



# Partners

QUARTERLY  
PROFILE

4th Quarter 2020

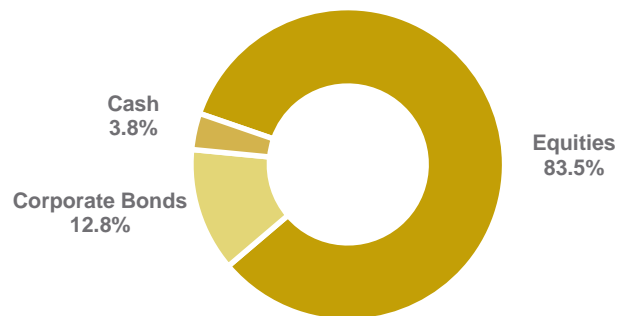
barometer

HIGH INCOME

## PORTFOLIO OBJECTIVE

The investment objective of the portfolio is to achieve a high level of income by investing primarily in Canadian income trusts, Canadian fixed income securities, and other Canadian income producing securities.

## ASSET ALLOCATION



## MAJOR HOLDINGS

COMPANY	% OF PORTFOLIO
BORALEX INC CL A NEW	3.74%
FREEPORT MCMORAN INC	3.53%
CDN PAC RLWY LTD	3.16%
MAGNA INTL INC	3.04%
INTACT FINL CORP	2.97%
NTL BK OF CDA	2.97%
INNERGEX RENEWABLE ENGY	2.96%
GRANITE REIT STAPLED UNIT	2.94%
APPLE INC	2.90%
NORTHLAND POWER INC	2.90%

4th Quarter 2020	QTD	1YR	3YR	5YR	10YR
Barometer - High Income*	6.2%	0.5%	3.9%	5.9%	7.1%
Customized Benchmark	6.9%	0.4%	4.6%	6.3%	5.6%

\*Return Data Source: Inception to present are RJ Partners Program composite, gross returns in C\$. All performance data represents past performance and is not necessarily indicative of future performance. Benchmark: 50% FTSE Can Universe Bond, 20% TSX Capped REIT, 30% TSX High Dividend.

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## PORTFOLIO REVIEW

Equity markets ended the year on a strong note, but not before investors experienced pullbacks, volatility, political turmoil, and dramatically shifting market leadership. The fourth quarter saw the market broaden out significantly, pushing cyclical and economically sensitive sectors higher to outperform other areas of the market. Industrials, financials, materials, and select industries within the technology sector benefitted as markets began to price in a reacceleration of global growth. We continue to see aggressive global stimulus with the aim to spur reflation. Reflation will be a long-term theme, to the benefit of cyclically sensitive assets, to our thematic exposure and the Barometer portfolios.

The Barometer High Income Mandate entered the quarter with an overweight bias towards financials, materials, and consumer discretionary sectors given the “risk-on” nature of equity markets.

With large-cap tech stocks, specifically, the FAANG (Facebook, Apple, Amazon, Netflix and Google) stocks taking a pause, the mandate slightly reduced allocations to the technology sector and increased exposure in sectors that had lagged the market year-to-date and were benefitting from broader market participation. Financials exposure remained overweight as quarterly results, specifically from the Canadian banks, exhibited ample provisioning for losses due to the impacts of COVID-19 and stabilization in their quarterly earnings.

During the quarter, positions in utilities, financials, consumer discretionary, industrials, and energy exhibited strong performance. Meanwhile, exposure to communications and the technology sector weighed on the mandate returns. The mandate also benefitted from a position in Freeport-McMoRan Inc. (FCX: NYSE), as the stock appreciated by 67% over the quarter as copper pricing continues to firm. Largest detractors to mandate performance during the quarter were Agnico Eagle Mines Ltd. (AEM: TSX) and Barrick Gold Corp. (ABX: TSX)

With another round of stimulus being proposed by U.S. Congress, the pool’s positioning entering Q1 2021 is overweight cyclical sectors such as financials, materials, and select discretionary exposures while being positioned market weight in technology and underweight communication services, consumer staples, and healthcare.

## OUTLOOK

As we move into 2021, reflation remains top of mind. Central banks and policymakers globally are aligned to stave off deflationary pressure caused by high unemployment rates. The vast monetary stimulus seen in 2020, coupled with further fiscal stimulus should reflate global economies to the benefit of cyclically sensitive equities, global stocks, and small caps.

The reflation trade began roughly a year ago but was put on pause by the COVID-19 crisis. As we move past

COVID-19, this theme will re-emerge.

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