Girard, Pilkey & Associates Wealth Management
Portfolio & Markets Review

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Capital Markets & Investment Strategy Update

October Weakness

Investors got a little spooked in October and took cover near the end of the month. The fear lead to global equity markets having their worst month since the Covid-induced sell-off in March, despite economic data and corporate earnings results that were actually quite impressive. Election uncertainty, stalled stimulus progress, and rapidly increasing virus counts, however, were too much for already jittery investors as they opted for safety.

By the end of the month, almost all global equity markets were in the red, except for Emerging Markets; which provided the lone bright spot as it appears China continues to do a good job managing the pandemic, with their economy getting mostly back to normal. As a result, Canadian equities fell -3.1% for the month; the S&P500 was lower by -2.7%; and European equities, really hampered by re-introduced lockdowns, lost -4.0%. The Emerging Markets outlier gained 2.1% for the month.

Reinforcing the fact that a pandemic and near zero interest rates are causing some unique pricing behavior among investments, the traditional safety assets also lost ground in October. The Canadian Bond Universe Index fell -0.8%, gold lost -0.37%, and gold stocks dropped a whopping -4.2% for the month.

Even the market-loving large tech stocks took it on the chin in October, with Canada's favourite tech company, Shopify, giving back 9.8% during the month.

When we have an almost across the board sell off in investment markets, like we had last month, Our Balanced Growth Model Portfolio, and thus your portfolio, is going to have a drawdown for the month; there's just no way around it some months. But that's

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expected and okay, because we know trees don't grow to the sky and there will always be negative periods for portfolios that aim to grow better than GICs. Successful portfolios, however, employ strong risk management principles to minimize those down periods, while still being able to capture the upside growth (which fortunately is historically 65% of the time; according to research done by Jeremy Schneider, since 1920 the S&P500 was up roughly 65% of all months). Those risk management techniques helped the model portfolio in October and kept losses to a reasonable -1.4% for the month (with the peer group down -1.9%).

The good news is, November is turning out to be one of those strong growth months, helped by an almost settled election result and positive news on the vaccine front, and the GP&A Balanced Growth model is up over 5.0% thus far for the month (as of November 26th). The portfolio is being helped by our overweight to high-quality value stocks as money rotates into those companies most helped by a re-opening of the economy (looking forward 6-9 months as the markets always do). Perhaps this is an early Christmas present.

Here's how the key indexes performed for the month of October:

Bellwether Indices	Source: CIBC Wood Gundy				
As at October 30th, 2020	Price Performance % Change				
	1 mo	**3 mo**	**6 mo**	**12 mo**	**YTD**
S&P/TSX Composite Index	-3.1	-2.9	7.1	-2.3	-6.1
S&P 500 US Index	-2.7	0.4	13.3	9.7	2.8
MSCI EAFE (Europe & Japan)	-4.0	-1.6	8.8	-6.5	-10.4
FTSE Canada Bond Universe Index	-0.8	-1.6	1.7	6.5	7.2
Canadian vs. U.S. Dollar	0.0	0.7	4.7	-1.2	-2.5
Morningstar CDN Neutral Balanced[1]	-1.9	-1.2	4.5	0.4	-1.6
GP&A Balanced Growth Model[2]	**-1.4**	**0.6**	**7.3**	**0.5**	**-1.8**

[1] The Morningstar Canadian Neutral Balanced benchmark is an industry regulated benchmark that reflects the performance of all Funds in Canada that invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities. In addition, they must invest greater than or equal to 40% but less than or equal to 60% of their total assets in equity securities.

[2] The GP&A Balanced Growth Model portfolio returns are the aggregate actual performance of all clients currently in that investment strategy managed by GP&A Wealth Management (time weighted and net of costs). Individual client portfolio performance may differ materially from the performance results set out above due to various factors including cash flows, risk/return profile, individual investment preferences, etc.

Looking Forward

Although the road may be bumpy, current economic, consumer spending expectations, interest rates and market valuations suggest up-trending equity markets over the next twelve months, at least. And, assuming there are multiple safe and effective vaccines available in the near future, the value and high-dividend oriented investments should outperform (as their valuations look far more compelling than the current market leaders and will benefit more from a re-opening of the economy). If this scenario transpires, our GP&A model portfolio should do very well as we have a strong tilt in our investment strategy toward investments that will benefit in that environment.

We will keep this section brief this month as we are preparing to hold a webinar event that will go into more detail with regard to portfolio holdings, strategy, etc. You will receive an invite for this soon.

In the meantime, and as always, stay well and don't hesitate to ask if you have any questions…we're here to help.

Sincerely,

Daniel Girard

Daniel E. Girard

Data Sources: CIBC World Markets, Thomson ONE.