VIEWPOINT INVESTMENT PARTNERS

MONTHLY COMMENTARY
OCTOBER 2021

MONTHLY COMMENTARY

THE GOODS

- After a month of shaky performance, financial markets posted a strong rebound in October.
- Improved economic surprise indexes, continued improvement in COVID cases worldwide and strong corporate earnings sparked a strong rally in October.
- A continued restocking cycle, increased spending from pent-up demand, falling unemployment rates and rising capex intentions are all supportive of further economic strength.
- CAD had a big move during October, strengthening by +2.3% versus the USD (thus detrimental to unhedged global financial market exposure for Canadian investors).
- Global equities rose +2.7% (CAD), creating a strong start to Q4.
- Global bonds reacted negatively to increased inflationary expectations and had a difficult month, with the aggregate bond index falling over -2% (CAD).

Figure 1: Viewpoint Fund Returns
October 2021

Viewpoint Global Asset Allocation (Net)		
Returns	A Class (CAD)	UUA Class (USD)
October 2021	+1.3	+3.2
YTD 2021	+9.5	+12.1
Since Inception Annualized	+7.0	+8.4
Viewpoint Global Risk Parity (Net)		
October 2021		-1.3
YTD 2021		+16.0
Since Inception Annualized		+20.0
VIP Global Commodities (Net)		
October 2021		+3.7
YTD 2021		N/A
Since Inception		+17.3

Source: VIP Internal

- After rallying to a post-COVID high of 1.7% in March 2021, US 10 Year Treasury yields weakened through the second quarter and into the summer, eventually bottoming at 1.2%. More risk of persistent inflation has seen these yields rally as high as 1.7% in October, creating pressure on bond prices.
- Commodities had another solid month in October, with the Bloomberg Commodity Index returning +2.6% (USD) during the month, though the dispersion of returns was quite wide within the asset class and even within sub-asset class buckets. Bitcoin led the way with a meteoric rise of +40.2% (USD), with zinc and oil also posting strong performances at +15.2% (USD) and +11.4% (USD) respectively. Lean hogs lagged significantly during the month, declining -16.9% (USD). Natural gas (-7.5% USD) and Aluminum (-4.8%) also dragged down the group.
- Emerging Markets sagged -1.3% (CAD) during the month, with volatile performance that tapered into month-end. The Chinese economy, Evergrande's struggles, and unstable global growth continue to challenge the regional returns.
- Entering October, the Viewpoint Global Asset Allocation strategy held around 80% equity exposure. The September commentary noted that our trend and momentum indicators were starting to tilt towards reducing equity exposure. These signals lead to a portfolio adjustment in early October that saw a reduction in equity exposure to as low as 73% mid-month. The allocation to government bonds peaked at 20% during the month, up from 15% exiting September. Our trend and momentum indicators began to improve mid-month and risk-adjusted yield measures again led our carry algorithms to prefer equity exposure. We exited the month in a similar position to where we began, with 81% allocated to equities, 14% to government bonds and 5% to corporate credit. Despite the mid-month de-risking and poor bond performance, the strategy returned +1.3% in October.
- As the heightened volatility in the latter half of September began to abate in October, the dynamic leverage model in the Viewpoint Global Risk Parity maintained full gross exposure. Viewpoint Global Risk Parity had another down month due to

weakness in fixed income and inflation-linked notes. Although equities and commodities were stronger, it was not enough to deliver positive performance on the month and the strategy fell -1.3%.

- The VIP Global Commodities strategy had a strong month, returning +3.7% in October. As noted above, performance was led by bitcoin, and a further 70%+ of the strategy's opportunity set posted a positive return during the month.

"The aim of the wise is not to secure pleasure, but to avoid pain."

– Aristotle

As our long-term clients know, our goal is to build risk-aware investment solutions that are *"Active. Where it Counts."* Our risk-aware strategies are designed to avoid long-term capital impairment and Viewpoint believes that this is how we will maximize the level of long-term performance per unit of risk. This point is highlighted in one of the core principles of Viewpoint – *"A deeply held orientation towards research will result in superior long-term outcomes."* Process, not performance, is what dictates how Viewpoint behaves, because Viewpoint lives at *"The intersection of timeless investment principles and cutting-edge data science."* We hold closely to the principal that *"Rules based (algorithmic or quantitative) strategies are ideal for combatting decision making biases."* This means that each investment solution developed by Viewpoint is rigorously researched, continually monitored, and programmed into an algorithmic investment strategy that allows the strategy to avoid human biases.

As we will discuss later in this note, global Central Banks continue to grapple with inflation and how to begin to taper the unprecedented level of stimulus they have provided the economy. Balancing this act will determine the medium-term performance for capital markets. However, over the near term, the seasonality of capital markets and strength we have seen in October point towards stronger markets for the remainder of Q4.

The Viewpoint Investment Partners clients that are most engaged with our content may feel like our team is somewhat fixated on inflation. Rob's piece ***"Inflation is Real, and is Here,"*** from *September's Monthly Commentary* highlighted many areas of significant inflation that have developed over the past year, and Amin's piece, "*What if It's Not Transitory?",* from September 17th *Invested*, explored the potential impacts of more permanent inflation. We then had the inflation double-shot from the November 5th *Invested*, where Scott explored inflation and portfolios positioning in "*Own the Commodity, Not the Company?",* and I discussed the impact of inflation on fiat currencies and inflation-linked assets in "*An Inflationary Perspective on the U.S. Debt Ceiling."* Those that are looking for some interesting comments on another topic may be a little disappointed this month as we will again delve into this important topic. We hope to build on our recent comments by providing a thorough explanation of why this topic is so important. We will then provide a framework of the key factors that impact inflation. The current state of these factors, and the countervailing impacts will then be discussed. Lastly, we will conclude with some ideas on some portfolio positioning.

INFLATION – WHY SO MUCH FOCUS?

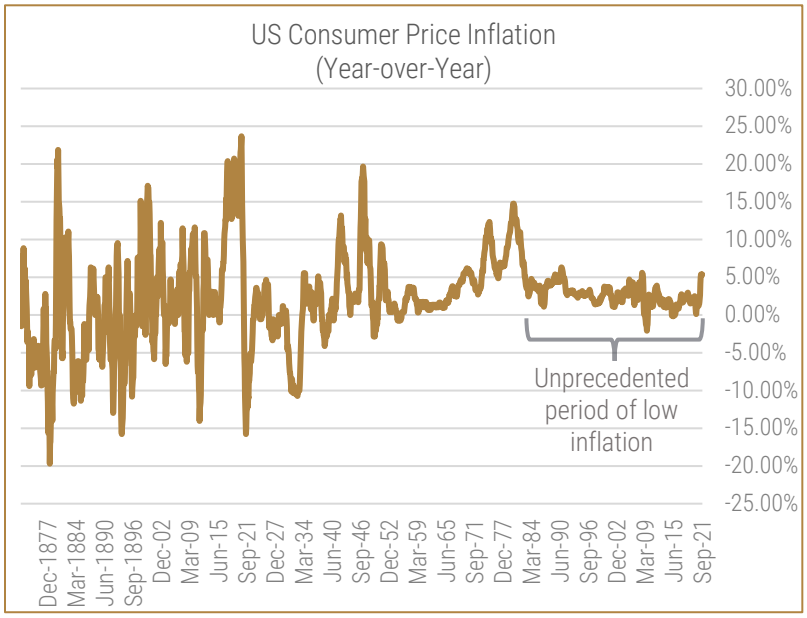
It has been over 30 years since the capital markets have had to deal with a serious inflationary episode, so we can understand why many market participants are having a difficult time imputing the potential risks and opportunities into their investment modeling.

In any discussion about inflation, it is important to understand the role that central banks play in the economy. The leading central bank system in the world is the US Federal Reserve and the Chair of the Federal Reserve holds enormous sway on the global financial network. Since 1977, the Federal Reserve has operated under a mandate from Congress to "*promote effectively the goals of maximum employment, stable prices, and moderate long term interest rates*" — what is now commonly referred to

as the Fed's "dual mandate."[1] The interest rate and prices aspect of the mandate has generally targeted annual inflation of 2% on average. To help achieve this goal, it strives to "anchor" inflation expectations at roughly 2%.

Paul Volcker was appointed Chair of the Federal Reserve in August 1979 and held that position through August 1987. Mr. Volcker took on the challenge of promoting "stable prices and moderate long-term interest rates" at a time when inflation was almost 12%. Despite the challenging start, Mr. Volcker was widely credited with slaying the inflation beast that had confounded capital markets and economic prosperity for much of the 1970's and 1980's. Between March of 1980 and July of 1983, Volcker's policies helped to quell US Inflation from 14.76% to 2.46%. In the 460 months since that time, we have only seen 20 months where year-over-year Consumer Price Inflation (CPI) in the Unites States has measured over 5%. This is an occurrence rate of only 4.4% and four of these occurred since June 2021. There were thirteen measurements above 5% between 1989 and 1991 and then only three measurements in 2008. With an incidence rate of under 1%, this long and stable period of low inflation was cultivated by a series of accommodative Federal Reserve Chairs and is the longest period of sustainably low inflation ever recorded in the United States (*Figure 2*).

Figure 2: US Consumer Price Inflation (Year-Over-Year)
September 1873 to November 16, 2021



Source: Bloomberg

This exceptional period of financial stability led to significant economic growth and wealth creation across almost all geographies and demographics. With the fall of Communism and the Berlin Wall in 1989, it also ushered in a period where the Unites States expanded its geopolitical hegemony over the world. Despite this underlying financial stability, the world still found ways to create economic and market crisis.

- 1987: Black Monday (1987)
- 1989–1991: US Savings & Loan crisis
- 1990: Japanese asset bubble collapse
- 1997: Asian Financial Crisis
- 1998: Russia Russian financial crisis
- 2001: Bursting of dot-com bubble
- 2007–2008: Global financial crisis
- 2010: European sovereign debt crisis
- 2020: COVID crisis

"Capitalism saved the world, and countries that trade more and have more open economies are less likely to fight wars and less likely to have genocides."

– Steven Pinker

Led by their goal to maximize employment while maintaining moderate interest rates, successive Federal Reserve Chairs offered new and innovative supports to the economy and the financial markets. This period of exceptional financial stability began under Alan Greenspan, who was Federal Reserve Chair from August 1987 to January 2006. Shortly after his confirmation in 1987, Greenspan's reputation was sealed by his reaction to "Black Monday" the 1987 stock market crash. Greenspan affirmed the Federal Reserve readiness to serve as a source of liquidity and the "*Greenspan Put*" was born. The Greenspan-led Federal Reserve followed this by being continually proactive and supporting long-term economic growth by limiting excessive stock market volatility. The main policy tool in this period was rate cutting which saw two major periods of

[1] December 2011, No. 11-12 - The Federal Reserve's "Dual Mandate": The Evolution of an Idea; Aaron Steelman

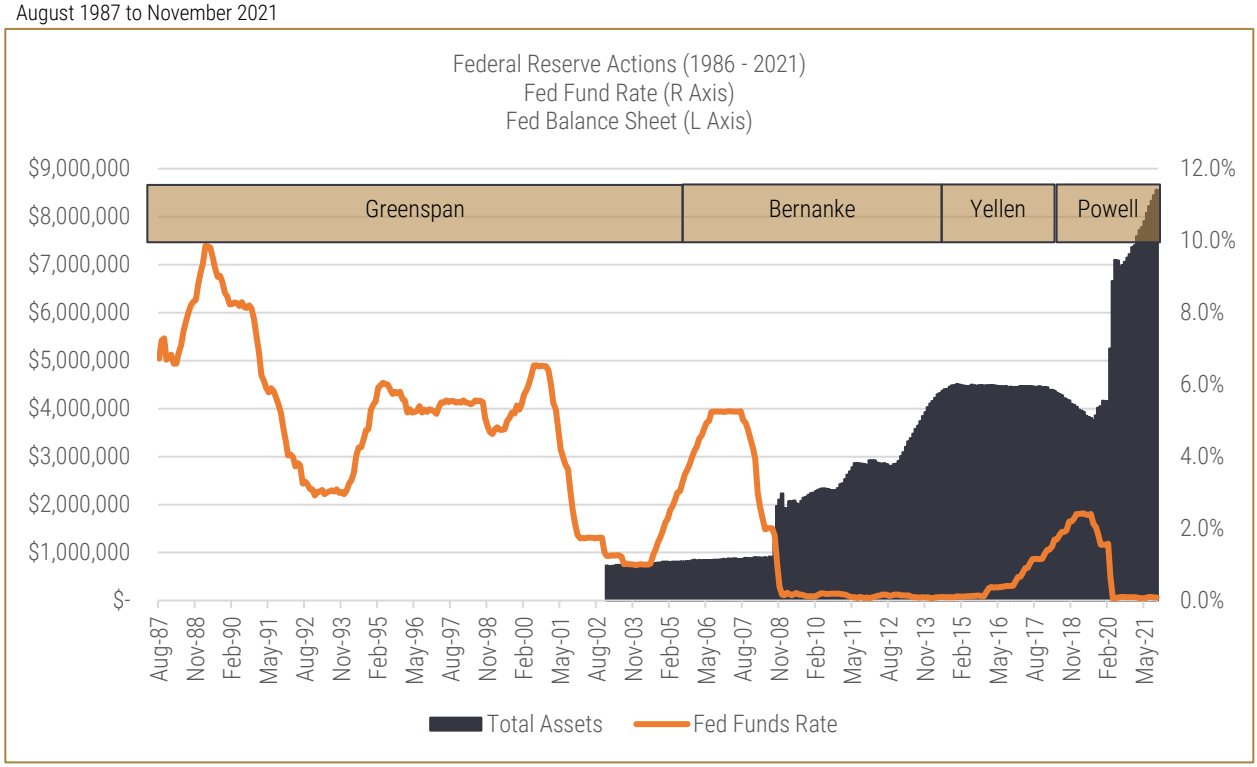
cuts from 9% in 1989 to 3% in 1992, and then again from 6% in 2000 to 1% in 2004. Some commentators believe Greenspan's accommodative actions fostered excessive risk taking and can be directly linked to the dot-com bubble to 2000 and to the US housing Crisis of 2007-2008. However, it also fostered a period of economic expansion that helped to improve living conditions globally.

"Capitalism has brought with it progress, not merely in production but also in knowledge."

– Albert Einstein

Successive Federal Reserve Chairs have now followed Mr. Greenspan, and each has continued to be accommodative and innovative in the ways that will support economic growth and protect financial markets . Ben Bernanke dealt with the 2008 financial crisis by cutting rates from 5.25% to 0.0%, and supporting the creation of a myriad of programs designed to support the liquidity of financial institutions and foster improved conditions in financial markets. In total, these programs expanded the Federal Reserve Balance sheet by over $3T. Janet Yellen subsequently held a short and unspectacular term as Federal Reserve Chair, and was ultimately replaced by President Donald Trump with the more dovish Jerome Powell (*Figures 3, 4*).

Figure 3: Federal Reserve Monetary Policy Actions (1986 – 2021), Fed Fund Rate (R Axis), Fed Balance Sheet (L Axis)
August 1987 to November 2021



Source: Bloomberg

Figure 4: FOMC Chair Balance Sheet Exit

Years	FOMC Chair	Balance Sheet at Exit
Feb-06	Alan Greenspan	$831 B
Feb-14	Ben Bernanke	$4,109 B
Feb-18	Janet Yellen	$4,442 B
Current	Jerome Powell	$8,556 B

Source: Bloomberg

Since his appointment, Chair Powell has almost doubled the balance sheet of the Federal Reserve to an unprecedented level of $8.6 trillion. Although the sheer quantity and speed of purchases made by the Federal Reserve since COVID is astounding, what is more important under Powell's tenure is the Fed's move to buy individual corporate bonds in the secondary market. This action took the Federal Reserve's de-risking to a new level and spurred the strong COVID rally across the risk-asset spectrum.

"History does not repeat itself, but it does rhyme."

– Mark Twain

"If history repeats itself, and the unexpected always happens, how incapable man must be of learning from experience."

– George Bernard Shaw

SO, WHY WORRY ABOUT INFLATION?

With such a long, steady, and supportive history of Federal Reserve Banks, many investors are acting like the Federal Reserve will continue to be accommodative and supportive. Taking a longer historical perspective should make investors consider the implications of a persistent inflationary period. Luckily, we have the period from December 1964 to December 1986 to provide perspective on what may happen in a persistent inflationary scenario. The period that began in December 1964 started with inflation at 0.97%, ended up peaking 15 years later in March 1980 with inflation at 14.76%. During this time, the US treasury yield surged from 4.18% to 12.75% and the S&P earnings yield expanded from 5.42% to 14.60% (meaning equity market multiples contracted significantly). The S&P 500 moved from 83.96 to 104.70 for a total capital return of 24%, or a paltry annualized capital return of 1.46%. This small, nominal return over 15+ years is even more challenging when one considers that prices increased 139% over this period or 6.0% per year. So, the purchasing power of savings had fallen precipitously from 1964 to 1980 due to inflation (*Figure 5*).

Figure 5: Trough Inflation to Peak Inflation

December 1964 & March 1980

Trough Inflation to Peak Inflation		
Months	**Dec-64**	**Mar-80**
US Inflation Rate	0.97%	14.76%
US 10 Yr. Treasury Yield	4.18%	12.75%
10yr - Inflation	3.21%	(2.01%)
S&P 500 Earnings Yield	5.42%	14.60%
Equity Risk Premium	1.24%	1.85%
S&P 500 Level	83.96	104.70
S&P 500 Capital Return		24.70%
S&P 500 Annualized		1.46%

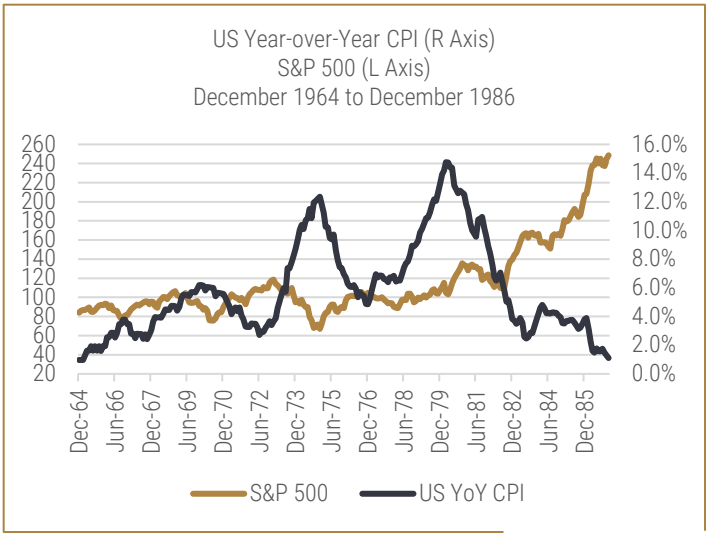
Source: Bloomberg

Taking a closer look at this period reveals that there were three distinct inflationary waves.. Although inflation was constrained for a period, it regained traction until it eventually came under control in 1986. Each of these periods saw US Consumer Price Inflation increase between 5.2% and 9.9% over periods of between two and a half and five years.

The June 1972 to December 1974 inflationary period was the steepest and most damaging to equity market returns. During this period, US CPI increased 9.6% from 2.7% to 12.3%, almost doubling the 1969 inflationary peak of 6.2%. The sharp increase in inflation saw the 10 year US treasury note move to negative inflation adjusted yield of -4.9%. The S&P 500 also sustained a significant capital loss of almost -38%, or an annualized loss of -17.3% for the two and a half year period (*Figure 6*).

We can then amalgamate these three rising inflation environments and three falling inflation environments to get aggregate information on market moves during each regime (*Figure 7*). From this data, we can clearly see that equities are not a strong inflation hedge.

Figure 6: US Year-over-Year CPI (R Axis), S&P 500 (L Axis)
December 1964 - December 1986



Source: Bloomberg

Figure 7: Inflation Waves
December 1964 - December 1986

Months	Dec-64	Dec-69	Jun-72	Dec-74	Dec-76	Mar-80	Dec-86
Yield Move		Rising	Falling	Rising	Falling	Rising	Falling
US Inflation Rate	1.0%	6.2%	2.7%	12.3%	4.9%	14.8%	1.1%
US 10 yr. Treasury Yield	4.2%	7.7%	6.1%	7.4%	6.9%	12.8%	7.1%
10yr - Inflation	3.2%	1.5%	3.4%	(4.9%)	2.0%	(2.0%)	6.0%
S&P 500 Earnings Yield	5.4%	6.3%	5.5%	13.3%	9.5%	14.6%	5.8%
S&P Equity Risk Premium	1.2%	(1.3%)	(0.6%)	5.8%	2.6%	1.8%	(1.3%)
S&P 500 Level	84.0	91.1	108.0	67.1	104.7	104.7	248.6
S&P 500 Capital Return		8.5%	18.5%	(37.9%)	56.1%	0.0%	137.4%
S&P 500 Annualized		1.6%	7.0%	(17.3%)	24.9%	0.0%	13.7%

Source: Bloomberg

During the 3 inflationary episodes that totaled 129 months (10.75 years), the S&P 500 had a cumulative capital loss of -32.6% of -3.6% per year. During the three periods over 135 months (11.25 years) that saw falling inflation, equities had strong returns of +339%, or +14.0% per year (*Figure 8*).

Figure 8: Changes and Returns during Inflation Regimes
December 1964 - December 1986

Changes and Returns during Inflation Regimes		
Rising vs. Falling Rates	Rising	Falling
Months	129	135
Average US Inflation Rate Change	8.3%	(8.2%)
Average US 10 yr. Treasury Yield Change	3.6%	(2.6%)
Average S&P 500 Earnings Yield Change	1.0%	(1.9%)
S&P 500 Capital Return	(32.6%)	339.4%
S&P 500 Annualized	(3.6%)	14.0%

Source: Bloomberg

Equity markets have remained resilient during this most recent inflationary period with the S&P 500 continuing to set new all-time highs. Until recently, most pundits were echoing Jerome Powell's perspective that inflation was transitory, and the high levels were a consequence of the "base effects" of the COVID-induced economic lows. However, we have now lapped most of those easy comparisons, and Powell is now suggesting a longer "transitionary period."

> *"It's also frustrating to see the bottlenecks and supply chain problems not getting better — in fact at the margins apparently getting a little bit worse. We see that continuing into next year probably and holding up inflation longer than we had thought."*
>
> *– Jerome Powell (Sep 29, 2021)*

The longer this "transitionary period" lasts, the higher the risk to equity markets and capital markets in general. As noted by Amin Haji in September 17th *Invested*, *"Especially with the money supply at an all-time high and government spending increasing, the chance of an inflation overshoot is non-zero. High inflation generally has a negative impact on financial assets in the short term as future cash flows are paid out in dollars that are worth less than they are right now. While we always advocate for a portfolio construction that balances various macroeconomic risk factors, now is as good a time as any to reevaluate the diversification of your portfolio."*

INFLATION – SOURCES AND IMPACTS

Before we delve into the current inflationary situation, we should remind readers that there are two main sources of inflation: *Cost-Push Inflation* and *Demand-Pull Inflation, both of which are also* impacted by *Inflation Expectations.*

Demand-Pull Inflation

Demand-pull inflation is the most common form of inflation and sees prices increase because demand is higher than supply. The increased revenue from demand-pull inflation can lead to more investment and employment growth. Causes of demand-pull inflation can include:

- Economic Growth: Consumer and employer confidence is driven economic growth because they feel more secure and confident in periods of economic growth when opportunities are plentiful.
- Credit Boom: With consumers borrowing more, it means that they can afford more goods. In turn, businesses start raising prices to capture the excess demand.
- Money Supply Expansion: Money supply expansion generated through the central banking system provides businesses with greater access to credit increasing economic growth.
- Fiscal Stimulus: Lowering taxes and increasing government spending both have the potential to increase the rate of inflation.

Cost-Push Inflation

Cost-push inflation occurs when the price of inputs increases, forcing businesses to pass on the cost increases to the consumer. Cost-Push Inflation is a less common cause of inflation which can occur due to several factors:

- Exchange Rate: When the exchange rate weakens, it takes more currency to buy the same number of imported goods. Rising costs of imports then put pressure on manufactured goods, putting pressure on consumer priced and exports.
- Higher Prices of Inputs: Inflation can cause the price of raw materials to go up

- **Wage Inflation:** Wage inflation generally occurs because of a tightening labour market.
- **Natural Disaster:** Inflation that results from a natural disaster tends to be short-lived from one-off shocks that lead to limited supplies.
- **Taxation**: Businesses may look to increase prices to respond to higher government taxes.
- **Declining Productivity**: Declining productivity is another cause of inflation, which can arise from diseconomies of scale.
- **Monopoly:** A market controlled by one company means that the firm can set prices without any competition.

Expectations and Velocity

The importance of *inflation expectations* was first uncovered by Edmund Phelps and Milton Friedman who relied on inflation expectations as key to the relationship that ties inflation to unemployment.[2] Simply put, when economic participants expect inflation, they act on those beliefs – thus causing the inflation. So, actual inflation depends, in part, on what we expect it to be. In the 1970's and 1980's, inflation expectations became unanchored and rose with actual inflation – a phenomenon known at the time as a wage-price spiral. The wage-price spiral means that when inflation expectations rise it is difficult to bring down inflation, even if unemployment is high.

Chair Ben Bernanke explained the importance of anchoring inflation expectations in a 2007 speech:

> *"[T]the extent to which [inflation expectations] are anchored can change, depending on economic developments and (most important) the current and past conduct of monetary policy. In this context, I use the term 'anchored' to mean relatively insensitive to incoming data. So, for example, if the public experiences a spell of inflation higher than their long-run expectation, but their long-run expectation of inflation changes little as a result, then inflation expectations are well anchored. If, on the other hand, the public reacts to a short period of higher-than-expected inflation by marking up their long-run expectation considerably, then expectations are poorly anchored.""*[3]

Monetary velocity is a concept related to inflation expectations that should also be considered when looking at inflation. The velocity of money, or how many times a unit of currency is exchanged for goods or services. The higher the velocity, the more it stimulates economic activity. Inflation and deflation expectations can in turn impact on the velocity of money. Inflation pressures can increase the velocity, while deflationary expectations can lower it. Controlling monetary velocity is a main reason why Central Banks attempt to "anchor" expectations around a steady but relatively low rate of inflation.

Where we are now

In our September commentary, Rob provided a great perspective on the current inflationary environment we are experiencing. To reinforce his conclusions, the +6.2% October US CPI is important as we have not seen inflation at that level since late 1990 when US CPI hit at 6.29% and 6.27% in October and November 1990![4] Before that, we need to go back to the 1980 to 1983 inflationary episode. So, this leaves us to ponder whether we are seeing a 1990-like peak that ended with inflation within target zones for much of the next seven years, or at the beginning of a longer-term inflationary episode. Let's use the framework above to discuss some of the important drivers of inflation.

Economic Growth: Evidence can be found that we may be experiencing a near-term peak in economic growth, driven by a pandemic recovery, which points to an inflationary picture that may be peaking. Longer-term, we look to demographic trends and productivity: and both point towards deflationary effects.

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[2] Friedman, Milton (1968). "The Role of Monetary Policy," American Economic Review 58, May, pp. 1-17 & Phelps, Edmund S. (1968). "Money-wage Dynamics and Labor-Market Equilbirum," Journal of Political Economy 76, July-August, pp. 678-711.

[3] Brookings Institute. What are inflation expectations? Why do they matter? Tyler Powell and David Wessel – 11/30/20

[4] FRED Economic Data: https://fred.stlouisfed.org/series/CPIAUCSL

Demographic Growth: Developed markets have seen below-replacement birthrates for decades and the trend is not getting better. This has led to stagnant demographic growth in developed markets and a deceleration in emerging markets.[5]

Productivity: Technology-enabled innovation continues to drive productivity which remains a longer-term deflationary force.[6]

Credit Expansion: As discussed above, we have seen significant rate-induced, credit expansion for the past 40 years. With rates at all-time lows and approaching zero, there is little left to do on the rate side to induce further economic activity. As an example, the US 30-year Mortgage Rate has been around 3% since summer of 2020 and bottomed at the all-time low of 2.65% in January 2021. We may have seen the peak from this inflationary driver.[7]

Money Supply Expansion: Since Central banks had limited ability to use interest rates to incent economic growth, they have reverted to expanding the money supply more aggressively. After an unprecedented 12-year expansion in the Federal Reserve balance sheet, they are now tilting towards tapering. As such, we may have seen a near-term peak in money supply expansion. There is little risk that Central Banks will cease to be accommodative longer-term, but they will likely be less accommodative over the near term.

Monetary Velocity: An increasing money supply is inflationary, but this assumes that monetary velocity is at least stable and does not fall to counteract the increased supply. As measured by M2, monetary velocity has slowed dramatically since 2000. This deflationary factor has dampened the inflationary impact of the money supply expansion.[8]

Fiscal Stimulus: Developed country governments have been spending heartily to support the post-COVID economic recovery. They are now lining up to continue this spending with significant investments in infrastructure and the environment, which is likely to be medium-term inflationary force.[9]

Higher Prices of Inputs: There are significant drivers that should see lasting inflationary pressures in raw material prices, which include (i) underinvestment in capacity, (ii) higher costs due to pressures from ESG-related standards, (iii) less capital availability due to ESG-related trends, and (iv) an increase in demand from infrastructure investments, noted above.

Wage Inflation: Wages appear to be another driver of medium-term inflation. We seem to be experiencing a labour, talent mismatch right now with high levels of unemployment and counterbalanced by help-wanted postings that are equally as high. The impetus for upward wages is also supported by increasing inflationary expectations. If workers expect inflation, they will demand higher wages to compensate.

Natural Disaster: Although it was not necessarily a natural disaster, the COVID pandemic had similar economic impacts. We are likely seeing a peaking of the inflationary impetus coming from the post-COVID economic reopening.

Taxation: Providing somewhat of an offset to infrastructure-related fiscal stimulus noted above, taxes will be increasing. The "pay fors" demanded by centrist lawmakers in the US and a global minimum corporate tax discussions are two of many indicators that taxes will be increasing, thus dampening inflationary pressures[10].

[5] OECD Fertility Rates: https://data.oecd.org/pop/fertility-rates.htm
[6] OECD (2021), "GDP per capita and productivity levels" https://doi.org/10.1787/data-00686-en
[7] FRED Economic Data: https://fred.stlouisfed.org/series/MORTGAGE30US
[8] FRED Economic Data: https://fred.stlouisfed.org/series/M2V
[9] https://www.nytimes.com/2021/10/18/business/economy/fed-inflation-stimulus-biden.html
[10] https://www.wsj.com/articles/senate-infrastructure-deal-pay-fors-republicans-joe-manchin-11627940099

Conclusion

With the countervailing inflationary forces noted above, it may be prudent for investors to re-evaluate their portfolios to ensure they have a balanced asset mix with some investments that can perform well during a longer-term inflationary episode. The current inflationary episode could be a 1991-like event that fades to a multi-year period of moderate inflation, or the start of a more persistent period of inflation – only time will tell. To echo conclusions that we have shared in other pieces, we will always advocate for a portfolio construction that balances various macroeconomic risk factors.

Thank you for your ongoing support!

Keith McLean, CFA
Executive Vice President

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- Model portfolio values and returns, calculations, and all data are believed to be accurate, though they cannot be guaranteed. There can be no assurance that the models will remain the same in the future, or that an application of the current models in the future will produce similar results, because the relevant market and economic conditions that prevailed during the hypothetical performance period will not necessarily recur.

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- The composition of any benchmark does not reflect the manner in which the Viewpoint Global model portfolio is constructed, in terms of investment holdings, portfolio guidelines, restrictions, sectors, correlations, concentrations, or volatility targets, all of which are subject to change in the Viewpoint Global Fund over time. Using an index or another model portfolio as a benchmark does not imply that the Viewpoint Global portfolio will achieve returns, volatility or other results similar to the benchmark.