



Turning the Corner

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Christmas is almost upon us, which means we will soon close the book on 2020. It was a tough year for everyone as the COVID-19 pandemic drastically changed our lifestyles. Thankfully, humans are creative and adaptive, and we were able to overcome many challenges. As we write this, Pfizer Inc. and BioNTech SE have announced a vaccine candidate that is 90% effective in clinical trials. They expect to seek approval from the U.S. Food and Drug Administration (FDA) shortly and produce 50 million doses in 2020 and up to 1.3 billion doses in 2021. Since each person will require two doses, about 675 million people could potentially be immunized by the end of 2021. Canadians will have access to this vaccine as our government pre-ordered 20 million doses from Pfizer in the early stage of development, but it will take time for the majority of the population to be vaccinated as orders are met. Keep in mind, even if you don't receive the vaccine right away, your risk of contracting the virus will still be lower as others do. Also good news is other companies, notably Moderna Inc. and AstraZeneca PLC, are seeing progress with their vaccines and have started reporting clinical trial results, meaning the world is not limited to Pfizer's supply. It's possible that we could return to "normal" by late next year.

Reflecting on the markets and economy

There is no doubt our national income has declined due to disruptions to our manufacturing and service sectors. Central banks and governments around the world have acted aggressively to combat slower economic activity by lowering interest rates (to effectively zero), increasing

money supply and providing direct subsidies. This supported policymakers' general preference for lower volatility, propping asset markets and creating a positive backdrop for investing. In the third quarter, some students returned to school and our economy partially re-opened. We also had significant improvements in unemployment rates and national income, both better than originally anticipated.

There were dramatic moves in stock markets throughout the year; volatility spiked in March and equities fell precipitously. Those who stuck to their plan and stayed invested through the drawdown were rewarded with an equally sharp bounce back. Initially, investors favoured technology companies as our social life was replaced by cyber life. The so-called "new economy" companies like Amazon.com Inc. and Facebook Inc. significantly outperformed "old economy" companies like General Electric Co. and Exxon Mobil Corp. With a glimpse of hope we could return to normal in 2021 with a vaccine, investors are now paying up for sectors that were hit hardest by the pandemic, such as airlines and oil producers. We continue to see investors rushing in and out of trends without paying much attention to quality and valuations. That unfortunately is the side effect of lax monetary policies.

Where are we going?

We expect market leadership is changing to favour the laggards. Geographically, Europe, Asia and Canada are



attractive. Amongst sectors, we believe there is value in energy, industrials, financials and real estate. We are not sure how durable the current rotation to “old economy” stocks is, but their valuations are significantly better than their peers. We missed some of the trend to “buy technology companies at any price” earlier this year, but we are making up for it with the current surge in value sectors.

In our view, investing is like a marathon; it’s not about how fast or slow you complete a single leg, but how you perform over the entire race. We believe our investment process, which focuses on balanced exposure to sectors and styles, is the best strategy to get our clients to the finish line.

Combined top 15 equity holdings as of October 31, 2020 of the Evolution 40i60e Standard portfolio with Alpha-style exposure:

- | | | |
|---------------------|-------------------------|--------------------------------------|
| 1. Microsoft Corp. | 6. Royal Bank of Canada | 11. Brookfield Asset Management Inc. |
| 2. Alphabet Inc. | 7. Prologis Inc. | 12. Empire Company Ltd. |
| 3. Amazon.com, Inc. | 8. Franco-Nevada Corp. | 13. Tencent Holdings Ltd. |
| 4. Visa Inc. | 9. Fortis Inc. | 14. Apple Inc. |
| 5. Facebook Inc. | 10. CGI Inc. | 15. Canadian Tire Corporation Ltd. |

Source: Bloomberg Finance L.P. Pfizer Inc., and CI Multi-Asset Management as at November 11, 2020.

For more information, we encourage you to speak to your advisor or visit us at [assante.com](https://www.assante.com)

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