

## War in Ukraine is Front and Center

Headlines have been dominated by Russia's invasion of Ukraine which brought up fears of World War 3. In response, countries around the world have sent aid to the Ukraine and governments have placed unprecedented sanctions on Russia. This has crippled the Russian economy but also sent shockwaves to oil prices and other impacted commodities due to the anticipated reduced supply. At the time of this writing Ukraine continues to defend its country and there are ongoing talks with Russia to come to some sort of resolution to put an end to the war. Something the whole world is looking forward to.

As mentioned above, the restrictions on trade for Russia as well as Ukraine have created upward price pressure on commodities they produce. The primary ones being oil, grain and various metals. Inflation on these items is the last thing economies needed as they are already fighting high inflation with Canada's 1 year number at +5.69% (source Morningstar). To help curb inflation governments have started the process of raising interest rates which will slow down consumer spending. In Canada and the U.S they each raised rates 0.25% with plenty of additional increases expected in the next year or two. With the Ukraine situation, more drastic measures might be made such as countries increasing commodity production or in the case of oil, strategic government reserves being released. In the end though the commodity production in Russia and the Ukraine is unlikely to recover anytime soon which will keep upward pressure on prices. In addition, lockdowns in China due to Covid outbreaks will contribute to inflation through supply disruption. As we enter a rising interest rate environment with inflation it should slow things down, yet world economies are in a strong enough position to withstand this.

### **Highlights of Bellwether's Investment Management**

- No panic moves based on the events in Ukraine. History shows that trying to anticipate these events is not successful and the best thing to do is to stick to your investment process. History also shows us these events are usually short lived. One of the worst stock market crashes following a war was the 1990 Iraq war where stocks dropped 18.5% yet recovered only 138 days later.
- The Bellwether Portfolio has good allocations to energy, agriculture and metals which have held up or increased in this situation. For example, in the Canadian stock market energy stocks are up 29.1% and materials 22.1% year to date (source Mackenzie Investments). Due to these positions a Balanced portfolio at Bellwether with 40% in fixed income actually went up for the quarter at +0.39% whereas our benchmark was negative.
- Bellwether's fixed income strategy including alternative income has also held up very well relative to traditional fixed income investments such as bonds. The Bond index for the quarter dropped -6.76% (source Morningstar) while the Bellwether Fixed Income Portfolio dropped -1.9%.

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## Old Balanced versus New Balanced Portfolios

One of the key reasons in our move to Bellwether on the investment side was to have access to a more pension based investment approach. With this we gain access to not only traditional stocks and bonds but also private real estate, infrastructure and alternative income investments. This reduces the volatility in the portfolio and improves diversification. Usually, this type of improvement is appreciated over time, but the timing of our move has already benefited our clients. To start the year our benchmark for a balanced portfolio (40% fixed income 60% equities) returned -3.27%(source Morningstar) while the Bellwether model returned+0.39%. We have also been following our old portfolios that we managed before moving and they are down over 6% to start the year.

## Key Dates

- **Tax reporting deadline April 30<sup>th</sup>, non- registered tax packages/ checklists have now been sent in order to file. If you have any questions or missing documents for filing your taxes, feel free to reach out and we can assist before the filing deadline.**

## Market Performance

Below is a snapshot of the market performance for our major markets in the first quarter of 2022.

Canadian Stock Market (S&P TSX)	3 Months +3.82%
MSCI World Index	3 Months -6.10%
Fixed Income (B of AML Cdn Broad Market)	3 Months -6.76%

*Source: Morningstar Canada, all returns are total returns as of March 31st, 2022.*

Should you have any questions or wish to schedule an appointment please contact me. For web meetings we are currently using Zoom to share our desktop remotely.

I wish you and your families good health and prosperity through 2022.

Dan Beyaert, Associate Portfolio Manager, CFP®

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