

CLIENT NEWSLETTER

SEPTEMBER 30, 2020

Message from the Managing Director, Private Client

It is now more than six months since the World Health Organization declared COVID-19 a global pandemic. At Highstreet Asset Management Inc. ("Highstreet"), we continue to work remotely for the most part and use technology to continue to do our jobs and serve you, our valued clients. We hope you and your loved ones are safe and coping as best as you can, given the unusual circumstance we all face.

We continue to ride a roller coaster of emotions about the virus and subsequently its effects on society. When I wrote my last quarterly update in late June, global equity markets had recovered a large part of what had been given up in March and April and the initial stimulus packages were starting to have an impact.

At the time we were seeing the number of cases dropping, the deaths associated with it peaking, health authorities were planning a staged re-opening of day-to-day life, and there was reason to believe that we had seen the worst of the effects of the virus on both people's health and the economy. In line with the gradual remediation of COVID-19 across the world economies, July and August were generally good months for the major indices with Nasdaq, Dow Jones and S&P having their best August in about 30 years.

Markets posted a solid third quarter despite increased uncertainty around the longevity and impact of COVID-19. As noted above, the rally continued into the third quarter of 2020, pushing stocks higher through July and August, while the U.S. 10-year benchmark bond yield was flat through the period.

However, as it happened, we are now in the midst of a second wave of the pandemic and health authorities are readjusting their plans to try to reduce the effects of a second round of infections via retrenchment of openings and some lockdowns.

The economic result has been a reduction in household spending and business activity, and while significant stimulus measures here in Canada and elsewhere have helped support those most affected by the pandemic, many aspects of society will continue to suffer

hardship. In the U.S., agreement by Congress and the President on a massive stimulus package is needed but bipartisan issues seem to be holding it up until post-election day of November 3rd. During September, the markets took a step back on worries of a second wave of COVID-19, the inability of Congress to reach an additional agreement on a fiscal stimulus package, and the unwinding of investor positioning in concentrated pockets of the market.

Hence, 2020 has been a very challenging year for all investors. Against this backdrop, we believe the Highstreet Pooled Funds have performed very well, especially the Highstreet Balanced Fund when compared against other balanced funds in Canada.¹

The Highstreet Pooled Funds Investment Team is constantly monitoring quantitative tools to adjust the asset mix of Highstreet Balanced/Conservative Balanced Funds accordingly. Looking back, as the correction in the first quarter of 2020 unfolded, the quantitative tools suggested that stocks were becoming more attractive vs. bonds, and the Funds were rebalanced to target by increasing equities and decreasing fixed income.

During the second quarter of 2020, weight was increased in the Highstreet Short-term Bond Fund and decreased the weight in the Highstreet Money Market Fund. With central banks in the U.S. and Canada signaling that interest rates are going to stay lower for longer, it was appropriate to shift funds from the Highstreet Money Market Fund into the Highstreet Short-term Bond Fund as short-term bonds have a higher interest rate than money market securities.

During the third quarter of 2020, there were no changes to the asset mix of the Highstreet Balanced and Highstreet Conservative Balanced Funds as we continue to favour equities over fixed income. We expect the economy to continue to reopen and recover, and we do not expect a full shut down of the economy again on a virus spike as society adapts to social distancing and hospitals are more prepared and better able to treat people who are infected. This should be more beneficial for equities.

Continued

As we enter the final quarter of 2020, investors are focused on a potential second wave of COVID-19, an additional fiscal stimulus package, and the upcoming U.S. election. The U.S. election has several possible outcomes, as it is not just who wins the Presidential election, but also which party has control of the Senate and the House of Representatives, as each of these outcomes could have implications for financial markets.

The Highstreet Pooled Funds Investment Team is closely monitoring these outcomes and any key risks and further developments in the investment landscape.

From all of us at Highstreet, we appreciate your continued confidence in our ability to manage through these uncharted times. Thank you for your support.

Warm Regards, Michael Hodgson

Save The Date: Highstreet Private Client Conference

As a result of the need for social distancing and putting the safety of our clients and teams first, we have decided to move our annual conferences to a virtual setting taking place on November 19th from 11am-12pm ET. Mark Stacey and Greg Valliere will be speaking on the markets, implications of the U.S. Presidential election results and the Highstreet Pooled Funds. Stay tuned for registration details in the coming weeks.

Welcome Joanna Malec

We are pleased to welcome Joanna Malec to the Highstreet Pooled Funds Investment Team as a Junior Developer. Joanna joins the team at AGF with a diploma from the Computer Programmer Analyst program through Fanshawe College. Previously, Joanna worked at a major Canadian financial institution as a Business Systems Analyst. In her current role, Joanna will be focused on automation and providing various technology and systems support.

Disclaimers:

¹ Source: GMR Institutional Performance Report, as of August 31st, 2020. The Highstreet Balanced Fund achieved top quartile across 1 month, 3 months, year-to-date, 1 year, 3 years and 5 years periods within the Balanced Universe category. Returns based in CAD\$ gross of fees.

Highstreet is registered across Canada as a Portfolio Manager and Exempt Market Dealer, in Ontario and Quebec as an Investment Fund Manager and in Ontario as a Commodity Trading Manager. Highstreet is wholly owned by AGF Investments Inc., a subsidiary of AGF Management Limited. AGF Investments Inc. is registered as an Investment Fund Manager, Portfolio manager, Mutual fund dealer and Exempt market dealer.

Effective January 1, 2020, all members of the Highstreet Investment Team are employees and registrants of AGF Investments Inc. ('Highstreet Pooled Funds Investment Team'). Effective April 1, 2020 the Investment Fund Manager, Portfolio Manager and Trustee of the Highstreet Pooled Funds is AGF Investments Inc. The Highstreet Pooled Funds are investment vehicles offered exclusively to clients of Highstreet Asset Management Inc

The Highstreet pooled funds are prospectus-exempt products and are offered on a private placement basis. Units are offered on a continuous basis to investors who meet the definition of an 'accredited investor'. Units of the funds are offered to residents in provinces and territories of Canada pursuant to exemptions set forth under National Instrument 45-106 from the prospectus requirements.

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As always, we would love to hear from you. If you have any questions, concerns or comments do not hesitate to reach out to your relationship manager.

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