Wealth Management
Dominion Securities

RBC Dominion Securities Inc.
February 1, 2022

Update On Your Discretionary Portfolio

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Dear clients,

We hope everyone is doing well and staying healthy (and warm)!

We wanted to provide you with a quick update about a tactical decision that was made in your discretionary portfolio, in light of the recent volatility that has returned to markets in the last few weeks. Specifically, we added back some exposure to the market last week on Friday, January 28th.

As you may recall from our previous communication a couple weeks ago, we had trimmed equity exposure during our semi-annual rebalance on January 10th. This rebalance brought the equity component back to the long term target on your Investment Policy Statement. Since that time, stock market indexes continued their descent lower over a variety of investor concerns (ie. fiscal policy decisions by the Federal Reserve; geopolitical concerns with Russia; Omicron cases). All of that helped lead to an official “correction” in the S&P 500, which is confirmed after a drop in value over 10%. The

NASDAQ fared even worse, with a recorded drop from peak to trough reaching 19% from the highs in November.

As much as these movements in the equity market are uncomfortable for investors, we need to take a larger view when managing portfolios. Historically, these types of corrections are quite common in equity markets. There have been plenty of positive years in the market that have included at least one 10% correction. We also know that we are not seeing any current signs of an imminent recession in the US economy (please see this attached article for more details), which is a very important consideration to determine if we could be headed into a bear market. We do not think that is the case.

Based on that economic data, and then applying our disciplined approach to portfolio management, we made a decision to use the recent weakness to add more equity on Friday. We used some available cash that was generated during the semi-annual rebalance in early January to buy stocks in both Canada and the US. In general, this would have equated to approximately 2% of the overall equity exposure in the portfolio.

** Using an example of a 70% equity investor: the 70% equity target after the January rebalance was valued closer to 68% after the recent downturn in markets. On Friday, we would have bought back some positions to bring that exposure to 70%. **

Some of the positions that were most added to in Canada include Shopify (SHOP); Brookfield Asset Management (BAM.A); Minto Apartment REIT (MI.UN), Nuvei (NVEI) and CP Rail (CP).

In the US, the largest additions were Netflix (NFLX); NextEra Energy (NEE); Xylem (XYL); DraftKings (DKNG); Nvidia (NVDA) and Uber (UBER).

As always, we continue to monitor the markets and economy closely. We did feel this was the best decision to make for our clients, as it basically functions as a minor rebalance. For companies that had their stock price hit harder recently, we were able to add to them at lower prices without needing to sell any other positions. Having some cash available after the rebalance a few weeks ago allowed us to do that.

January was still a pretty significant down month for most equity markets, but during the last couple of trading days there are some signs of buyers returning. Friday and Monday saw some pretty significant gains, including some of the companies mentioned above. We do expect the first half of 2022 to be pretty volatile in both directions, but still maintain our view that equities will perform quite well if you look a little further out.

Please feel free to contact us directly if you have any questions.

Best regards,

Ord Private Wealth Management
John, Tim, Liam & Kristen