Keep the Powder Dry

We are now into first quarter earnings season.

Of the largest positions held in our model portfolios, UnitedHealth Group (UNH) was one of the first to report. At first glance, the numbers are positive, as results were better than Street expectations. However, pre-market share price does not reflect that, as shares are trading lower than they closed yesterday.

UNH's revenues increased by 15 per cent to $91.9 billion, which includes double-digit growth at both Optum (+25 per cent) and UnitedHealthcare (+13 per cent). UNH's earnings grew by 16 per cent to $8.1 billion. Cash flows from operations came in at $16.3 billion or 2.8-times net income. UNH increased its full year adjusted net earnings outlook to $24.50-25.00 vs. prior guidance of $24.40-24.90. We continue to view UNH's medical benefits segment as an industry leader and cost competitive, which will help fuel growth in customers.

Elsewhere, the much-anticipated U.S. bank earnings are also out and the banks continue to impress. JPMorgan reported strong results.

Closer to home, Canadian manufacturing sales declined 3.6 per cent, following a 4.5 per cent increase in January. Oil is ticking higher, as are bond yields.

All eyes are on the Federal Reserve's upcoming rate decision. While some expect another quarter point increase, we have seen numerous central banks from other countries, including Canada, already pausing rate increases. A pause is, in my opinion, a wise move but those in charge of such decisions may not be looking at real life experience the average citizen is going through. Instead, they are focused on bringing inflation down to two per cent at almost any cost. My personal view continues to be that rates will remain higher for longer unless the economy rolls over faster and harder than expected.

Despite a resilient stock market, we are seeing the effects of tighter financial conditions brought on by the central banks and their efforts to lower inflation. Most evident would be on the housing market and higher consumer debt levels which now carry much higher costs to service.

Within the real estate industry, my expectations are for layoffs to steadily increase with developers and builders completing pre-sales from the last two years, as new sales have dried up. We are seeing more new builds being converted to rentals, but that may not be enough to keep all trades fully employed. As the spring market comes into sight, we'll be watching to see if buyers step in.

For those looking to purchase U.S. dollars, you can do so today at a better rate than a month ago, as the greenback has dropped over 2.5 per cent against the loonie.

In short, we are comfortable with the businesses we hold in our portfolios but continue to hold elevated cash positions – keeping the powder dry for opportunities as they come along.

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,

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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.

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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.

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