
## Portfolio Strategy

Happy New Year to all. This month's update starts with a market review of 2020.

Last March, stock markets experienced one of their most dramatic downturns in history when COVID-19 forced economies to shut down. What followed was one of the fastest and steepest global recessions in decades. Then came a rapid recovery for both stocks and the global economy.

Looking at the stock market, there were opportunities in several areas this year. Companies that benefitted from global lockdowns and work-from-home directives saw strong performance. Overall, technology led global stock markets higher. Corporate and high-yield bonds recovered from a deep freeze that started with a March sell-off. Central banks worldwide gave them a boost – they set extremely low interest rates and introduced quantitative easing programs that allowed central bankers to purchase these assets. However, the recovery that followed tended to be K-shaped: some sectors rebounded quickly while others remained weak.

For Canadian stocks, it was a similar story, as the S&P/TSX Index delivered a 2.2% return this year fuelled by strong performance in the technology and materials sectors. Technology stocks were led by the incredible performance of Shopify, a software provider that helps merchants sell online. Strong commodity prices in gold and forest products buoyed materials stocks. Energy was the worst performing sector for the S&P/TSX, with oil prices dropping 22% from the start of 2020. A price war between Saudi Arabia and Russia slammed oil prices. Even after the squabble ended, oil remained depressed when global growth slowed thanks to the fallout from COVID-19 lockdowns and factory closures.

December capped off a volatile, but in the end, solid year for our portfolios. We managed to weather the market pullback in February and March relatively well and then by positioning our portfolios on companies that could endure a locked-down economy, we benefited from a strong recovery in the market. On an asset mix basis we remain underweight fixed income, slightly overweight equity and continue to hold a small amount of cash.

Last year reminded us why it's vital to stick to some of the basic rules of investing.

1) Don't fight the Fed. When the Fed and other central banks stepped up in March to provide liquidity and support for assets, and lowered interest rates for borrowers, it set a market bottom for risk assets.
2) Time in the market is more important than timing the market. Missing the best days this year would have been costly. Avoiding the brisk sell-off in February and March would have obviously been ideal, but it only took a few months to recoup those losses. The biggest single-day market recovery happened one day after the market bottomed on March 23. The S&P 500 rose 9% and the S&P/TSX went up 12%.
3) Invest according to your risk tolerance, time horizon and investment objectives. This will ensure that discipline overrides emotion and panic doesn't drive decisions.

Overall, 2020 was long and difficult for many – not just investors. However, if the stock market is truly a leading indicator of the future, it is foreshadowing a year that will tell a better story for all of us.

## Simplified Process for claiming 2020 Home Office Expenses due to COVID-19 Pandemic

The Federal government recently announced in its recent Fall Economic Statement that it will simplify the process for both taxpayers and businesses in claiming 2020 home office expenses due to the COVID-19 pandemic. Specifically, the government announced that the Canada Revenue Agency ("CRA") will allow employees with modest expenses as a result of working from home in 2020 due to COVID-19, to claim an amount of up to $400 without the need to track detailed expenses. The allowable amount will be based on the amount of time spent working from home and will generally not require a signed form from their employers.

As outlined in a subsequent release from the CRA this week, employees who worked from home more than 50% of the time over a period of at least four consecutive weeks in 2020 due to COVID-19, will be eligible to claim the home office expenses deduction for 2020. The use of a shorter qualifying period will allow more employees to claim the deduction than would otherwise have been possible under longstanding practice.

A new (temporary) flat rate method will allow eligible employees to claim a deduction of $2 for each day they worked at home in that period, plus any other days they worked from home in 2020 due to COVID-19 up to a maximum of $400. Under this new method, employees will not have to get Form T2200 (or Form T2200S) completed and signed by their employer.

Employees with larger claims for home office expenses can still choose to use the existing detailed method to calculate their home office expenses deduction. To simplify the process for employees choosing the detailed method, the CRA has introduced simplified forms (Form T2200S and Form

T777S) and a calculator designed specifically to assist with the calculation of eligible home office expenses.

For more information on claiming 2020 working from home expenses, please follow this link.

As always, if you have any questions, please do not hesitate to contact us.

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