

Cash Flow Solutions Model Portfolio

Q1 Quarterly Commentary - as of March 31, 2020

What a difference a month makes! On March 11 the World Health Organization declared the COVID-19 outbreak a global pandemic. Sports, schools and almost all non-essential business are closed or cancelled. Investments plunged in value losing on average 1/3 of their value in days. Certain sectors of the market held up better than others but none were spared. It was a quarter for the history books.

The TSX and Dow were down 21.59% and 23.20% respectively for the quarter. The model was down approximately 14.65%. We encourage you not to get too despondent about the short-term performance of the portfolio. Although the situation is changing constantly, we remain confident that the economy will shine again. In the meantime the investment income from your investments in the form of dividends and interest continue to be paid in your accounts.

What do we focus on now?

1. Portfolio Mix – I want to remind you that our investment mandate is diversified and we do not own 100% stocks. As of this writing the portfolio is 67% invested in stocks, 21% in bonds and 12% in cash. This mix was designed to reduce risk and provide liquidity within the portfolio. The cash will be used to take advantage of opportunities in the market to make the portfolio more resilient but patience is key.

2. Government Response – Governments globally are providing stimulus packages to offer relief to businesses and

workers being affected the most by COVID-19. The longer the containment measures last for society the greater need there will be for more government relief. We are closely monitoring the effects these announcements are having.

3. Emotional Investment Cycle - Emotions play a vital role in investing and now more so than ever. With heightened uncertainty investors are becoming more fearful. The graph below shows the emotional investment cycle and we're mostly likely in the panic or capitulation phase, which is close to the bottom. The plan is to put cash to work throughout this cycle as we won't know exactly when the bottom is. The past few weeks have seen big moves down and up and it is possible to make money during this bottoming process.



Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

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Monthly and Q1 returns for the Cash Flow Solutions Model were as follows*:

<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Q1</u>
+1.87%	-3.72%	-12.84%	-14.62%

* **Returns are net of investment costs.** Please note that the actual performance of your account(s) this past quarter and for the year will vary due to inception date and the timing of deposits and withdrawal.

The Top Three Best Performing Investments for Q1 based on price gains

1. Algonquin Power & Utilities – up 3.57%
2. TD Science & Tech Fund - up 0.52%
3. iShares Real Return Bond Index – down 2.35%

As you can see from the top three performers above only two were in positive territory. When there is a mad dash for cash and investors are selling everything it is very challenging to have positive performance.

In an effort to limit losses and take advantage of opportunities more changes than normal were made to the model portfolio during the 1st quarter:

- Sold all of **Walt Disney (DIS-US)** to limit our losses as the theme park closures due to COVID-19 are going to materially impact their earnings.
- Sold half of **Home Depot (HD-US)** to limit losses.
- I also took partial profits again in **WSP Global (WSP-T)** and **Visa (V-US)** to raise cash as a defensive strategy to protect portfolios.

- Sold some of **Labrador Iron Ore (LIF-T)** and **Brookfield Asset Management (BAM.a-T)** and bought it back at lower prices.
- Added to **BCE (BCE-T)** and **Algonquin Power & Utilities (AQN-T)** at lower prices, which so far have proven to be profitable trades.
- Added two new positions that move independently of the market: **AGF IQ US Market Neutral Anti-Beta ETF (QBTL-T)** and **iShares Gold Bullion non-hedged (CGL.c-T)**
- Bought and sold **CIBC (CM-T)** to receive the quarterly dividend and take advantage of a quick 5% gain.

We thank you for your patience as we recognize the ups and downs in the markets during this heightened time of COVID-19 uncertainty can be very unsettling. Our success is linked to your success and we are working diligently to navigate these uncharted waters. **Please take care of yourself and call us if you want to talk!**

Wishing you and yours good health. Stay safe!

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