



MARCH 2021 NEWSLETTER

MARKET REVIEW

The end of the first quarter of 2021 has found us one year and eight days from the March 23, 2020 market bottom of the “coronavirus correction,” and we have had a great recovery. With the Canadian market up close to 40% and the S&P 500 up over 50% over the last 12 months, it was hard not to get ahead. As we have mentioned before, we are very grateful that we didn’t have any panic sellers at the bottom and that many of you added to your equities at very favourable prices.

	<u>Mar</u> <u>31/20</u> <u>Close</u>	<u>Dec</u> <u>31/20</u> <u>Close</u>	<u>Mar</u> <u>31/21</u> <u>Close</u>	<u>90-Day %</u> <u>Change</u>	<u>1-Year</u> <u>% Change</u>
S&P 500*	2,584	3,756	3,972	5.75%	53.72%
S&P/TSX Composite	13,378	17,433	18,700	7.27%	39.78%

**In US Currency*

Source: Thomson One

Published for the friends and clients of
Douglas Duncan Wealth Management
 Raymond James Ltd.
 #1-5767 Turner Road
 Nanaimo, BC V9T 6L8
 Toll free: 1-866-729-2830
www.douglasduncanwm.com

PAST PICKS FROM MARCH 2020

Last year in March we were presented with an amazing buying opportunity. We had the choice to recommend weaker, extraordinarily beaten down companies or the very strongest companies, which were less beaten down. With the benefit of hindsight, some of the weakest companies had terrific bounce backs, but most of the world’s leading companies had very strong recoveries.

<u>March 31, 2020 Newsletter Picks</u>	<u>Mar 31/20 Close</u>	<u>Mar 31/21 Close</u>	<u>Dividend</u>	<u>Total Return</u>
Alphabet Inc. Cl A (Google)	\$1,161.95	\$2,062.52	\$0.00	77.51%
Amazon	\$1,949.72	\$3,094.08	\$0.00	58.69%
Microsoft Corp.	\$157.71	\$235.77	\$2.14	50.85%
Starbucks	\$65.74	\$109.27	\$1.72	68.83%
VISA	\$161.12	\$211.73	\$1.24	32.18%

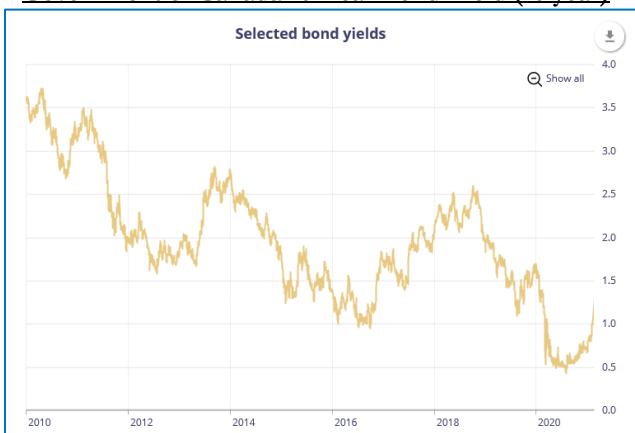
**Performance in US Dollars*

Source: Thomson One

These companies don’t go on sale very often, and we are very pleased that so many of you chose to add these positions to your portfolio at such an opportune time. These returns are in US dollars, and Canadian investors lost over 10% on the currency during the last year, but the net returns in Canadian dollars are still very respectable. Our goal is to have our clients hold dominant companies with sustainable business models that will cause the least stress as possible. These well known US companies add diversification to our traditional mix of Canadian dividend paying companies.

FIXED INCOME

Government of Canada 10-Year Bond Yield (10 year)



Source: Bank of Canada

Government of Canada 10-Year Bond Yield (1 year)



Canada entered the coronavirus correction with 10-year Canada bonds yielding around 1.5% and the yields went down to close to 0.4% in July only to rebound to around 1.5% today. Investors who owned Canada bonds enjoyed capital appreciation, only to see these gains evaporate during the fall as vaccines started to get approved.

Canadian T-Bills and Bonds Yields

	<u>Sept 30,</u> <u>2020</u>	<u>Dec 31,</u> <u>2020</u>	<u>Mar 31,</u> <u>2021</u>
90-day	0.13%	0.09%	0.08%
180-day	0.17%	0.07%	0.13%
1 year	0.21%	0.18%	0.170%
2-year	0.248%	0.150%	0.219%
5-year	0.357%	0.390%	0.966%
10-year	0.562%	0.680%	1.506%
30-year	1.110%	1.210%	1.944%

Source: Thomson One

International 10-Year Bond Yields

	<u>Sept 30,</u> <u>2020</u>	<u>Dec 31,</u> <u>2020</u>	<u>Mar 31,</u> <u>2021</u>
Japan	0.01%	0.01%	0.10%
U.S.	0.68%	0.92%	1.68%
Germany	-0.52%	-0.58%	-0.33%
Canada	0.56%	0.68%	1.51%
U.K.	0.23%	0.19%	0.79%
France	-0.25%	-0.35%	-0.08%
Spain	0.24%	0.04%	0.31%
Italy	0.86%	0.54%	0.63%
Portugal	0.26%	0.02%	0.20%
India	6.02%	5.87%	6.17%

Source: Bloomberg.com

<u>World Markets</u>	<u>YTD</u>
S&P/TSX Composite	7.27%
S&P 500	5.75%
NASDAQ	2.79%
Dow Jones	7.76%
Russel 2000	12.5%
iShares S&P/TSX Preferred Index ETF	7.91%
DJ Stoxx 50	10.3%
FTSE 100	3.92%
HANG SENG	4.21%

As of March 31, 2021 (all in local currency)

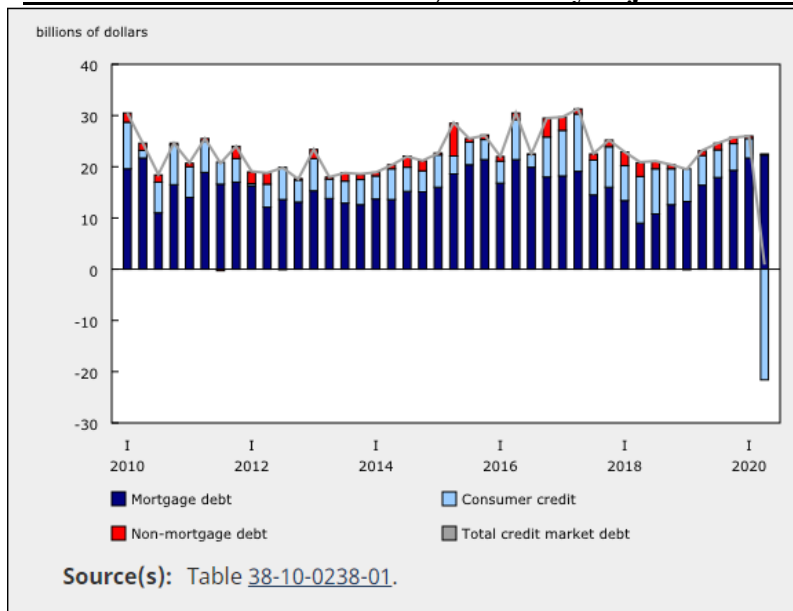
Source: Thomson One

A close look at the international 10 year bond yield chart indicates that Canadian, US, and UK bond yields are increasing, with Europe and India not so much. This would lead us to believe that the Canadian, US, and UK economies should recover more quickly.

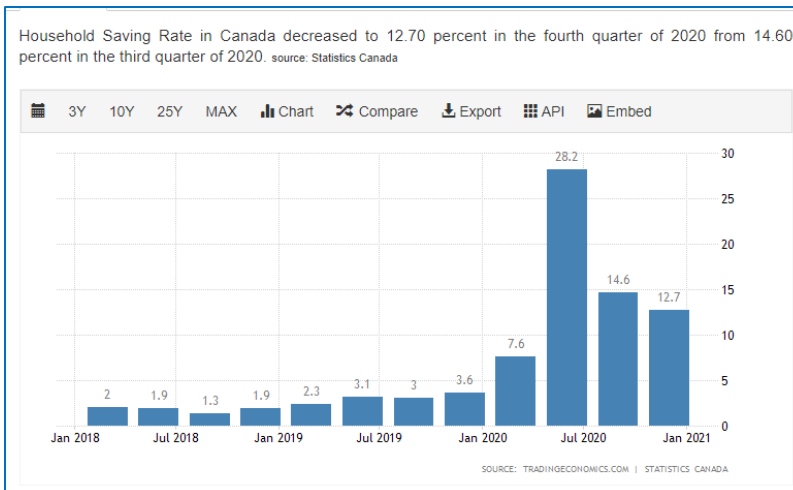
PENT UP DEMAND

The two charts below indicate what has happened to the consumer during the coronavirus pandemic. Firstly we had governments flooding the country with money. While some of the stimulus has assisted Canadians who lost their jobs or business owners in negatively effected sectors, much of it went to people who had no financial setback. More government stimulus was added to the economy than was lost due to the pandemic. In addition, consumers were less able to spend money on travelling, restaurant meals, live entertainment, and other loved activities. As a result consumer credit shrunk by over \$20 billion as Canadians paid off credit card and line of credit balances, and the savings rate jumped from around 3% prior to the pandemic to a high of over 28% last summer. We feel that in not too many months when the vaccine rollout is more complete, a lot of these savings will go back into consumption. We expect a strong lift to economic activity, which would tend to be good for equities.

Household credit market debt, seasonally adjusted flows



Source: Statistics Canada



Source: tradingeconomics.com

RESET PREFERRED SHARES

Reset preferred shares can be an effective way of providing dividend income in a portfolio, but these were awful performers as interest rates fell over the last few years. These were over-sold in last year’s market correction, but they have recovered very well as investors saw the relative value and we see signs that interest rates may recover.

Our largest five preferred share holdings are as follows:

<u>RESET PREFERRED SHARES</u>	<u>Mar 31/20 Close</u>	<u>Mar 31/21 Close</u>	<u>Dividend</u>	<u>Total Return</u>
Brookfield Renewable Preferred M	\$17.89	\$25.12	\$1.25	47.40%
Fortis Preferred G	\$13.90	\$19.77	\$1.10	50.13%
TC Energy Preferred C	\$8.50	\$13.58	\$0.55	66.19%
Brookfield Renewable Preferred I	\$20.52	\$25.49	\$1.44	31.23%
Enbridge Preferred E	\$10.28	\$16.29	\$0.85	66.69%

Source: Thomson One

Most of the preferred shares we own are now higher than the purchase price, with the exception of those purchased when interest rates were much higher. We continue to hold these positions and believe that they represent a good risk/reward. If interest rates rise further we will eventually see dividend increases and further upside.

Fortis Inc. Series G Preferred 2-Year Chart



Source: Bigcharts.com

OUR TOP 30 POSITIONS (not including cash or daily interest accounts)

Position	Mar 31/20 Close	Mar 31/21 Close	Annual Income	Total Return	
9	Brookfield Renewable Partners LP	\$31.46	\$53.65	\$1.71	75.98%
8	Raymond James Financial Inc.**	\$88.85	\$153.91	\$1.88	75.34%
19	Bank of America Corp**	\$29.85	\$48.59	\$0.90	65.80%
18	Bank of Montreal	\$71.06	\$112.02	\$4.24	63.61%
15	H&R REIT	\$8.93	\$14.26	\$0.23	62.26%
13	Manulife Financial Corporation	\$17.67	\$27.03	\$1.12	59.31%
17	Alphabet Inc. Cl A (Google)**	\$1,633.59	\$2,590.11	\$0.00	58.55%
21	*Brookfield Renewable Corp.	\$38.67	\$58.87	\$1.48	56.06%
10	JP Morgan Chase & Co**	\$126.57	\$191.17	\$4.52	54.61%
3	WSP Global Inc.	\$79.92	\$119.56	\$1.50	51.48%
	iShares S&P/TSX Canadian Dividend Aristocrats Index EFT	\$20.25	\$29.16	\$1.01	48.99%
29	Brookfield Renewable Preferred M	\$17.89	\$25.12	\$1.25	47.40%
12	Bank of Nova Scotia	\$57.47	\$78.62	\$3.60	43.07%
2	Toronto Dominion Bank	\$59.83	\$81.96	\$3.16	42.27%
30	Amazon**	\$2,741.11	\$3,885.55	\$0.00	41.75%
28	Vanguard S&P 500 Index ETF	\$64.35	\$88.64	\$1.13	39.50%
24	S&P 500 Trust ETF**	\$362.37	\$497.64	\$6.98	39.26%
1	Royal Bank of Canada	\$87.17	\$115.87	\$4.32	37.88%
4	Brookfield Asset Management Inc.	\$41.59	\$55.90	\$0.49	35.59%
16	Brookfield Infrastructure Partners LP	\$51.10	\$67.09	\$1.97	35.15%
20	Microsoft Corp.**	\$221.72	\$296.08	\$2.69	34.75%
5	Canadian National Railway Co.	\$110.03	\$145.84	\$2.34	34.67%
22	Vanguard Health Care ETF**	\$233.51	\$287.41	\$3.25	24.47%
26	Suncor Energy Inc	\$22.46	\$26.27	\$0.84	20.70%
11	Telus Corporation	\$22.25	\$25.03	\$1.20	17.91%
27	Costco Wholesale Corp**	\$400.86	\$442.64	\$16.07	15.24%
7	Johnson & Johnson**	\$184.36	\$206.39	\$5.07	14.70%
23	Algonquin Power & Utilities	\$18.95	\$19.91	\$0.62	8.34%
25	BCE Inc. (Bell Media)	\$57.73	\$56.73	\$3.37	4.11%
6	Fortis Inc.	\$54.27	\$54.53	\$1.97	4.10%
	Vanguard Canadian Aggregate Bond Index EFT	\$25.80	\$25.75	\$0.67	2.41%
14	TC Energy Corp	\$62.55	\$57.61	\$3.30	-2.62%

US/CAD exchange rate March 31, 2020 \$1.4059

US/CAD exchange rate March 31, 2021 \$1.2558

*BEPC started trading July 24, 2020 @ \$38.67

**Canadian Dollar Equivalent

A quick glance at our top 30 positions indicates that the best returns were from banks, US technology companies, and renewable energy companies. The least profitable but hardly a disaster were the utilities, which due to their relatively predictable earnings didn't go down that much in the correction but didn't recover much either.

CAREER OPPORTUNITY AT NANAIMO RAYMOND JAMES

As our business has been growing we are looking for a third administrative assistant so that we can keep up the quality of our service. We are looking for an individual with an outgoing friendly personality, the ability to multi-task and do accurate work, and the ability to complete the Canadian Securities Course and other licencing requirements. As Meaghan and Mark have many years ahead of them in the business, they are looking for someone who enjoys the administrative side of the business, rather than a “stepping stone” to a financial advisor position.

SUMMARY

We expect that as the Canadian and world populations become vaccinated that the economy will come roaring back, with consumers spending some of the money that they have saved during the lockdown. This will favour economically sensitive companies but may provide opportunities as investors sell utilities and growth companies to participate in the “back to normal” stocks. We will be watching the markets for opportunities but if you have any questions about your portfolio please call Meaghan or Mark.

We wish everyone a terrific spring as the weather gets better and more Canadians get vaccinated.



Mark Duncan
Financial Advisor

Meaghan Douglas
Financial Advisor

Ian Douglas
Consultant

Lisa Cajolet
Assistant

Sara Bessant
Assistant

If you have friends who have expressed an interest in finding a new advisor, we would be delighted to hear from you. Just call our office at 250-729-2830 and we'll take it from there. Thanks!

This newsletter has been prepared by Douglas Duncan Wealth Management. It expresses the opinions of the writer(s), and not necessarily those of Raymond James Ltd. ("RJL"). Statistics, factual data and other information are from sources believed to be reliable but accuracy cannot be guaranteed. It is furnished on the basis and understanding that RJL is to be under no liability whatsoever in respect thereof. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. RJL, its officers, directors, employees and their families may from time to time invest in the securities discussed in this newsletter. It is intended for distribution only in those jurisdictions where RJL is registered as a dealer in securities. Distribution or dissemination of this newsletter in any other jurisdiction is strictly prohibited. This newsletter is not intended for nor should it be distributed to any person residing in the USA. Securities-related products and services are offered through Raymond James Ltd., member-Canadian Investor Protection Fund. Insurance products and services are offered through Raymond James Financial Planning Ltd., which is not a member-Canadian Investor Protection Fund.