



# Partners

QUARTERLY  
PROFILE

4th Quarter 2020

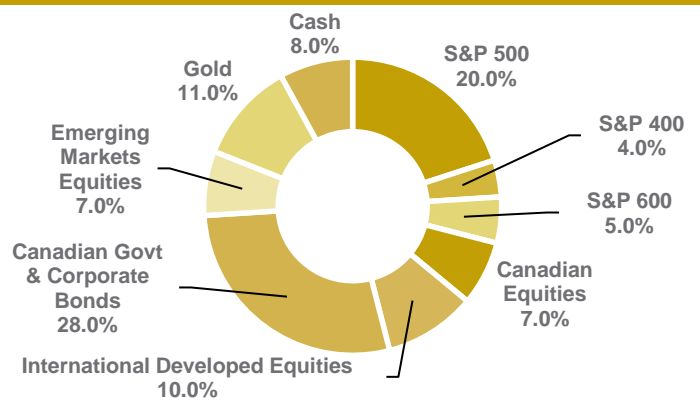


## GLOBAL TACTICAL BALANCED

### PORTFOLIO OBJECTIVE

Cougar Global is a macro driven downside risk manager, building globally diversified ETF portfolios of stocks, bonds, gold and cash utilizing a proprietary modeling strategy that seeks to participate in up markets and avoid bear markets. Cougar Global uniquely defines risk as the probability of losing money, not standard deviation. The portfolio is constructed using state of the art financial modeling combined with fundamental macro-economic analysis, and is based on the expected return behaviour of over thirty modeled asset classes and

### ASSET ALLOCATION



### MAJOR HOLDINGS

COMPANY	% OF PORTFOLIO
ISHARES CORE S&P 500 ETF	20.58%
ISHARES CDN CORP BD IDX ETF	13.85%
ISHARES GOLD TRUST	10.22%
ISHARES COR CDN ST BD IDX ETF	7.74%
ISHARES CORE MSCI EAFE ETF	7.43%
ACCOUNT BALANCE CAD	7.06%
ISHR COR S&P/TSX CP CMP IX ETF	6.86%
ISHARES CORE S&P SMALL-CAP ETF	5.61%
ISHRS CORE MSCI EMRG MKTS ETF	5.45%
ISHARES CORE S&P MID-CAP ETF	4.14%

4th Quarter 2020	QTD	1YR	3YR	5YR	10YR
<b>Cougar Global Tactical Balanced*</b>	5.5%	11.8%	8.4%	8.0%	8.3%
Customized Benchmark	7.1%	11.8%	8.8%	8.8%	9.2%

\*Return Data Source: Inception to December 2015 returns are manager provided, gross returns in C\$ which are linked thereafter to RJ Partners Program composite, gross returns in C\$. All performance data represents past performance and is not necessarily indicative of future performance. Benchmark: 25% FTSE Can Universe Bond, 60% MSCI ACWI, 15% TSX Composite Index.



## GLOBAL TACTICAL BALANCED cont/...

markets over a 12-month forward looking time horizon. The portfolios are reviewed and are typically adjusted monthly depending on the evolution of the outlook for the macro economic environment, which is guided by our selected independent research providers. The portfolio typically holds 6-12 ETFs.

The Global Tactical Balanced Strategy is optimized to seek a high expected return consistent with a downside risk constraint based on our optimizer of 15%. Therefore, this strategy is designed for clients with a longer-term investment horizon as this mandate is intended to tolerate a moderate level of volatility.

### PORTFOLIO REVIEW

The year 2020 witnessed one of the greatest economic shocks and subsequent market rebounds in history. In spite of the rapid increase in U.S. coronavirus-related cases, hospitalizations, and fatalities, the S&P 500 Index reached record highs during the fourth quarter of 2020 and gained 12% in U.S. dollars over the three months ending December 31. Canadian equities, represented by the S&P/TSX Composite Index, delivered nearly 9% and the Canadian Dollar strengthened relative to the U.S. Dollar. North American equity markets started the quarter on a volatile note, experiencing a decline in October. However, optimism returned in full force in November and continued into December, fueled by announcements that the Pfizer-BioNTech and Moderna vaccines had proven to be more than 90% effective in protecting people, along with subsiding concerns with the U.S. November election results, trade relations between the U.S. and China, and the outcome of the UK's negotiations with the European Union. Vaccine announcements in particular have contributed to a shift in equity market performance in favor of mid- and small-cap equities, along with rising interest towards non-U.S. equities since November as investors gained confidence that social and business activities have the potential to return to some normalcy following months of lockdowns and restrictions.

Portfolio stayed appropriately diversified during the quarter, holding domestic and international equity exposures, along with allocations to a variety of fixed income exposures. Gold posted a negative return when translated into Canadian dollars in the fourth quarter; however, it continues to provide diversification benefits to the portfolios due to its low correlations with equity and bond asset classes over time. Gold allocation is subject to revision on a monthly basis. In November, we added a touch to Canadian equities (XIC) and U.S. midcap equities (IJH) from cash. In December, we increased again our allocation to Canadian equities (XIC) and sourced it from Canadian Corporate bonds (XCB). We have also changed the mix of fixed income exposure in December, by opening a small position in an ETF that includes Canadian government debt in addition to just corporates (XBB) and a position in Canadian Short Corporate Bonds (ZCS). Overall, the Global Tactical Balanced Strategy targeted 53% in equities, 11% in gold, 28% in fixed income, and 8% in cash as of December 31, 2020.

### OUTLOOK

In contrast to the optimistic stock markets, the spread of the virus and restrictions weighed on economic recovery in the fourth quarter, evidenced by slowing consumer spending and labor markets in the United States. Job market recovery in Canada also lost momentum in the fourth quarter. However, Canada has recovered around 80% of the jobs lost since the pandemic erupted, compared with the United States, which recovered around 55% of lost jobs. The challenge for both countries, having recalled workers temporarily laid off, is finding jobs for those permanently laid off.

Cougar Global's Macro Economic Scenario Outlook ended the quarter with Stagnation at 29%, Growth at 50%, Inflation at 3%, Recession at 9%, and Chaos at 9%. This outlook reflects a cautious view of the macroeconomic environment over the next 12 months; nevertheless, it incorporates an outcome of further economic recovery in 2021. The increase in growth probability is due to higher projections from our independent research providers in the range of 4 to 9% annualized real growth rates for the U.S. economy each quarter starting in the second quarter of 2021. Although we ended 2020 on the positive news that vaccines had arrived and vaccination campaigns had started, we remain mindful of certain risks – such as those related to vaccines or economic fundamentals – that could dampen the growth outlook and create volatility in 2021.

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