Month in Review - July 2021

Equity markets continued to move higher in July with the TSX Composite Index rising 0.8% and the S&P500 (in CAD) gaining 2.9%. The Canadian Bond Universe Index rallied for its third straight monthly gain, increasing 0.8%, with the 10-Year Government of Canada Bond rate falling to a measly 1.2%. With such low-rates on longer-term bonds it appears the bond market is signaling that we will soon return to a low-growth environment, which contradicts the recent inflation and GDP reports.

Markets

It was another very slow month on the news front, aside from news on the Covid – Delta Variant. Anytime stocks went down, major news outlets blamed the variant, driving fear with the variant in the headlines. We think most market participants are looking past Covid, as vaccinations continue to increase around the globe, and stock markets typically look forward six months to a year. Currently, the biggest concern with stocks appears to be higher valuations and a prolonged run without a 5% pull-back. Equity markets appear stretched in the short run and need a pull-back so that valuations can become more reasonable. Nonetheless, a pull-back may not happen with all the central bank liquidity sloshing around.

The alternative point of view is that bond yields remain ridiculously low. When you compare bonds to stocks, stocks look like a better investment, even with the high valuations. Who wants to lend the Government of Canada money for ten years and receive 1.2% per year? One could buy Royal Bank stock, where the dividend is 3.4%, which is almost three times the return. With a low interest rate environment on our minds, we've manufactured investments for you in Private Debt and Private Real Estate, both of which pay you income of 4% per year, while also increasing in value over time. This means we don't need to increase the risk on your portfolios by putting a higher weight into stocks or equity investments to offset the poor bond yields, as in the Royal Bank example we gave.

Portfolio Activity

The Laurier Private Equity Pool just announced the performance as of the end of June 2021 and it produced an amazing **6.24% return from April 1st to June 30th of 2021.** Couple that with its return generated from January to March and the pool now has a **10.40% return for 2021.** Laurier is well on its way to hitting its targeted annual return of 15%! Your portfolio has an exposure of 6%-10% in this pension like asset class.

As markets have moved higher, we have been taking profits and building a cash position in the Springfield Equity Pool. This will provide capital to take advantage of any short-term market drops. We also hold ten percent in Private Real Estate to diversify our equity exposure. The bulk of this real estate is in private apartments, which are valued based on the rental income they produce and have proven very stable over the past 30 years. We also continue to hold private debt that yields more than traditional fixed income without the daily volatility. The result is well-balanced portfolios that continue to provide strong returns with minimal drawdowns.