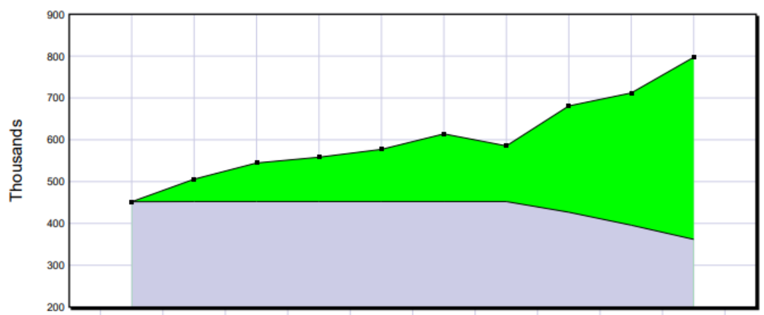
Cash Flow Solutions Model Portfolio
Q4 Quarterly Commentary - as of December 31, 2021

The pandemic clouded the outlook for investing for much of 2021 but the markets had another positive year with all the major North American indices up double digits. Unprecedented changes to spending patterns and shortages, in particular of labour, caused by the pandemic did not deter investors, and markets rose beyond most economists' expectations. **We are happy to report that for 2021 the PAX Cash Flow Solutions balanced discretionary model was up approximately 16%, including dividends and net of costs, building on the 9.5% return in 2020 and 21% return in 2019.**

Since we started the model discretionary balanced model in December 2012, accounts are annualizing 7.93% per year net of costs. Our investment focus remains on generating cash flow from your investments in the form of dividends and interest payments, along with capital gains from price appreciation.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Portfolio Growth (Cumul.)	29	53K	92K	106K	124K	161K	133K	254K	316K	435K
Deposits - Withdrawals (Cumul.)	451K	452K	452K	452K	452K	452K	452K	426K	395K	361K
Market Value	451K	505K	544K	558K	577K	614K	585K	680K	711K	797K
Return	0.01%	11.85%	7.66%	2.53%	3.37%	6.40%	−4.67%	21.56%	9.51%	17.55%

return from December 19, 2012 to December 31, 2021: 7.93%

So what is the outlook for 2022?

Despite the uncertainty around the COVID-19 variants, we remain optimistic for several reasons:

1. We are projecting high single digit investment returns in the range of 7-9% for 2022. While this is still a healthy equity return, it will be a moderation from the lofty levels seen in 2021.
2. Our research suggests there are several Canada-specific advantages heading into 2022. We believe there remains significant value opportunities in Canada in resource and financial investments, relative to the U.S.
3. We continue to see dividend paying investments as a strong alternative to bonds. Given our outlook and the ability for stocks to see price appreciation, we favor dividend paying stocks given the low yield environment.
4. Interest rates will stay lower for longer. Yes, interest rates will likely rise from extremely low to very low in 2022, but don't confuse rising rates with high interest rates.
5. Strong corporate earnings growth in 2022. Analysts still believe we will see strong corporate earnings growth that will help reduce the valuations of the market.

We believe that the model portfolio can still grow modestly throughout 2022. Our plan is to continue to provide a smoother, risk-adjusted return than the market by focusing on diversification, dividend-income and maintaining a balanced approach to portfolio allocation.

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Monthly and Q4 returns for the Cash Flow Solutions Model were as follows*:

Oct	Nov	Dec	Q4
4.78%	-0.59%	3.33%	7.60%

* **Returns are net of investment costs**. Actual performance of your account(s) will vary due to inception date and the timing of deposits and withdrawals. Your complete performance for the full range of periods can be found on the portfolio summary page.

The top three performing investments for the full year 2021 based on price gains:

WSP Global	+52.28%
Suncor	+48.24%
Russel Metals	+47.95%

*Special mention of Labrador Iron Ore, which paid out almost 20% in dividends and had price gains of 15% for the year!

During the 4th quarter, the following changes were made to the portfolio model:

- We bought shares of **Whitecap Resources (WCP-T)** due to their free cash flow and discounted valuation. The energy sector should continue to be strong with the reopening of the economy.
- We added to **Royal Bank (RY-T**) to increase portfolio yield, or cash flow, and also improve the stability of the portfolio. In addition, banks tend to do well in a rising interest rate environment.
- We sold all of **Algonquin Power & Utilities (AQN-T)** due to underperformance and to raise cash to add to Royal Bank.

As we head into a new year, it's clear in hindsight that the market downturn of 2020 was short-lived and entirely related to the COVID-19 outbreak. We are mindful of the challenges that higher inflation and higher interest rates pose yet remain confident we can adapt to the changing environment.

We thank you again for your patience as we recognize the ups and downs in the markets can be unsettling. Our success depends on your success, and we value the relationships we have with you. We thank you as well for the numerous referrals we've received. Your confidence and trust in us is appreciated.

Wishing you continued success, good health and happiness for 2022!

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