Lite and Tight

The first quarter of 2023 is off to a decent start. Our managed model portfolio's all generated positive results in the first three months.

On a monthly basis, the **Marnoa Growth** mandate being the closest to all equity generated positive returns of **2.29%** for the month of March compared to **-0.20%** for the **S&P/TSX Composite (Total Return)**.

The **Marnoa Moderate** mandate with a target allocation of 60% equity, 30% income/cash, and 10% alternative generated **1.08%.**

The **Marnoa Conservative** mandate with a target allocation of 40% equity, 50% income/cash, and 10% alternatives generated **0.36%.**

The **Marnoa Strategic Allocation** mandate follows a typical 60/40 model, but uses only ETFs and the occasional mutual fund was up **1.15%** for the month of March.

The following represent the changes for each mandate during the month:

Marnoa Growth:
Buys – Brookfield (BN), Well Health (WELL)
Sells – None

Marnoa Moderate:
Buys – Brookfield Asset Management (BAM)
Sells – None

Marnoa Conservative:
Buys – Emera (EMA)
Sells – None

Marnoa Strategic Allocation: No changes

To get a true sense of what is taking place in the stock market, one must look under the hood. When we do that, it becomes clear the indexes are being driven higher by a handful of companies. And what led the markets higher last year, are leading on the downside this year.

Last month I wrote about bond yields and the volatility we have been experiencing. Well, you can pretty much ignore what was written in February as March saw yields once again dropping faster than a clumsy juggler with buttered hands. What bond yields gained in February have pretty much evaporated and are now down for the year. This is positive for longer term mortgages, but signifies that the bond market is expecting a weaker economy. Lower bond yields, may also have provided some breathing room to regional banks.

The stock market is acting as if nothing is wrong. The bond market is pricing in a recession. Based on dropping bond yields, the bond market is expecting the Fed to pivot – interest rates cuts from central banks. When it comes to the Federal Reserve, the message seems to be higher for longer. It’s as if the bond market is challenging the central bank and the stock market is in its own little world.

My expectation is for the economy to weaken in the months ahead. While the job market has been resilient, cracks are starting to show. Commercial real estate, specifically office space is top of mind and a sector to watch.

Last month we heard of the events surrounding Credit Suisse, Silicon Valley Bank, and Signature Bank. This month, Canada’s very own TD Bank made the headlines as the most shorted bank in the world. Shorting occurs when investors expect a company’s share price to drop, so they sell shares with the expectation to buy them back at a lower price in the future. Some of the reasons given were TDs purchase of First Horizon in the United States. It’s approximate 12% ownership stake in Charles Schwab and TD’s exposure to the Canadian housing market. All said, approximately 3.8% of TDs outstanding shares are shorted. In my experience, you don’t bet against a Canadian bank, and short positions reverse much faster than they form leaving short sellers scrambling to cover which in turn drives up the share price. If TD Bank shares pull back to a certain price range, we could be buyers.

Based on economic and geopolitical head winds I see, my view is to be a little cautious, and in doing so we are “Lite and Tight,” meaning less equity exposure and holding onto cash. As we did last month, if opportunities are present, we will take them. But we are in no hurry to jump in with both feet.

For now, let's see what happens with employment, inflation, commercial real estate and another debt ceiling debacle. Not to mention China/Taiwan tensions, OPEC+ oil production cuts etc.

Warren Buffet once said, *"Successful investors know their limitations, keep cool, and act with discipline."* He also said, *"The stock market is a device for transferring money from the impatient to the patient."* We are in no rush. We are patient. And with short-term interest rates at the level they are, we can actually get paid to wait.

As always, please do not hesitate to reach out should you have any questions or wish to discuss any matter in further detail.

Yours truly,

Pedro Ribeiro, CIM®, FCSI®
Portfolio Manager
519.707.0049

Maria Ayles, FMA	**Christopher De Sousa, CIM®**	**Tracy Andrade**	**Marci Paquete**
Wealth Manager	Associate Portfolio Manager	Associate Wealth Advisor	Client Service Specialist
519.707.0052	519.707.0053	519.707.0050	519.707.0051

marnoa PRIVATE WEALTH

Tel: 519-707-0048
marnoa@raymondjames.ca
www.marnoa.ca

Performance as of March 31, 2023

Gross performance results as of March 31, 2023 for our discretionary model portfolios are as follows:

	Performance Summary (%) as of March 31, 2023							
Portfolio Mandate	3 months	6 months	9 months	Year-to-date	2022	2021	2020	2019
Marnoa Strategic Allocation	2.76	4.55	6.57	2.76	-12.70	12.38	18.01	15.78
Marnoa Conservative	2.74	4.58	6.48	2.74	-12.05	10.86	9.90	19.86
Marnoa Moderate	4.13	6.03	7.94	4.13	-13.55	12.92	20.79	25.52
Marnoa Growth	6.06	7.20	9.66	6.06	-17.26	15.00	29.74	28.70

The returns above are gross of fees. Individual performance may vary based on cash flows and fees. Performance figures for periods greater than 1-year are annualized. The performance data quoted represents past performance. Past performance is no guarantee of future results.

Disclaimer

This commentary has been prepared by Marnoa Private Wealth and expresses the opinions of the author and not necessarily those of Raymond James Ltd. (RJL). Statistics, factual data and other information are from sources RJL believes to be reliable but their accuracy cannot be guaranteed. No recommendation of any product or service would be made without a thorough review of an individual's financial goals and risk tolerance.

The returns presented are gross of fees. Individual performance may vary based on cash flows and fees. Performance figures for periods greater than 1-year are annualized. The performance data quoted represents past performance. Past performance is no guarantee of future results. The above performance data is current as of March 31, 2023.

Inception date is January 1, 2019 for Marnoa Strategic Allocation, Marnoa Conservative, Marnoa Moderate, and Marnoa Growth.

Generally, mandates with higher returns entail higher levels of risk. Investors should consult with their advisor prior to making an investment decision to help ensure their investments are suitable for their particular situation.

Past performance is not necessarily indicative of future results. Statistics, factual data and other information are from sources believed to be reliable but accuracy cannot be guaranteed. It is furnished on the basis and understanding that Raymond James Ltd. and Marnoa Private Wealth are under no liability whatsoever in respect thereof. This report is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. Raymond James is a Member Canadian Investor Protection Fund.