2021 Outlook

We recommend overweighting equities relative to other asset classes. In the table below, we outline our current allocations and recommendations, but the main takeaways for our 2021 outlook are:

- Decrease cash to allocate to equities. Market sentiment is overly bullish; as such, we recommend reducing cash through Q1/21 during periods of market weakness to increase equity exposure.
- Increase allocation to small- and mid-caps at the expense of large-caps.
- Increase allocation to cyclicals over defensives.
- Look for opportunities to add value as an investment style. Growth has outperformed value for over a decade, but we see value as having the potential to outperform in 2021. Adding value relative to growth may be a balancing act, as we believe holding growth stocks has significant merit in a world where economic activity is scare. That said, there have been periods where value has outperformed and we believe the conditions are set for value to show good relative performance over the next 6-12 months.
- As a general investment philosophy, we recommend focusing on quality factors when making investment decisions. However, early in market cycles, investors can generate excess return by moving down the quality scale. As such, we recommend adding companies that have a viable business model, but may not screen well on quality factors.
- Regionally, we anticipate a weaker US dollar will favour adding international exposure, particularly in emerging markets. While forecasting an above-average year for Canadian markets, our market generally underperforms international markets when the US dollar is weakening. As such, we would add non-North American exposure at the expense of North American holdings.

Please read domestic and foreign disclosure/risk information beginning on page 7

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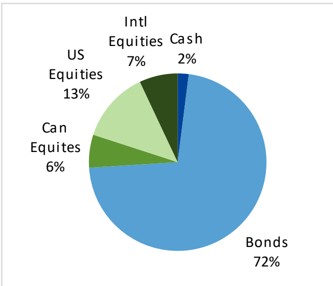
Recommended Allocation

Asset Class	Recommended Allocation					
	-				+	Summary
Equities						**OVERWEIGHT**
Large Cap						From a long-term view, record monetary/fiscal stimulus and relative equity/bond valuation points to a positive bias towards equities. We believe we're in the early stages of a multi-year recovery and, as such, investors should consider moving further out on the risk scale, looking for opportunities within value and small caps.
Small Cap						
Quality						
Junk						
Growth						
Value						
Defensive						
Cyclical						
Bonds						**UNDERWEIGHT**
Government						We recommend an allocation to government bonds, given their low correlation to equities, and allocating to corporates to generate income. We would focus on short- to medium-term maturities. Investors concerned about future inflation can consider US TIPs and/or Canadian real return bonds.
Corp						
Duration (short)						
Duration (med)						
Duration (long)						
Alternatives						Alternative investments are unique and an allocation to the segment is highly dependent on a client's investment objectives, time horizon, liquidity needs and risk tolerance. Given the various factors that differentiate Alternatives from traditional investments, we recommend a more holistic approach wherein investors tailor certain funds from our Approved List to meet their needs.
Cash						**UNDERWEIGHT**
Regional Allocation						
Canada						The US fiscal and monetary response provides a significant tailwind for US equities; however, as the recovery takes hold, we believe investors will move further out on the risk scale, increasing exposure to international markets, particularly emerging markets. In local terms, we believe the S&P/TSX may marginally outperform the S&P 500 but, on a currency-adjusted basis, we see a similar return profile. As such, we recommend hedging some USD exposure.
US						
International						

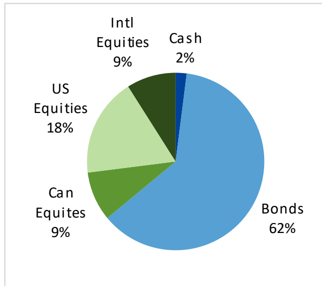
Investor Profiles and Asset Class Weightings

Recommended Asset Allocation

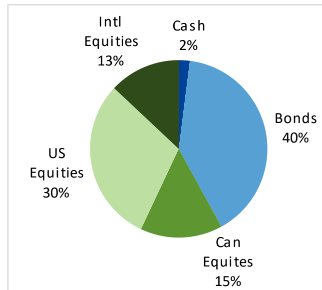
Capital Preservation



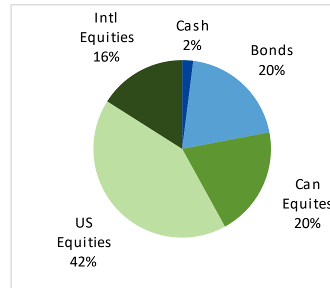
Conservative



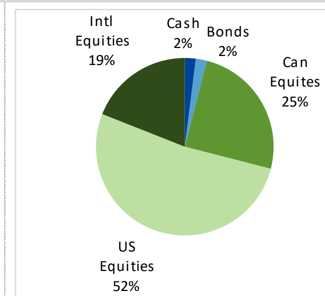
Moderate



Growth



Aggressive Growth



	Capital Preservation	Conservative	Moderate	Growth	Aggressive Growth
Cash	2%	2%	2%	2%	2%
Bonds	72%	62%	40%	20%	2%
Can Equities	6%	9%	15%	20%	25%
US Equities	13%	18%	30%	42%	52%
Intl Equities	7%	9%	13%	16%	19%
	100%	*100%*	*100%*	*100%*	*100%*
Tactical Asset Mix (Bonds include cash)					
Bonds | Equities	74 | 26	64 | 36	42 | 58	22 | 78	4 | 96
Strategic Asset Mix (Bonds include cash)					
Bonds | Equities	80 | 20	70 | 30	50 | 50	30 | 70	10 | 90
Asset Ranges					
Cash	0-20	0-20	0-20	0-20	0-20
Bonds	60-100	50-90	20-70	10-50	0-30
Equities	0-30	10-50	30-75	50-90	70-100

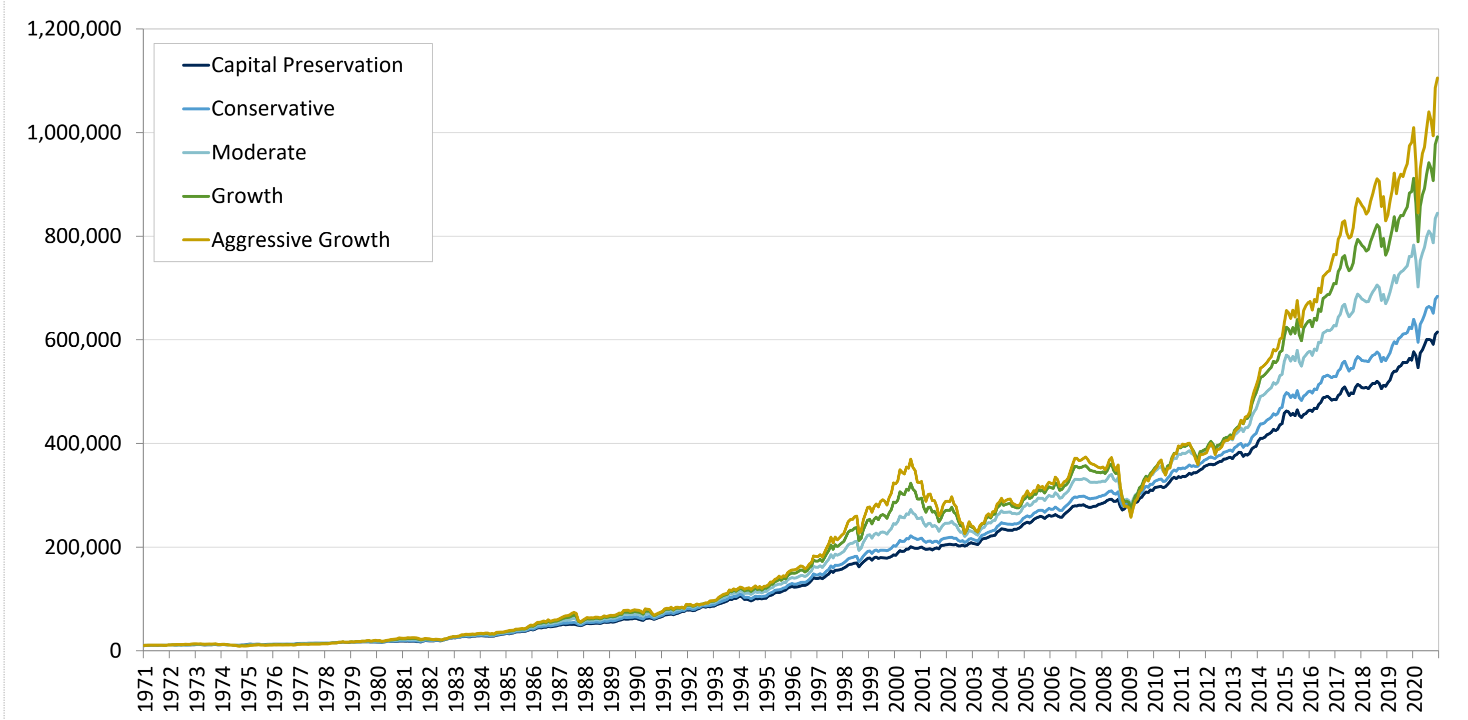
Description

Capital Preservation	Conservative	Moderate	Growth	Aggressive Growth
May be appropriate for investors with long-term income distribution needs who are sensitive to short-term losses. The equity portion of this portfolio generates capital appreciation, which is appropriate for investors who are sensitive to the effects of market fluctuation but need to sustain purchasing power. This portfolio, which holds predominantly fixed-income securities, seeks to keep investors ahead of the effects of inflation with an eye toward maintaining principal stability.	May be appropriate for investors with intermediate-term time horizons who are sensitive to short-term losses yet want to participate in the long-term growth of financial markets. The portfolio, which fixed-income securities tend to make up the largest proportion of holdings, seeks to keep investors well ahead of the effects of inflation with an eye toward maintaining principal stability. The portfolio has characteristics that may deliver returns lower than that of the broader market with lower levels of risk and volatility.	May be appropriate for investors seeking a balance between capital preservation and capital growth. This portfolio, which is a split between fixed-income securities and equities, seeks to keep investors well ahead of the effects of inflation with an eye toward maintaining principal stability. With roughly half of the portfolio invested in a diversified mix of Canadian and international equities, investors should be comfortable with moderate fluctuations in the portfolio returns.	May be appropriate for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which has a higher weighting in equities, seeks to keep investors well ahead of the effects of inflation with principal stability as a secondary consideration.	May be appropriate for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which is primarily invested in equities, seeks to keep investors well ahead of the effects of inflation with little regard for maintaining principal stability. The portfolio may deliver returns comparable to those of the broader equity market with similar levels of risk and volatility.

Client Profile Statistics

	Capital Preservation	Conservative	Moderate	Growth	Aggressive Growth
Total Return (annualized)	8.6%	8.8%	9.3%	9.6%	9.9%
Avg Monthly Return	0.70%	0.72%	0.77%	0.81%	0.85%
Avg Rolling 12 Month Return	8.8%	9.0%	9.6%	10.1%	10.5%
Annualized Std Dev (36 months)	5.5%	6.4%	8.8%	11.2%	13.5%
Sharpe Ratio	1.6	1.4	1.1	0.9	0.7
Best 12 month Rolling return	42.7%	43.7%	45.8%	47.7%	50.1%
Worst 12 month Rolling Return	-10.9%	-14.5%	-22.2%	-29.0%	-34.9%

Value of $10,000 Invested



Source: FactSet, Raymond James Ltd. As at December 31, 2020, Inception January 1971.

Performance statistics are calculated using C$ monthly returns that are rebalanced every calendar year using the recommended asset class weightings for each profile (cash weighting has been rolled up into the bond weighting).
Benchmarks: Bonds = FTSE/TMX Canada Universe Bond TR Index; Canadian Equities = S&P/TSX Composite TR Index, US Equities = S&P 500 TR Index; International Equities = MSCI EAFE TR Index.

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