JUNE 2021 NEWSLETTER

MARKET REVIEW

The second quarter of 2021 has seen the continuation of the bull market started on March 23 of 2020, with strong performance from both our Canadian and US holdings. This combined with Canadian vaccination rates protecting a growing portion of the population and the gradual relaxing of government lockdown measures, has been a relief for Canadian investors. Most of our clients have their portfolios at record levels and we are very pleased that people's lives are starting to get back to normal.

	June 30/20 Close	Mar 31/21 Close	June 30/21 Close	90-Day % Change	1-Year % Change
S&P 500*	3,100	3,972	4297	8.2%	38.6%
S&P/TSX Composite	15,512	18,700	20157	7.8%	29.9%

**In US Currency* *Source: Thomson One*

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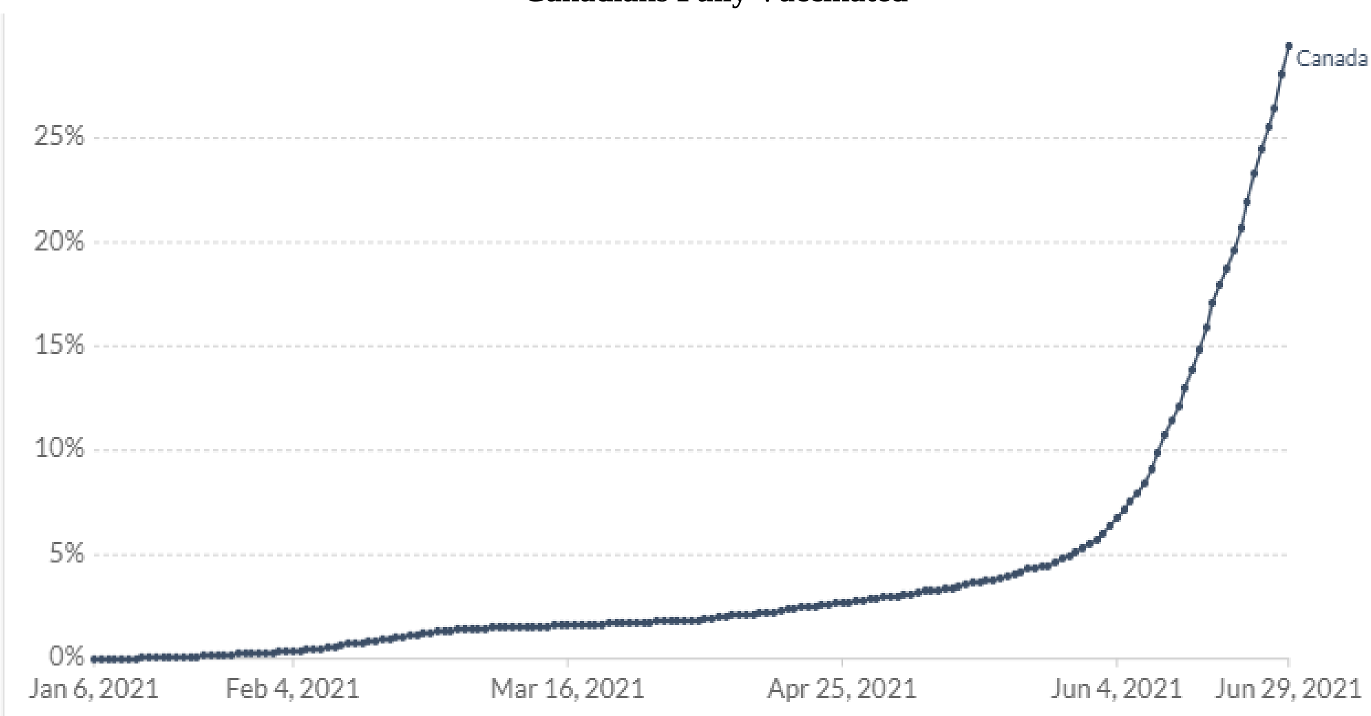
World Markets	***YTD***
S&P/TSX Composite	**15.2%**
S&P 500	**14.4%**
NASDAQ	**12.5%**
Dow Jones	**12.7%**
Russel 2000	**17.0%**
iShares S&P/TSX Preferred Index ETF	**11.9%**
DJ Stoxx 50	**14.4%**
FTSE 100	**8.9%**
HANG SENG	**5.9%**

As of June 30, 2021 (all in local currency) *Source: Thomson One*

VACCINES

After a slow start, Canada has found its stride and we are now are starting to achieve immunity within the population. On March 31, 2021, 13.3% of Canadians had one vaccine dose, while only 1.8% had been fully vaccinated. As of June 30, 68% of Canadians have one vaccine dose, with 30% fully vaccinated. Considering that one dose can provide reasonable protection, and most vaccines are the preferred BioNTech/Pfizer or Moderna, there has been a noticeable improvement in Covid-19 rates, government restrictions, and most people's confidence.

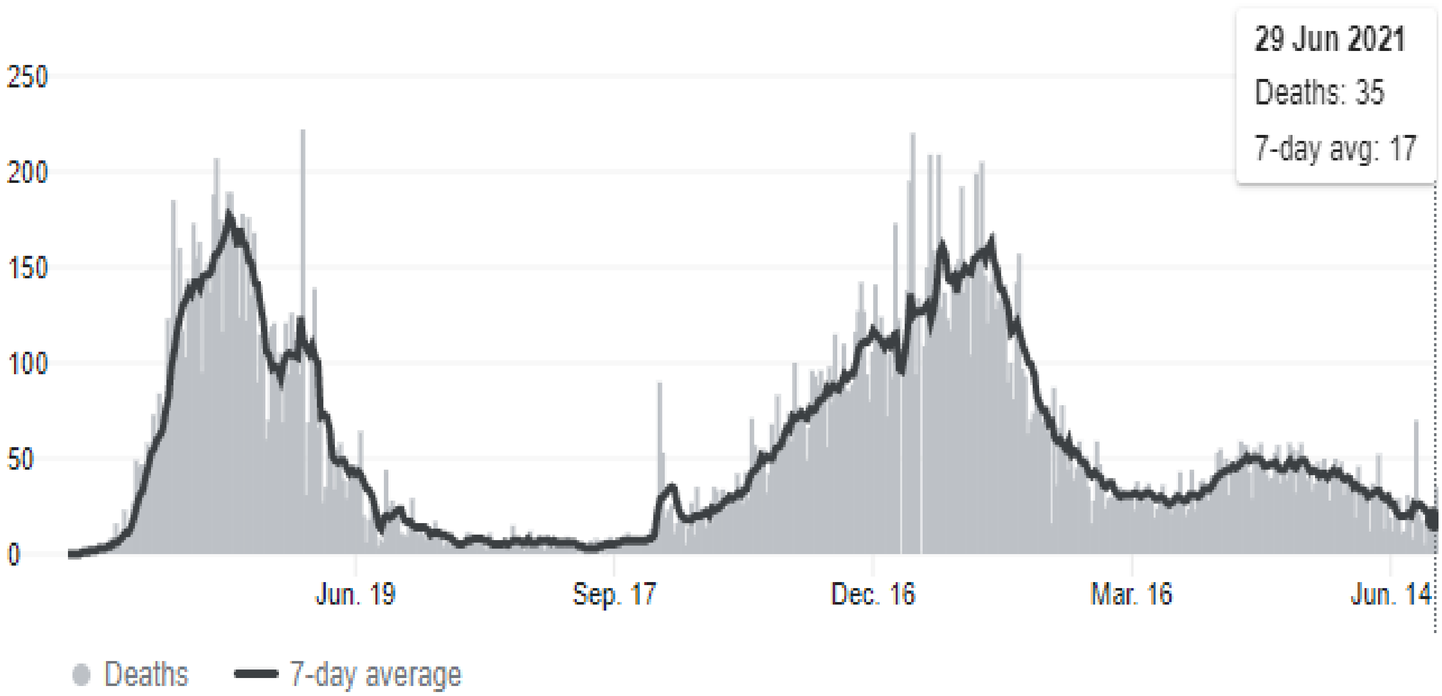
Canadians Fully Vaccinated



OurWorldInData

We are very happy that at least 76.9% of Canadians (Statistics Canada) plan to complete their vaccinations, leading to a safer and freer year ahead for all of us. Canada's Covid-19 death rate has been improving considerably, peaking at 157 daily in January 2021, down to the current 17 daily (7 day averages). As more Canadians complete their vaccinations we expect further improvement to the economy.

Decrease in Death Rate



Our World Data

FIXED INCOME

Occasionally we get calls from clients who want more guaranteed options to diversify their portfolios. The call usually goes like this: "I want some 100% safe investments that pay around 5% or so…." We share this sentiment, but the reality of 2021 is that a 5-year Canada bond yields 0.98%, while a 10-year Canada bond yields only 1.389 % (Thomson One). These are only risk free if you don't look at the price of the bond between now and maturity. If inflation and interest rates rise, bonds will have been very unpleasant places to invest your savings.

The Vanguard Canadian Government bond index ETF is down 4.96% on a one year basis and down 4.42% year to date. This is hardly a disaster but if the most you can make is around 1% and you have considerable risk to your capital if rates rise it is hard to justify owning any bonds in your portfolio. We will keep you posted for opportunities, but for now daily interest accounts and short-term GICs are the only realistic options for clients needing a 100% guarantee of some income and return of capital.

Canadian T-Bills and Bonds Yields

	Dec 31, 2020	Mar 31, 2021	June 30, 2021
90-day	**0.09%**	**0.08%**	**0.150%**
180-day	**0.07%**	**0.13%**	**0.180%**
1 year	**0.18%**	**0.170%**	**0.120%**
2-year	**0.150%**	**0.219%**	**0.450%**
5-year	**0.390%**	**0.966%**	**0.980%**
10-year	**0.680%**	**1.506%**	**1.389%**
30-year	**1.210%**	**1.944%**	**1.843%**

Source: Thomson One

International 10-Year Bond Yields

	Dec 31, 2020	Mar 31, 2021	June 30, 2021
Japan	**0.01%**	**0.10%**	**0.05%**
U.S.	**0.92%**	**1.68%**	**1.47%**
Germany	**-0.58%**	**-0.33%**	**-0.21%**
Canada	**0.68%**	**1.51%**	**1.389%**
U.K.	**0.19%**	**0.79%**	**0.71%**
France	**-0.35%**	**-0.08%**	**0.12%**
Spain	**0.04%**	**0.31%**	**0.41%**
Italy	**0.54%**	**0.63%**	**0.82%**
Portugal	**0.02%**	**0.20%**	**0.39%**
India	**5.87%**	**6.17%**	**6.04%**

Source: Bloomberg.com

MARKET LEADERSHIP

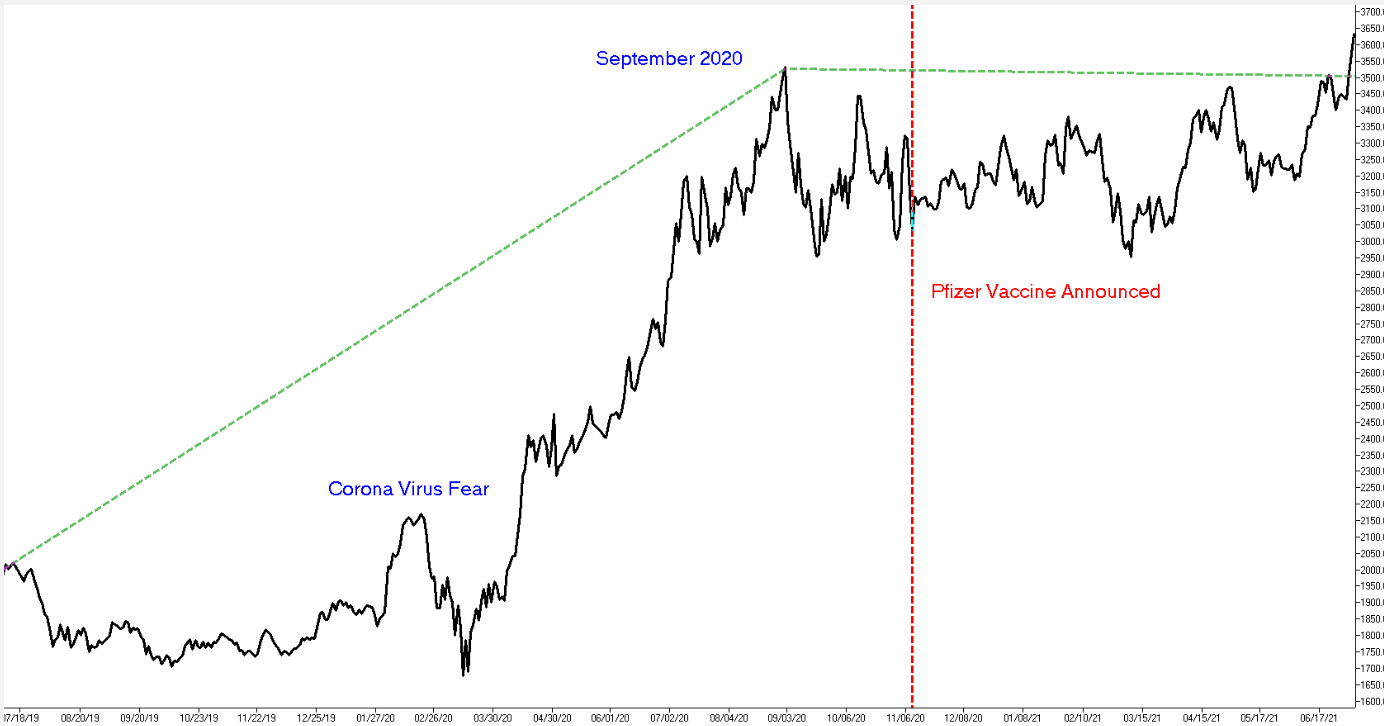
Immediately after the coronavirus market correction bottoming on March 23, 2020 [Thomson One], the stay-at-home and technology-related stocks showed the strongest performance. After November 9, when BioNTech and Pfizer announced the effectiveness of their vaccine [Canada.ca], market leadership changed. The new leaders became Financials, REITs, oil & gas producers, and other economically sensitive companies. Exceptions to this include Microsoft and Google, which continue to perform strongly.

We believe that the best portfolios going forward will include both dominant technology companies (Apple, Google, Microsoft, Amazon, etc.) and economically sensitive companies (banks, Brookfield Asset Management, WSP Global, Manulife, etc.).

We will continue to focus on companies which we expect to remain profitable, sustainable, and relevant for the foreseeable future. Due to changing consumer preferences, government regulations and technological disruption, this is easier said than done, which is why we diversify.

STAY-AT-HOME / TECH STOCKS

Amazon.com Inc

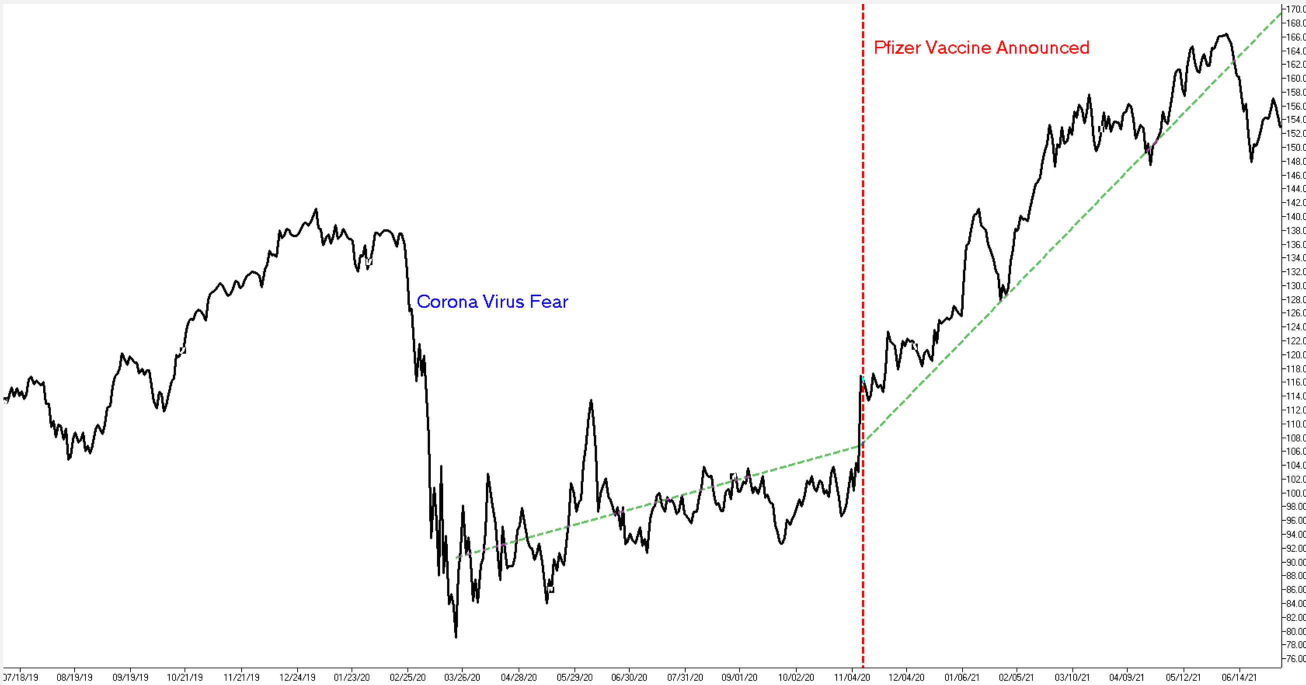


Apple Inc.

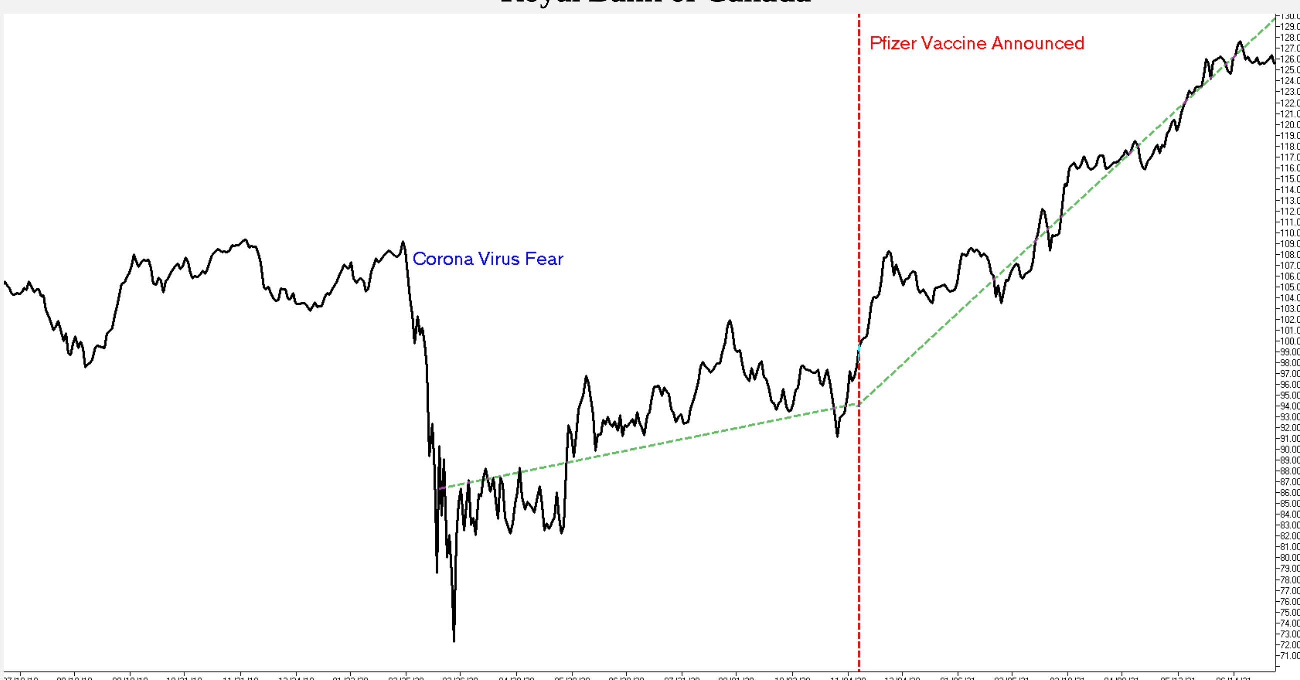
Many of the "stay-at-home" stocks peaked last September (2020)

ECONOMICALLY SENSITIVE STOCKS

JPMorgan Chase & Co.



Royal Bank of Canada



Source: (Thomson One)

Economically sensitive companies had a very gradual improvement after the March 2020 sell off. After the November 9, (2020) BioNTech/Pfizer announcement, they began out-performing the market.

BANK DIVIDEND INCREASES

In March 2020, Canadian regulators implemented measures banning banks from share repurchases, dividend increases, and increases in executive compensation. The goal was to ensure that the banks had enough capital to lend should the economy go into a deep recession. The economy and loan losses were not as bad as feared, and now all of our Canadian banks are sitting on excess capital that they would prefer to use for share buybacks and dividend increases.

US regulators recently lifted their similar restrictions and JP Morgan and Bank of America (our #10 and #20 stock positions) increased their dividends 11.1% and 17% respectively. Most other US banks increased their dividends as well.

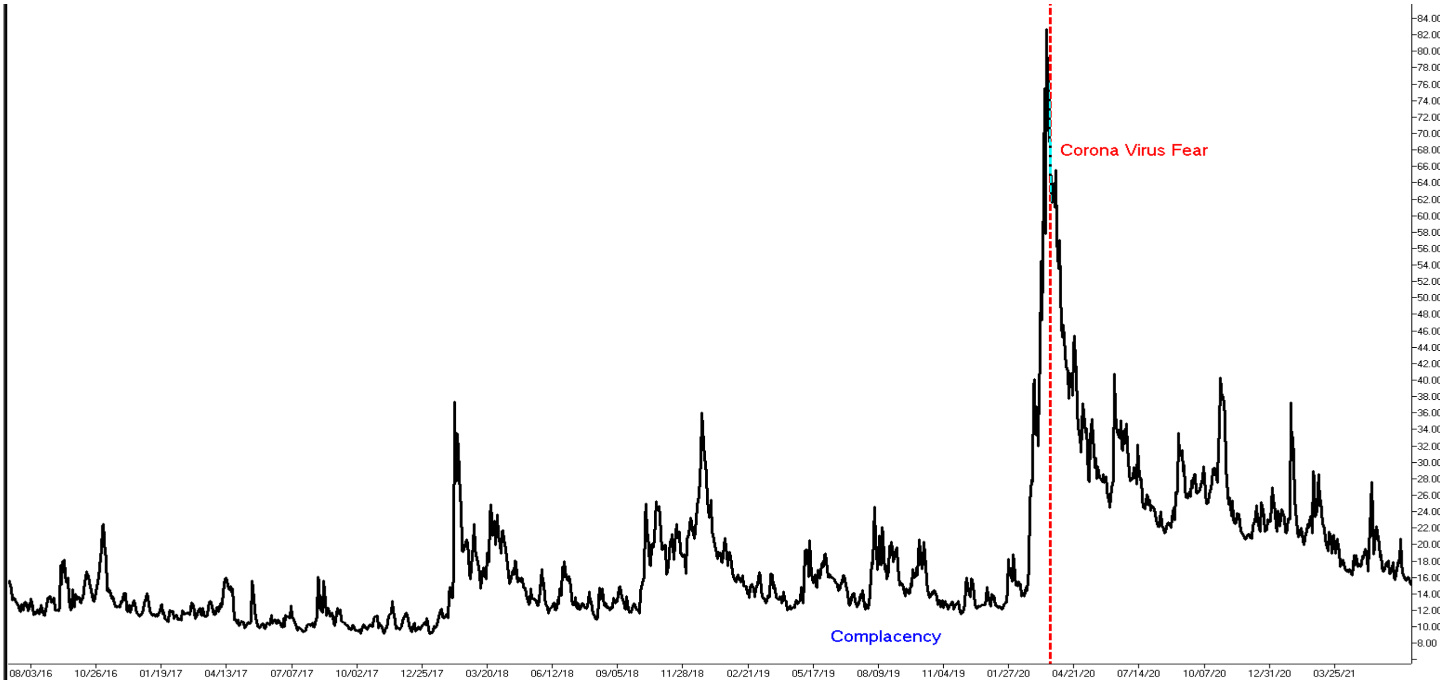
We expect that the Canadian regulators will ease their restrictions on banks at some point during the next few months, leading to meaningful dividend increases. We do not expect this to necessarily be accompanied by large price increases of bank shares, as this is widely anticipated by the market, but it is always nice to get more dividend income.

WHERE DOES THE MARKET GO FROM HERE?

There are many measures to analyse whether the market is good value or not, including dividend yield, P/E ratios, and monetary policy. While these are all useful and necessary, the best indicator that we know of is investor sentiment. When the average investor is petrified and we see disaster headlines in the media, the best opportunities are available. When investors are excited about the market and speculation is rampant, it is time to be more cautious.

Below is the VIX, a market volatility indicator which measures investor sentiment. The vertical line denotes the maximum market panic due to the Covid-19 pandemic.

VIX Volatility Index



Thomson One

Based on the current level of volatility, we feel that the market can still enjoy positive returns, but we would prefer to wait for a market pullback before making large equity additions.

There is an exception to this optimism. We feel that there is a very high level of risk with the most speculative, high priced stocks. For example, if bitcoin and GameStop are the cornerstone of your retirement savings, it may not end well.

TODAY'S GREATEST RISK

While we can always be surprised by an unexpected geopolitical event or a natural disaster, the threat of higher inflation and interest rates is what has been keeping money managers up at night.

If rising inflation triggers increases in interest rates, we would expect the value of all risk assets (stocks, real estate, gold, art, etc.) to fall to a lower equilibrium level.

We feel that there is the potential for upward pressure on interest rates, the question is how much and how soon. The counterbalancing factor is how quickly corporate profits will grow with the current economic re-opening. If corporate profits grow more than the interest rate increases we would expect rising asset prices to continue, if corporate profits are modest compared with the rising rates we would expect a market correction.

Banks, insurance companies, and reset preferred shares benefit from rising rates (within reason), so they are expected to be out-performers over the next few years.

No one knows exactly how the economic recovery and the upward pressure on interest rates will resolve, so we plan to mostly "stay the course", and use any future corrections to add to favourite positions at attractive prices.

WELCOME HEATH

Heath Dean is the newest member of our Douglas Duncan Wealth Management team. As a recent business graduate, his skill set includes customer service and communications. Heath's interests include sailing, media creation and hiking. Originally from the Okanagan, Heath attended high school in Nanaimo, obtained his Bachelor of Business Administration with Vancouver Island University, and is now pursuing his career with us at Raymond James.

SUMMARY

The markets have been very kind to equity investors since the coronavirus correction, and we expect the wind to be at our backs for a while. Due to the terrific returns behind us we would be careful to only add the highest quality companies to your portfolios and keep a bit of dry powder available for the inevitable corrections that will come along. In our portfolio building process we will be focusing on companies and sectors where we expect a promising future over the next five to ten years, and avoiding the temptation to be drawn into the "flavour of the month" speculative stars. We wish everyone a great summer as more social and travel options become available. If you have any questions about whether your portfolios are still relevant to your situation, please call Meaghan and Mark.

Mark Duncan	**Meaghan Douglas**	**Ian Douglas**	**Lisa Cajolet**	**Sara Bessant**	**Heath Dean**
Financial Advisor	Financial Advisor	Senior Vice President	Administrative Assistant	Administrative Assistant	Administrative Assistant

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If you have friends or family 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!