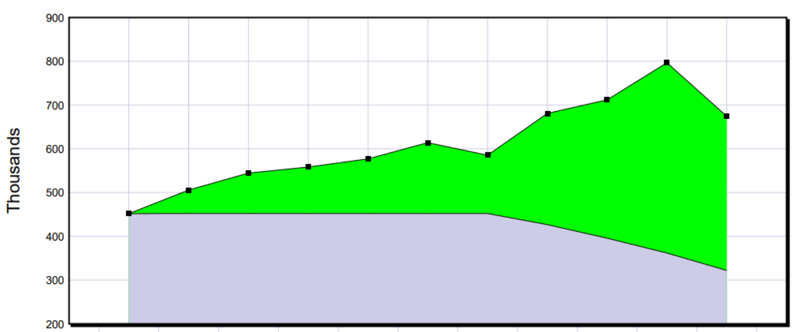
Cash Flow Solutions Model Portfolio
Q2 Quarterly Commentary - as of June 30, 2022

The second quarter finished with one of the biggest declines we've seen since the COVID correction in 2020. Higher than expected inflation and worries about the Federal Reserve and Bank of Canada taking an even more aggressive rate-hike path have spooked many investors. The speed at which interest rates are rising is undermining the confidence in the economy leading to recession talks. However, it's important to keep in mind that down markets are followed by up markets. Over the long run, markets go up a lot more than they go down, otherwise why would anyone invest? **The PAX Cash Flow Solutions discretionary model is down approximately –10.85% for 2022, after three stellar positive years of 21.56% in 2019, 9.51% return in 2020 and 17.45% return in 2021. Since we started the discretionary model in December 2012, accounts are currently annualizing 6.44% per year net of costs.**



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Portfolio Growth (Cumul.)	29	53K	92K	106K	124K	161K	133K	254K	316K	434K	352K
Deposits - Withdrawals (Cumul.)	451K	452K	452K	452K	452K	452K	452K	426K	395K	361K	322K
Market Value	451K	505K	544K	558K	577K	614K	585K	680K	711K	796K	674K
Return	0.01%	11.85%	7.66%	2.53%	3.37%	6.40%	−4.67%	21.56%	9.51%	17.45%	−10.85%

return from December 19, 2012 to June 30, 2022: 6.44%

So what is our investment plan for Q3 2022?

1. 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. Gains may be more difficult to come by and we will look at becoming more tactical and selective.
2. Market volatility will most likely continue as investor concerns over high inflation, higher interest rates and recession possibilities.
3. We suggest in the current environment investors remain diversified with a focus on dividend paying investments.
4. We believe Canadian/North American value investments should outperform on a relative basis, which bodes well for certain sectors such as energy, financials, materials and telecommunications.

There have been few places to hide as even fixed income or bond investors are down double digits. Currently the path of least resistance is down as investors are pessimistic and selling good assets along with subpar assets. **We believe that the model portfolio can still finish positive for 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 Q2 returns for the Cash Flow Solutions Model were as follows*:

Apr	May	June	Q2
-3.01%	-0.49%	-10.41%	-13.27%

* **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 2022 year-to-date based on price gains:

Suncor (SU-T)	+46.51%
Ninepoint Energy Fund ETF (NNRG-T)	+41.96%
Whitecap Resources (WCP-T)	+21.23%

During the 2nd quarter, the following changes were made to the portfolio model:

- We sold all of **CGI Inc. (GIB.A-T)** to raise cash in the portfolio. This investment does not pay a dividend.
- In its place we bought **Enbridge (ENB-T)** in the model which has been a steady investment during this volatile period and pays a dividend of over 6% per year.
- We sold all of **Home Depot (HD-US)** due to poor performance and the outlook for the home building and renovation sector is looking weak as interest rates continue to rise.
- We sold all **TD Science & Technology Fund (TDB422)**. The technology sector has already seen a large valuation contraction and we believe there is more to come.

The Power of Dividends

When investments decline in value during a stock market correction it is helpful to know that cash is continually coming into your accounts in the form of dividends and interest. The **PAX Cash Flow Solutions Model** generates approximately 3.84% in income per year, which helps to offset market declines.

The chart below highlights the top 10 yielding investments in the **Cash Flow Solutions Model** as of June 30, 2022 based on market yield. Market yield is calculated by dividing the dividend or interest paid by the current market price. If the market price drops then the market yield goes up, which will help attract investors, and limit the potential investment decline.

Investment Name	Symbol	Dividend Yield
Labrador Iron Ore	LIF	12.91%
Enbridge	ENB	6.28%
Russel Metals	RUS	5.81%
BCE Inc. (Bell)	BCE	5.80%
CI Canadian REIT ETF	RIT	4.78%
TD Bank	TD	4.22%
Royal Bank	RY	4.07%
Suncor	SU	4.05%
Whitecap Resources	WCP	3.96%
Parkland Corporation	PKI	3.69%

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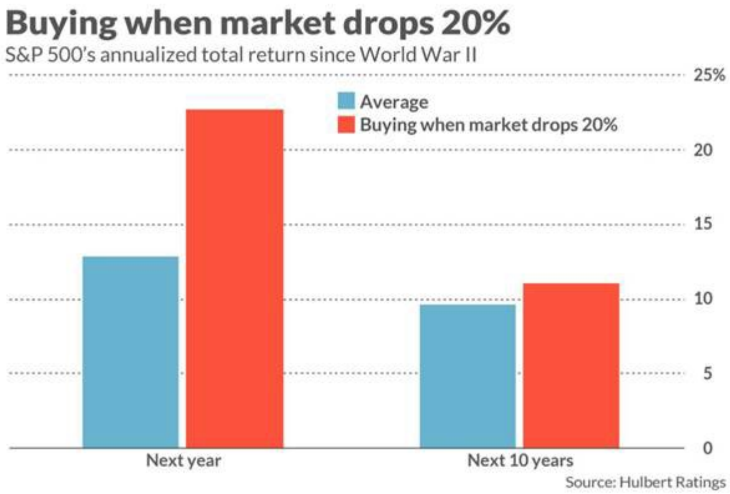
Bear Market History

When investments decline in value during a stock market correction it is helpful to note the history of bear markets. There have been 26 bear markets since 1928. The average decline was 35.62%, and the average length of time was 289 days. However, buying when the market is down 20% has led to large outperformance for long-term investors. The graph below shows after buying a 20% dip the next year's performance average is +22% and the next 10 year average annualized return is 11%.



We appreciate that seeing your portfolio decline is far from pleasant. As I remind myself, and others, this too shall pass like every other dark episode in the markets (and there have been many). As we mentioned earlier, over the long run, markets go up a lot more than they go down, otherwise no one would invest. Patience is key.

Remember we are as close to you as your phone or computer. Please reach out if you want to talk and review your situation. Thank you. Take care of yourself and your loved ones.

Wishing you all a spectacular summer!

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