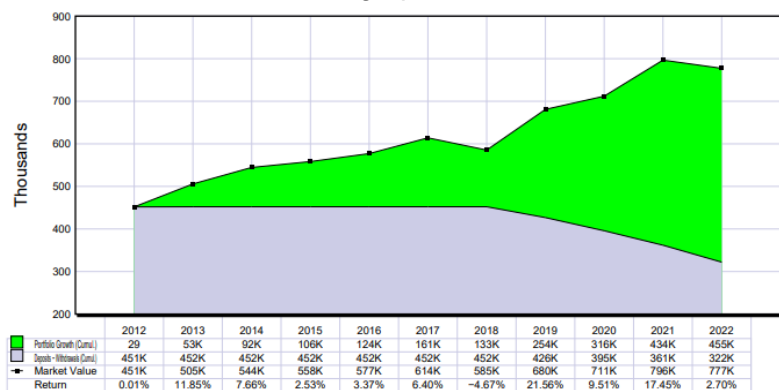


# Cash Flow Solutions Model Portfolio

## Q1 Quarterly Commentary - as of March 31, 2022

We are thrilled to see portfolios invested in the PAX Cash Flow Solutions model show a positive year-to-date return of approximately 2.70%! Exposure to commodities and financials was a big driver of outperformance. However, the major U.S. indices didn't fare as well with surging inflation, rising interest rates and geopolitical tensions. Rising interest rates compressed valuations for growth stocks.

The model currently has an asset mix of 15% fixed income & cash and 85% equities. While the economic and investment landscape is not favouring fixed income investments due to rising interest rates, we still maintain a balanced asset approach to reduce volatility. **Despite the ups and downs of the markets over the years, the annualized return of the model portfolio is approximately 8% net of costs since December 2012.** See graph.



return from December 19, 2012 to April 1, 2022:

8.00%

### What do we focus on now?

**Surging Inflation** – Inflation rose 5.7% year-over-year in February, the fastest pace of price increases since 1991, led by a 32.3% surge in gas prices and 7.4% increase in food prices. We anticipate inflation will remain elevated.

**Rising Interest Rates** – Central banks around the world are increasing interest rates from all-time lows during COVID. This will be a delicate balancing act as rising interest rates can stifle the nascent economic recovery. Rising interest rates will also negatively impact bonds (fixed income) prices and we'll be looking for alternatives in this space.

**Commodity Shortages** – The global commodities market is struggling to keep up to demand. Supply will take time to catch up after years of under investment.

**Russia/Ukraine Tensions** – The Russian equity market is very small as it is equivalent to the 26th biggest company in the S&P 500. Apple is 10x larger than the Russian equity market. However, Russia has a number of key commodities that are exported including wheat, fertilizer, oil & gas, palladium, and more. We expect to see elevated prices in these areas with the new and existing sanctions.

# Cash Flow Solutions Model Portfolio

## Q1 Quarterly Commentary - as of March 31, 2022

### PAX Portfolio Advisory Investment Themes

We favor energy companies, and holdings include: **Suncor (SU-T)**, **Whitecap Resources (WCP-T)**, **Ninepoint Energy ETF (NNRG-T)** and **Parkland Fuel (PKI-T)**.

We also see opportunity in commodity-based investments as we are seeing increased prices. Holdings include: **Nutrien (NTR-T)**, **Labrador Iron Ore (LIF-T)**, and **Russel Metals (RUS-T)**.

We like the banks and financials because they are positively correlated to rising interest rates. Banks benefit from rising interest rates as their net interest margins grow (spread between rates charged on loans and interest paid on deposits). Holdings include **Royal Bank (RY-T)**, **TD Bank (TD-T)**, and **Brookfield Asset Management (BAM.A-T)**

### The top three best performing investments for Q1

1. Whitecap Resources (WCP-T)	+38.05%
2. Nutrien Ltd. (NTR-T)	+35.91%
3. Suncor Energy (SU-T)	+28.59%

### During Q1, the following investment changes were made:

- We started the year by trimming WSP Global (WSP-T) as the investment grew into a large position.
- We made additions to our main investment themes, including Whitecap Resources (WCP-T), Nutrien Ltd. (NTR-T), Ninepoint Energy fund ETF (NNRG-T) & Russel Metals (RUS-T).

- We trimmed TD Science & Technology Fund (TDB422) to lower our exposure to the technology sector as rising interest rates will hinder the growth potential of technology investments.

Making changes in a geopolitically unstable environment is not easy but we have processes and plans in place to navigate the uncertainty. We maintain an optimistic outlook and think 2022 will be a positive year driven by our tilt to cyclical investments.

As we've said many times in the weekly IN FOCUS newsletter, headlines will continue to move markets on a daily basis. Remember to stay focused on long-term results. Feel free to call Taylor or myself to review your portfolio. As always, thank you for your continued patience.

*Wishing you and yours a spectacular spring!*

**Trixie Rowein, B.Comm., CIM®, CFP®, CPCA®**  
Portfolio Manager & Financial Advisor

**Taylor Cooper, B.Comm.**  
Licensed Portfolio Manager Assistant

**Alexa Cousiño**  
Admin Assistant

This Quarterly Market Comment has been prepared by Trixie Rowein and expresses the opinions of the author and not necessarily those of Raymond James Ltd. (RJL). Statistics and factual data and other information are from sources RJL believes to be reliable but their accuracy cannot be guaranteed. The performance outlined in the report is net of fees. The TSX Composite return is a price return. The client account performance may vary from the model portfolio due to several factors, including the timing of contributions and dates invested in model. The performance reported is that of the account that represents the model, not a composite. Performance calculation for the models may be different than the index used as a reference point. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. This Quarterly Market Comment is intended for distribution only in those jurisdictions where RJL and the author are registered. Securities-related products and services are offered through Raymond James Ltd., Member-Canadian Investor Protection Fund.