Justwealth 1Q 2021 Market Commentary

The content of our quarterly commentaries normally focuses on what is moving markets, providing insight into what may transpire in the near future, while constantly reinforcing that focusing on the long-term and the factors that you can control is what really matters. Comments on actual performance are normally kept to a minimum, and mostly touch upon the performance of major market indices. Since we recently celebrated our 5th year anniversary, we thought this would be a good opportunity to take a deeper dive into performance analysis and highlight the benefits of strategic asset allocation for both short and longer terms.

The past quarter

The biggest story over the past quarter has been the decline in the bond market. The FTSE TMX Canada Universe Bond lost 5.04% marking the worst calendar quarter since the first quarter of 1994! Bonds are usually expected to be the conservative part of one's portfolio, so a 5+% drop in one quarter can certainly be alarming.

The truth is, we have been concerned about the potential for a major bond sell off since before the inception of Justwealth. As interest rates continued to go lower, our concern increased as we have communicated in recent quarterly commentaries. All of our portfolios are constructed based on the principles of strategic asset allocation – or taking a long-term view on how to provide superior risk-adjusted returns compared to market indices. Essentially, we are trying to financially engineer a better mouse trap. Specific to fixed income, our Justwealth Conservative Income Portfolio (which is 100% fixed income) was constructed to be produce superior returns compared to the FTSE TMX Canada Universe Bond Index.

Here is how the portfolio performed relative to the index*:

Market Index	Quarter	1 Year	3 Years	5 Years
Justwealth Conservative Income Portfolio	-1.56%	12.67%	3.47%	3.35%
FTSE TMX Canada Universe Bond	-5.04%	1.62%	3.77%	2.83%

Over the past quarter, our portfolio declined by substantially less than the benchmark index, and over 5 years our portfolio has delivered higher positive returns, and that's after fees (benchmarks don't have fees)! It is particularly important to note that this was all done without making any changes to the portfolio – no short-term speculation was used at any point since its inception. This is the kind of result that thoughtful and patient strategic asset allocation can produce.

The past year

It has been over a year since we have been living with the harsh realities caused by the pandemic. The rapid global spread of the pandemic sparked a massive decline in equity markets and other financial assets, bottoming out in March of 2020. Since that time, there has been a dramatic rebound in equity market performance. This has resulted in some eye-popping return numbers for the one-year period ending March 2021.

If you re-read our 1Q 2020 Market Commentary, or any of our other communicated messages from around that time, you will see that our advice at the time was very clear: Stay invested and stay on course. We preached patience to our clients, and we practiced what we preached in our portfolios. In our 70+ portfolios, we initiated a grand total of one portfolio change in one portfolio: we added the BMO NASDAQ 100 Equity (Hedged to CAD) Index ETF to our Justwealth Global Maximum Growth Portfolio in March 2020. The change was **not** based on a short-term opportunistic view, it was based on our long-term view.

We did not predict, nor expect the magnitude of returns that have now materialized over the past year, but we were confident that our portfolios were well positioned to benefit from a market rebound. Normally, we would downplay the importance of short-term performance periods, but last year was not normal and it is comforting to see how our strategic asset allocation approach compares in such an extreme environment*.

Portfolio	Morningstar Category	1 Year	Median	Quartile
Justwealth Global Conservative Growth	Canadian Fixed Income Balanced	19.30%	11.97%	1st
Justwealth Global Moderate Growth	Canadian Fixed Income Balanced	28.02%	11.97%	1st
Justwealth Global Balanced Growth	Global Neutral Balanced	35.46%	20.59%	1st
Justwealth Global Advanced Growth	Global Equity Balanced	34.96%	28.26%	1st
Justwealth Global High Growth	Global Equity Balanced	37.75%	28.26%	1st
Justwealth Global Maximum Growth	Global Equity	46.23%	36.60%	1st

The past 5 years

Justwealth's initial 60+ portfolios became available for investment in January 2016. With more than 5 years of history now available, we can finally analyze longer-term performance. Five years is a commonly studied time period by performance analysts as it smooths out some of the short-term fads or trends that can skew shorter-term performance data. A five-year term is sometimes referred to as a full-market cycle.

When we founded this company, we believed that our low-cost, passive approach would result in performance returns about 1.5% better per year than comparable mutual funds (regardless of how markets performed), which is equivalent to the annual fee discount available by using our service. We now have credible data to put that theory to the test!

A more detailed analysis is available on our website, but below is the data comparing our most commonly selected portfolio with the most comparable portfolio offered by one of Canada's Big 5 banks*. Banks' portfolios were chosen due to the similarity in design and comparable families of various risk levels, and the fact that these five programs alone represent more than $125 billion of Canadian investors' assets.

Asset Allocation: 20% Fixed Income/80% Equity	1 YR	3 YR	5 YR		Annual Fees
	(%)	(%)	(%)		(%)
Justwealth Global High Growth Portfolio	**37.75**	**9.66**	**10.11**		**0.65**
BMO SelectTrust Growth Portfolio A	27.79	5.64	**6.54**		2.50
CIBC Managed Growth Portfolio A	29.47	7.33	**7.92**		2.46
RBC Select Growth Portfolio A	30.49	7.92	**8.22**		2.04
Scotia Innova Growth Portfolio A	23.34	5.34	**5.73**		2.21
TD Comfort Growth Portfolio I	23.75	5.45	**5.93**		2.13
Banks Aggressive Average			*6.87*		*2.27*

Not only has our theory held true, it has paid off for Justwealth clients by more than expected…quite a bit more! The added outperformance above and beyond our lower fee advantage could be attributed to a number of factors including Justwealth's superior strategic asset allocation decisions, Justwealth's conflict-of-interest free investment process, or simply the failure of active management by the banks (or all of the above).

We are more convinced than ever, that Canadians would be well served by adopting a low-cost, passive approach to managing their assets. So, if you have friends or family that still invest in mutual funds, or other high fee investments through a traditional investment provider, please send them a copy of this commentary ASAP. Remember, friends don't let friends invest in high fee products or services!

Justwealth

Here is a recap of market performance*

Asset Class	Market Index	Quarter	1 Year	3 Years	5 Years	10 Years
Fixed Income	FTSE TMX Canada Universe Bond	-5.04%	1.62%	3.77%	2.83%	3.98%
Canadian Equity	S&P/TSX Capped Composite	8.05	44.25	10.19	10.05	6.00
U.S. Equity	S&P 500 ($Cdn)	4.75	38.06	15.79	15.63	16.87
Int'l Equity	MSCI EAFE ($Cdn)	2.09	27.66	5.13	8.23	8.26

Data as of March 31, 2021
Source: Morningstar Direct

* *The information presented above was obtained from sources which we believe to be reliable, but we cannot guarantee the accuracy of the information. The information does not constitute financial, tax, legal or any other kind of advice, nor is it an offer to buy or sell any securities. Rates of return are presented in Canadian dollars, annualized, and where applicable are net of the fees indicated. For additional details on the calculation of Justwealth rates of return, please refer to the disclosure on our performance page. Past performance is not a guarantee of future returns.*

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