Justwealth 2Q 2020 Market Commentary

The global struggle against COVID-19 continues, with results varying widely depending on the country or region. Regardless of the virus-related results, financial markets have at least temporarily decided that the panic selling in the first quarter of this year was a dramatic overreaction. The gradual re-opening of economies, reports of progress in the treatment and vaccinations against COVID-19, as well as unprecedented stimulus of governments and central banks have all helped propel equity and bond markets higher in the past quarter.

The speed and magnitude at which markets have recovered has been surprising to many, including ourselves. Based on observation, two extreme views currently seem to be regularly expressed: 1. Equity markets are due for another large selloff and 2. The rebound is just beginning, and a large bull run lies ahead. We discourage clients from believing in either of these views. If anything, the events of the past two quarters reinforces that ***markets are completely unpredictable in the short run!*** When you fall into the trap of believing in any particular short-term outcome and straying from long-term investment strategies, you are simply adding unnecessary risk to your financial well-being.

Economic and corporate data has progressively confirmed what was largely expected: overall economic growth has suffered a major decline; and corporate profitability, and in some cases viability, has been challenging. While there have been short-term winners and losers by region and sector, this should have minimal impact on Justwealth clients as we tend to have broad-based exposure in all portfolios, so we should participate on the upside and have limited downside. This form of diversification ultimately results in "achieving market returns with a smoother ride". We firmly believe that in the long-run, every investor will get [risk-adjusted] market returns – the key is keeping your fees low, and achieving your required returns by taking as little risk as possible.

One notable anomaly in terms of performance for our families of portfolios pertains to our collection of Income Portfolios. The focus of our Income Portfolios is to generate above-average and steady levels of investment income, with secondary consideration of market values (or prices). These portfolios logically emphasize higher yielding bond, equity and alternative asset classes. The latest economic crisis has placed above-average punishment on these asset classes such as REITs, high dividend equities, preferred equity and high yield bonds. Actual income levels have thus far been surprisingly unaffected (which is the primary goal) but prices, and thus overall returns, have lagged. In a return to normalization of markets, we would expect abnormally stronger returns for these portfolios. We mention this not to encourage shifting to Income Portfolios since you should always align your portfolio with your investment objective (i.e. these portfolios are inappropriate for "growth" investors), but to provide an explanation and set expectations for those already invested in one of our Income Portfolios.

We hope that everyone enjoys the summer weather as we progress towards a return to normal. Please do not hesitate to contact us if you have any questions or concerns about your finances.

Here is a recap of market performance as of June 30, 2020*

Asset Class	Market Index	Quarter	1 Year	3 Years	5 Years	10 Years
Fixed Income	FTSE TMX Canada Universe Bond	5.87%	7.88%	5.28%	4.19%	4.63%
Canadian Equity	S&P/TSX Capped Composite	16.97	-2.17	3.91	4.45	6.35
U.S. Equity	S&P 500 ($Cdn)	15.35	12.05	12.50	12.67	16.85
Int'l Equity	MSCI EAFE ($Cdn)	9.93	-1.12	2.42	3.84	8.39

** Performance annualized for periods greater than 1 year.*

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