May 1, 2023

Wait and See

For the month of April, our managed model portfolio's generated results as follows:

Marnoa **Growth** mandate being the closest to all equity generated returns of **2.45%** for the month of April compared to **2.90%** for the S&P/TSX.

Marnoa **Moderate** mandate which targets a 60% equity, 30% income/cash and 10% alternative generated **1.85%.**

Marnoa **Conservative** mandate with a target allocation of 40% equity, 50% income/cash and 10% alternatives generated **1.49%.**

Marnoa **Strategic Allocation** which follows a typical 60/40 model but uses only ETFs and the occasional mutual fund was up **1.66%**.

Monthly Activity:

Marnoa Growth:
Buys – None
Sells – None

Marnoa Moderate:
Buys – None
Sells – None

Marnoa Conservative:
Buys – None
Sells – None

Marnoa Strategic Allocation: No changes

Sometimes, the best decision is to do nothing. From the activity summary above, you can see we are taking a "wait and see" approach. Other than some rebalancing or buys/sells for clients adding or needing funds, we made no changes to our core holdings.

We are comfortable with our current companies and even more comfortable with the investment grade bonds we have added. The current interest rate environment has made for interesting conversations with clients this year.

Listening in, one would think I was talking out of both sides of my mouth giving contradicting views. When I meet with retirees or those focused on capital preservation, I'm excited when showing them what higher interest rates mean for them. The current interest rate environment has allowed them to take on less equity exposure while generating consistent, stable income. However, when the conversation turns to those currently in the wealth accumulation phase or managing debt, the higher interest rate environment is not as exciting. Higher rates are a blessing for those with no debt and reliant on steady income, but a curse for those carrying debt or needing to borrow.

For the most part, on a month to date basis bond yields are higher at the time of this writing (April 27). Although the two year, five year and ten year government of Canada bond yields are down ~8%, ~10% and ~11% respectively on a year to date basis. Declining bond yields are positive for mortgage rates, but rising bond yields are negative. Rising bond yields may also be pricing in further rate hikes from the Central Bank or the likely hood of interest rates staying higher for longer.

We are also coming out of a busy corporate earnings season. And for the most part, earnings have been in line and even strong in some cases. Alphabet, Microsoft, and Whitecap, to name a few, are doing quite well.

Alphabet reported both revenue and earnings above consensus with resiliency in search and stabilization in YouTube growth. Google delivered operating income upside with improvements in both Google Services and Cloud reaching profitability. Google expects to continue to focus on driving improved margin performance across the business.

Microsoft reported both revenue and earnings above consensus with Productivity and Business Processes (i.e., LinkedIn, Office, and Dynamics products) and Intelligent Cloud (i.e., Azure cloud services) segments reporting better than expected results. Azure growth of 31% was in-line with expectations and guidance for 26-27% growth for the next quarter was better-than-expected.

Whitecap Resources reported funds flow of $0.73 per share vs. consensus at $0.70 per share, driven by higher liquids production than forecasted. Whitecap returned $121 million to shareholders during the quarter – $88 million in base dividends and $33 million in buybacks. Whitecap reaffirmed its commitment to increase returns to shareholders to 75% of free funds flow once the $1.3 billion net debt level is achieved (expected by mid-year). Upon reaching this level, the annual dividend will increase by 26% to $0.73 per share (from the current $0.58 level). Whitecap ended the quarter with net debt of $1.47 billion.

When earnings season arrives, we tend to spend a lot of time reading financial reports and participating on management calls. As important as the financial reports are, I tend to find valuable information in the Q&A sessions or managements comments in general. Take McDonald's CEO Chris Kempczinski as an example. He stated McDonald's faced double-digit inflation pressure in 2022 and expects high single-digit inflation by the end of this year. Some will take his comment as inflation is coming down. My take – inflation is to remain elevated for the year. Companies like McDonald's, Costco, and Walmart can provide a great view into the consumer and economy.

Life was always a matter of waiting for the right moment to act – Paulo Coelho

At the end of this report, we're providing a list of interesting reads. These may have nothing to do with investing, finance or the economy – they're just something different and hopefully, interesting.

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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Interesting Reads:

- Via Rail Travel all Over Canada https://bit.ly/40Oy8RM
- Gen-X buyers driving Recreational Property Demand https://bit.ly/3NjOCOU
- Top Reasons to Drive-Thru African Lion Safari This Year https://bit.ly/42mMDxF
- Video - Top 10 BEST Auditions on BGT 2023 So Far https://bit.ly/40GPwYF (I only watched the first contestant, but WOW!!!)

Full disclosure! I have not read or watched all of the above in their entirety, so if there is anything inappropriate – I apologize. Read and watch at your own risk ☺

Performance as of April 30, 2023

Gross performance results as of April 30, 2023 for our discretionary model portfolios are as follows:

	Performance Summary (%) as of April 30, 2023							
Portfolio Mandate	3 months	6 months	9 months	Year-to-date	2022	2021	2020	2019
Marnoa Strategic Allocation	1.17	1.87	4.73	4.46	-12.70	12.38	18.01	15.78
Marnoa Conservative	1.44	1.94	4.49	4.27	-12.05	10.86	9.90	19.86
Marnoa Moderate	2.48	3.39	6.01	6.06	-13.55	12.92	20.79	25.52
Marnoa Growth	4.03	4.66	6.72	8.66	-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 April 30, 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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