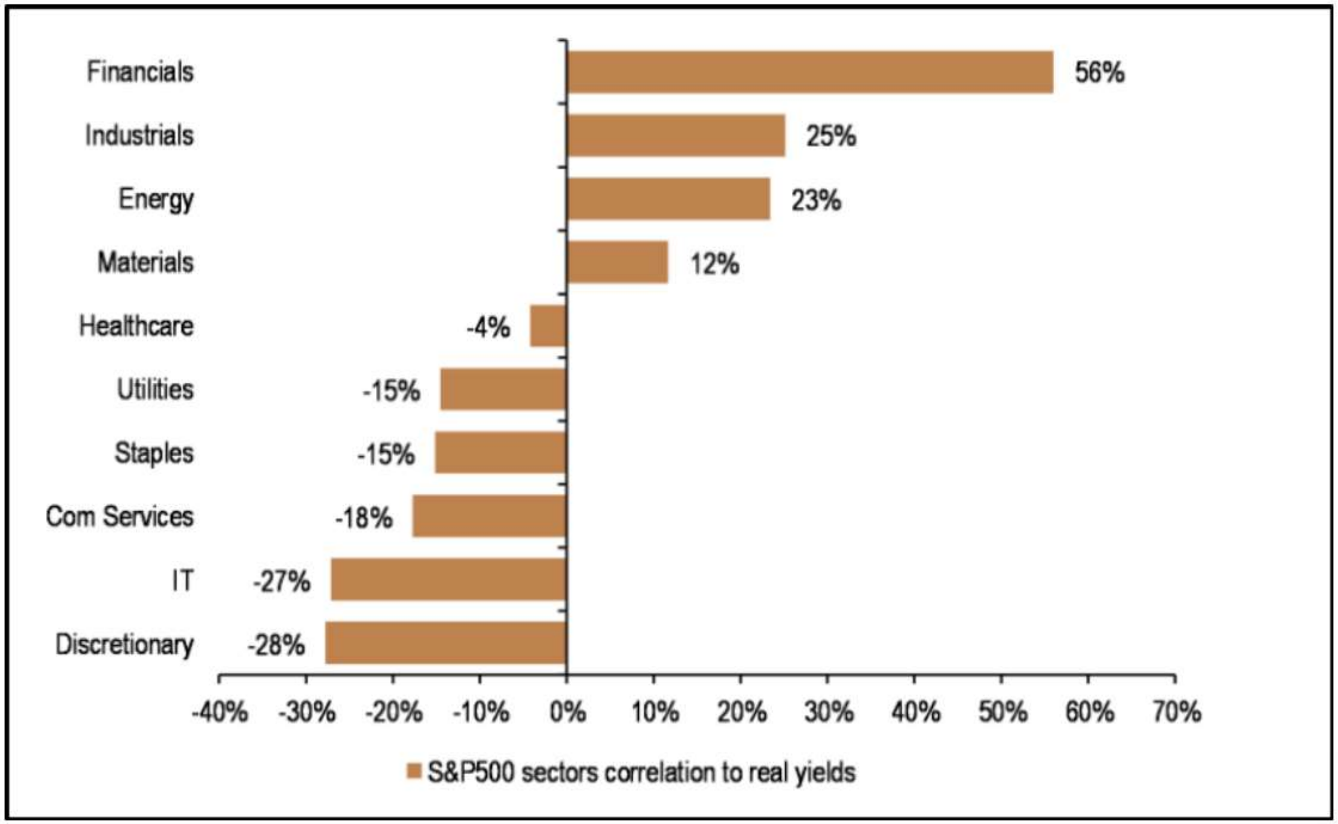
WATERMARK PRIVATE PORTFOLIOS FEBRUARY 2022 COMMENTARY

Stock markets had another weak month, with the TSX Composite sneaking out a small gain of 0.3%, while the S&P500 (in CAD) fell 3.2%. Once again, the Canadian Universe Bond Index also had a poor month falling 0.8%, again resulting in larger losses for traditional portfolios consisting of bonds and equities. We continue to highlight that we use private real estate and private debt as the core holdings for the safety portion of your portfolios. Once again, both asset classes held up, giving you better downside protection than bonds, resulting in a much smoother investing experience for you.

Markets

Markets continue to price in an aggressive US Central Bank (FED), expecting several rate hikes over the next year totaling 1.5% to 2.0%. With an enormous amount of debt in the world (mostly denominated in USD) that was created in the past 10 years off the back of zero interest rates, the market clearly does not like US rate hikes, believing them to be detrimental to many sectors in the economy. With that in mind, we've moved the portfolios to hold a core equity position in Canadian companies (primarily in banks & insurance companies, energy companies, and materials), which should perform well in a rising rate environment. This performance can be seen in the chart below, courtesy of JP Morgan:

WATERMARK PRIVATE PORTFOLIOS FEBRUARY 2022 COMMENTARY



Source: JP Morgan

WATERMARK PRIVATE PORTFOLIOS FEBRUARY 2022 COMMENTARY

Further spooking the markets in February was the invasion of Ukraine by Russia, seemingly planned well in advance and targeted to happen once the Olympics were over. While the news of this event is saddening, the S&P500 seemed to shrug it off, bottoming the following morning and rallying 4% from where it opened. Gold had a large reversal on the day too, selling off 2%, with the equity rally being led by technology stocks. It seems the market believes FED rate hikes may be delayed or less severe with War on the table, resulting in technology stocks rallying in a low-rate environment.

Still much uncertainty remains with respect to world politics:

1. Is China watching to see if it can take Taiwan?
2. What happens to markets with Russian assets frozen?
3. What happens to markets with some Russian banks removed from the SWIFT banking system?
4. Can the Ukrainians continue their resistance and if so, does more blood get spilled?

WATERMARK PRIVATE PORTFOLIOS FEBRUARY 2022 COMMENTARY

Having said all that, stocks will likely be choppy into the US CPI print (March 10th) and the Federal Reserve Open Market Committee meeting (March 16th). With the Democrats coming under a lot of pressure to deal with inflation, a strong CPI number (over 6%) could result in a more aggressive FED than perhaps they'd like, but they've been too easy with monetary policy for too long, causing major dislocations in the economy and capital flows. Should equities sell-off further from this meeting, it will likely result in larger cash balances in your portfolios.

While it's been a volatile start to the year, the portfolios have held up quite well, especially when compared to portfolios holding bonds. Furthermore, the portfolios are positioned in equity sectors that can do well in a rising rate environment. For now, we are fully invested, with a tilt to overweight equities, which includes the 20% holding in Private Real Estate (namely Apartment REITs). But any weakness shown on a high CPI print will likely result in higher cash in your portfolios in the short run to mitigate any further downside we may see.

DISCLAIMER

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects my opinions alone and may not reflect the views of Harbourfront Wealth Management. In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by Harbourfront Wealth Management Inc."

Disclaimer – This information transmitted is intended to provide general guidance on matters of interest for the personal use of the reader who accepts full responsibility for its use and is not to be considered a definitive analysis of the law and factual situation of any particular individual or entity. As such, it should not be used as a substitute for consultation with a professional accounting, tax, legal or other professional advisor. Laws and regulations are continually changing, and their application and impact can vary widely based on the specific facts involved and will vary based on the particular situation of an individual or entity. Prior to making any decision or taking any action, you should consult with a professional advisor. The information is provided with the understanding that Harbourfront Wealth Management is not herein engaged in rendering legal, accounting, tax or other professional advice. While we have made every attempt to ensure the information contained in this document is reliable, Harbourfront Wealth Management is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information is provided "as is," with no guarantee of completeness, accuracy, timeliness or as to the outcome to be obtained from the use of this information, and is without warranty of any kind, express or implied. The opinions expressed herein do not necessarily reflect those of Harbourfront Wealth Management Inc. The particulars contained herein were obtained from sources we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are not to be construed as a solicitation or offer to buy or sell any securities mentioned herein. Harbourfront or any of its connected or related parties may act as financial advisor or fiscal agent for certain companies mentioned herein and may receive remuneration for its services. The comments and information pertaining to any investment products (The Portfolios) sponsored by Willoughby Asset Management are not to be construed as a public offering of securities in any jurisdiction of Canada. The offering of units of The Portfolios is made pursuant to the Offering Memorandum or Simplified Prospectus and only to investors in Canadian jurisdictions. Important information about The Portfolios is contained in the Offering Memorandum or Simplified Prospectus available through Willoughby Asset Management. Commissions, trailing commissions, management fees, performance fees and expenses all may be associated with investments in The Portfolios. Investments in The Portfolios are not guaranteed, their values change frequently, and past performance may not be repeated. Historical annual compounded total returns including changes in unit value and reinvestment of all distributions do not take into account sales, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Unit values and investment returns will fluctuate and there is no assurance that The Portfolios can maintain a specific net asset value. Harbourfront Wealth Management Inc. ("Harbourfront") has relationships with related and /or connected issuers, which may include the securities or funds discussed in this commentary and are disclosed in our Statement of Policies Regarding Related and Connected Issuers. This policy is included in your new client package, on our website, or can be obtained from your investment advisor on request.