



ASSANTE
WEALTH MANAGEMENT

Portfolio Construction

Trending for the Long Term

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Market activity in the past few weeks has reminded us of the dangers of speculation. A small number of early investors make vast profits at the expense of a much larger number of late entrants who end up losing their shirts. Our philosophy has always been to look beyond the next "big trade" and stay focused on what matters most, helping our clients achieve their financial goals with predictability and consistency.

Market trends

As we look ahead to determine our portfolio positioning, three burgeoning trends drive our strategic vision.

Digitalization: It's highly likely that digital goods and services will continue to make up a larger share of the overall economy. Rampant innovation and exponential improvement in processing power have permanently altered the way we consume and conduct business. The COVID-19 pandemic has only accelerated the trends that were already developing, including shifts towards online shopping and working from home.

Decarbonization: We expect there will be a secular shift away from fossil fuels and towards sustainable energy. Major governments are already implementing initiatives to reduce greenhouse gas emissions and meet climate change targets, and investors have begun to reallocate capital away from traditional energy industries. We believe that these trends present both risks and opportunities for entire sectors over the long-term.

Debasement: Aggressive monetary and fiscal policy measures have drastic implications for our strategic equity and fixed-income exposure. Central bank balance sheet expansion and large fiscal stimulus packages are being funded by money printing, which has sharply increased money supply and threatens currency debasement. We believe that these actions increase the likelihood of inflation, which means investors need more exposure to assets that can protect purchasing power (equity, alternatives) and less to assets with fixed payments (bonds).

Portfolio management and positioning enhancements

In order to compete in a world of increasing digitalization, changing investor preferences and currency debasement, we have made the following enhancements to our investment platforms.

Asset mix flexibility: We have increased the flexibility of our investment platforms to capitalize on tactical opportunities across four levers: asset class, region, factor and sector. In a world of low interest rates, top-down asset allocation is more important than ever in helping our clients achieve their financial goals with predictability and consistency.



New managers: We've added new investment strategies that are well positioned to benefit from current market trends. Munro Partners, for example, has an impressive track record of identifying secular winners in global equities. The firm relies on a unique investment philosophy that eschews the standard definitions of region and sector, and instead segments investments into secular, sustainable growth trends labelled as "areas of interest," adding a new perspective on investment opportunities.

Alternatives: We recently introduced investments in private equity, private debt and private infrastructure. These holdings are expected to provide several benefits, including low correlation to our existing portfolio holdings, higher return potential, absolute return focus and a smoother return profile. We are starting with smaller allocations to familiarize ourselves with the structure and investment process, then slowly add to the positions as the funds get off the ground. Our early participation should put us in a favourable position to make larger allocations when the managers are ready to call capital.

Combined top 15 equity holdings as of January 31, 2020 of the Evolution 40i60e Standard portfolio with Alpha-style exposure:

- | | | |
|-------------------------------------|---------------------------|------------------------------------|
| 1. Microsoft Corp. | 6. CGI Inc. | 11. Fortis Inc. |
| 2. Amazon.com Inc. | 7. Humana Inc. | 12. Tencent Holdings Ltd. |
| 3. Alphabet Inc. | 8. Empire Company Ltd. | 13. Canadian Tire Corporation Ltd. |
| 4. Brookfield Asset Management Inc. | 9. Apple Inc. | 14. Visa Inc. |
| 5. Royal Bank of Canada | 10. Lowe's Companies Inc. | 15. Booking Holdings Inc. |

Source: Bloomberg Finance L.P. and CI GAM | Multi-Asset Management as at February 10, 2021

For more information, we encourage you to speak to your advisor or visit us at [assante.com](https://www.assante.com)

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