November 1, 2021

Investor Strategy

Inflation

A collaboration between Richardson Wealth and Purpose Investments

Executive Summary

- **Market recap**
  - Who's afraid of October?
- **Market cycle and positioning**
  - Steady & sticky
- **Equities**
  - Inflation protection
- **Fixed Income**
  - Higher and flatter
- **Portfolio construction**
  - Protecting the purchasing power of your portfolio

Market Recap: Who's afraid of October?

James Price, CFA

Indexes	% Returns 1mo	3mo	6mo	12mo	YTD
S&P/TSX Comp Total Return	5.0%	4.4%	11.5%	38.8%	23.4%
S&P 500 Total Return	7.0%	5.1%	10.9%	42.9%	24.0%
NASDAQ Comp	7.3%	5.6%	11.0%	42.0%	20.3%
FTSE TMX Universe Bond Total Return	-1.1%	-2.6%	0.1%	-3.6%	-5.0%
S&P/TSX Preferred Total Return	1.8%	3.8%	7.6%	28.8%	19.6%

Bond Yields	Current	Changes in Yields 1 mo chg	-3mo	-6mo	-12mo	YTD
2-yr Cdn Govt Bonds	1.09	▲0.56	▲0.64	▲0.79	▲0.83	▲0.89
10-yr Cdn Govt Bonds	1.72	▲0.21	▲0.52	▲0.18	▲1.06	▲1.05
2-yr Treasury Bonds	0.50	▲0.22	▲0.31	▲0.34	▲0.34	▲0.38
10-yr Treasury Bonds	1.55	▲0.06	▲0.33	▼0.07	▲0.68	▲0.64

Commodities/Currencies	Level	Changes in Price 1mo	3mo	6mo	12mo	YTD
Canadian Spot (C$ per U$1)	1.2388	-0.0292	-0.0087	0.0101	-0.0933	-0.0337
Gold (US/oz)	$1,784	$28.60	-$28.70	$16.20	-$96.00	-$111.20
Bitcoin (US$)	$62,396	$18,959	$20,855	$5,581	$48,546	$62,396
WTI Crude (US/bbl)	$83.57	$8.54	$9.62	$19.99	$47.78	$35.05

Heading into October there was an air of caution about the markets, with fears around earnings misses, taper plans and China tensions. But markets like to 'climb the wall of worry', and the end result was one of the strongest monthly performances for equities of this post-pandemic rally. Many markets finished the month of October with gains in the range of 5%, regaining all the ground lost in September and reaching all-time highs.

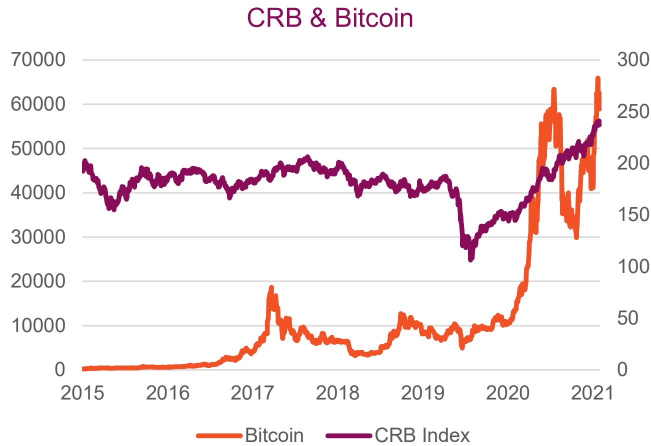
Earnings season has been an interesting ride. Unlike recent quarters, there has been a much greater divergence between winners and losers. Companies reported dramatically different results depending on their ability to handle the supply chain issues and pass along cost increases to customers. A welcome theme we have seen amongst the winners was in plans to return capital to shareholders in the form of dividends and buybacks. The energy sector is one of the best examples of this trend with many companies enjoying one of the more profitable periods in their history and attracting a new group of investors. Overall, earnings have come in as expected, albeit with slower overall growth rates, which has brought about a relief rally for investors that had feared the worst.

October returns weren't just for equities. Crypto assets resumed the rally, displaying a risk-taking sentiment in the public that we must watch and learn from. Bitcoin is back over $60k after a +40% monthly return, with zealous predictions of $100k by year end quite common. One of the catalyst for this move was the launch of Proshare's futures-backed Bitcoin ETF which rocketed to $2bn in AUM in two days. This is another step in opening the sector to a new, more traditional audience. The kids call it TradFi (Traditional Finance).

How investors should use crypto in a portfolio remains a core question. It's hard to view it as a store of value given the volatility, but it does have merit as a momentum-trading instrument. Given its scale, with total market cap having moved through $2.5 trillion and the attention it is getting, it appears to be here to stay. New products are created daily to take advantage of and profit from the volatility and euphoria, which in the end could make it more suitable to different mandates and even more investors. It could also end in tears. Maybe both.

Market Recap: Who's afraid of October?

James Price, CFA



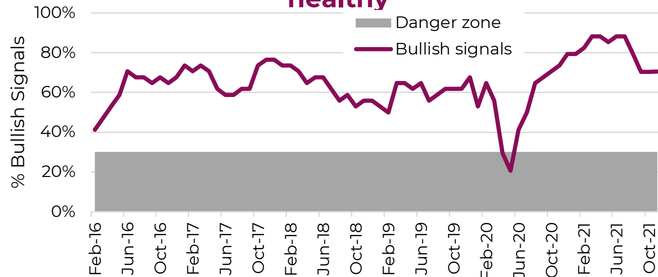
The hunger for real assets continued through October. Whether or not crypto has benefited from this theme remains in question, but it doesn't stop the believers from claiming Bitcoin to be a store of value, digital gold or the "anti-dollar". Traditional commodities enjoyed a ripping October as well, with the CRB index rising 3.8%. Years of investors ignoring commodity companies resulted in a lack of new projects coming online. Without capital flowing to the sector, it has become difficult (if not impossible) to bring on added supply in a timely manner. We are seeing this play out in copper, oil, natural gas and lumber. It feels different today, but this is classic commodities cycle running from under-invested, attracting lots of capital and going full circle again. The move higher in commodities will have an impact on inflation. Transitory or not, commodities are part of the inflationary/deflationary feedback loop.

Higher input prices combined with higher wages increase the pressure on central banks to remove stimulus and begin looking to hike rates. The Bank of Canada closed the month by ending their bond-buying program, with analysts all rushing to pull forward their expectations of when the Overnight Rate would start to rise (see our Fixed Income section for more). We expect other Centrals to do the same in short order.

Market Cycle: Steady

Craig Basinger, CFA

Market cycle indicators stable and healthy



Grouping	Metric			Worse
Rates				
	Net Cuts		✓	
	Yield Curve	✓		+
	Yield Curve 3m	✓		+
US Economy				
	Leading Ind (3m)	✓		-
	Leading Ind (6m)	✓		-
	Phili Fed Coincident	✓		-
	Credit (3m)	✓		-
	Recession Prob (NY Fed)	✓		+
	Recession Prob (Clev Fed)	✓		+
	Citi Eco Surprise		✓	+
	GPD Now (Atlanta Fed)		✓	-
	US Unemployment	✓		+
	Consumer Sentiment (3m)		✓	+
	PMI	✓		+
	PMI New Orders	✓		
	Chemical Activity (3m)		✓	-
	Energy Demand (YoY)	✓		+
	Truck Demand (YoY)	✓		-
	Rail (YoY)		✓	+
	Starts (6m)		✓	-
	Months Supply (6m)	✓		-
	Home Sales		✓	+
	New Home Sales		✓	+
	NAHB Mkt Activity	✓		+

Equity markets appear to have largely gotten over the China issues, inflation and slowing economic data … for now. Once again it seems that good news on the earnings front trumps any other macro concerns. Even with some companies showing the margin strain from higher costs due to inflation or labour, the overall results appear 'good enough' for the market. And once again we have the S&P 500 making a fresh new monthly high, a streak that goes back 12 months now. The record since the inception of the S&P 500 in the 1920s, is 15 months in a row with new fresh highs, set recently in 2014. Impressive, as are other equity markets with most sitting on 20% gains for the year. A great time to be an investor.

Based on market performance in October, clearly we should have been more bullish. Sorry. While the market appears resilient to headwinds, they continue to grow stronger; we highlight two that are front and center in our thinking.

Earnings – Corporations have again proven adept at managing a very challenging and fluid environment with demand volatility and supply issues, but the pressures are building (read on for a look at inflation). And even this earnings season, which is good, shows slowing sales and earnings growth. Margin and cost pressure is coming soon to a company near you.

The Punch Bowl – Remember the old adage that the bull market would continue until the central banks took the punch bowl away? Oh how big the bowl has become – in the trillions. Take note that while the Fed is just starting to taper likely next month, other central banks have been starting to remove the punch bowl. Among the 25 central banks we monitor, 9 have raised short-term rates during the past 3 months. Turkey was the only one that eased, but let's just chalk that up to a unique situation. Pretty much all the hikes are in developing nations, but the developed world looks to be not far behind. The Fed will start tapering likely next month. The Bank of Canada abruptly ended its quantitative policy, triggering a sudden flattening of the curve.

The once-uniform policy stance of more, more, more is starting to fragment. For now, the heavyweights, Fed and ECB, have not budged, but policy outlook is becoming more challenging for asset prices.

The good news is, behind these headwinds is a global economy that continues to improve. The current data being released is showing the lagged impact of the delta variant, which should be less noticeable in the data in coming months. And of course the supply chain issues. For instance, the U.S. economy grew at only 2.0% in Q3 but if you add back in the drag from the auto sector, you would have had 4.3% growth. Inventories declined, which should help future quarters data.

There is no denying, the market cycle remains healthy. The market cycle framework is a multi-factor, multi-discipline approach that attempts to answer the big question: is a recession on the horizon? The framework uses a basket of economic, fundamental and yield/credit indicators that have historically been good predictors of recessions. Complicating matters, every recession is different and as a result some indicators work in some cycles and not in others.

There is no one magic indicator. By combining a diversified basket of indicators, we believe this offers investors a non-emotional lens to gauge if recession risks are elevated or dormant to help guide asset allocation decisions in calm markets and during periods of market weakness.

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Market Cycle: Steady

Craig Basinger, CFA

Grouping	Metric			Worse
Global Economy				
	Global PMI	✓		+
	Copper (6m)	✓		-
	DRAM (3m)		✓	-
	Oil (3m)	✓		+
	Commodities (3m)	✓		+
	Baltic Freight (3m)	✓		-
	Kospi (3m)		✓	-
	EM (3m)		✓	+
Fundamentals				
	US: PE		✓	-
	US: EPS Growth	✓		-
	US: EPS 2FY v 1FY	✓		-
	US: 3m EPS Revision	✓		-
	Canada: PE	✓		+
	Canada: EPS Growth	✓		+
	Canada: EPS 2FY v 1FY	✓		+
	Canada: 3m EPS Revision	✓		+
	International: PE	✓		+
	Int: EPS Growth	✓		-
	Int: EPS 2FY v 1FY	✓		+
	Int: 3m EPS Revision	✓		-

Source: Bloomberg

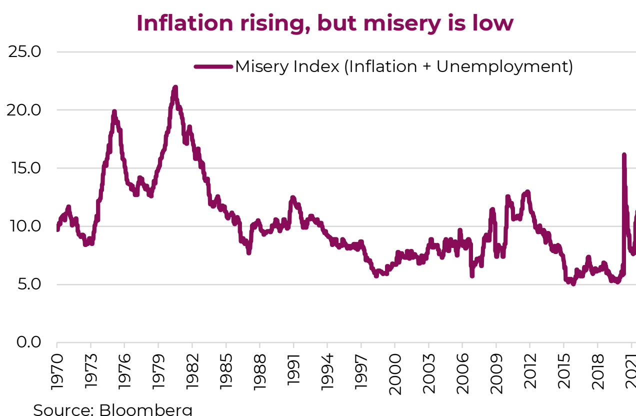
Market Cycle – we would best characterize the current readings as healthy and stable. The percentage of bullish signals has remained at about 70% for the past couple months, after coming down from unsustainable highs. Even if they were to come down a bit further, we would not likely be sounding any alarms.

No real movement on the rate side as a forward indicator. Clearly if we included the Canadian yield curve, which flattened substantially last month, this would be a negative. But in the big scheme of things, our yield curve just doesn't matter enough for the global market cycle. U.S. economic data was down one signal, as GDPNow turned bearish. This economic measure is more focused on high frequency data to provide a more timely indication. Not surprising, the actual GDP data supports the softening. To counter this, the global economy saw oil price changes turn from bearish to bullish. All in, we are roughly where we were last month.

Again, this framework does not help indicate if we are at heightened risk of a market pullback or correction. We do believe that risk is elevated. The market cycle is designed to help provide a signal if we are truly heading into a bear market / recession combination. At the moment, clearly not, which means any pullback is more likely a buying opportunity.

Inflation remains sticky

Derek Benedet, CMT



Source: Bloomberg

Current inflation readings are the highest in years, with YoY CPI readings in Canada and the United States at 4.4% and 5.4% respectively. While disconcerting, the current readings can be rationalized by low bases for prices last year, supply chain issues and a general inability for companies to properly plan and manage an unpredictable 18 months. More alarming for both investors and consumers are expectations for future inflation. The 10-year breakeven rate (determined by looking at the difference in yields between nominal Treasury bonds and Treasury inflation-protected securities) suggests that the consumer price index will rise by an annual average of over 2.5% for the next decade. Five-year breakeven rates have also soared, nearly reaching 3% this past week. With bond yields significantly below that, investors have reason to worry about future purchasing power. The central concern is that current inflation pressures could last longer than previously expected. Transitory simply means it won't last forever, but the duration of elevated inflation now appears longer than most initially anticipated.

The path is paved

Central Banks are now taking notice and beginning to act. The Bank of Canada surprised the market with an abrupt hawkish stance – QE is now done and gone, and it accelerated the potential timeline of a rate increase to the middle of next year – a clear sign that inflation has their full attention, and that the laissez faire attitude will not suffice. Evidence of this is in the Bank's forecasted inflation rate for next year which jumped a full 1% to 3.4%. The Bank of Canada understands that it is their job to bring inflation back to target, and they want to communicate loud and clear that they are on the job. Many other central banks around the world have already begun to tighten, with 12 of the 36 we monitor already beginning to raise rates. With the path now cleared, expectations are that the Fed will now follow suit, first with a taper. With markets at all-time highs, we don't expect much of a tantrum at this time.

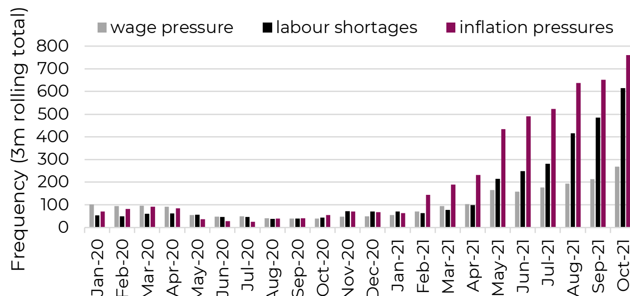
Slow growth + high inflation = stagflation?

Complicating matters is the showdown between slowing growth and rising inflation. No, we don't believe it's the 1970s all over again, despite Google searches for stagflation soaring. Growth is slowing from a really high elevated level and inflation is rising from low levels. We are moving towards stagflation but it is a long way off. The Misery index which combines current inflation with unemployment stands at 10.2%, elevated but well off of the crippling levels seen in the 1970s and early 1980s.

Inflation remains sticky

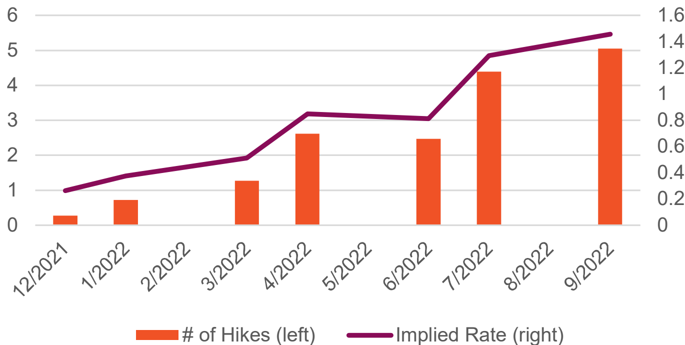
Derek Benedet, CMT

Corporations are feeling inflation & labour shortages....wages just starting to pick up



Source: Alpha-Sense, North American earnings transcripts

Bank of Can rate expectations



Getting sticky

Inflation will be stickier than we've seen in our professional careers (depending on your age). Though the supply logjams will work themselves out, it could take longer than just a few quarters. The labour market is tighter than headline jobs numbers would indicate. Companies are feeling this in the rising trend of three key terms used in earnings conference calls : 1) wage pressure 2) labour shortages and 3) inflation pressures. Companies are clearly seeing the inflationary pressures and labour shortages. More importantly, they are starting to see wage pressure as well, based on the conference calls following earnings. Rent is the largest component of CPI, and owners' equivalent rent is accelerating at its fastest pace since the last U.S. housing bubble. Rent increases tend to lag property prices which are up nearly 20% according to the latest Case-Schiller data. Inflationary pressures are beginning to shift from simply the supply shock to more structural drivers.

Market Reaction

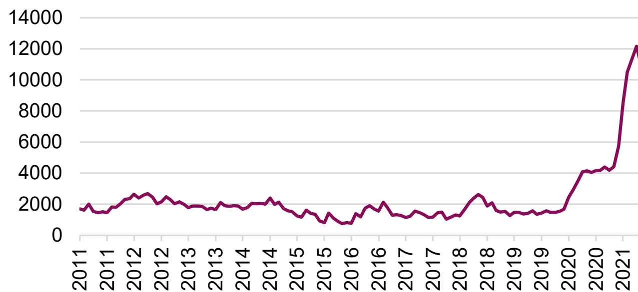
The dominant market narrative is that rate hikes will occur faster than expected. The recent move in Canadian bond yields shows a dawning realization that central banks are going to be more hawkish than most thought. While the Fed remains a laggard in terms of communication, a rapidly flattening yield curve due to 2-year bond yields spiking shows that the market is already beginning to price this in. In Canada's case, the gap between 2- and 10-year bond yields flattened the most in almost two decades following the latest announcement. The long end of the curve is falling as there is perceived to be less need to brace for inflation longer into the future.

Real assets including real estate, infrastructure and gold are beginning to look interesting. Rising rates are a headwind but the correlation of positive returns with inflation is attractive. We favour equities over bonds given rate risk, and within your fixed income allocation we stay short duration. With valuations elevated, we expect further bouts of volatility to continue as the market processes the impact of a potential inflationary regime change. In terms of individual equities, names that benefit from rising demand, have pricing power and are less labour intensive should benefit. From a sector perspective, cyclicals like Materials and Financials are appealing, given our outlook for interest rising rates.

Equities

James Price, CFA

Shanghai to LA: 40ft Shipping container cost



Minimum Wage: US Federal vs. California

Previously, we discussed inflation and its effects on equities. Let's dig in a little and try to overlay our cycle view as well.

Supply chains

We believe that while supply chains issues are responsible for much of the "transitory" inflation, the lessons learned from the COVID disruption as well as previously entrenched trends in global trade will lead to more onshoring and more robust supply chains. That means more capacity and fail-safes, which also means less economic optimization. This transition will cost more. Not all is to be feared, though. Closer to home, more modern manufacturing and logistics will bring efficiencies too. Modernization of manufacturing and service delivery is a persistent and massive deflationary force.

The 1990's MBA lessons of just-in-time delivery and low inventories may not be the most efficient way to operate a business through an inflationary cycle, where disruptions can cause shortages and gaps in sales. We are still waiting to see how this plays out.

The takeaway? Companies less reliant on supply chains should fare better than those that are not. Companies who *control* their own supply chains will be better positioned than those that rely on external providers.

Labour costs

In previous publications, we have outlined our belief that the political landscape is shifting to favour labour over capital, which we believe will simply make labour more expensive going forward. Companies reliant on labour will need to find ways to hire and pay more. This favours companies that can automate and don't need a lot of employees.

Materials costs

We take an optimistic tone here and will note that material input shortages are almost always followed by gluts, so this is the transitory part. Expect these to be short-term problems, followed by tailwinds. There is also a healthy substitution effect that allows certain inputs to be replaced by less expensive ones.

Duration

Of all the factors, this is the most important. Duration drives multiples which are the lever that drives equity markets. If a business expects a dollar of revenue tomorrow, it is worth more than a dollar of revenue in five years. This is exacerbated in inflationary environments. We have been in a market that has increasingly favoured future dollars for a decade. The jokes about funding startups without revenue, and avoiding those that are profitable are the epitome of that sentiment. If that trend changes, we will start to see big headwinds facing those "long duration" companies. Flows will move towards "short duration" companies with high positive cash flow. These are generally also known as "value companies" and this forms the basis for our call to be cautious when allocating using backwards-looking trends.

Bottom Line: lean towards low duration and value equities. Fade the growth companies as policy shifts to tightening.

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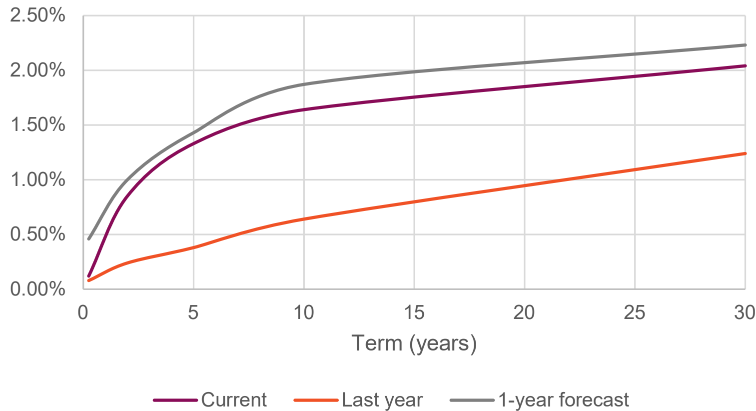
Fixed Income: Challenging road ahead

Joey Mack, CFA



	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23
Consensus Forecast	0.25%	0.40%	0.65%	0.85%	1.05%	1.15%
High	0.25%	0.75%	1.25%	1.50%	1.75%	2.00%
Low	0.25%	0.25%	0.25%	0.50%	0.75%	0.75%
BAX Futures	Dec-2021	Sep-2022	Dec-2022	Mar-2023	Jun-2023	Sep-2023
	0.54%	1.32%	1.56%	1.78%	1.93%	2.01%
Increase priced in		0.78%	1.02%	1.24%	1.39%	1.47%
# hikes/% chance of more		3 hikes priced in, 25% chance of 4 hikes	4 hikes priced in, 8% chance of 5 hikes	5 hikes priced in, 10% chance of 6 hikes	5 hikes priced in, 56% chance of 6 hikes	5 hikes priced in, 88% chance of 6 hikes

To most people, “flattening the curve” recently has referred to slowing the spread of Covid-19 to ease the burden on the healthcare system. The good news is that this has occurred in most developed economies, and we are now at the point where we are seeing another curve flatten – the yield curve. The chart on the left shows the current yield curve, where it was a year ago, and where consensus forecasts expect it to be next year in Canada. We are witnessing similar moves around the globe

Fiscal and monetary response to COVID saw a sharp increase in government spending, as well as a lowering of interest rates and a sharp increase in the money supply via central bank purchases of government bonds. Both actions had the intention of avoiding a severe recession, and the effect of sending rates and bond yields much lower.

Economic activity has now rebounded sharply, but we are now also seeing a similar rise in inflation. Central banks have generally viewed this spike in inflation as transitory, based on expectations that supply chain problems will eventually correct and that the rebound in consumer demand will eventually slow down; However, there is the risk that demand remains elevated and supplies constrained, especially given the significant increase in savings, suggesting there may still be pent-up demand. In addition, there remains a tremendous amount of liquidity in the financial system, thanks to ongoing central banks bond purchase programs.

As we mentioned previously, 9 of 25 central banks are now tightening. The Bank of Canada began scaling back asset purchases earlier this year, and just announced they will stop new purchases outright. The U.S. Federal Reserve is expected to begin a similar “tapering” next month.

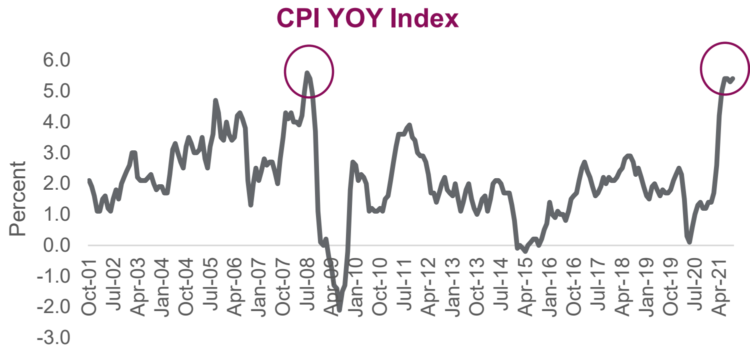
In addition to eventually stopping the outright purchase of bonds and allowing these holdings to shrink, reducing the money supply, markets are also expecting short-term rates to rise from their current low levels

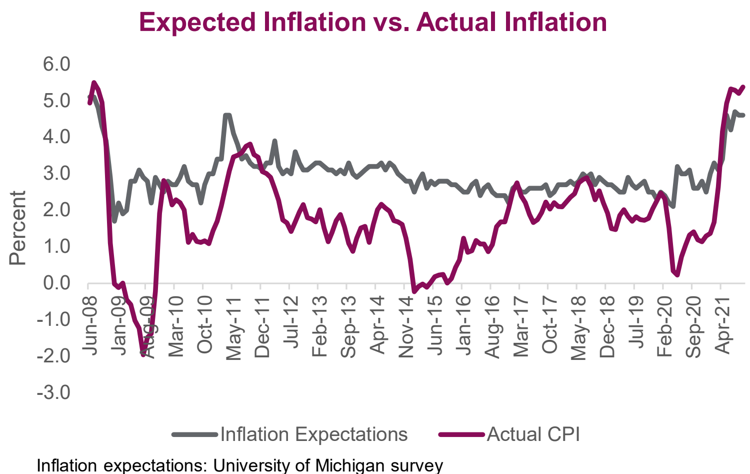
Futures markets have begun to price in fairly aggressive tightening in the year ahead. They suggest the Bank of Canada will begin raising rates in the first half of 2022, with as many as five quarter point (0.25%) hikes priced in by the beginning of 2023

Nonetheless, rate hikes are still many months away, and we should continue to see bond yields rise, especially if inflation does not begin to slow. For that reason, we continue to recommend an underweight position in fixed income as an asset class.

Portfolio Construction: Protecting the Purchasing Power of Your Portfolio

An Nguyen, CFA





Inflation expectations: University of Michigan survey

Source: Bloomberg

September marked the fifth consecutive month where inflation was 5% or greater, well above the government's 2% target. To put the most recent inflation numbers into perspective, in the last two decades, the only other time inflation was north of 5% was for two months in the summer of 2008 (remember when oil hit $140 a barrel). It didn't last long as the global financial crisis and the ensuing great recession has kept inflation near the Fed's target of 2% since that time.

We now know that supply chain issues and pent-up demand, coupled with the base effects (comparing today's prices versus last year's prices when they were abnormally low due to the global economic shut down) exacerbated the inflation outlook. Both the Canadian and U.S. central banks believe that the elevated inflation numbers have been due to an unusual confluence of factors that will eventually ease over time, exactly when, they did not say. However, both central banks (particularly Canada) have recently struck a more hawkish tone to not only reduce quantitative easing (or in the case of Canada, end it) but also set expectations to begin rate hikes sooner than had been previously projected, a sign they are willing to quell inflation should it be more than temporary.

The Bank of Canada's shift in policy tone and announcement of possible rate hikes as early as "the middle quarters of 2022" reaffirms its objective to keep inflation "low, stable and predictable". The reasons are obvious. Inflation can be insidious; it can eat away at our purchasing power and erode our standard of living. It thwarts our ability to plan for the future due to the possibility of so much uncertainty from one day to the next. For these reasons (and more), global central banks share a common goal to keep inflation, and inflation expectations in check.

While the Bank of Canada's recent shift in policy tone shows a willingness to respond to possible pockets of persistent inflation, it can also reverse course should the data show a different trajectory. As we've seen over the last decade, inflation expectations have not always materialized. Policy shifts based solely on expectations could be perilous.

Similarly, wholesale portfolio changes based solely on expectations of a certain outcome is just as perilous, given how forecasts can often diverge from the actual outcome. For these reasons, we believe in taking a measured approach to protect a portfolio against the prospect of inflation

Portfolio Construction: Protecting the Purchasing Power of Your Portfolio

An Nguyen, CFA

As of October 31, 2021	YTD	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	15 Yr
SPDR® Gold Shares	-9.28	-12.95	4.67	10.74	4.75	2.11	7.73
SPDR® Portfolio TIPS ETF	1.69	-0.58	5.06	6.46	3.03	5.31	
iShares Core Canadian Universe Bond ETF	-5.08	-3.75	1.16	4.07	2.14	3.04	3.87
iShares Core Canadian Short Term Bd ETF	-1.63	-1.18	1.67	2.65	1.52	1.79	2.76

Name	2020	2019	2018	2017	2016	2015	2014	2013
SPDR® Gold Shares	21.51	12.38	7.33	4.09	4.93	5.80	8.38	-23.27
SPDR® Portfolio TIPS ETF	9.50	3.10	7.25	-3.63	1.05	17.69	13.65	-3.35
iShares Core Canadian Universe Bond ETF	8.57	6.83	1.28	2.34	1.36	3.14	8.46	-1.50
iShares Core Canadian Short Term Bd ETF	5.18	3.04	1.81	-0.07	0.76	2.33	2.80	1.50

Name	Std Dev 3 Yr	Std Dev 5 Yr	Std Dev 10 Yr	Sharpe 3 Yr	Sharpe 5 Yr	Sharpe 10 Yr
SPDR® Gold Shares	15.15	13.28	15.60	0.82	0.45	0.03
SPDR® Portfolio TIPS ETF	4.15	3.93	4.48	1.77	0.89	0.55
iShares Core Canadian Universe Bond ETF	4.79	4.41	4.00	0.69	0.31	0.57
iShares Core Canadian Short Term Bd ETF	1.64	1.55	1.41	1.13	0.44	0.69

Source: Bloomberg

While central banks use monetary tools to manage inflation, there are several approaches investors can take to help minimize the impact inflation can have on their portfolios. In the following, we highlight the use of shorter duration fixed-income securities and investments in real assets to hedge some of the inflation risk in our portfolios.

Bonds, for many investors, act as the ballast to their portfolios. They are expected to lower portfolio volatility and provide some level of principal protection. Rising rates, particularly for longer-dated bonds, erode these very tenets and leave bond returns more volatile and, in some cases, negative. We have been cautious with the portfolio's interest rate exposure and reduced the portfolio's duration well in advance of this year's latest climb (we admittedly did this very early). Since rising rates negatively impact bond prices, it was the tradeoff we were willing to make to try to insulate the portfolio from what seemed like an inevitable outcome.

Within our portfolios, our real assets exposure is currently focused on **gold** and **Treasury Inflation Protected Securities (TIPS)**. You would not know based on looking at gold's returns this year that it has been used by investors as an inflation hedge. Gold is down -9% in unhedged C$ terms year-to-date. The metal has been hampered by several spikes in bond yields and more recently US$ strength (gold and the US$ have an inverse relationship). Also, gold now faces competition in new assets such as cryptocurrency that represent a store of value for some investors (even with extreme volatility and minimal regulation). However, unlike some of these other "real assets", gold continues to represent one of the oldest mediums of exchange in the world. While the clear relationship between gold and inflation has been tested over time, the metal continues to be in demand under periods of global, economic or political stress. Gold surged to record highs in 2020 amidst debasement concerns following the U.S. government's massive stimulus plans to ward off economic catastrophe due to the Covid-19 virus. As highlighted above, gold and the US$ have an inverse relationship where gold tends to appreciate when the U.S. dollar depreciates, and vice-versa. While we believe the demand for gold should benefit from investors looking to protect their portfolios against inflation, the extreme variability in the price of gold, and given how inflation expectations can differ from real outcomes, our position in gold has been reduced over time on strength and currently represents about 3% of our portfolio. Similar to gold, our position in TIPS was initiated early. TIPS act as a perfect inflation hedge, albeit a potentially costly one; hence there's a solid case to include them in a well-diversified portfolio alongside other real assets.

Disclaimer

Source: Charts are sourced to Bloomberg L.P. and Richardson Wealth unless otherwise noted.

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