflict, the US Federal Reserve (Fed) quelled worries by noting it would do its part to keep the US expansion chugging along. Following capital injections into the market for the first time in ten years, the Fed cut its overnight lending rate in July, followed by two more successive cuts, though they were careful to word the cuts as a "mid-cycle adjustment" rather than the start of an easing cycle. The US economy has largely been propped by the consumer, bolstered by tax cuts from the prior year and record low borrowing cost levels. Unemployment levels remain at historic lows; however, the next leg for the US economy will likely need to find support elsewhere, as lagging wage inflation and business sentiment add a cap to growth. Meanwhile in Canada, the data has been supportive on a relative basis, largely backed by a tight labour market, strong housing segment and an oil industry coming off its bottom. This allowed the Bank of Canada (BoC) to remain steadfast with its overnight lending rate, and be one of the only major central banks not to cut its overnight lending rate in 2019. The growing relative attractiveness of Canadian yields versus other majors, in addition to Canada's relative strength from an economic standpoint, led to its outperformance.

Because of the ensuing tightening of short-end yield spreads of US and Canadian treasuries, the loonie has been the best performing G10 currency versus the US dollar in 2019. Despite no lack of key headline news, including US-China trade tensions, Chinese fury at Canada over its Huawei spat, USMCA re-negotiation, and a close Canadian federal election, volatility in the USDCAD currency pair is down 45% YTD. The tide for the Canadian dollar has recently been turning, with Canada's economic surprise index declining in past weeks. The BoC did consider an insurance cut in October, but ultimately voted against the move, as the downside risks did not warrant it. Markets are pricing in no more cuts by either the Fed or BoC this year, though the latter will eventually need to cut in order to keep its currency from appreciating too much versus its trading partners.

Attractive Spreads Lead to Investors Increasing Loonie Bets



Source: Bloomberg, Raymond James Ltd.

Across the pond, the Euro has been among the worst performing majors in 2019, largely due to being an unfortunate victim of China's economic slowdown, which revealed its weakest growth in 27 years this past fall. Pain can also be attributed to beleaguered sentiment stemming from the Brexit fallout as well as US-EU and US-China trade negotiations. As Germany's core manufacturing segment weakens, typically the stronghold of the European economy, confidence in the region wanes. With the European Central Bank's (ECB) short-term lending levels already in negative territory and cash injections losing steam, traders are looking to fiscal policy for added support. Banks in Germany, burdened by the pressure that negative yields have had on their core lending businesses, are beginning to pass through negative lending rates to their retail clients. Meanwhile, the British pound took the spot as the second best performing G10 currency this year relative to its peers. Expectations for an orderly Brexit outcome have teetered back and forth due to several failed attempts to get a deal passed and an election that saw the incumbents lose ground in Parliament.

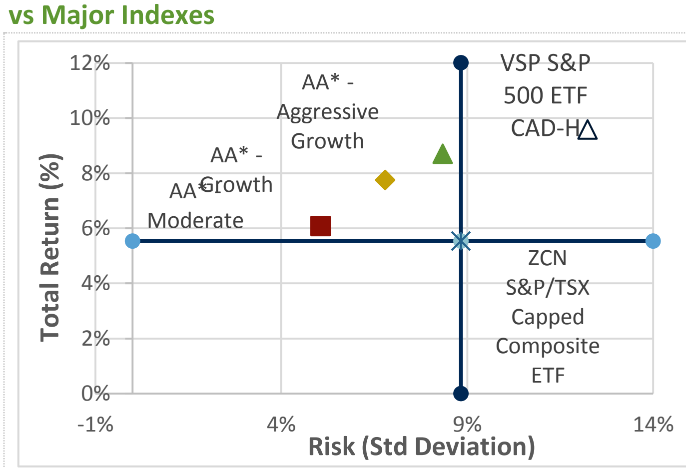
Chris Antony, CFA
Foreign Exchange

Don't Look Back in Anger

What a year for major equity indices! Equity markets are essentially back to all-time highs after a rough 2018 with the TSX Capped Composite down 8.84% on the year and the S&P 500 down 9.24% in December 2018 alone. After a year to date like this, you might look at your own portfolio and wonder why you did not just invest all your assets in one of these benchmarks. While it sounds like a tempting proposition in hindsight given that year to-date at month-end the TSX capped composite is up 22.29% and the S&P 500 is up 25.74%, it's never good to drive down the highway only looking in the rear view mirror. Given market performance to date, we wanted to compare equity index performance from plain vanilla ETFs with our own asset allocation models to highlight the benefit of global diversification.

For this analysis, we compare the broad based equity benchmarks of the TSX Capped Composite and the S&P 500 CAD Hedged (to isolate any currency performance) against the Raymond James Ltd. asset allocation models for moderate, growth and aggressive growth investors. The asset allocation models are comprised of investable ETFs for an apples to apples comparison. If a picture is worth one thousand words, the graph below nicely sums this piece up. From a risk return perspective, all of our global balanced asset allocation portfolios outperformed the TSX Capped Composite index on a five-year basis. Looking to the US markets, while the S&P 500 delivers a higher annualized return, investors are required to take on considerably more risk to achieve this as compared to an aggressive growth portfolio.

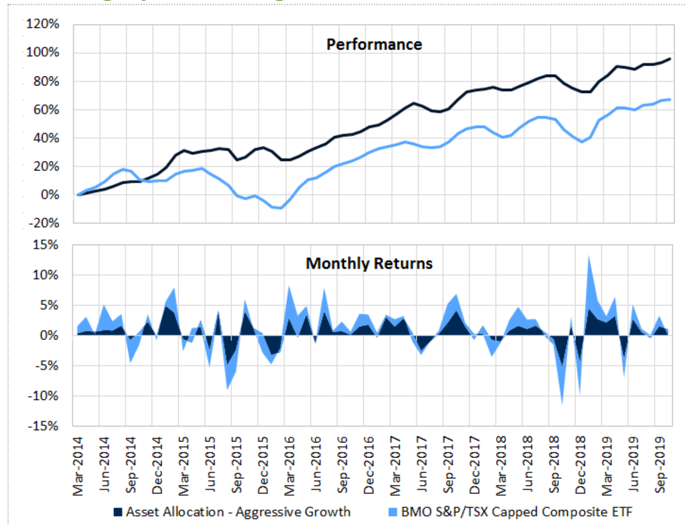
Risk Return Target Chart – Global Balanced Portfolios vs Major Indexes



Source: Morningstar. 11/1/2014 – 10/31/2019. *AA – Asset Allocation

A globally diverse portfolio not only helps provide better risk-adjusted returns, but the stability of those returns is a key factor in helping people remain invested over a full market cycle. Sharp drawdowns can be unsettling and make individuals feel the need to seek shelter in less volatile or 'safer' investments. The graphs below highlight the quintessential strategy of winning by not losing. Consistently shallower drawdowns coupled with market performance in good times can deliver out-performance and a much smoother ride.

Winning By Not Losing



Source: Morningstar. As at November 30, 2019

One additional benefit that comes from following an asset allocation approach is the process of rebalancing and rotating between equities, bonds and cash. Times of market stress can in fact be excellent buying opportunities for individuals with 'dry-powder' who are able to rotate their asset allocation from cash and bonds into equities. Likewise, following an asset allocation approach provides a systematic framework to rotate out of equity markets, typically during periods of strong outperformance in equities. While you do not want to sell your winners too soon, it is always best to be able to remove the emotional aspect of investing.

Finally, it is also important to look not only at return performance on a yearly basis but also at what individual investors' experiences can be along the way. Let us look again at those excellent year-to-date numbers on the major indices highlighted in the chart below. If you had invested in the S&P 500 or S&P/TSX in late September when the markets had hit their 2018 highs, you certainly would have experienced a different return profile as highlighted here. We can see that any asset allocation portfolio outperformed the S&P 500 from this peak to our current point. What is more interesting, however, is that you would have taken on more than double the risk compared to a moderate investor while underperforming by 100 basis points. Without focusing on performance, what this highlights is that individual market participants' experience can vary greatly compared to the return figures we see highlighted in the news. Furthermore, trying to time our entry and exit points from the market is difficult at the best of times. What remains important is to be fully invested, and dollar-cost averaging new contributions throughout time as new funds become available. Combining dollar-cost-averaging with an asset allocation approach removes several key emotional and behavioural bias and many difficult decisions along the way.

Investment Timing - Buying the top of the market in late 2018 vs 2019 YTD

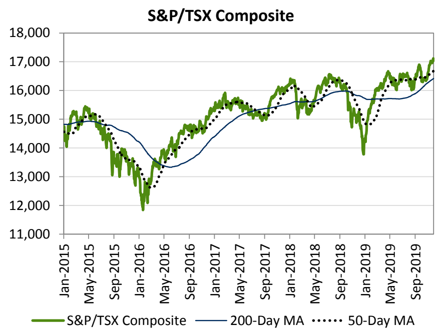
	Total Return Since…		Risk (Std Deviation)	
Name	Sept 21, 2018	YTD 2019	Sept 21, 2018	YTD 2019
AA - Aggressive Growth	7.88	18.93	10.09	7.92
AA - Growth	7.97	16.43	7.91	6.20
AA - Moderate Portfolio	7.84	13.73	5.30	4.43
VSP-T - S&P 500 CAD-H	6.57	25.74	15.85	13.19
ZCN - S&P/TSX Capped Composite	7.94	22.29	9.50	10.40

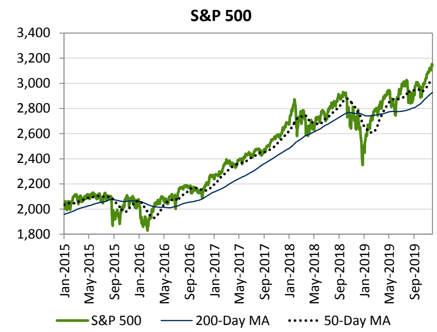
Source: Morningstar. As at November 30, 2019.

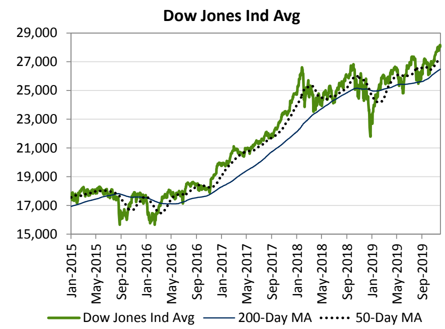
Spencer Barnes, MSc., CIM
AVP, Mutual Fund & ETFs Strategy

Charts of Interest

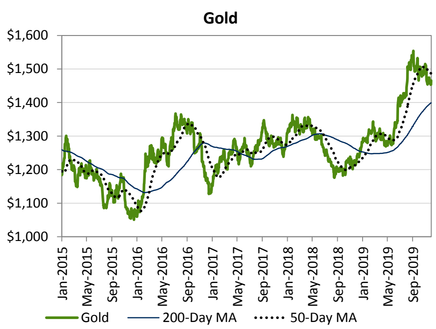
Markets

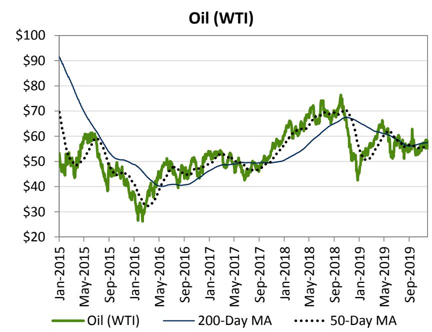


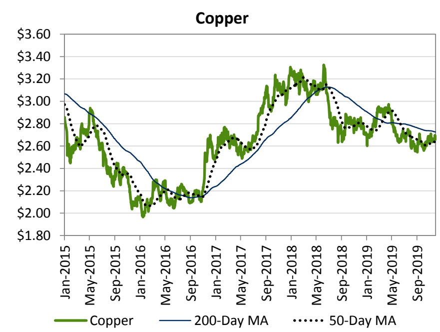




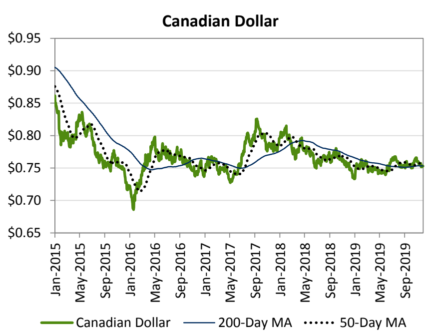
Commodities

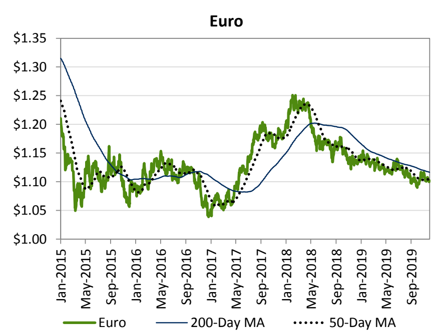


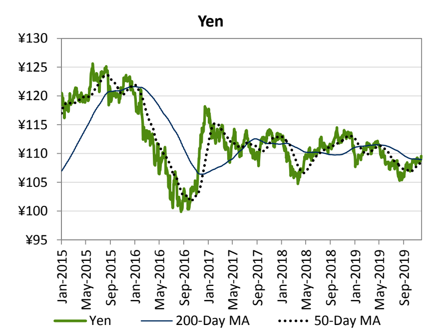




Currencies







Source: Bloomberg, Raymond James Ltd. Performance as at November 30, 2019.

Important Investor Disclosures

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