

Portfolio Strategy

Focus on the “Big Picture” Amid all the Uncertainty....

October 5, 2022

Nadeem Kassam, MBA, CFA
Head of Investment Strategy
Raymond James Ltd.


Nadeem.kassam@raymondjames.ca

Eve Zhou
Multi-Asset Analyst
Raymond James Ltd.

Eve.zhou@raymondjames.com

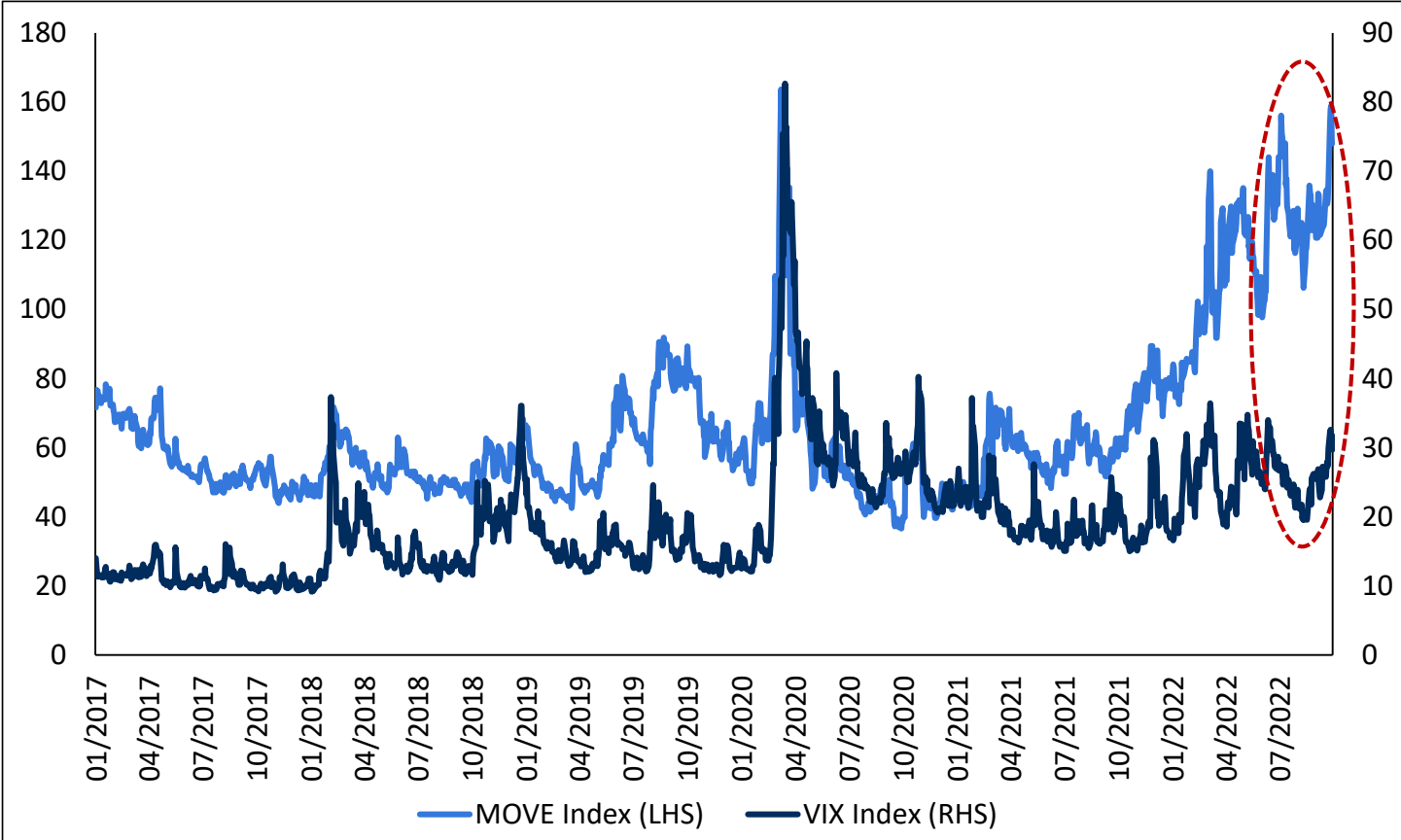
Key Takeaways

Our view: Too Fast, Too Furious accurately depicts the current backdrop with soaring inflation, rapid increases in interest rates/yields, whip-saw markets, and a material deceleration in the global economic growth outlook. To say that the environment has changed quickly since the beginning of the year would be an understatement, rather it's been Too Fast, Too Furious. But it is now clear that central banks in advanced economies will raise interest rates even further than our prior above-consensus forecasts, making the current tightening cycle the most aggressive we have observed in three decades. While this may be necessary to tame inflation, it will come at a significant economic cost. In particular, we expect a global recession to unfold in 2023, which will be more severe in some regions and milder in others. Thus we continue to expect the level of uncertainty to remain very elevated, with “fewer and fewer places to hide” amid all the worrisome headlines or “wall of worries” as we like to refer to them as. But for longer-term-oriented, patient, and prudent investors, we continue to see many places to invest today. Despite all the uncertainties on the horizon, below are a few certainties investors should keep in mind:

- **It pays to stay invested - avoid the temptations to time the market; it's a losing proposition for even the smartest minds (e.g., Long-Term Capital Management).**
- **Ignore the headlines/noise and remember to be “fearful when others are greedy, and greedy when others are fearful” – Warren Buffett.**
- **Stay rational when markets/investors appear to be behaving irrationally.**
- **Ignore your emotional tendencies and stick to your plan; otherwise, you may end up buying-high & selling-low.**
- **Volatility/market sell-offs should be expected and are NORMAL even during broader bull market cycles!**
- **Diversification + Asset Allocation = **

Uncertainty – A Major Theme for 2022

Volatility Measures Spike in 2022..



Source: Bloomberg; Data as of September 30, 2022.

Wall of Worries: The List Keeps Growing

- ✓ Recession Fears
- ✓ Stubbornly High Inflation
- ✓ Lockdowns & A Significant Slowdown in China
- ✓ The Russian Invasion of Ukraine
- ✓ Europe's Energy Crisis
- ✓ Labour Shortages
- ✓ Record Supply Chain Disruptions
- ✓ Stagflation/Slowing Global Growth
- ✓ EPS Risks – Downward Revisions
- ✓ COVID-19 (Down to the bottom vs. '20/'21)
- ✓

Shaky Performance For Equities Globally...

Global Equity Market Performance

Equities	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
Americas								
Canadian Equities (Broad Market)	18,307.91	-7.6	-4.2	-11.9	25.1	5.6	22.9	-8.9
Canadian Equities (Large Cap)	1,112.05	-7.1	-4.1	-11.7	28.0	5.6	21.9	-7.6
Canadian Equities (Small Cap)	613.74	-12.2	-10.8	-19.6	20.3	12.9	15.8	-18.2
Canada Growth	1,255.46	-6.8	-3.3	-20.6	14.3	17.9	22.3	-8.3
Canada Value	2,440.36	-8.0	-5.4	-3.9	36.5	-9.6	21.6	-9.7
Nasdaq	10,829.50	-10.8	-5.8	-30.4	22.2	44.9	36.7	-2.8
U.S. Equities (Large Cap)	3,647.29	-10.0	-6.1	-22.6	28.7	18.4	31.5	-4.4
U.S. Equities (Mid Cap)	6,394.14	-11.3	-6.4	-24.1	22.6	17.1	30.5	-9.1
U.S. Equities (Small Cap)	4,131.75	-12.4	-5.8	-25.2	14.8	20.0	25.5	-11.0
U.S. Equities (Broad Market)	3,871.49	-10.3	-6.1	-23.6	25.7	20.9	31.0	-5.2
U.S. Growth	8,323.22	-10.3	-5.0	-29.1	25.8	38.3	35.8	-2.1
U.S. Value	5,134.52	-10.4	-7.3	-17.5	25.4	2.9	26.3	-8.6
Europe								
FTSE UK	425.17	-5.9	-2.9	-2.7	18.4	-11.7	18.1	-9.2
Euro STOXX 50	3,328.65	-7.5	-5.6	-20.2	24.1	-2.6	29.3	-11.2
FTSE 100	6,984.59	-5.9	-2.7	-2.5	18.4	-11.5	17.3	-8.7
France CAC 40	5,753.82	-8.2	-4.6	-17.2	31.9	-5.0	30.5	-8.0
Germany DAX (TR)	12,139.68	-6.4	-7.9	-23.6	15.8	3.5	25.5	-18.3
Asia Pacific								
Hang Seng Index	17,860.31	-10.8	-18.3	-21.2	-11.8	-0.3	13.0	-10.5
Japan Nikkei 225	26,571.87	-7.2	-0.9	-6.6	6.7	18.3	20.7	-10.3
SSE Composite Index	3,093.86	-4.4	-8.4	-15.0	4.8	13.9	22.3	-24.6
Major Aggregates								
Global Equities	1,924.19	-9.2	-5.6	-20.6	24.7	14.1	28.1	-6.9
Global Developed Markets (ex U.S. & Can)	1,146.93	-7.1	-4.5	-13.5	19.2	1.3	22.3	-10.5
Emerging Markets Equities	55,179.59	-8.6	-8.2	-19.0	0.1	19.5	18.5	-9.7

Source: FactSet, Raymond James Ltd., as of September 27, 2022.

Few Places to Hide...

Global Fixed Income, FX and Commodities Performance

Fixed Income	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
Canadian Bonds (Aggregate)	91.84	-1.8	0.8	-12.2	-2.6	8.4	6.9	1.3
Canadian Bonds (Government)	91.84	-1.8	0.9	-12.6	-3.0	8.5	6.6	1.4
Canadian Bonds (Corporates)	91.78	-1.6	0.6	-10.9	-1.3	8.4	8.0	0.9
U.S. Bonds (Aggregate)	87.13	-5.7	-4.4	-15.2	-1.5	7.5	8.7	0.0
U.S. Bonds (Government)	87.86	-4.8	-4.0	-13.6	-2.3	7.9	6.8	0.9
U.S. Bonds (Corporates)	86.68	-6.6	-4.8	-18.5	-1.1	9.4	13.8	-2.1
U.S. High Yield Bonds	85.61	-5.5	-2.7	-14.3	4.7	6.5	15.1	-2.0
Global Bonds	90.72	-7.1	-7.8	-20.8	-4.7	9.2	6.8	-1.2
Global High Yield	78.53	-6.3	-4.6	-19.0	1.0	7.0	12.6	-4.1
Yields	Yield	1Mo	3 Mo	YTD	2021	2020	2019	2018
Canada Benchmark Bond - 10 Year	3.30	-2.3	1.0	-11.3	-4.4	0.5	4.4	10.0
US Benchmark Bond - 10 Year	4.02	-7.3	-7.3	-8.3	-1.0	1.1	-4.9	5.2
Australia Benchmark Bond - 10 Year	2.74	-3.7	-0.3	-16.9	-6.3	-11.0	8.6	2.9
China Benchmark Bond - 10 Year	0.25	2.3	-5.3	-1.8	-12.7	-0.1	-1.9	-17.2
Japan Benchmark Bond - 10 Year	4.32	-0.3	-0.1	-0.8	-0.5	-0.4	0.2	0.4
United Kingdom Benchmark Bond - 10 Year	3.96	-12.7	-14.7	6.4	-35.4	44.0	-2.7	-19.7
Currencies (In CAD)	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
U.S. Dollar	1.37	5.7	6.6	8.7	-0.9	-1.8	-5.1	9.0
Euro	1.32	1.5	-3.2	-8.1	-7.8	7.1	-6.8	3.8
British Pound	1.48	-3.4	-6.6	-13.6	-1.8	1.4	-1.2	2.6
Japanese Yen (in JPY)	0.01	0.2	-0.4	-13.5	-11.1	3.4	-4.1	11.9
Commodities	Last Price	1Mo	3 Mo	YTD	2021	2020	2019	2018
Gold (per ounce)	1626.70	-6.3	-10.7	-11.0	-3.5	24.6	18.9	-2.1
Silver (per ounce)	18.68	-2.8	-13.0	-19.1	-12.8	46.8	16.7	-8.3
Copper (per pound)	3.32	-10.5	-12.1	-25.4	26.8	25.8	6.3	-19.9
Crude Oil (WTI per barrel)	78.50	-16.2	-29.6	4.2	55.8	-20.9	35.4	-25.3
Natural Gas (per million btu)	6.65	-28.5	2.3	78.3	46.9	16.0	-25.5	-0.4

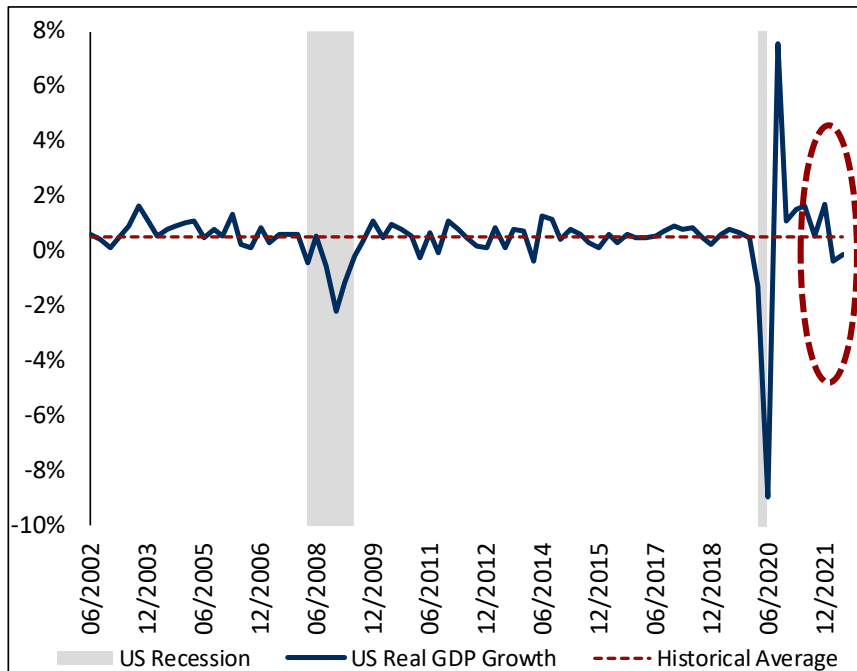
Source: FactSet, Raymond James Ltd., as of September 27, 2022.

**The U.S. & Canadian Economies –
“the cleanest dirty shirt” in the laundry**

Real GDP Growth Has Fallen from the Peak

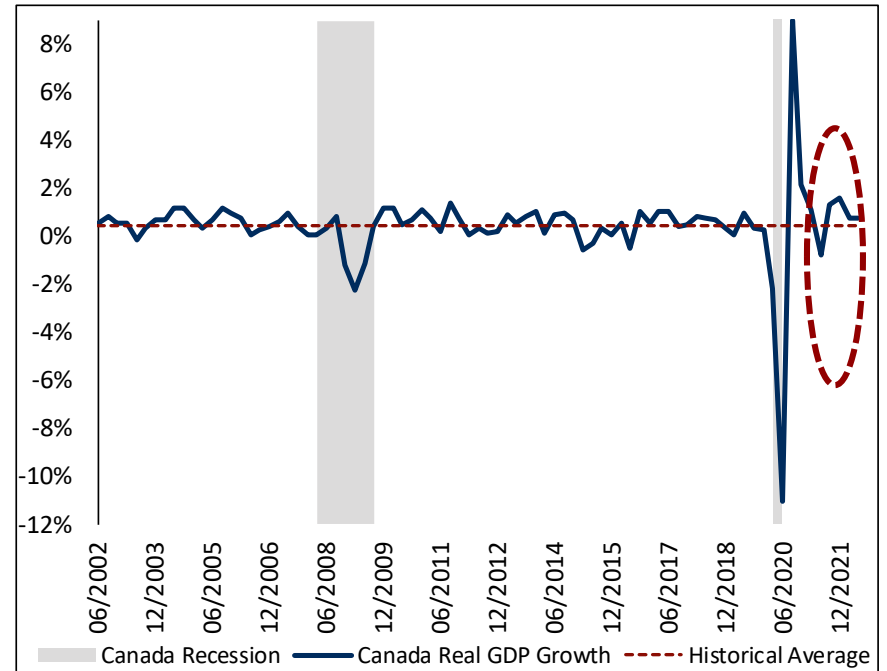
We have observed a coordinated slowdown as a result of policy tightening efforts by central banks globally. This has resulted in downward revision to 2022 and 2023 global real GDP growth forecasts across both advanced and emerging economies, which we believe has room to fall further.

A “Technical” Recession In the U.S. (QoQ % chg.)



Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

Canadian GDP Still Positive but Slowing (QoQ % chg.)

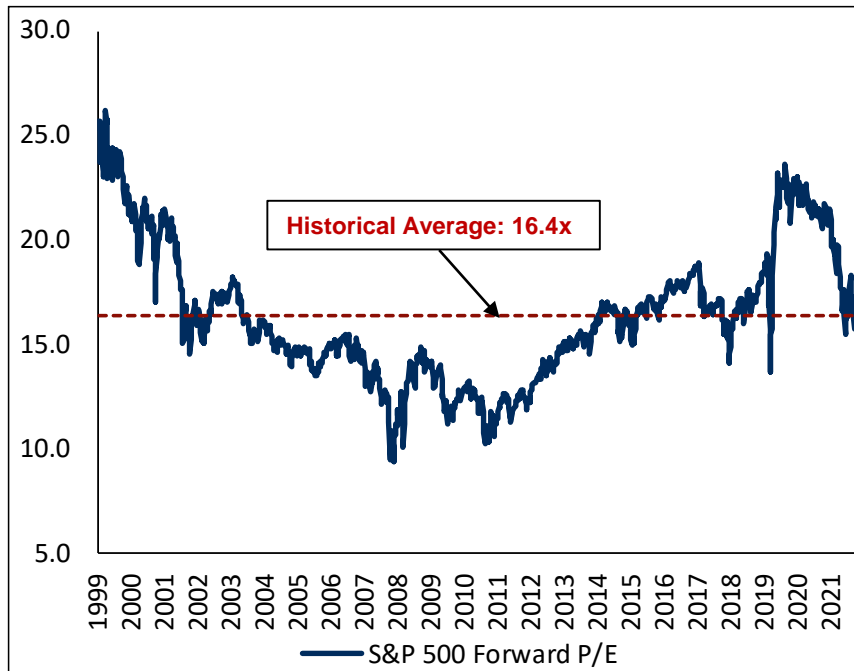


Source: FactSet; Raymond James Ltd.; Data as of 06/30/2022.

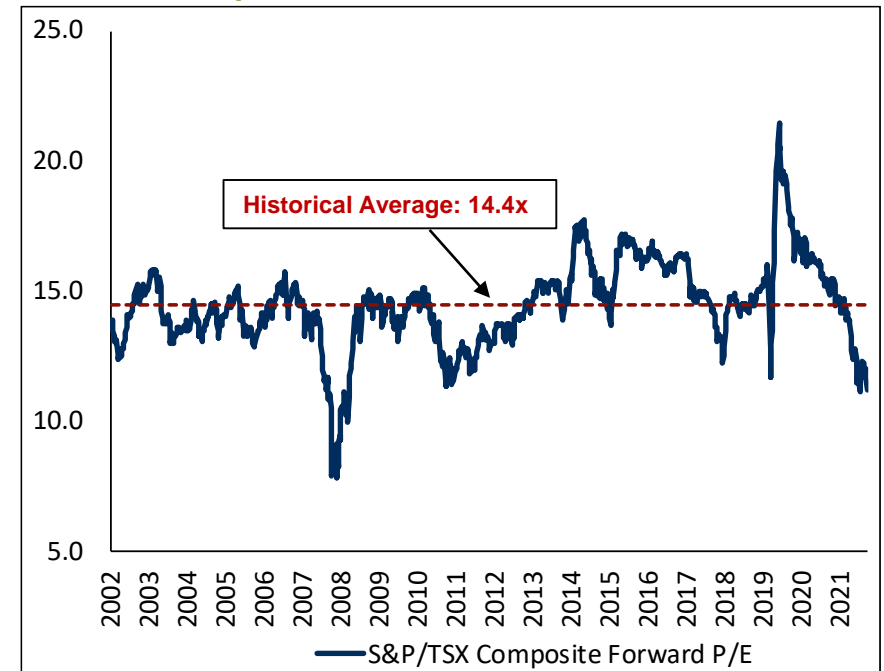
Attractive Risk-Reward

With the continued rise in yields globally, valuations have fallen in tandem. Equities appear more attractive than at the beginning of the year, offering investors a more compelling risk-reward profile. While valuations for the S&P 500 index has fallen back to its long-term historical average, the S&P/TSX index is trading at ~11x NTM earnings (versus the 20-year historical median of ~14.4x). While we continue to see further downside earnings risks, we suggest investors remain highly selective and focus on owning high-quality businesses with durable earnings/free cash flow streams throughout the entire business cycle.

S&P 500 Forward P/E



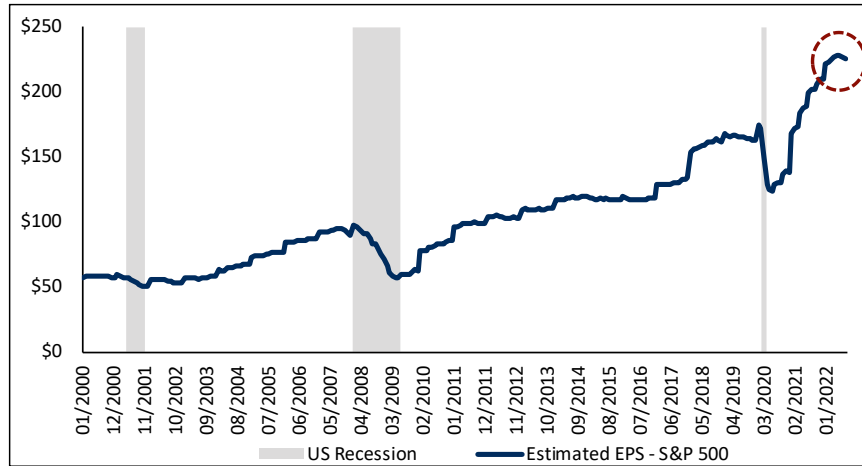
S&P/TSX Composite Forward P/E



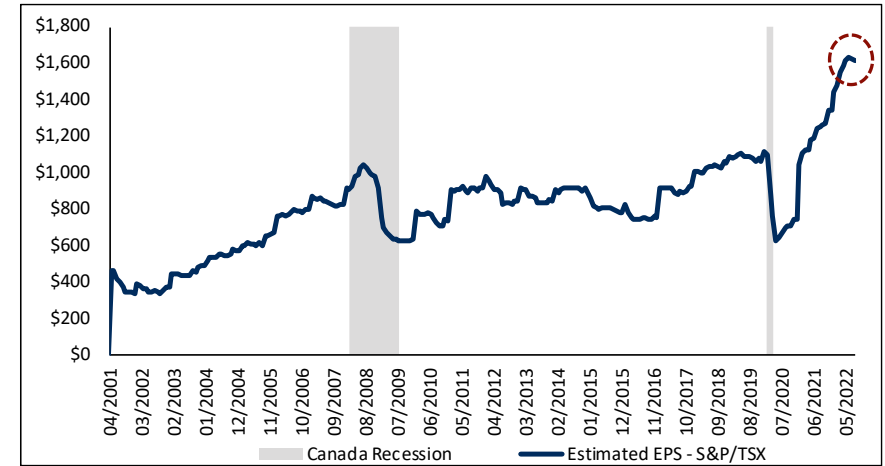
Source: FactSet; Raymond James Ltd.; Data as of September 23, 2022; S&P 500 Forward P/E historical average is 16.4x (1999/12/31 – 2022/9/23), S&P/TSX Forward P/E historical average is 14.4x (2002/12/31 – 2022/9/23)

Earnings Face Downside Risks...

S&P 500 EPS



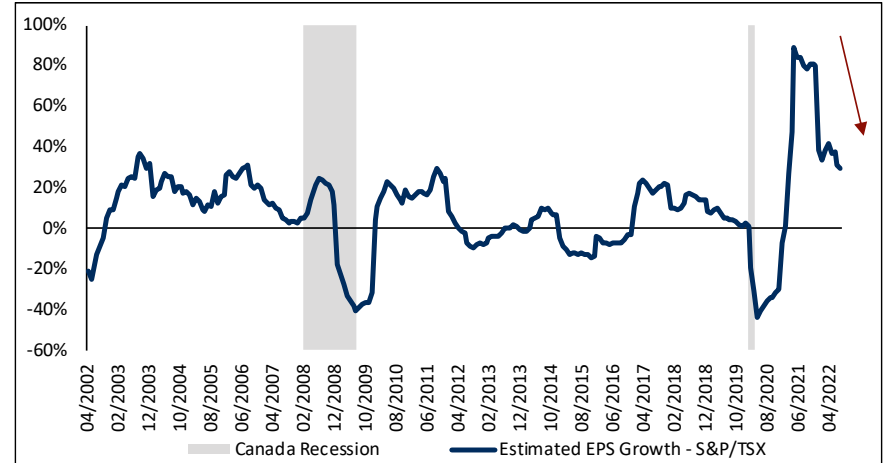
S&P/TSX Comp EPS



S&P 500 EPS Growth (YoY % Chg.)



S&P/TSX EPS Growth (YoY % Chg.)



Source: FactSet; Bloomberg; Raymond James Ltd.; Data as of August 31, 2022

Our Advice To Investors – Focus On The Big Picture!

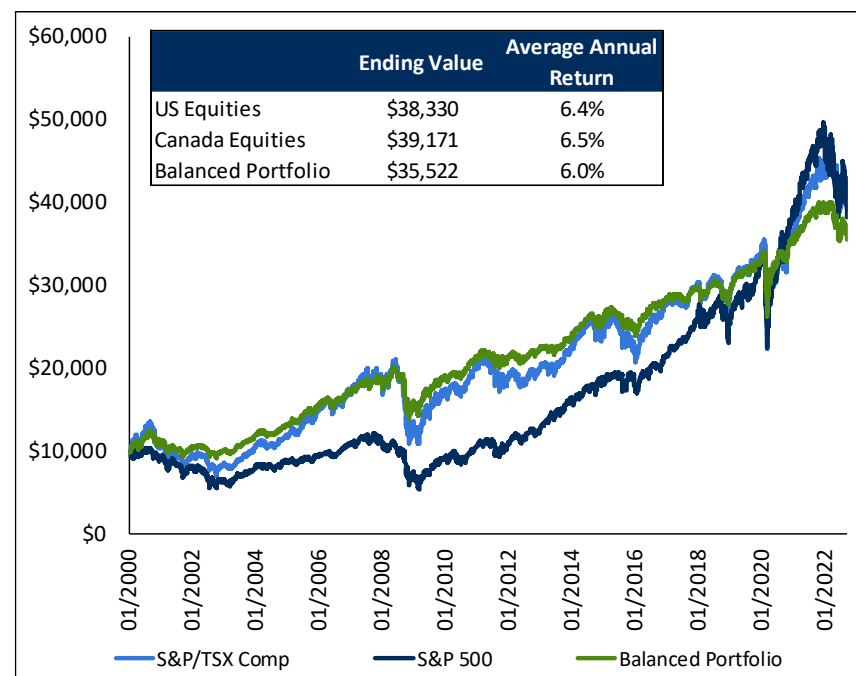
Market Moving Headlines Come & Go...

While it may be difficult to avoid all the “sharp corners” (periods of volatility/sharp sell-offs) in the market cycle, we remind investors that markets have continued to rally higher over the past ~21 years despite all the headlines/dire outlooks. For example, the S&P 500 and the S&P/TSX indices have generated total returns of ~6.4% and ~6.5% on an annualized basis over this period.

Headlines Come & Go – This Too Shall Pass....

Year	S&P 500	S&P/TSX	Headline
2000	\$1,320.28	\$8,933.68	Y2K aftermath Tech bubble
2001	\$1,148.08	\$7,688.41	Recession, 9/11
2002	\$879.82	\$6,614.54	Corporate Accounting Scandals
2003	\$1,111.92	\$8,220.89	Bush Jr. declares War in Iraq
2004	\$1,211.92	\$9,246.65	U.S. has massive trade & budget deficit
2005	\$1,248.29	\$11,272.26	Record oil & gas prices
2006	\$1,418.30	\$12,908.39	Housing bubble bursts
2007	\$1,468.36	\$13,833.06	Sub-prime loan crisis
2008	\$903.25	\$8,987.70	Banking and credit crisis
2009	\$1,115.10	\$11,746.11	Jobs Recession
2010	\$1,257.64	\$13,443.22	Sovereign debt crisis
2011	\$1,257.60	\$11,955.09	Eurozone crisis
2012	\$1,426.19	\$12,433.53	U.S. fiscal cliff
2013	\$1,848.36	\$13,621.55	Federal Reserve begins to taper
2014	\$2,058.90	\$14,632.44	Ebola outbreak Annexation by Russia
2015	\$2,043.94	\$13,009.95	Commodity sell off
2016	\$2,238.83	\$15,287.59	Brexit
2017	\$2,673.61	\$16,209.13	Oil Price Decline
2018	\$2,506.85	\$14,322.86	Equity Markets Sell Off
2019	\$3,230.78	\$17,063.43	U.S.-China Trade War
2020	\$3,756.07	\$17,433.36	COVID-19 Pandemic
2021	\$4,766.18	\$21,222.84	Record Inflation

Growth of \$10,000 since 2000..



Source: FactSet; Data as of September 26, 2022. Growth of 10K Chart: For illustration purposes only. Start investing on January 1, 2000 with an initial investment of \$10,000. The performance of US Equities is represented by S&P 500 TR Index. The performance of Canada Equities is represented by S&P/TSX Composite TR Index. The performance of Canada Fixed Income is represented by FTSE Canadian Government Bond. The asset allocation of the Balanced Portfolio is 60% S&P/TSX Composite TR Index and 40% FTSE Canadian Government Bond.

Stocks Rally Post-Corrections Since 2000

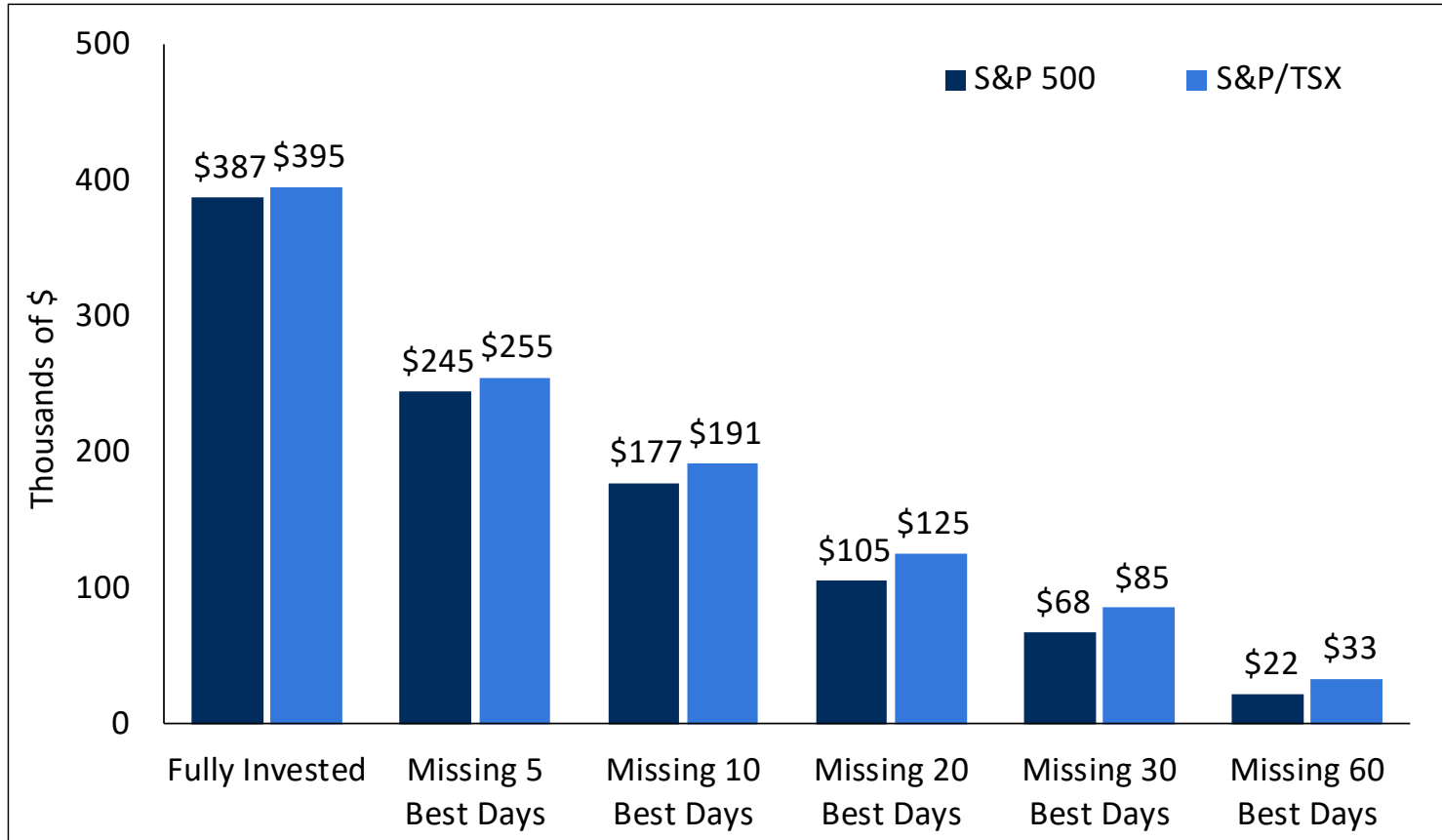
S&P 500 Index Corrections & Bear Markets (2000 - Current)

High Date	S&P 500 High Price	Low Date	S&P 500 Low Price	10%+ Market Corrections	1-Year Return After Lows	2-Year Return After Lows
3/24/2000	1527.5	4/14/2000	1356.6	-11.2%	-12.8%	-18.1%
9/1/2000	1520.8	4/4/2001	1103.3	-27.5%	2.1%	-20.3%
5/21/2001	1312.8	9/21/2001	965.8	-26.4%	-12.5%	7.3%
1/4/2002	1172.5	7/23/2002	797.7	-32.0%	23.9%	36.2%
8/22/2002	962.7	10/9/2002	776.8	-19.3%	33.7%	44.5%
11/27/2002	938.9	3/11/2003	800.7	-14.7%	38.2%	49.9%
10/9/2007	1565.2	3/10/2008	1273.4	-18.6%	-43.5%	-10.0%
5/19/2008	1426.6	10/10/2008	899.2	-37.0%	19.2%	29.6%
10/13/2008	1003.4	10/27/2008	848.9	-15.4%	25.3%	39.3%
11/4/2008	1005.8	11/20/2008	752.4	-25.2%	45.0%	59.4%
1/6/2009	934.7	3/9/2009	676.5	-27.6%	68.6%	95.1%
4/23/2010	1217.3	7/2/2010	1022.6	-16.0%	31.0%	33.5%
4/29/2011	1363.6	10/3/2011	1099.2	-19.4%	32.0%	52.7%
5/21/2015	2130.8	8/25/2015	1867.6	-12.4%	16.3%	30.8%
11/3/2015	2109.8	2/11/2016	1829.1	-13.3%	26.6%	43.2%
1/26/2018	2872.9	2/8/2018	2581.0	-10.2%	4.9%	28.9%
9/20/2018	2930.8	12/24/2018	2351.1	-19.8%	37.1%	57.5%
2/19/2020	3386.2	3/23/2020	2237.4	-33.9%	74.8%	99.2%
1/3/2022	4796.6	9/27/2022	3647.3	-24.0%	?	?
Average (2000-2021):				-21.2%	22.8%	36.6%
Median (2000-2021):				-19.4%	25.9%	37.7%
Average (1980-2021):				-18.9%	24.9%	39.2%
Median (1980-2021):				-17.1%	25.9%	44.5%

Source: FactSet; Data as of September 27, 2022

Avoid Temptations to Time the Market..

Stay Invested, Markets Have Always Rewarded Long-Term and Patient Investors...



Source: FactSet; Data as of September 23, 2022; For illustration purposes only. Start investing on January 1, 2000 with an initial investment of \$100,000.

Ignore Your Emotional Tendencies...

Emotional Tendencies vs. Reality

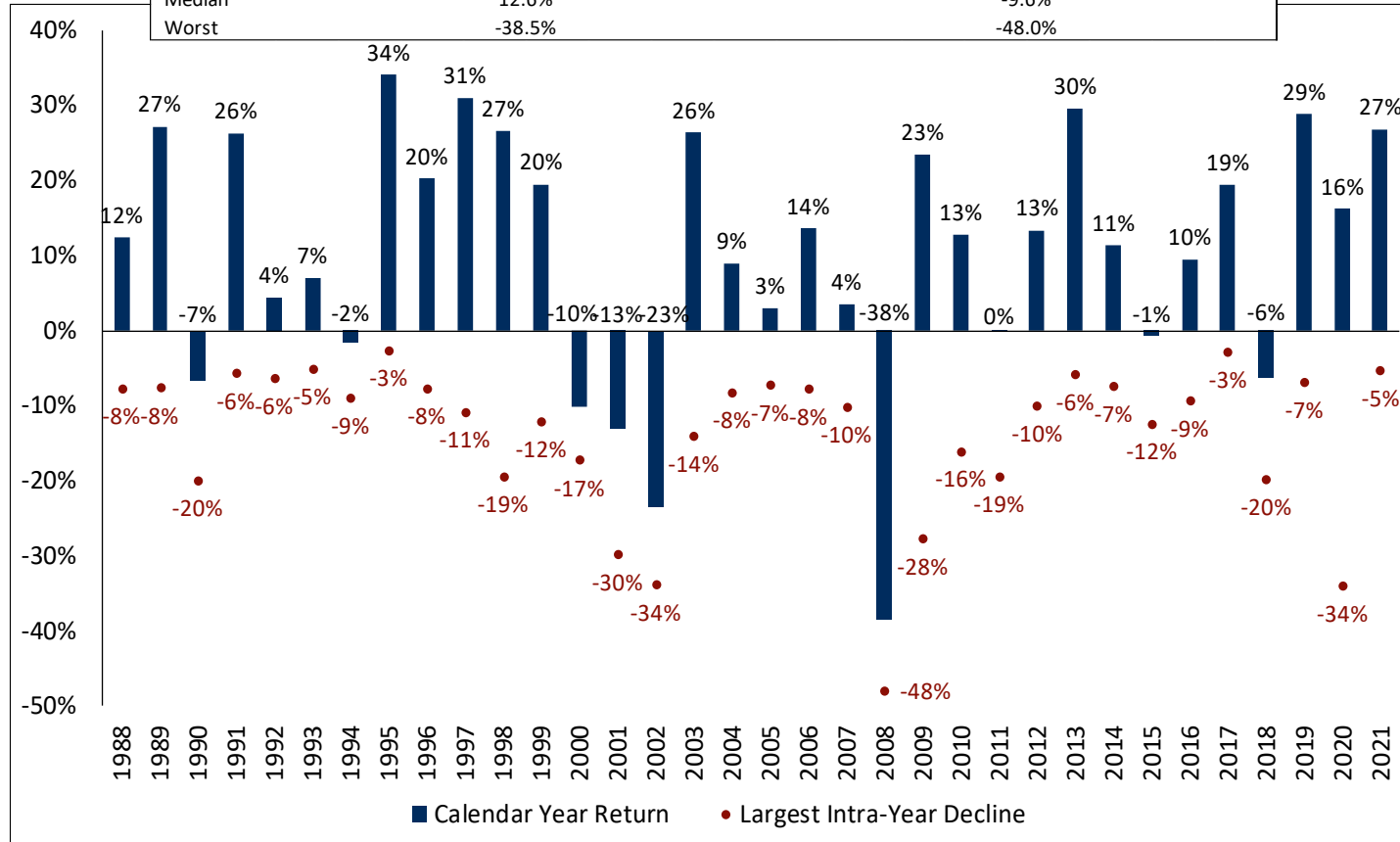


Source: Raymond James Ltd.; For illustration purposes only

S&P 500 - Volatility is NORMAL...

S&P 500 Calendar Year Returns and Largest Intra-Year Declines

	Calendar Year Return	Largest Intra-Year Decline
Best	34.1%	-2.5%
Average	10.5%	-13.7%
Median	12.6%	-9.6%
Worst	-38.5%	-48.0%

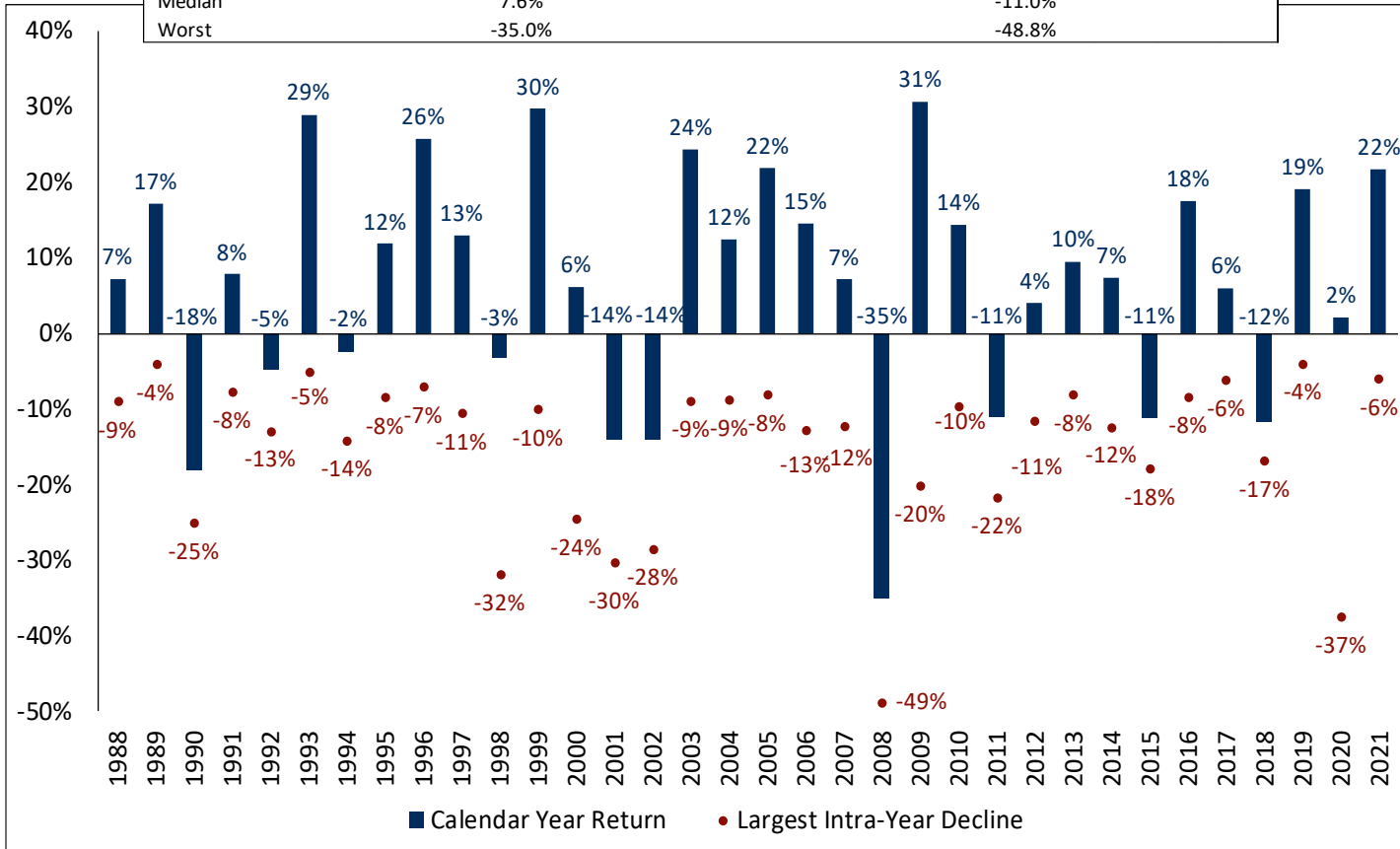


Source: FactSet; Data as of December 31, 2021

S&P/TSX – Volatility is also NORMAL...

S&P/TSX Composite Calendar Year Returns and Largest Intra-Year Declines

	Calendar Year Return	Largest Intra-Year Decline
Best	30.7%	-3.9%
Average	6.9%	-14.9%
Median	7.6%	-11.0%
Worst	-35.0%	-48.8%



Source: FactSet; Data as of December 31, 2021

Diversification + Asset Allocation =



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD
Highest Return	Emerging Mkt Equities 16.0%	US Equities 41.3%	US Equities 23.9%	US Equities 21.6%	Commodity 23.0%	Emerging Mkt Equities 28.7%	US Bonds 9.1%	US Equities 24.8%	Emerging Mkt Equities 16.6%	Commodity 36.1%	Commodity 21.1%
	International Equities 15.3%	International Equities 31.6%	US Bonds 15.5%	US Bonds 20.5%	Canadian Equities 21.1%	International Equities 17.4%	US Equities 4.2%	Canadian Equities 22.9%	US Equities 16.3%	US Equities 27.6%	Cash 0.6%
	US Equities 13.4%	Balanced Portfolio 15.1%	Balanced Portfolio 12.8%	International Equities 19.5%	US Equities 8.1%	US Equities 13.8%	Cash 1.3%	International Equities 16.5%	Balanced Portfolio 9.5%	Canadian Equities 25.1%	Canadian Equities -4.0%
	Balanced Portfolio 8.2%	Canadian Equities 13.0%	Canadian Equities 10.6%	Balanced Portfolio 9.6%	Emerging Mkt Equities 7.7%	Canadian Equities 9.1%	Canadian Bonds 1.0%	Balanced Portfolio 14.5%	Canadian Bonds 8.6%	International Equities 10.8%	US Bonds -8.6%
	Canadian Equities 7.2%	US Bonds 4.6%	Canadian Bonds 8.3%	Canadian Bonds 3.3%	Balanced Portfolio 6.4%	Balanced Portfolio 9.0%	Balanced Portfolio -0.1%	Emerging Mkt Equities 12.9%	International Equities 6.4%	Balanced Portfolio 10.2%	Balanced Portfolio -10.2%
	Canadian Bonds 3.4%	Emerging Mkt Equities 4.3%	Emerging Mkt Equities 7.0%	Emerging Mkt Equities 2.4%	Canadian Bonds 1.3%	Commodity 3.8%	International Equities -5.6%	Commodity 10.3%	Canadian Equities 5.6%	Cash 0.0%	US Equities -10.4%
	US Bonds 1.5%	Commodity 4.2%	International Equities 4.1%	Cash 0.5%	Cash 0.5%	Canadian Bonds 2.4%	Emerging Mkt Equities -6.5%	Canadian Bonds 7.3%	US Bonds 5.6%	US Bonds -2.6%	Canadian Bonds -12.1%
	Cash 0.8%	Cash 0.8%	Cash 0.8%	Canadian Equities -8.3%	US Bonds -1.1%	Cash 0.6%	Commodity -7.4%	US Bonds 3.0%	Cash 0.5%	Canadian Bonds -2.8%	International Equities -15.3%
Lowest Return	Commodity -2.0%	Canadian Bonds -1.3%	Commodity -27.8%	Commodity -10.7%	International Equities -2.0%	US Bonds -3.2%	Canadian Equities -8.9%	Cash 1.6%	Commodity -7.8%	Emerging Mkt Equities -3.1%	Emerging Mkt Equities -16.2%

Source: FactSet, Raymond James Ltd. Data as of September 13, 2022. All returns are in CAD. Asset classes are represented by: S&P/TSX Composite TR Index (Canadian Equities); iShares Core Canadian Universe Bond Index ETF (Canadian Bonds); S&P 500 TR Index (US Equities); iShares Core U.S. Aggregate Bond ETF (US Bonds); MSCI EAFE (International Equities); MSCI EM (Emerging Market Equities); iShares Premium Money Market ETF (Cash); SP GSCI Commodity Futures (Commodity) The asset allocation of the Balanced Portfolio is 20% Canadian Equities + 20% US Equities + 10% International Equities + 10% Emerging Market Equities + 20% Canadian Bonds + 20% US Bonds.

And Finally, Remember To...

**“Be Fearful When Others Are Greedy, & Greedy
When Others Are Fearful!” - *Warren Buffett***

Important Investor Disclosures

Complete disclosures for companies covered by Raymond James can be viewed at: <https://raymondjames.bluematrix.com/sellside/Disclosures.action>

This newsletter is prepared by the Private Client Services team (PCS) of Raymond James Ltd. (RJL) for distribution to RJL's retail clients. It is not a product of the Research Department of RJL.

All opinions and recommendations reflect the judgement of the author at this date and are subject to change. The author's recommendations may be based on technical analysis and may or may not consider information contained in fundamental research reports published by RJL or its affiliates. Information is from sources believed to be reliable but accuracy cannot be guaranteed. It is for informational purposes only. It is not meant to provide legal or tax advice; as each situation is different, individuals should seek advice based on their circumstances. Nor is it an offer to sell or the solicitation of an offer to buy any securities. It is intended for distribution only in those jurisdictions where RJL is registered. RJL, its officers, directors, agents, employees, and families may from time to time hold long or short positions in the securities mentioned herein and may engage in transactions contrary to the conclusions in this newsletter. RJL may perform investment banking or other services for, or solicit investment banking business from, any company mentioned in this newsletter. Securities offered through Raymond James Ltd., Member-Canadian Investor Protection Fund. Financial planning and insurance offered through Raymond James Financial Planning Ltd., not a Member-Canadian Investor Protection Fund.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated. The results presented should not and cannot be viewed as an indicator of future performance. Individual results will vary and transaction costs relating to investing in these stocks will affect overall performance.

Information regarding High, Medium, and Low risk securities is available from your Financial Advisor.

RJL is a member of Canadian Investor Protection Fund. ©2022 Raymond James Ltd.