October XX, 2021

**Dear Client,**

U.S, Canadian and global equity markets started Q3 where Q2 ended, confidently charting a course forwards. By the end of August, equities had notched a seventh straight month of gains, with the S&P 500 Index finishing near its all-time high and the TSX Composite Index on its longest winning streak in four years. Markets then dipped in September on a number of risk-related events, before finishing Q3 close to previous highs.   
  
Fixed income markets remained calm and U.S. treasury yields steady on reassuring economic comments from the Fed. In Canada, it was another positive quarter for ETFs. Canada’s top six banks also posted strong quarterly earnings that easily beat analyst expectations. Overall, approximately a fifth of TSX listed companies and third of S&P 500 listed companies reported handsome corporate results during the quarter, including some of the biggest tech names.  
  
The U.K.’s Freedom Day, celebrating the reopening of its economy went ahead on July 19. Developments in the U.K. are seen as a potential leading marker for the reopening of other western economies. Shortly after, the Canadian federal government unveiled a roadmap to reopen its borders. On August 9, vaccinated Americans were allowed to visit again and from September 7 vaccinated travelers from other countries. Q3 also witnessed an historic monetary development as El Salvador became the first nation to adopt bitcoin, the most popular cryptocurrency, as legal tender.

The Fed left U.S. interest rates in the near zero range but indicated it would begin winding down its US$120 billion monthly government bond buying stimulus by year end. U.S. inflation, although cooling, rose 5.3% on the same period last year, driven by COVID-19 infections impacting economic growth and related shortages of labour and supplies affecting prices. The Fed reiterated it saw no immediate need to raise rates as this recent inflation spike was temporary. However, it signaled rates might start going up sooner than previously planned – possibly by late 2022.

The Bank of Canada also held interest rates at 0.25% saying it expects the economy to strengthen throughout the second half of the year. The bank warned supply chain bottlenecks and rising COVID-19 cases could slow the pace of the recovery though. The bank continued with its bond buying program but scaled back purchases to about C$2 billion per week.  
  
Canadian inflation went north as well. Inflation rose 4.1% in August compared to year ago, the highest since 2003. The Bank of Canada has regularly stated it would intervene should inflation come in persistently above its 2% target, but noted the current bout of inflation was likely transitory.

**Capital Markets in Q3**  
  
The S&P/TSX Composite Index ended the quarter up 0.17%, led by the Financials (31.9% weight), Energy (13.1%) and Information Technology (11.5%) sectors. The S&P 500 Index posted a 0.58% return led by Information Technology (27.6% weight), Health Care (13.3%), and Communication Services (11.3%) sectors. The MSCI EAFE Index was also in positive territory with an 1.95% return led by the Financials (17.2% weight), Industrials (15.8%) and Information Technology (9.6%) sectors.  
  
For the year to date, the S&P/TSX Composite Index increased 17.5%, the S&P 500 Index rose 15.9% and the MSCI EAFE Index was up 8.2%.  
U.S, Canadian and global equity markets started the quarter brightly. By the end of August, equities had notched a seventh straight month of gains, with the S&P 500 Index finishing near its all-time high and the TSX Composite Index on its longest winning streak in four years. Markets then dipped over concern about inflation, the U.S. debt ceiling, the Evergrande crisis in China and speculation on when the Fed’s bond taper would begin, before finishing Q3 close to previous highs.

Fixed income markets remained calm and U.S. treasury yields steady on the Fed’s reassuring comments about its bond tapering plans, a potential rate hike next year and the current inflation spike being temporary. The treasury yield curve flattened somewhat as yields on all but the longest-term US government bonds increased.  
  
In foreign exchange markets, the Canadian loonie appreciated against the U.S. dollar and other G10 currencies due to rising oil prices and the Canadian federal election outcome. Oil prices surged following the threat of Hurricane Nicholas in the U.S. gulf and depleting U.S. crude inventories before declining on Russian plans to increase exports. The debt crisis of the mega Chinese property developer Evergrande at the tail end of the quarter then caused the oil prices and energy stocks to climb again.  
  
Closer to home, Canadian ETF inflows topped more than C$4.9 billion with total assets growing to C$302 billion. CI Global Asset Management launched a new suite of five CI Beta ETFs that provide targeted low-cost exposure to broad markets and sectors as well as added three ETFs to our existing CI Alpha ETF line-up. We also introduced a climate investing mutual fund and ETF, the CI Global Climate Leaders fund.  
  
**What we can expect now?**  
  
The accommodative monetary policies of major central banks are beginning to be pared back so it’s natural we might experience some near-term setbacks and volatility as market conditions shift. The pace of growth will likely be slower but this is understandable as we are coming off a record breaking 12 months of performance. Overall, the outlook remains positive driven by strong economic fundamentals and corporate earnings.  
  
Regardless of where we are in the market cycle, it’s important to take a disciplined approach to investing and stay focused on your long-term financial goals. This strategy helps you keep your emotions out of investing – typically buying high and selling low like many investors do.   
  
We recommend you maintain a diversified mix of asset classes in your portfolio to maximize potential returns and minimize risk. Regularly reviewing and rebalancing your portfolio back to the target asset mix we created also ensures it remains aligned with your goals.  
  
Thank you for your continued trust in me and my team for the opportunity to assist you in working toward your financial goals. We are with you every step of your investment journey, identifying strategies and opportunities, reviewing performance and rebalancing your portfolio to keep you on track. Should you have any questions regarding your portfolio, please do not hesitate to contact my office.  
  
*The information in this letter is derived from various sources, including CI Global Asset Management, Globe and Mail, National Post, Wall Street Journal, MarketWatch, Bloomberg, Reuters, Investment Executive, Bank of Canada and Statistics Canada as at various dates.This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources and reasonable steps has been taken to ensure their accuracy. Market conditions may change which may impact the information contained in this document. Before acting on any of the above, please contact me for individual financial advice based on your personal circumstances.*