

# SV WEALTH - NEWSLETTER



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## 2021: What a Year it Was!

With the pandemic continuing to drag on, 2021 might've been a bland year for our social lives but for the financial markets, it was anything but.

The TSX index closed up 22% for the year, it's best year of gains since 2009, driven largely by big gains in oil and gas.

In the US, the S&P 500 index was even stronger, making 70 record highs as it added 27% for the year. The rally was very broad, with all sectors up double-digits for the year, a historical first.

## A Stroll Down Memory Lane

**Meme Stocks:** The year started with the meme stock mania whereby bored day traders, fueled by the Reddit message boards, pushed some stocks around, seemingly at will. One of the most dramatic examples was video-game retailer Gamestop, which went from \$17 a share in January to \$357 a share in March. While the mania has since subsided, Gamestop is still up 700% for the year while movie-theatre chain AMC is up ten-fold (i.e. 1000%!).

**Bitcoin:** With several new Bitcoin ETFs launched over the past year, crypto currency is inching closer to mainstream acceptance. However, Bitcoin continues to be quite volatile, having a record in March before losing half its value over the summer and then rebounding to new records again in November.

**Chinese trouble:** Another big story this year was the Chinese government's crackdown on Chinese tech stocks. Driven by national security concerns, the crackdown led to steep losses for Chinese companies listed in the US. In addition, Chinese property developers like Evergrande teetered on the brink of bankruptcy under a crushing debt load of \$300b.

**Inflation:** Inflation became a serious topic in the second half of the year as it became increasingly clear that it was going to stick around longer than expected. Starting with snarled supply chains as Asian manufacturers locked down to fight Covid, inflation expanded as shipping got more expensive, parts and commodities became scarce, and workers were reluctant to return to the workforce.

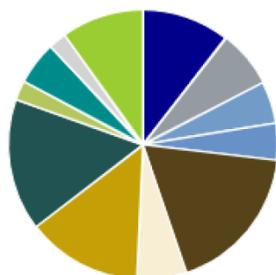
## The SV Wealth Dividend Growth Portfolio

Thanks to our disciplined rules-based approach, we were able to continue our string of strong returns for 2021.

2016	2017	2018	2019	2020	2021
13.6%	11.0%	-1.8%	19.5%	14.0%	21.9%

3 Month	1 Year	3 Year	5 Year
5.2%	21.9%	18.4%	12.6%

Heading into 2022, we continue to hold a diversified portfolio that we believe is well positioned for the year ahead.



Communication Services	10.5%	Information Technology	15.6%
Consumer Discretionary	6.9%	Materials	2.4%
Consumer Staples	5.0%	Real Estate	5.2%
Energy	4.4%	Utilities	2.1%
Financials	18.1%	Others	10.0%
Health Care	6.0%	* <b>Others</b> represents Cash and Exchange-Traded Funds.	
Industrials	13.8%		

## The Year Ahead

**Increasing interest rates:** Consumer Price Index hit 6.8% in the US, the highest inflation reading in 40 years. In Canada, inflation hit 4.9%, significantly above the central bank's desired 2% target.

Having recently dropped the assertion that inflation is "transitory", the Federal Reserve stated that it plans to raise interest rates three times in the next year. As American monetary policy goes, so too goes Canada. Thus, expect interest rates to rise north of the border as well.

**Corporate earnings continue to grow:** In academic theory, the price of a stock is the discounted value of future earnings. As long as corporate earnings continue growing, stock prices should generally increase. For 2022, analysts are expecting earnings to grow 9.2%, which should counter headwinds from rising rates.

## Our Positioning

As we anticipate rising rates, we like financials (i.e. banks), infrastructure stocks, and large-cap technology names.

## Webinar: Market Outlook for 2022



Sat,  
Jan 29  
@ 11am



With the volatility expected in the coming months, it will be important to remain disciplined and adjust our portfolios as necessary.

To help give you some insight on what to watch for, SV Wealth will be hosting a live webinar on **Saturday, January 29 at 11am**. To register, scan the QR code on the left with your phone's camera, or simply contact us. We hope to see you there.

We wish you a great start to 2022 and all the best for the year ahead!

*Not intended to solicit clients currently working with a 3Macs or Raymond James Financial Advisor.*

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