Asset Allocation

PRIVATE CLIENT SOLUTIONS

Quarterly Outlook: Remain OW Equities, UW Bonds, and UW Cash

Nadeem Kassam, MBA, CFA
Head of Investment Strategy

Tavis C. McCourt, CFA
Institutional Equity Strategist

Scott J. Brown, Ph.D.
Chief Economist

Douglas Drabik
Senior Retail Fixed Income Strategist

Ajay Virk, CFA, CMT
Fixed Income & Foreign Exchange Specialist

We all experienced a lot of change during the pandemic, including events planned for 2020 (like the Olympic Games) being postponed until 2021. The yearlong wait for the Olympic Games in Tokyo is almost over, but the delay has increased the hosting price tag by about US$5.8 billion. Similarly, investors have seen quite a bit of change in the markets; however, with vaccination efforts picking up momentum, there is light at the end of the tunnel. Below, we discuss the IASG committee's outlook for the global economy and outline our tactical asset allocation recommendations for the next 9-12 months.

Key takeaways:

- **Not all countries are at the same starting line, but more and more countries are entering the race.** We believe the upward revision by the Organization for Economic Co-operation and Development (OECD) for global real GDP growth to ~6% year-over-year (YoY) in 2021 is being powered largely by strength across advanced economies (e.g., US, UK, Canada, etc.), which we believe are tracking ahead of their emerging market peers on vaccination/reopening efforts. It also relates to fiscal/monetary policy measures.
- **In terms of vaccinations, Canada started slow but has not only caught up to the pack but also begun to pace the race.** With strong vaccination momentum building across Canada, we expect a broad based reopening to act as a positive tailwind for Canadian equities and the broader economy with real GDP set to peak in Q3/2021 up ~6% YoY. As for the US, we continue to maintain a positive outlook for the US economy as economic growth has already exceeded Q4/2019 levels as of Q1/2021, ahead of most advanced regions, and is expected to increase 7.1% YoY.
- **To be one of the top countries at the Olympics, a deep and talented team is necessary – remain overweight equities.** Recent headlines related to peak growth, inflation and stimulus have caused a rotation out of cyclical/early-cycle plays (e.g., value, mid-small cap, and emerging/international equities) into late and mid-late cycle plays (e.g., large-cap, growth, etc.), which we believe is exaggerated. We expect this to be a short-term phenomenon and that the cyclical trade will resume into the back half of the year. We remain overweight equities versus bonds and cash. Within equities, we are overweight Canadian equities, developed markets and emerging market equities, with a neutral weight toward US equities. Our preference remains tilted towards early cycle plays, despite strong performance since the lows of the pandemic.
- **In any race, be it on water, the track or bike, sometimes it comes down to positioning – the right lane, making the pass at the right time or getting a tailwind when needed most – remain underweight fixed income.** We expect interest rates to remain volatile and suggest investors maintain an underweight allocation to fixed income relative to equities given the lower risk/return characteristics offered by the asset class.

Please read domestic and foreign disclosure/risk information beginning on page 7
Raymond James Ltd. 5300-40 King St W. | Toronto ON Canada M5H 3Y2.
2200-925 West Georgia Street | Vancouver BC Canada V6C 3L2.

A Bifurcated Global Economic Recovery

Light is beaming at the end of the tunnel as global vaccination efforts pick up momentum. We expect this to remain a key factor in the pace and strength of the rebound in the global economy back towards pre-pandemic levels. While over 3.5 billion COVID-19 vaccines have been administered globally, the effectiveness of the vaccine rollout has been uneven. It has been largely successful across most advanced economies, with weaker trends across most developing and emerging economies. We expect this difference to translate into a bifurcated and uneven recovery across the global economy in 2021 and beyond, especially as new virus variants emerge and spread globally. Advanced economies should perform well in the early phase of the cycle; in particular over the next 9-12 months, given their strong progress on the vaccination front. Select developing/emerging markets are expected to carry the baton thereafter.

OECD Economic Outlook Projections

Real GDP growth

%, year-on-year, colours indicate the direction of revisions since the December 2020 Economic Outlook

	2020	2021	2022		2020	2021	2022
World	-3.5	5.8	4.4	G20	-3.1	6.3	4.7
Australia	-2.5	5.1	3.4	Argentina	-9.9	6.1	1.8
Canada	-5.4	6.1	3.8	Brazil	-4.1	3.7	2.5
Euro area	-6.7	4.3	4.4	China	2.3	8.5	5.8
Germany	-5.1	3.3	4.4	India*	-7.7	9.9	8.2
France	-8.2	5.8	4.0	Indonesia	-2.1	4.7	5.1
Italy	-8.9	4.5	4.4	Mexico	-8.2	5.0	3.2
Spain	-10.8	5.9	6.3	Russia	-2.6	3.5	2.8
Japan	-4.7	2.6	2.0	Saudi Arabia	-4.1	2.8	3.8
Korea	-0.9	3.8	2.8	South Africa	-7.0	3.8	2.5
United Kingdom	-9.8	7.2	5.5	Turkey	1.8	5.7	3.4
United States	-3.5	6.9	3.8				

downward revision, by 0.3pp or more
no change or smaller than 0.3pp
upward revision, by 0.3pp or more

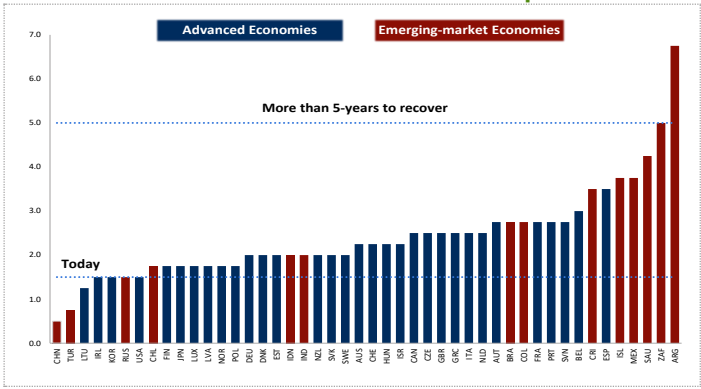
Source: OECD

According to the OECD, global output is expected to rise by ~6% year-over-year (YoY) in 2021, rebounding strongly from the ~3.5% YoY contraction in 2020. The recovery is being driven primarily by the unprecedented policy response by governments over the past year to preserve the health of the economy -- companies, households, and jobs -- in most advanced and some emerging-market economies.

While the crisis and the subsequent recession appeared on the surface to be short lived, the sheer size and magnitude of the global policy response (e.g., record speed of vaccine development, health measures, and monetary, fiscal, and financial support) was on all measures unprecedented and unlike policy responses we have observed in past crises. As a result, we have seen the manufacturing sector rebound sharply; merchandise trade has recovered strongly as borders have begun to gradually reopen and travel slowly resume. Moreover, the reopening is being accompanied by a surge in consumption and hours worked, which is very encouraging especially when looking back at March 2020, when strict global travel and work-from-home restrictions were being aggressively implemented globally.

While this is all very positive for most economies, the road ahead will likely remain choppy and unlike any prior recovery. We expect it will be dependent largely on effective vaccination programs and public health policies, in addition to continued policy support across the globe. On a GDP per capita basis, many advanced economies are recovering much faster than their emerging market peers are, and we expect most advanced economies to exceed their Q4/2019 real GDP per capita on average much sooner than their developing market counterparts. For example, Korea and the United States are at/near their pre-pandemic per capita income levels after about 18 months. Much of Europe may take nearly three years to fully recover. In Mexico and South Africa, it could take between three to five years according to the OECD.

Number of Years to Recover GDP Per Capita

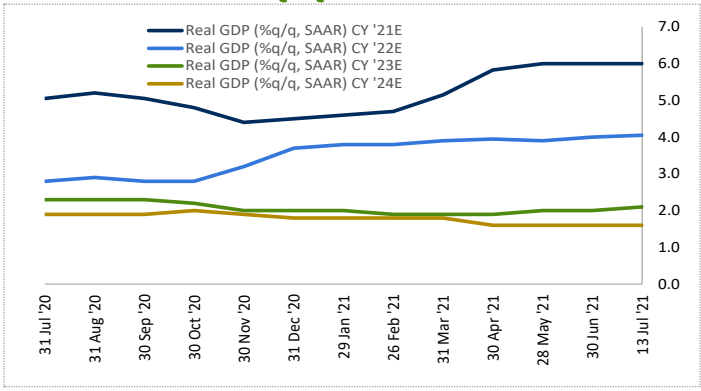


Source: OECD

Canadian Economic Outlook Still Positive

Vaccination efforts across Canada have accelerated despite a very sluggish start to the year, with more than ~70% of the Canadian population receiving at least 1 dose of a COVID-19 vaccine (more than all other G7 nations), while the fully vaccinated population is now hovering at ~45%. This compares to ~13% and ~2%, respectively as of the end of Q1/2021. We believe these efforts support the case for a stronger recovery into the second half of 2021, as several provinces, including Ontario, re-emerge from a strict third wave lockdown. That said, with strong vaccination momentum building, we expect a broad based reopening to act as a positive tailwind for Canadian equities and the broader economy with real GDP set to peak in Q3/2021 up ~6% year-over-year.

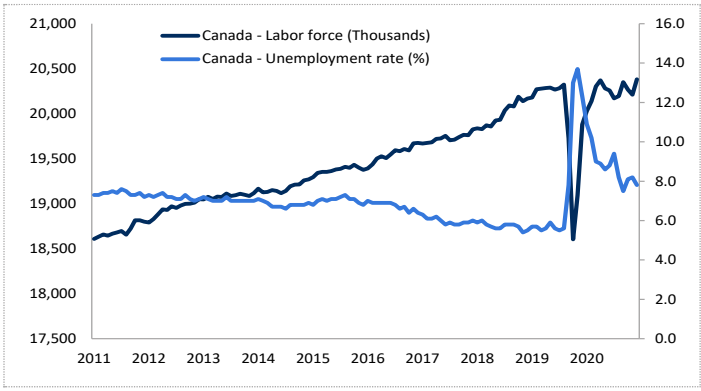
Real GDP Growth % QoQ - Calendar Year Trend



Source: FactSet

While employment levels remain below pre-pandemic trends, the latest jobs print released last week, showed that Canada's labour market rebounded sharply in June as several provinces, including Ontario, emerged from a third wave lockdown, helping it to recoup almost all of the job losses during the third wave. A surge in hiring as the economy reopened led to an increase of 230,700 jobs in Canada, with the unemployment rate hovering at 5.9%. Hard-hit sectors such as accommodation, food services, and non-essential retail led the way higher. That said, employment in the accommodation and food services industry remains more than 20% below its pre-pandemic peak, revealing just how much ground is left to make up. While the earlier-than-expected recovery in jobs means there's likely more moderate gains to come in July and August, we expect further steps to ease public health restrictions should translate into a solid summer for hiring.

Jobs Jobs Jobs…



Source: FactSet

Moreover, recent economic data, including a stronger than expected April GDP print, released on June 30, suggests that the Canadian economy was less bruised by the third wave than expected, adding further support to our view that the level of economic activity will reach its pre-Covid peak sometime in the third quarter. That said, even after attaining that milestone, there will still be slack in the economy to soak up, including on the employment front. As a result, we do not expect the Bank of Canada to be overly aggressive on the tapering/rate hike front.

US Economic Recovery Stronger than Expected, but Uncertainty Remains…

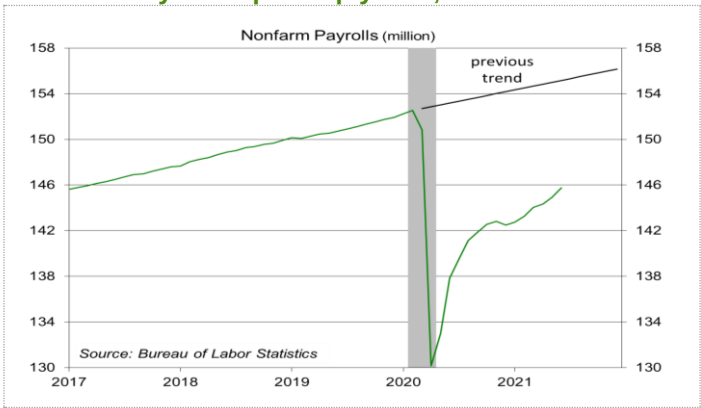
The U.S. economic recovery remained strong in 2Q21. Growth has been stronger than expected at the start of the year, reflecting more fiscal stimulus and the faster arrival of vaccines. However, while the recovery is well underway and expected to continue, the economic outlook remains highly uncertain. Direct deposits to households added to disposable income in January and March, helping to support consumer-spending growth in the second quarter. Consumer spending on durable goods rose well above the pre-pandemic trend, as consumers were constrained from spending on services.

As consumer services rebound, spending on goods should moderate. This appears to be the case in motor vehicle sales, although part of that reflects production constraints due to semiconductor shortages. Consumer surveys note concerns about variants of the virus, which is likely to delay a full recovery in services. Surveys also suggest that much of the household savings built up during the pandemic are likely to be held back as precautionary funds, rather than being spent. Child tax credits have been increased, and will be distributed monthly (instead of as an annual deductible). This will be especially beneficial for lower-income households with children and should support consumer-spending growth to some extent.

Business fixed investment appears to have been strong in 2Q21, reflecting increased optimism. Orders and shipments for nondefense capital goods ex-aircraft have risen sharply. However, spending on business structures remains soft. Workers are expected to return to offices, but not to 100% capacity. One probable consequence of the pandemic is the shift to working from home. If you can work from home, you can work anywhere – hence, increased demand for larger homes in more attractive locations. Ongoing supply constraints and affordability issues have limited the housing market, however. Home prices have risen sharply and there are some signs that potential buyers are beginning to balk. Job growth has been strong as the economy has opened up, but there are considerable challenges in matching millions of unemployed workers with millions of available jobs. Generous unemployment benefits have been a disincentive for the unemployed to return to the workforce. However, early evidence suggests that hiring difficulties have continued for states that have pulled back on federal unemployment support. It seems unemployed workers have re-examined their life choices and are pickier about the jobs they are willing to take. There are always labour market frictions, but these are more intense due to the speed of the economic

recovery. Difficulties in hiring have constrained output in some industries.

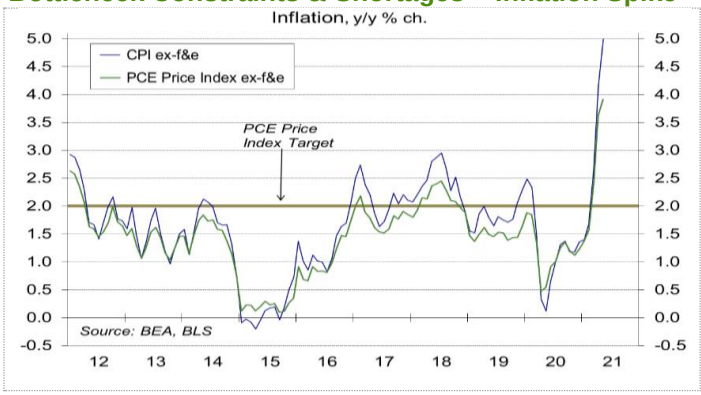
Nonfarm Payrolls up Sharply YoY, But Below Trend



Source: Bureau of Labor Statistics

Labour market frictions should add to wage pressures, although for consumers, wage gains are likely to be offset by higher inflation this year. Many employers set cost-of-living wage increases at the start of the year, so this will bear watching in early 2022. Inflation has surged. The CPI rose 5.0% year-over-year in May. Part of the increase reflects base effects. Inflation was low a year ago (the CPI rose 0.1% in the 12 months ending May 2020), and prices are "getting back to normal." In addition, we are seeing restart pressures. There are bottleneck constraints and materials shortages in every economic recovery, but these have been especially intense due to the speed of the recovery. These issues should be resolved over time, as they always are, but input price pressures have been more intense than expected and could last a lot longer.

Bottleneck Constraints & Shortages = Inflation Spike



Source: BEA, BLS

The Fed announced changes to its monetary policy framework last August. Following the high inflation of the 1970s and early 1980s, the Fed had acted pre-emptively in recent decades, raising short-term interest rates before inflation rises. That is no longer the case. The Fed's long-term inflation goal remains 2%. However, following a period of inflation below 2%, the central bank will pursue a period of inflation above 2%. There is no mathematical formula (how high inflation and for how long?). Policy decisions are still a judgement call. This shift comes during the current surge in inflation, but the Fed's resolve for the new framework should be solid. Fed officials believe price pressures will be transitory.

Federal Reserve officials revised their economic forecasts at the mid-July policy meeting. GDP projections were revised higher (7.0% 4Q21/4Q20). Fed officials expect higher inflation this year (PCE Price Index up 3.4%), but see inflation falling back toward the 2% long-term goal in 2022. Some officials have moved up their expectations of when short-term interest rates will be raised, briefly rattling investor confidence. However, the Fed is a long way from debating when to hike. Officials have opened the discussion of when to taper the monthly pace of asset purchases (currently $120 billion per month) and are expected to announce a decision later this year. Tapering is likely to start in December or early 2022.

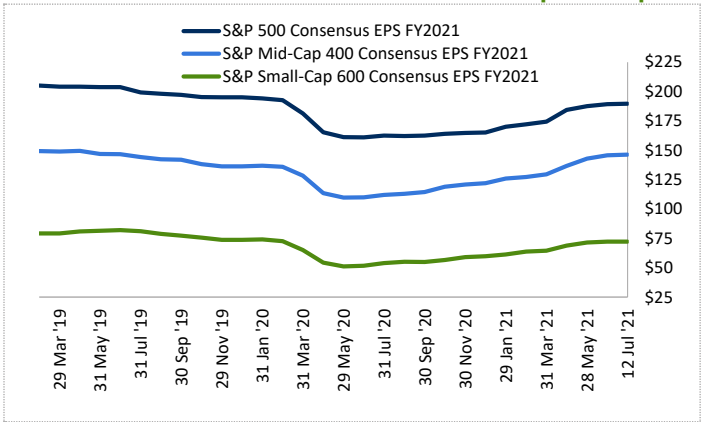
Staying Overweight Equities

Global equity indices have posted very strong returns in the first half of the year, including across North America, which have largely outperformed major fixed income indices. We believe strong vaccination efforts globally, in particularly across most advanced economies, and the magnitude of the policy response have been the biggest drivers of corporate earnings.

Broadly speaking across US equities, EPS expectations have been on an upward trend, which we expect will continue heading into the Q2/2021 earning season and beyond. Scanning across some of the major indices, the S&P 500 index consensus EPS is up from ~$160 to ~$190 over the course of the past three quarters, and continues to trend higher almost daily.

The same can be said for the S&P Mid Cap 400 index consensus EPS, which has increased from ~$110 to ~$146, and has just blown past the prior peak 2021 expectations pre-pandemic. The S&P Small Cap index has also followed a similar trend; EPS has increased from ~$55 to ~$72, but is still below the prior peak EPS year in 2019.

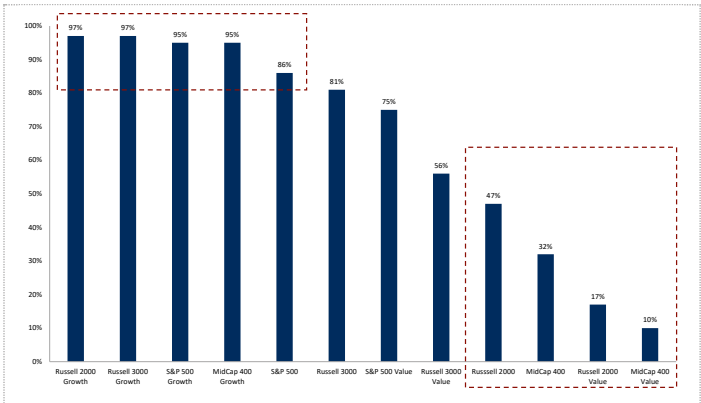
S&P Consensus EPS for FY2021 on The Up and Up



Source: FactSet

While earnings expectations continue to move higher across major indices in the US market, we note that valuations are largely skewed between growth and value across indices. Growth indices have never been more expensive, while smaller cap and value indexes are generally below 20-year median P/E levels going back to 2000. If rates rise, this will catch the market wrong-footed, as rising rates are historically pro-value and small cap. Given this view, we suggest investors maintain a neutral stance towards US equities, with a neutral weight in US large cap and an overweight allocation to US small-mid cap equities. In particular, we are seeing the most compelling opportunities in small-mid cap value in the US. While recent headlines suggesting peak growth, inflation, and stimulus have prompted a rotation away from the cyclical trade (value, small-mid cap), we think this is a reflection of more near-term noise and believe the cyclical trade continues to remain in vogue.

Valuation Percentile Based On '22 Est. Since 2000

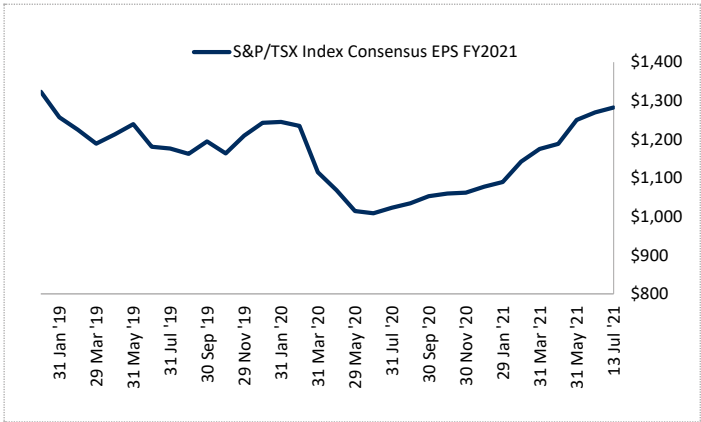


Source: FactSet; Growth Index Use EV/Sales, P/E for All Else

Within Canada, we expect further upside to EPS expectations in the back half of the year, as the reopening efforts pick up momentum as provinces re-emerge from the third wave of the COVID-19 lock down. For the S&P/TSX, we are seeing EPS expectations also on an upward trend, which we expect will continue heading higher through the upcoming earning season and beyond. S&P/TSX Index consensus EPS is up from ~$1050 to ~$1280 (reflecting YoY growth of ~72%), over the course of the past 3 quarters, and continues to trend higher.

We recommend investors maintain an overweight position to Canadian equities (S&P/TSX index) over US equities (S&P 500 index), due to our higher total return expectations for the index for the next 12-18 months (on a constant currency basis), where we see the potential for additional upside from earnings surprises and multiple expansion.

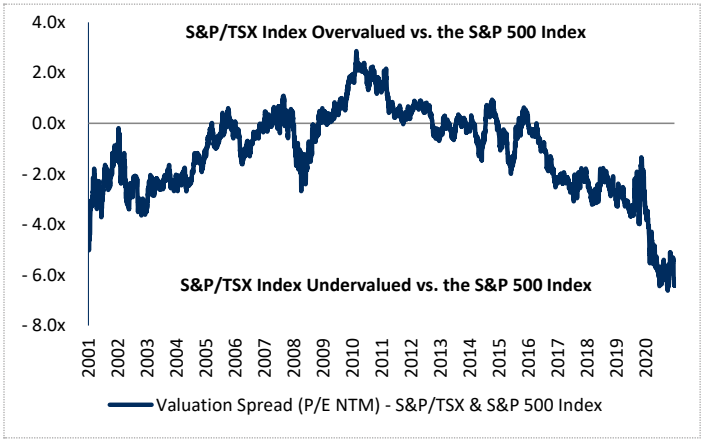
S&P/TSX Index Consensus EPS FY2021



Source: FactSet

Moreover, the S&P/TSX index valuation on a NTM P/E basis is trading at close to the widest discount versus the S&P 500 index in over 20 years. We believe this presents further opportunities for investors as we expect this valuation gap to narrow as the year progresses and we move into 2022. On a sector level, we continue to recommend investors maintain an overweight exposure to cyclical equities, which continue to look attractive from a relative valuation and earnings growth perspective. Moreover, our analysis shows that during the first one-to-two years following a market bottom, cyclical sectors tend to outperform their non-cyclical peers.

S&P/TSX Index Undervalued vs. the S&P 500 Index



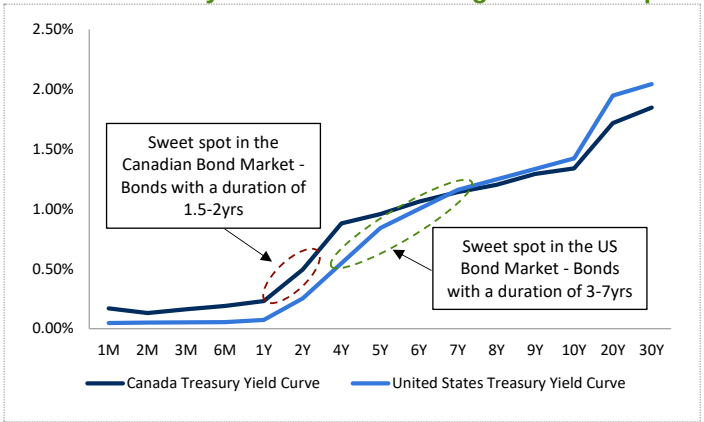
Source: FactSet

Outside of North America, we are seeing good opportunities across the advanced/developed markets, including Japan and the UK. While we are seeing compelling opportunities across several emerging markets, which remain captivating from a valuation standpoint, we believe the opportunities are bifurcated and we suggest investors remain very selective in adding exposure across these regions. After an impressive start to the year, Asia underperformed in the second quarter, as fears of peak growth, inflation and stimulus began to emerge. However, we now see a good opportunity for investors to revisit select markets across the region. Valuations look attractive relative to both global peers and bonds, and we expect a combination of economic reopening efforts and strong earnings growth to support stocks in the second half of the year. Concerning Chinese and Japanese equities, tech antitrust measures and monetary policy tightening concerns have contributed to Chinese equity underperformance in recent months. We think this presents a good opportunity for investors to buy the dip.

Underweight Fixed Income

We remain convinced that inflationary pressures are rising and, while transitory in nature, we believe the risks are skewed to the upside over the near-term rather than the downside, despite long-yields falling from their highs over the past several months on fears of peak inflation, growth, and stimulus. We continue to maintain the view that yields over the longer-term will find their way back lower after an initial step-up, once supply chain and typical early cycle inflationary pressures resolve themselves over the next several years. For fixed income investors, allocating in this low-yield environment, given the directional uncertainties in yields (which move inversely to bond prices) and the low relative risk/reward attributes of the asset class, will continue to be a challenging proposition for the foreseeable future. Moreover, while we suggest investors maintain an underweight allocation to fixed income relative to equities, within their fixed income buckets, we suggest maintaining an overweight allocation to investment grade bonds over government securities in Canada and the US. Given the slope of the yield curves in Canadian and US, investors are not being compensated to take on interest rate risk. The yield curve is very flat ten years and out. The yield pick-up for adding duration risk is insignificant as investors extend further out on the curve. The very short end of the curve is completely flat, idling near a zero interest rate, a direct result of central bank policy measures, which have pegged short-term rates at near zero.

Canadian & US yield Curves – Finding the Sweet Spot



Source: FactSet

That said, having large amounts of cash can cheat earnings and, attempting to out-wait the market hoping for higher interest rates, might take much longer than anticipated. After the Great Recession, short money market rates settled near 0% for around seven years. In other words, waiting for interest rates to rise can take a very long time while inflicting a huge loss of opportunity. In addition, investors are also not being compensated to take on credit risk. Note the following U.S. corporate high yield spread versus the 10-year Treasury rate. Since 2000, 10-year high yield spreads have averaged 520bp over Treasuries. During that period, the tightest spread over Treasuries is the ~220bp where we are today. High yield bonds are not offering higher yields (higher reward) that is historically typical of this asset class.

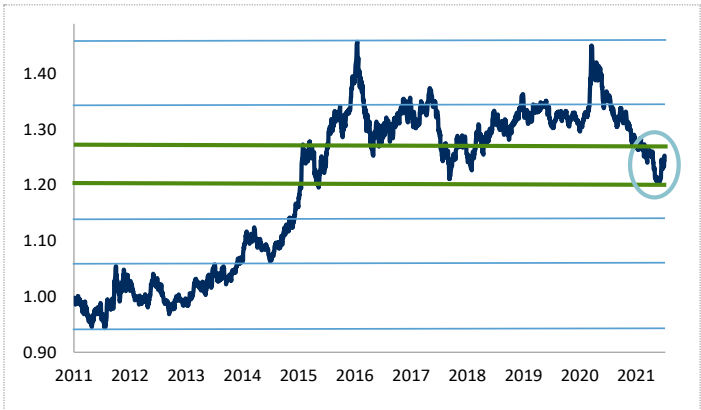
Stay long USD/CAD

USDCAD has been on quite the run since last March, where it peaked at 1.4670 only to hit a multi-year low of 1.2000 in May/June of this year. CAD is still the #1 G10 performer YTD against the US dollar, up +2% at the time of the writing, and up around 9% over the past 12 months. Surging commodity prices, monetary policy divergences, a broader risk-on backdrop and a global reflation narrative have all proven to be strong tailwinds, which pushed the Canadian dollar to levels not seen in years. Given the tenacity of the move, we have been due for a

correction for quite some time now, which partially goes to explain the move back into the 1.24-1.26 range for USDCAD. WTI is still trading near 2018 highs, and US and Canadian yield spreads are still pointing in Canada's favour, all of which simply suggests that CAD may still have some more fight left in it. Last month's hawkish tone from the Fed, where it projected two rate hikes in 2023 but did not really give too much away on tapering, jumpstarted some of the markets unwinding of its speculative short-USD positions, which it had been building steadily over the past few months. It also seems the market may have taken this as a signal that perhaps the divergence between the Fed and other central banks is closing in a bit.

However, the Fed's switch to an average inflation targeting (AIT) framework backstopped further weakness in the US dollar as the Fed would let inflation run hot and suppress real yields in the process. This policy divergence actually widened after other central banks like the Bank of Canada (BoC) began to taper its asset purchases. This landscape is slowly beginning to shift where the Fed is expected to taper at some point in the coming months. As other central banks begin to move in the Fed's direction with some form of inflation targeting frameworks of their very own, we believe this convergence should lead to some US dollar support in the short-term. While it may still be a bit premature to call a definitive bottom in the US dollar at this stage, risks are currently skewed towards a short-term correction higher at these levels. Looking ahead over the next few quarters, focus should return to relative growth differentials, inflation expectations, real yields and so-called monetary policy mismatches. While the Fed may begin to discuss its tapering plans openly, the reality is that the Fed is still a couple of years away from lifting rates. Even then, by the time the Fed actually decides to hike rates, it may still put the Fed behind or just slightly ahead of other central banks. This may present tactical opportunities to fade the rally.

USDCAD Pinned Between the 38.2% & 50% Fibonacci Retracement Levels for 2021

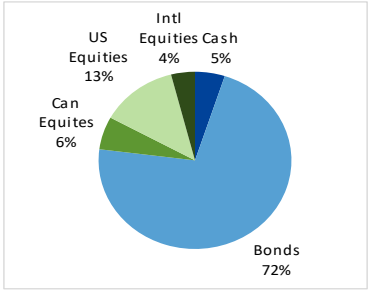
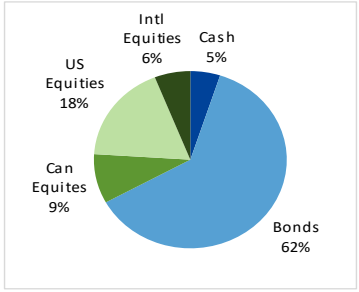
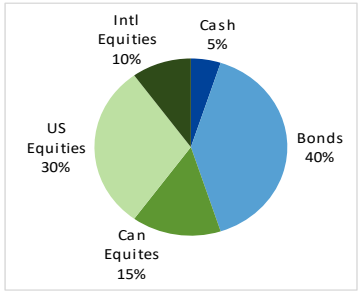
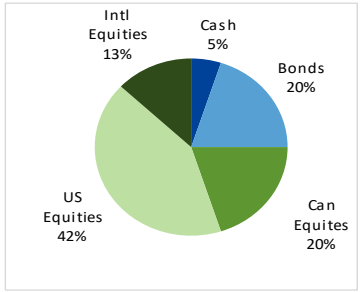
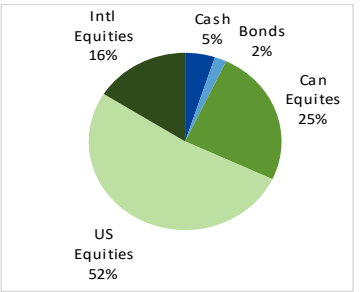


Source: FactSet

Tactical Asset Allocation Recommendations

	- Neutral +	Comments
Equity		We suggest an overweight allocation to equities as we continue to see strong relative risk/reward characteristic across the asset class, which we believe is broadly supported by strong consumer and corporate fundamentals, the reopening of the global economy, and a still very accommodative policy environment.
US Large Cap		The US Large Cap space represents some of the highest quality businesses in the world, which have strong competitive attributes, high levels of profitability, and strong enduring growth profiles. However, due to elevated valuations we are seeing more compelling tactical opportunities elsewhere.
US Small-Mid Cap		We see strong growth, sentiment and relative valuations across the US Small-Mid Cap space. In particular, we are seeing compelling opportunities within US Small-Mid Cap Value.
Canadian Large Cap		We see good value across the Canadian market including in Large Cap equities. In particular, we have a favourable view on quality cyclical equities.
Canadian Small-Mid Cap		We see good value across the Canadian market including in Small-Mid Cap equities. In particular, we have a favourable view on quality cyclical equities.
Developed		We see good opportunities across several developed economies outside of Canada and the US markets, which are still early in the reopening efforts, including across Europe, UK, etc. We also see attractive relative opportunities across Asia (e.g., Korea, Japan, etc.).
Emerging		Strong global growth should be supportive for EM equities, particularly commodity exporters, however the economic environment and growth outlook is more bifurcated across emerging markets than across the developed world. That said, we believe investors can be tactical adding to equities in select emerging markets across Asia, where we are seeing attractive opportunities.
Fixed Income		With valuations and risk reward attributes not particularly compelling, we remain underweight Fixed Income with the Federal Reserve/Bank of Canada starting to taper their bond buying programs. Therefore, we expect more volatility and modestly higher yields in the future.
US Government		We suggest an underweight allocation to government bonds due to the weak risk/reward potential across the curve.
US Corporate		Investment grade corporate bonds continue to offer better risk/reward characteristics than government bonds. However, with short rates pegged near zero for at least another year, and risks to the upside for long-rates, we suggest investors focus on bonds with a duration profile between 3-7 years.
Canadian Government		We suggest an underweight allocation to government bonds due to the weak risk/reward potential across the curve.
Canadian Corporate		Investment grade corporate bonds continue to offer better risk/reward characteristics than government bonds. However, with short rates pegged near zero for at least another year, and risks to the upside for long-rates, we suggest investors focus on bonds with a duration profile between 1.5-2 years.
Currency (USD/CAD)		As for USDCAD, we believe there is a possibility that we see a move to the 1.26-1.27 range on the upside, even though the median Street consensus is still calling for 1.22 by year-end. As a result, we believe a 1.22-1.26 range by year-end maybe appropriate.
Cash		We are underweight cash as an asset class as we see more attractive risk/reward opportunities in other asset classes, such as equities and corporate investment grade bonds.

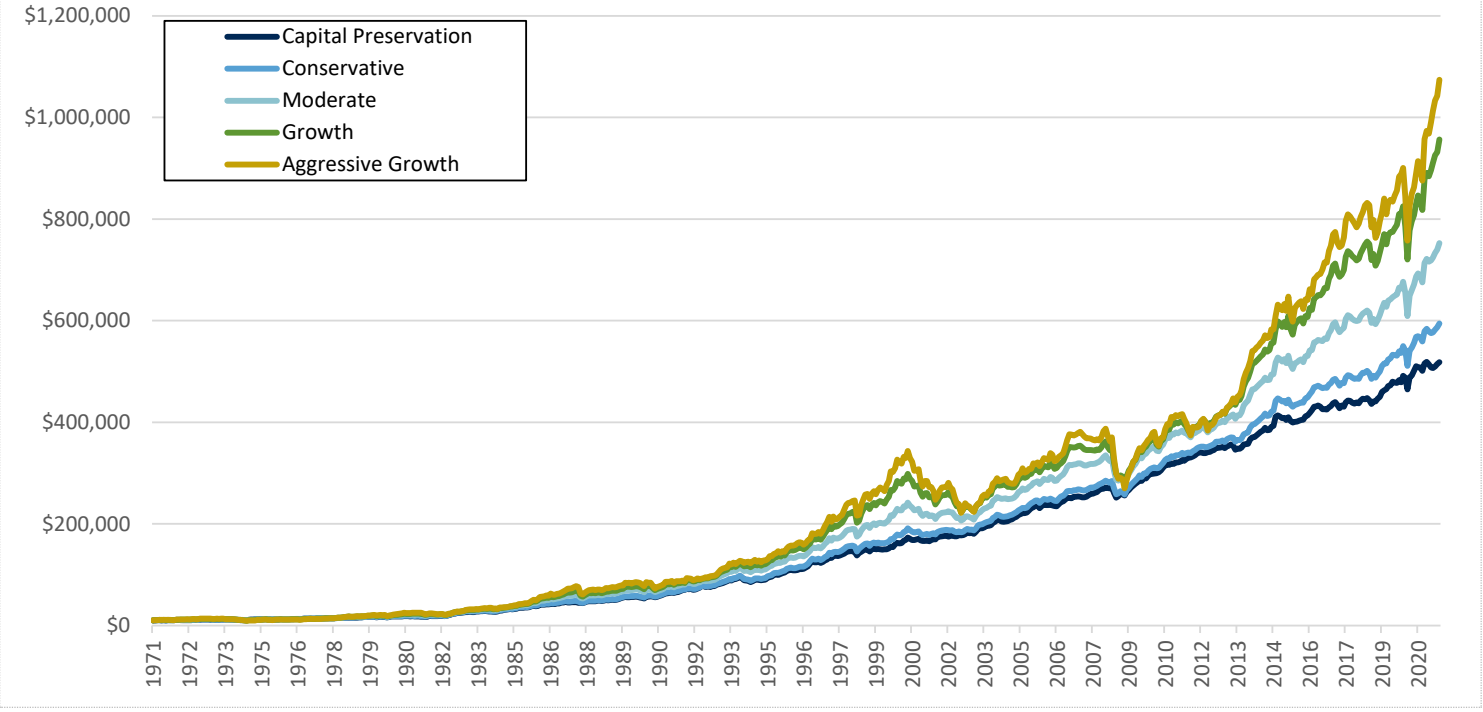
Investor Profiles and Asset Class Weightings

Recommended Asset Allocation					
	Capital Preservation	**Conservative**	**Moderate**	**Growth**	**Aggressive Growth**
					
Cash	5%	5%	5%	5%	5%
Bonds	72%	62%	40%	20%	2%
Can Equities	6%	9%	15%	20%	25%
US Equities	13%	18%	30%	42%	52%
Intl Equities	4%	6%	10%	13%	16%
	100%	*100%*	*100%*	*100%*	*100%*
Tactical Asset Mix (Bonds include cash)					
Bonds | Equities	77 | 23	67 | 33	45 | 55	25 | 75	7 | 93
Strategic Asset Mix (Bonds include cash)					
Bonds | Equities	80 | 20	70 | 30	50 | 50	30 | 70	10 | 90
Asset Ranges					
Cash	0-20	0-20	0-20	0-20	0-20
Bonds	60-100	50-90	20-70	10-50	0-30
Equities	0-30	10-50	30-75	50-90	70-100
Description					
	May be appropriate for investors with long-term income distribution needs who are sensitive to short-term losses. The equity portion of this portfolio generates capital appreciation, which is appropriate for investors who are sensitive to the effects of market fluctuation but need to sustain purchasing power. This portfolio, which invests primarily in fixed-income securities, seeks to keep investors ahead of the effects of inflation with an eye toward maintaining principal stability.	May be appropriate for investors with intermediate-term time horizons who are sensitive to short-term losses yet want to participate in the long-term growth of financial markets. The portfolio, which fixed-income securities tend to make up the largest proportion of holdings, seeks to keep investors well ahead of the effects of inflation with an eye toward maintaining principal stability. The portfolio has characteristics that may deliver returns lower than that of the broader market with lower levels of risk and volatility.	May be appropriate for investors seeking a balance between capital preservation and capital growth. This portfolio, which is a split between fixed-income securities and equities, seeks to keep investors well ahead of the effects of inflation with an eye toward maintaining principal stability. With roughly half of the portfolio invested in a diversified mix of Canadian and international equities, investors should be comfortable with moderate fluctuations in the portfolios.	May be appropriate for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which has a higher weighting in equities, seeks to keep investors well ahead of the effects of inflation with principal stability as a secondary consideration.	May be appropriate for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which is primarily invested in equities, seeks to keep investors well ahead of the effects of inflation with little regard for maintaining principal stability. The portfolio may deliver returns comparable to those of the broader equity market with similar levels of risk and volatility.

Client Profile Statistics

	Capital Preservation	Conservative	Moderate	Growth	Aggressive Growth
Total Return (annualized)	8.1%	8.4%	8.9%	9.5%	9.7%
Avg Monthly Return	0.67%	0.69%	0.74%	0.79%	0.83%
Avg Rolling 12 Month Return	8.4%	8.7%	9.2%	9.8%	10.3%
Annualized Std Dev (36 months)	5.6%	6.4%	8.1%	10.3%	12.7%
Sharpe Ratio	1.5	1.3	1.1	0.9	0.8
Best 12 month Rolling Return	46.5%	48.0%	46.1%	46.3%	47.7%
Worst 12 month Rolling Return	-7.7%	-11.3%	-18.9%	-26.1%	-32.6%

Value of $10,000 Invested



Source: FactSet, Raymond James Ltd. As at June 30, 2021, Inception January 1971.

Performance statistics are calculated using C$ monthly returns that are rebalanced every calendar year using the recommended asset class weightings for each profile (cash weighting has been rolled up into the bond weighting).
Benchmarks: Bonds = FTSE/TMX Canada Universe Bond TR Index; Canadian Equities = S&P/TSX Composite TR Index, US Equities = S&P 500 TR Index; International Equities = MSCI EAFE TR Index.

Investment Advisory Strategy Group Members

Nadeem Kassam, MBA, CFA (Chair)
Private Client Solutions
Head of Investment Strategy

Michael Gibbs
Managing Director, Portfolio & Technical Strategy
Raymond James Financial

Christopher Cafley, MBA
SVP, Investment Strategy, Products & Trading
Private Client Solutions

Larbi Moumni, CFA
Senior Equity Specialist
Private Client Solutions: Portfolio Advisor

Spencer Barnes, MSc., CIM
AVP, Mutual Funds & ETF Strategy
Private Client Solutions

Jason Castelli, CFA
Portfolio Manager
Private Client Group

Seth Allen
Senior Portfolio Manager
Private Client Group

Rob Mark, CFA
Senior Portfolio Manager
Private Client Group

Ryan Lewenza, CFA, CMT
SVP and Portfolio Manager
Private Client Group

Patrick Choquette, CFP, CIM, CMT
Portfolio Manager
Private Client Group

Patrick Carrington, CFA
VP, Asset Management Services
Private Client Solutions

Peter Matter
VP, Product Compliance
Compliance

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