



GREEN PRIVATE WEALTH

HARBOURFRONT WEALTH MANAGEMENT

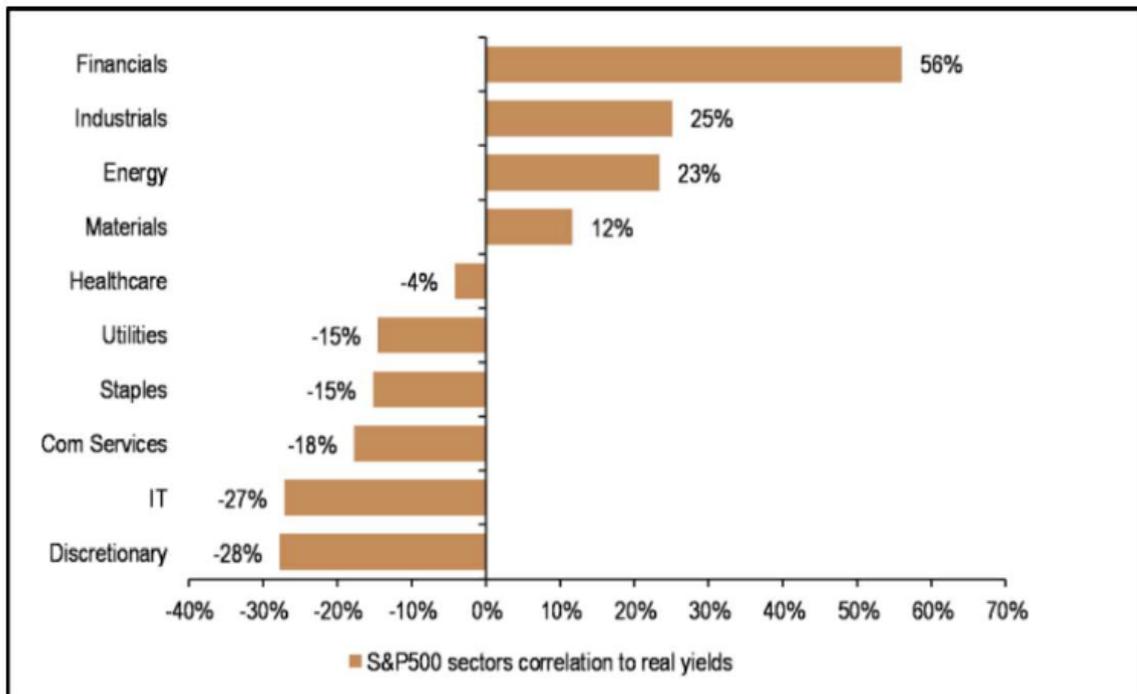
Green Private Wealth of Harbourfront Wealth Management is a discretionary portfolio management group focused on helping investors achieve their goals through building wealth and managing their risks.

## Month in Review - February 2022

Stock markets had another weak month, with the TSX Composite sneaking out a small gain of 0.3%, while the S&P 500 (in CAD) fell 3.2%. Once again, the Canadian Universe Bond Index also had a poor month falling 0.8%, again resulting in larger losses for traditional portfolios consisting of bonds and equities. We continue to highlight that we use private real estate and private debt as the core holdings for the safety portion of your portfolios. Once again, both asset classes held up, giving you better downside protection than bonds, resulting in a much smoother investing experience for you.

### Markets

Markets continue to price in an aggressive US Central Bank (FED), expecting several rate hikes over the next year totaling 1.5% to 2.0%. With an enormous amount of debt in the world (mostly denominated in USD) that was created in the past 10 years off the back of zero interest rates, the market clearly does not like US rate hikes, believing them to be detrimental to many sectors in the economy. With that in mind, we've moved the portfolios to hold a core equity position in Canadian companies (primarily in banks and insurance companies, energy companies, and materials), which should perform well in a rising rate environment. This performance can be seen in the chart below, courtesy of JP Morgan:



Source: JP Morgan

Further spooking the markets in February was the invasion of Ukraine by Russia, seemingly planned well in advance and targeted to happen once the Olympics were over. While the news of this event is saddening, the S&P 500 seemed to shrug it off, bottoming the following morning and rallying 4% from where it opened. Gold had a large reversal on the day too, selling off 2%, with the equity rally being led by technology stocks. It seems the market believes FED rate hikes may be delayed or less severe with war on the table, resulting in technology stocks rallying in a low-rate environment.

Still much uncertainty remains with respect to world politics:

1. Is China watching to see if it can take Taiwan?
2. What happens to markets with Russian assets frozen?
3. What happens to markets with some Russian banks removed from the SWIFT banking system?
4. Can the Ukrainians continue their resistance and if so, does more blood get spilled?

Having said all that, stocks will likely be choppy into the US CPI print (March 10th) and the Federal Reserve Open Market Committee meeting (March 16th). With the Democrats coming under a lot of pressure to deal with inflation, a strong CPI number (over 6%) could result in a more aggressive FED than perhaps they'd like, but they've been too easy with monetary policy for too long, causing major dislocations in the economy and capital flows. Should equities sell-off further from this meeting, it will likely result in larger cash balances in your portfolios.

### Your Investments

While it's been a volatile start to the year, the portfolios have held up quite well, especially when compared to portfolios holding bonds and stocks. Furthermore, the portfolios are positioned in equity sectors that can do well in a rising rate environment. In addition to moving away from growth-oriented stocks, we continue to add to our cash position as we see weakness in the broad markets.

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