

2024 Perspective: Discipline Meets Optimism

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Year in Review: 2023

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2023 Highlights

01

War in the
Middle East

02

Canada in a
demographic
boom

03

Tech stock
rebound

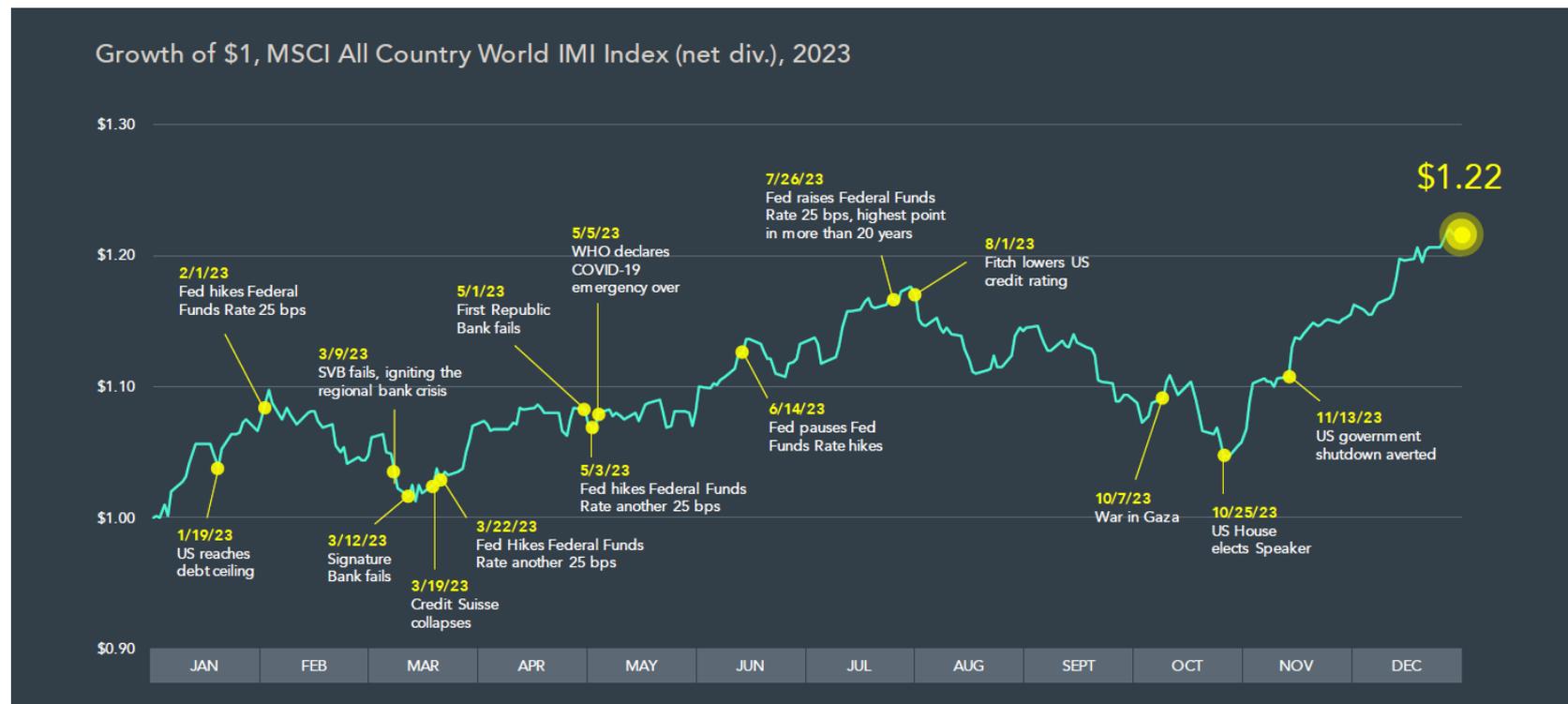
04

Inflation
subsides but
remains
above the
2% target

05

Monetary
policy
remains tight

Markets Rewarded Discipline

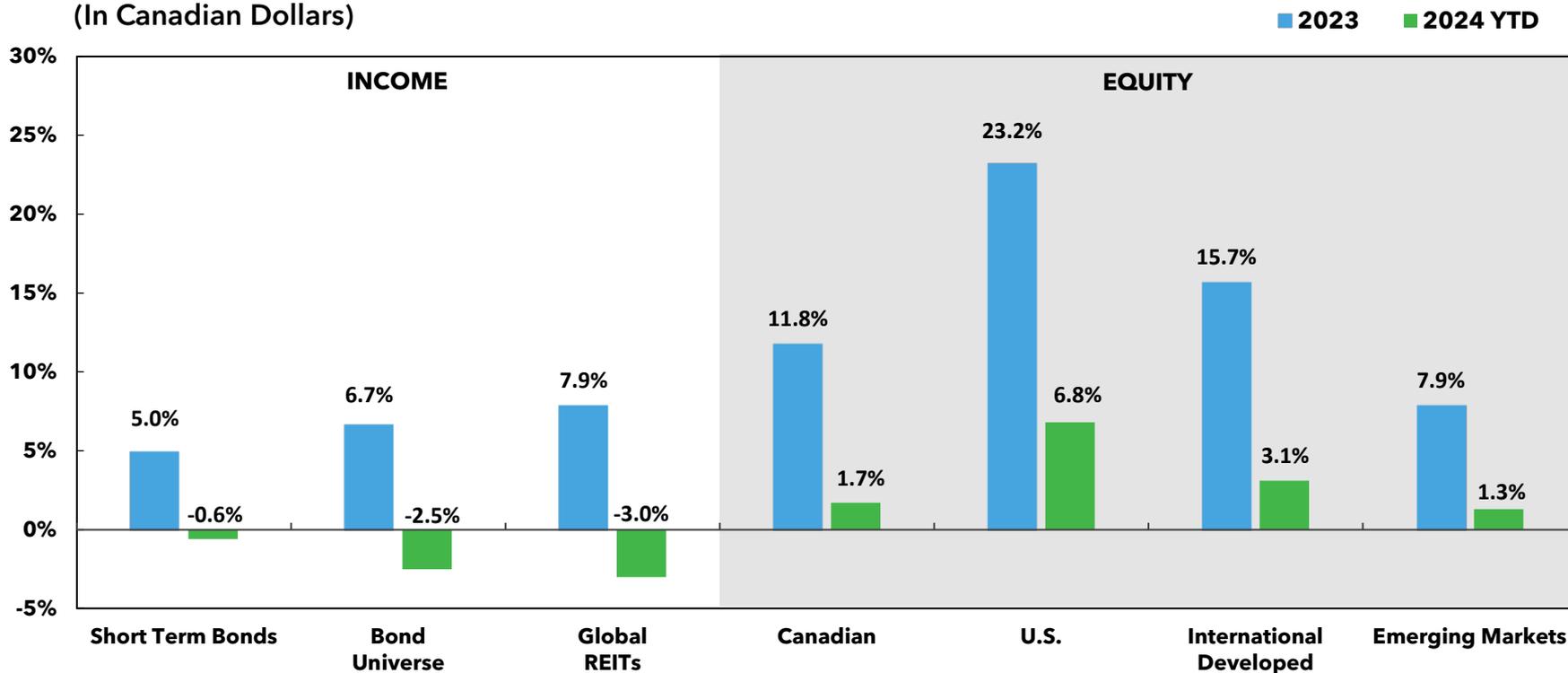


Source: DFA

Past performance does not guarantee future results.

2023-24 Asset Class Returns

(In Canadian Dollars)

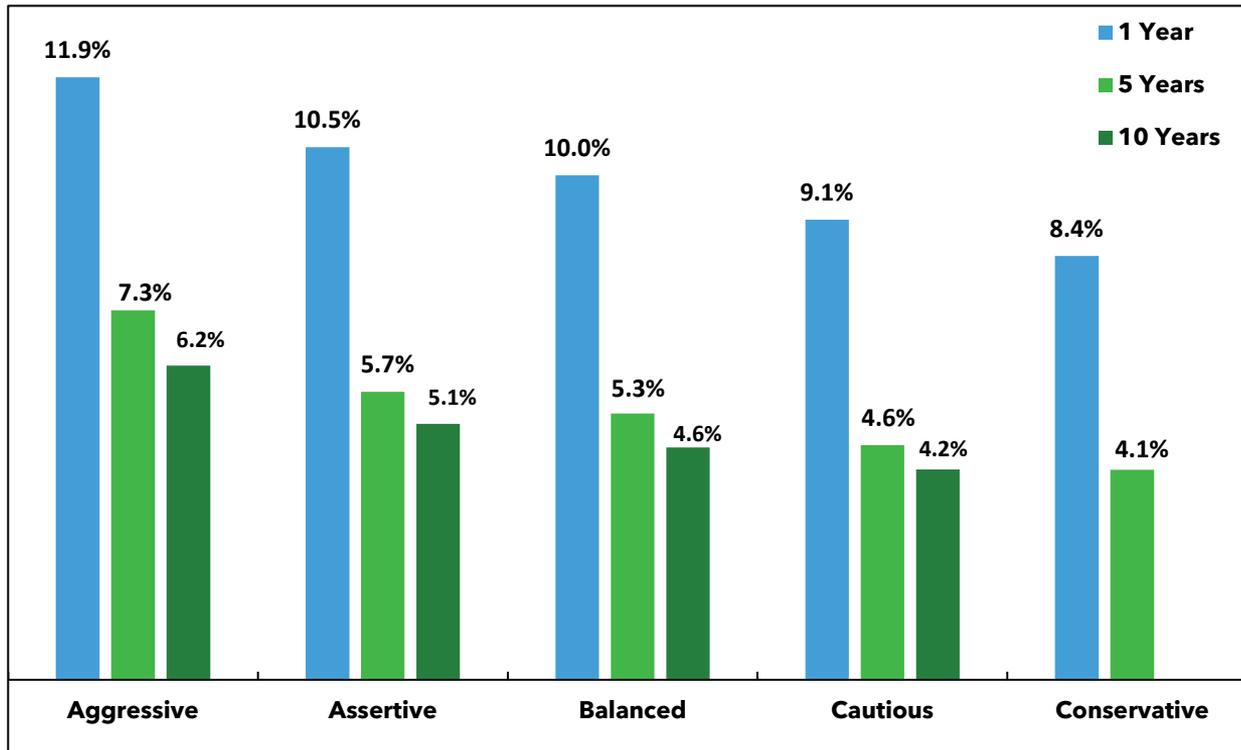


Source: DFA Returns Web

Past performance does not guarantee future results.

PWL Portfolio Performances

as of 12/31/2023



ASSET MIX	INCOME	EQUITY
Aggressive	30%	70%
Assertive	40%	60%
Balanced	50%	50%
Cautious	60%	40%
Conservative	80%	20%

Source: PWL Capital

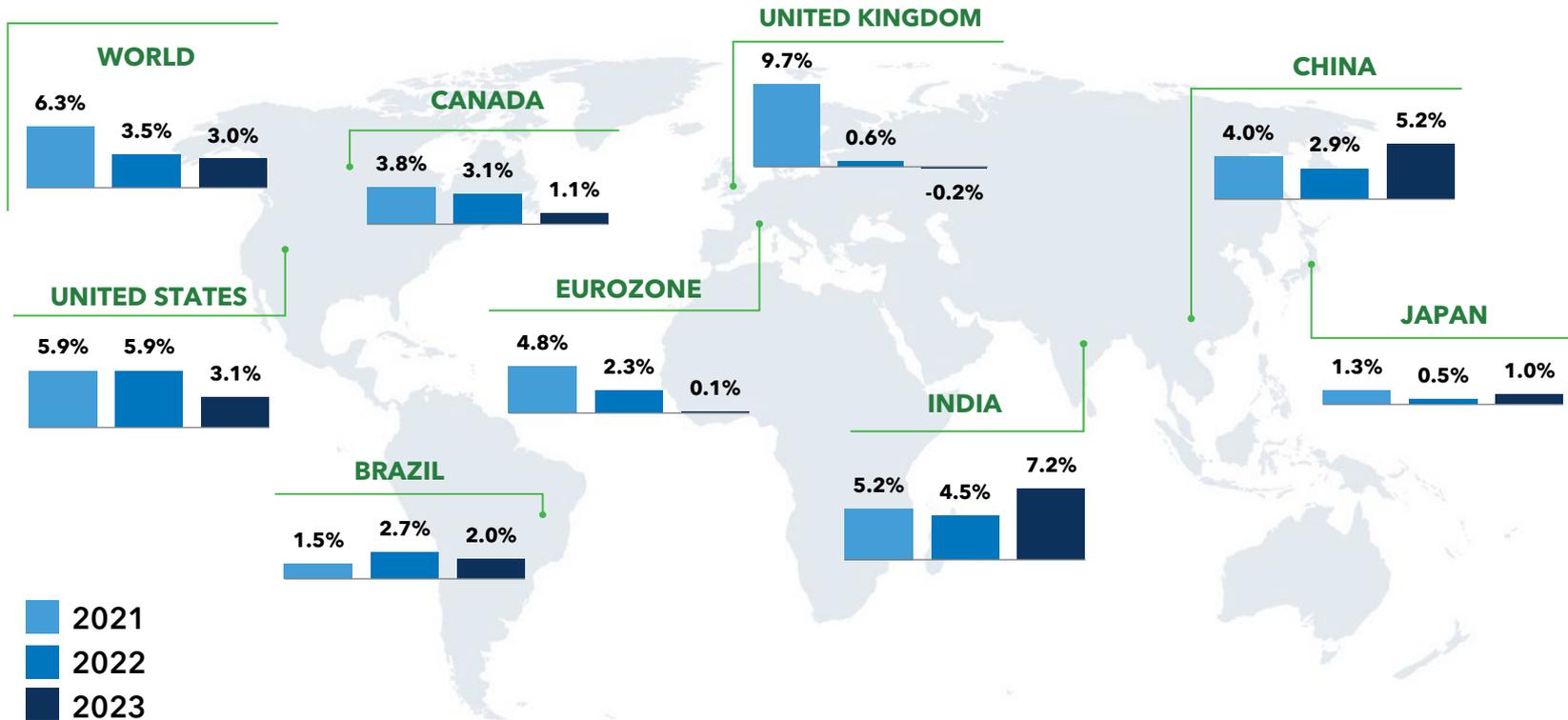
Returns are net of fees. Past performance does not guarantee future results.

The Economy in 2023

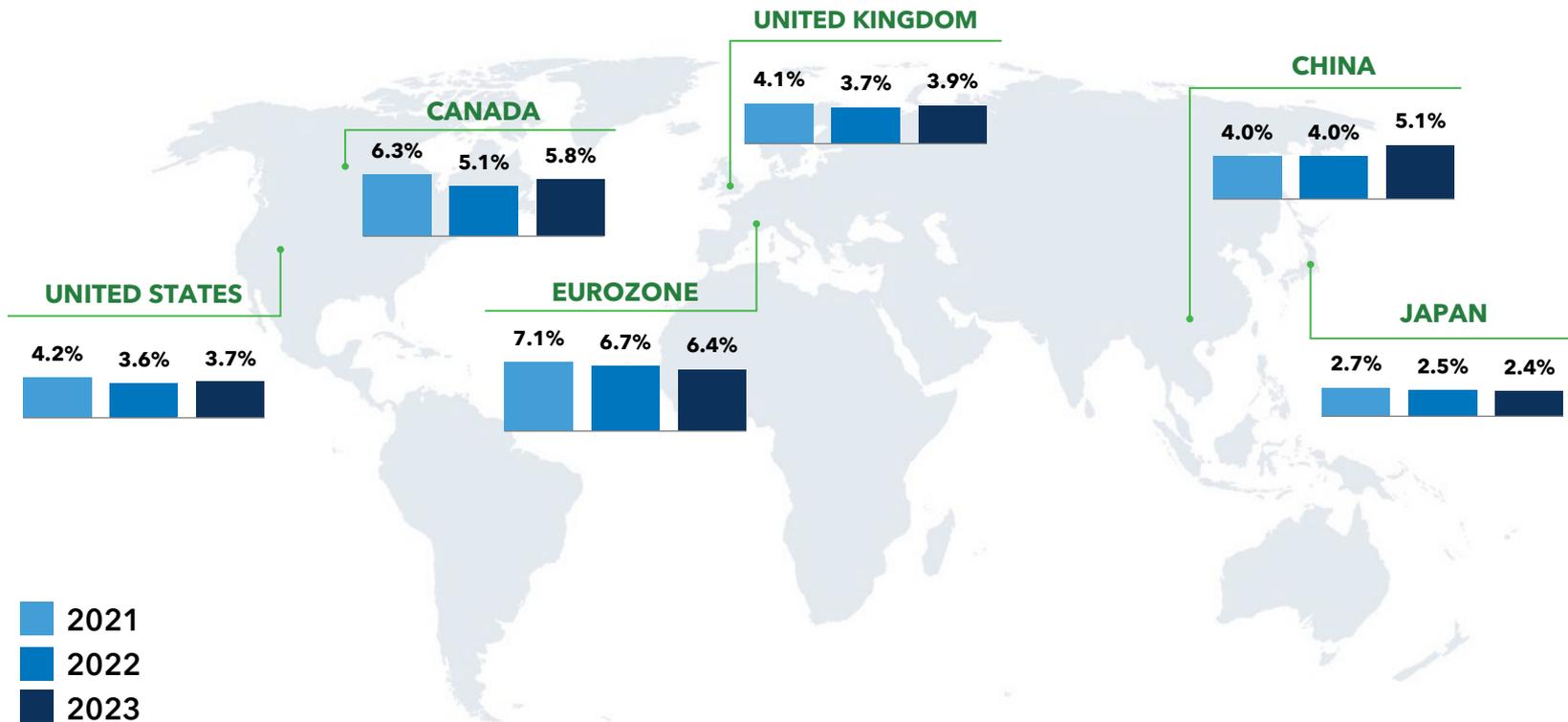
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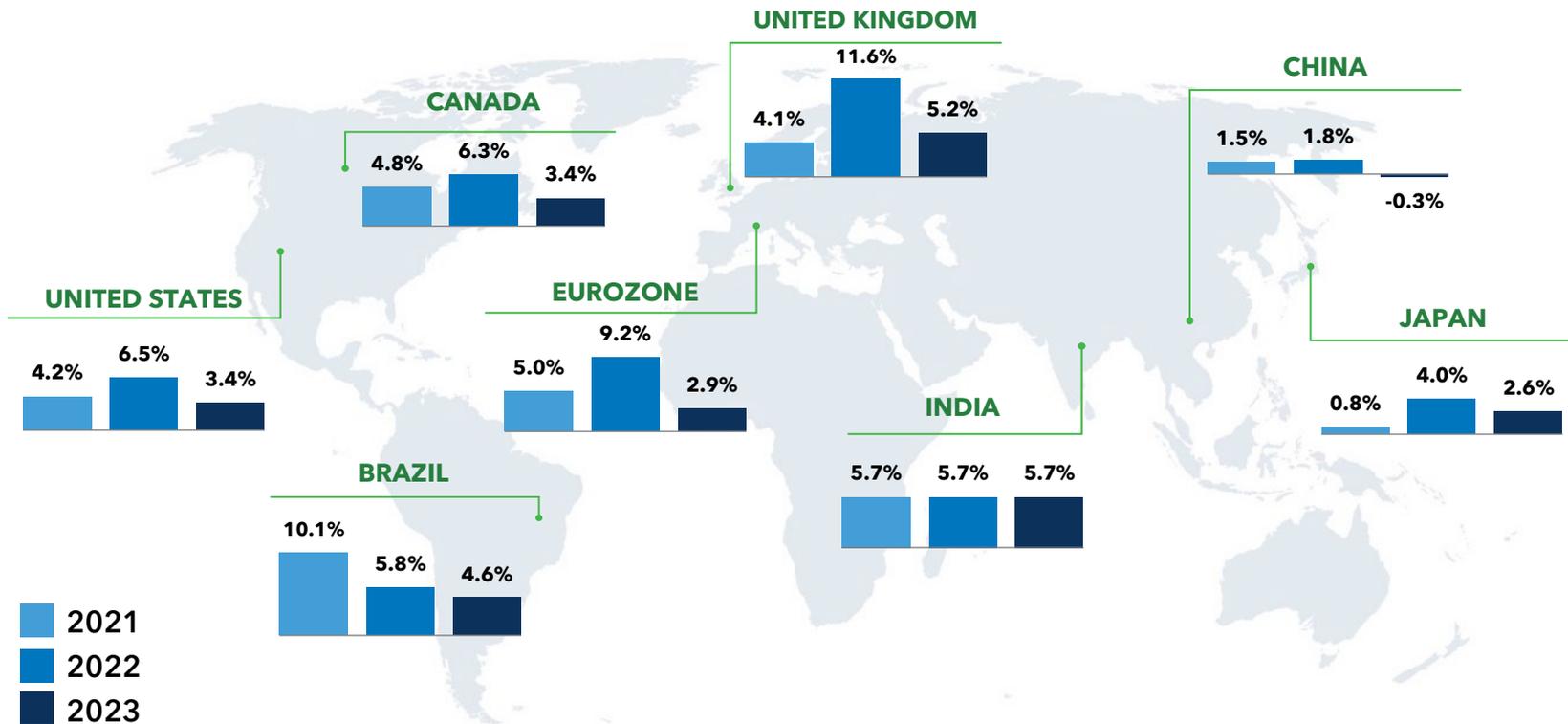
Global GDP: Slowdown in 2023



Unemployment has Bottomed



Inflation has not reached 2% yet



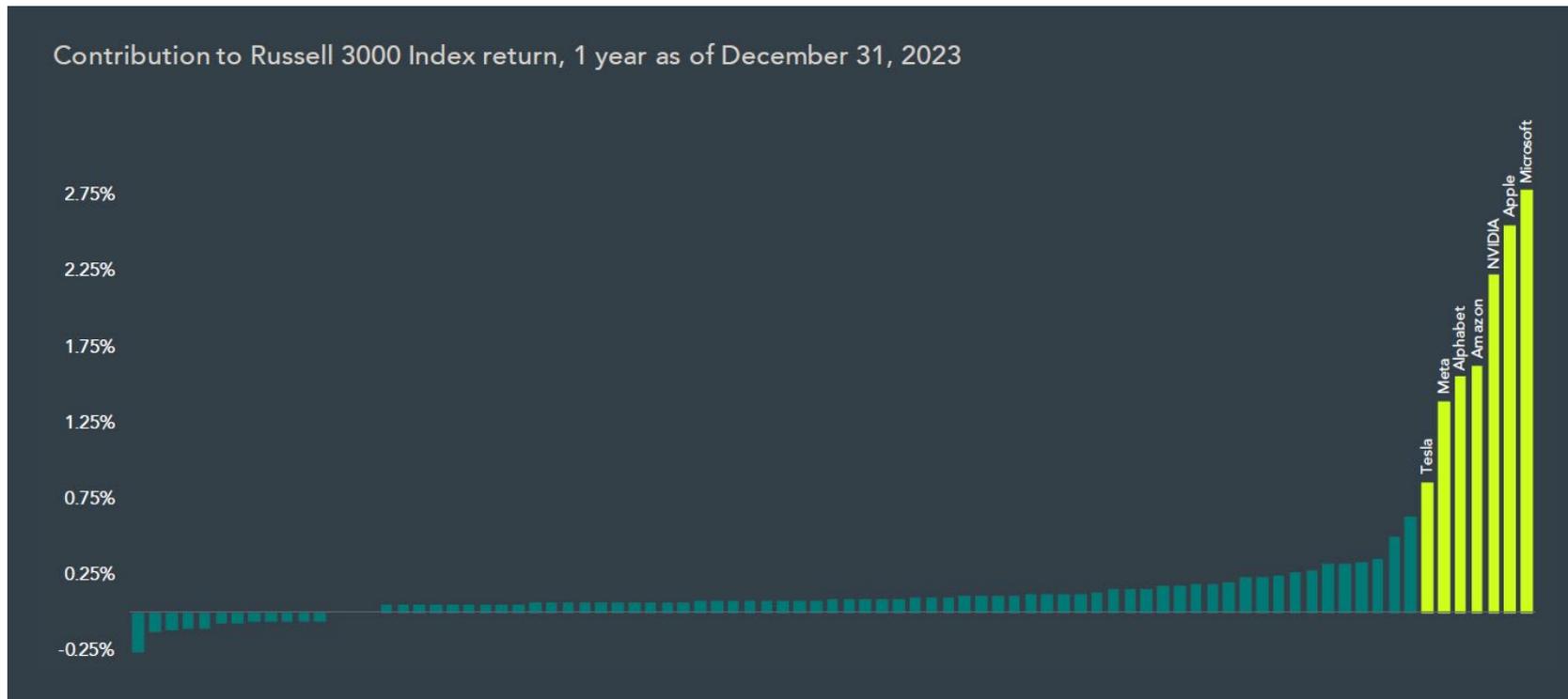
The Capital Markets Key Matters

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Portfolio Concentration

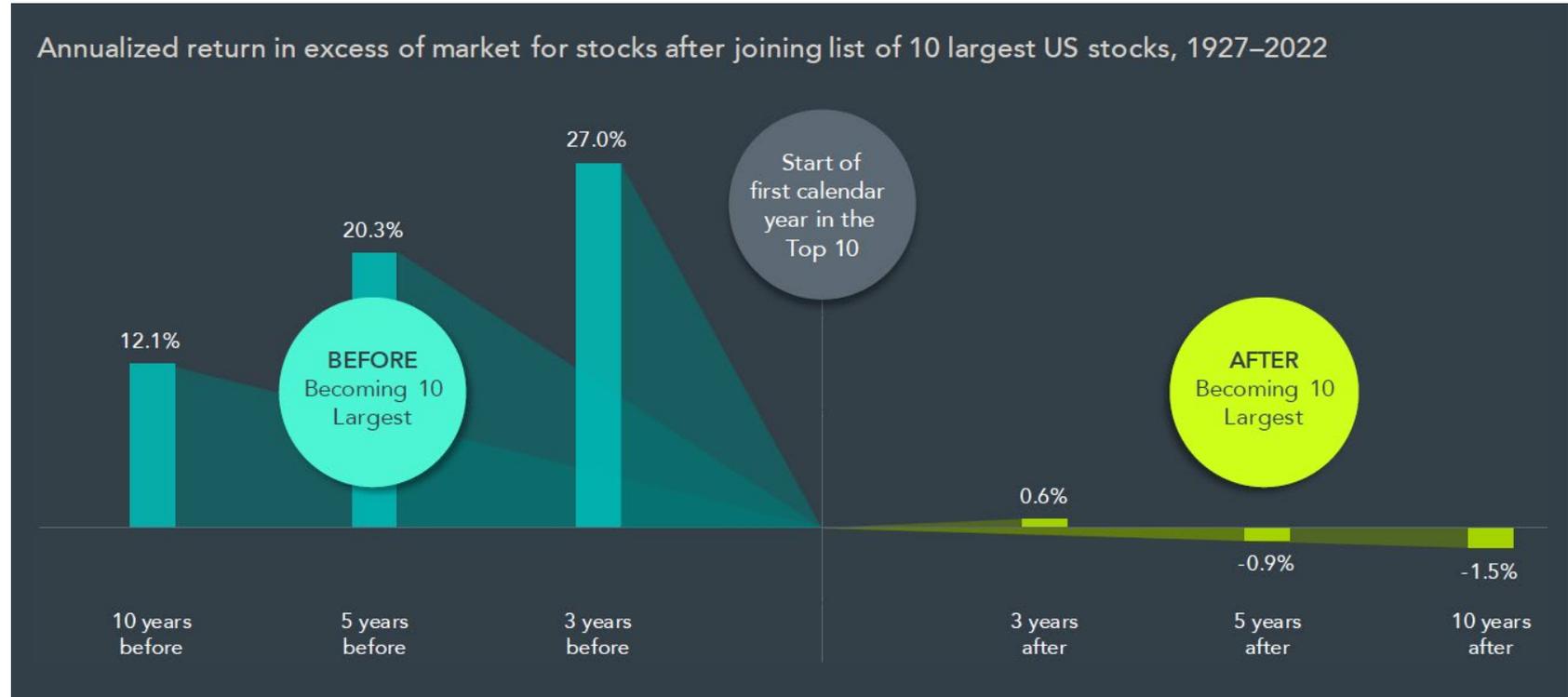
Magnificent 7 Dominated Stock Returns in 2023



Source: DFA

Past performance does not guarantee future results.

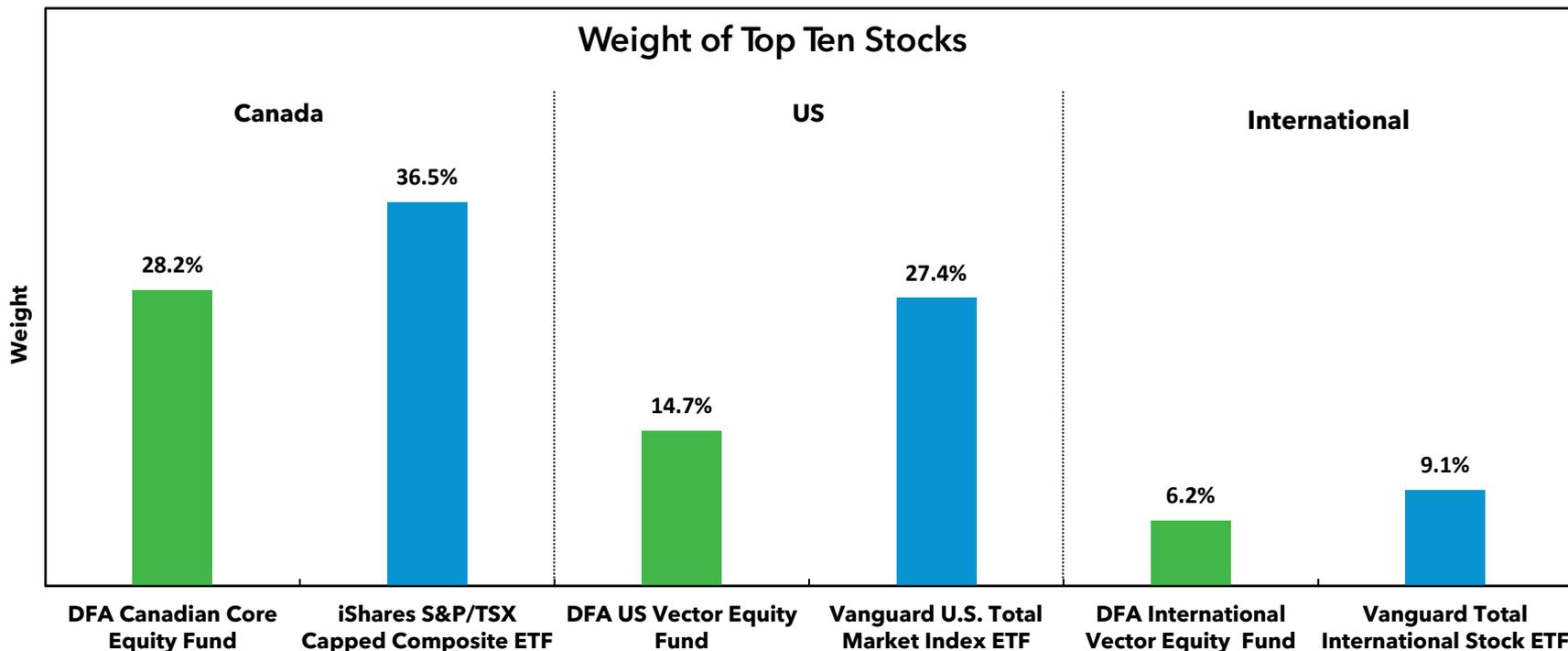
Largest Stocks' Outperformance Unlikely to Repeat



Source: DFA

Past performance does not guarantee future results.

DFA Funds are less concentrated than ETFs

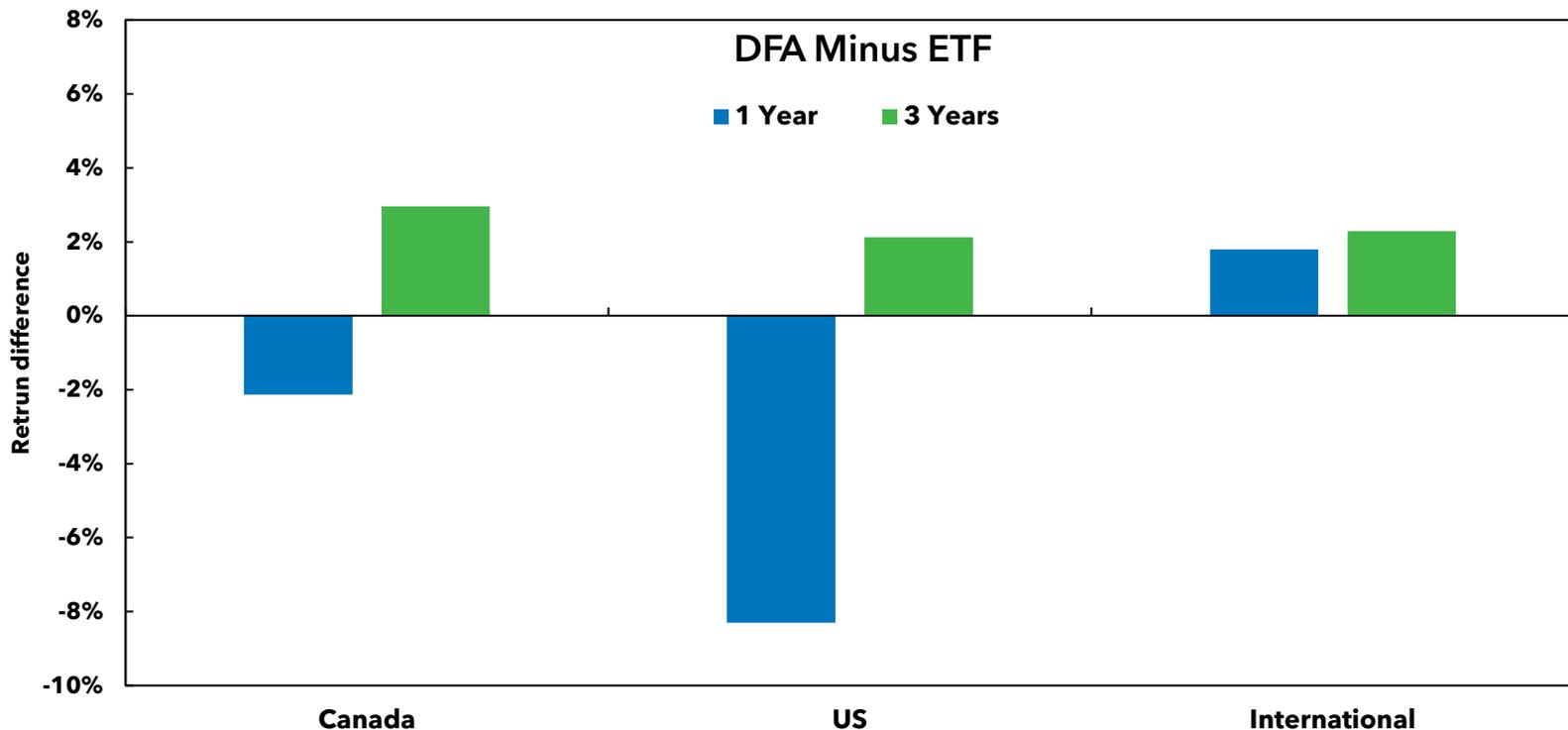


Source: Vanguard, iShares, DFA
Past performance does not guarantee future results.

DFA

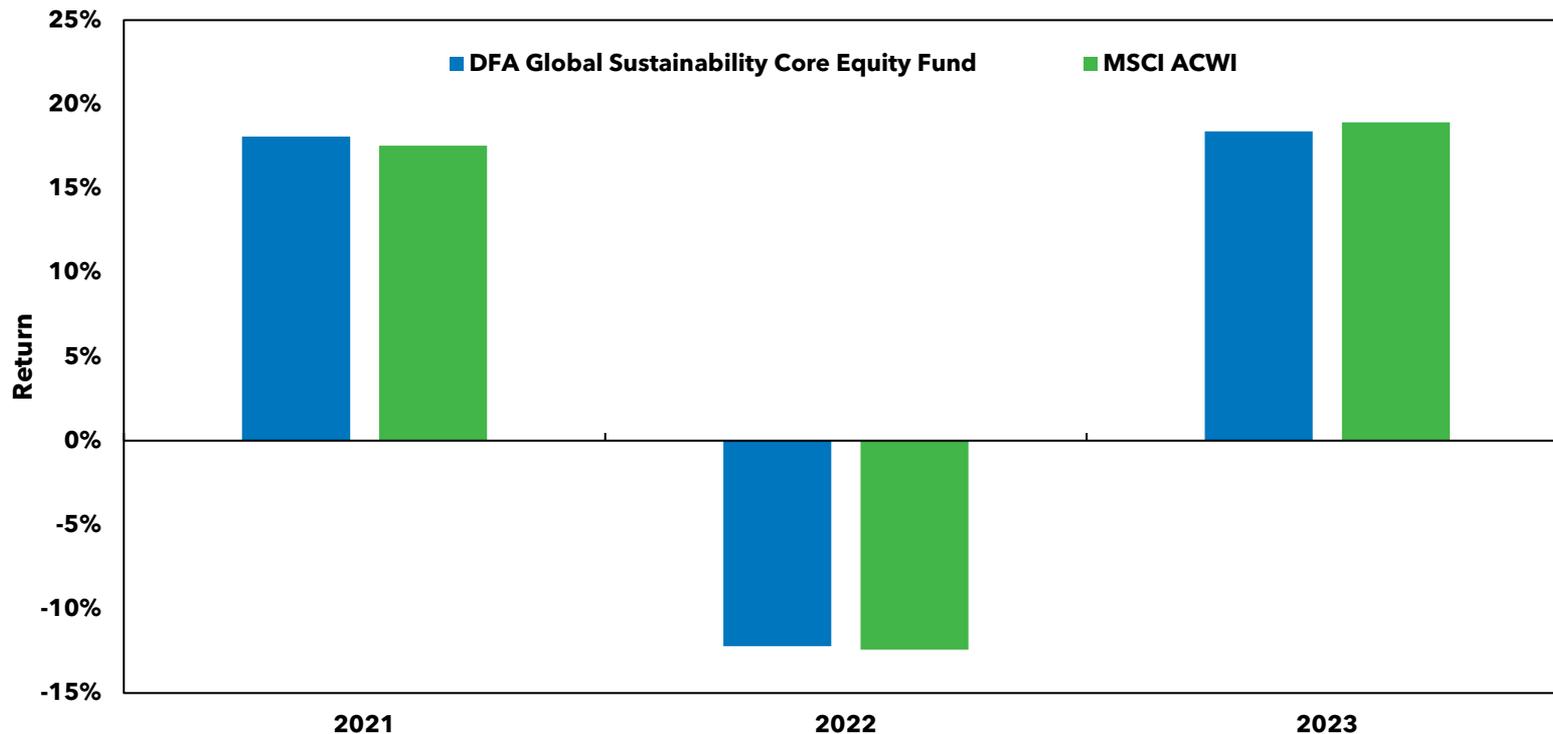
Performance

DFA Funds Outperformed over 3 Years



Source: Vanguard, iShares, DFA; As of Dec. 31, 2023
Past performance does not guarantee future results.

DFA ESG Fund Performance in 2021-2023



Source: Dimensional Fund Advisors; As of Dec. 31, 2023
Past performance does not guarantee future results.

What's New In Research?

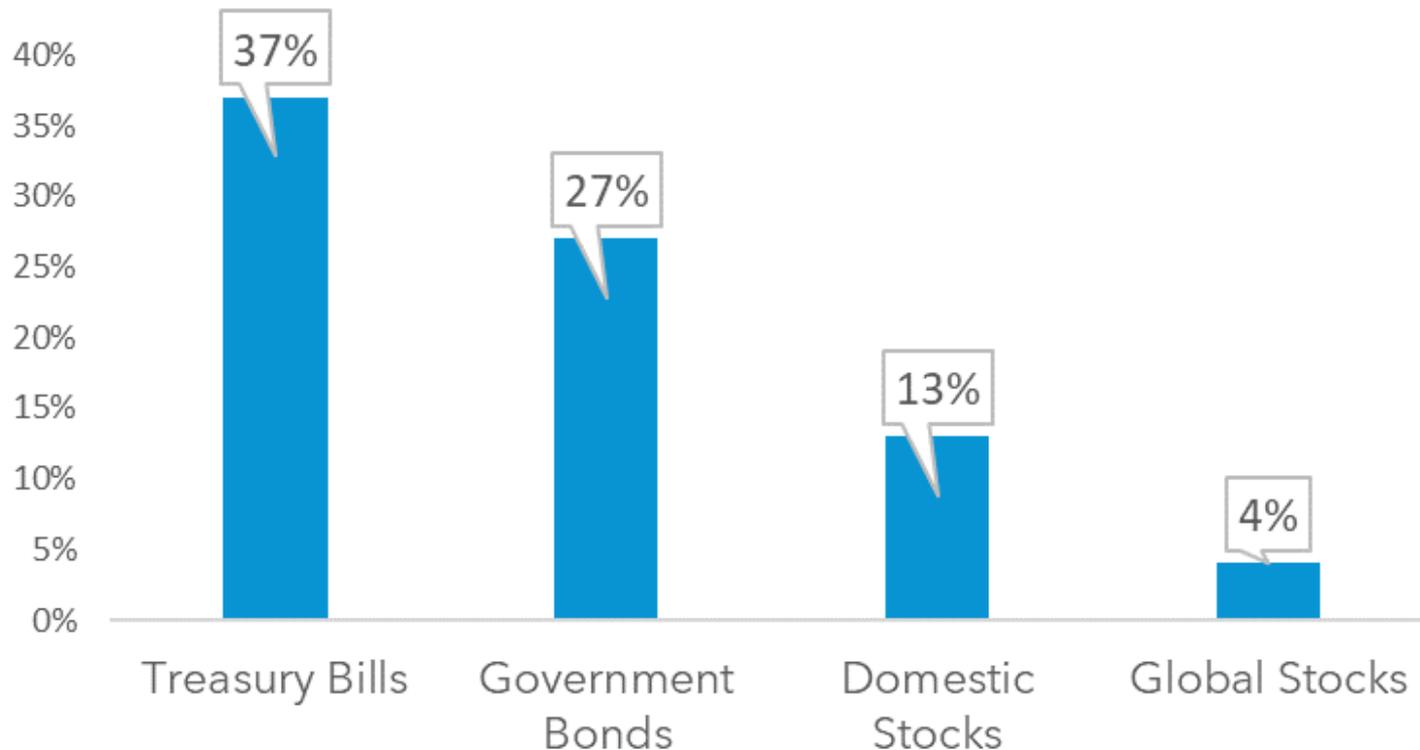
- Novel research about the long-run risk and return of stocks, bonds and bills in 39 developed countries from 1890 to 2019.
- Stocks are not 100% guaranteed to provide positive returns, even over long horizons.
- International diversification cuts the risk of losing money over a long horizon by 2/3s - without sacrificing expected return.
- If risk is defined as potential drawdown, stocks are riskier than bonds and bills.

Groundbreaking Research in Finance (Continued)

- However, if risk is defined as the likelihood of running out of money in retirement, an internationally diversified stock portfolio is far less risky than bonds and bills.
- An internationally diversified stock portfolio is less risky than a 60/40 portfolio of stocks and bonds.
- This conclusion holds even for retiree portfolios.

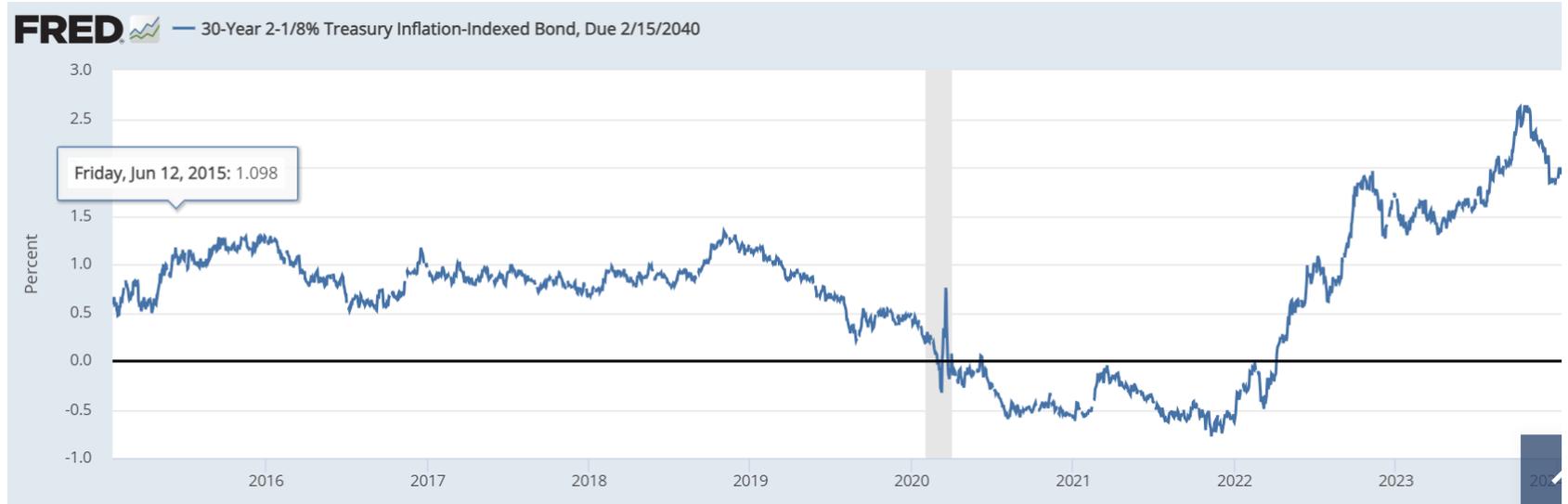
Groundbreaking Research in Finance (Continued)

Probability of Negative Real Return over 30 Years



Expected Returns

The Return of Real Returns



Source: US Federal Reserve

Past performance does not guarantee future results.

Our Revised Expected Returns (30-year horizon)

TYPE OF PORTFOLIO	EQUITY / FIXED INCOME	LONG-TERM EXPECTED RETURNS	
		1 YEAR AGO	CURRENT ESTIMATES
All Fixed Income	0 / 100	4.2%	3.9%
Conservative	20 / 80	4.7%	4.6%
Balanced	60 / 40	5.8%	5.8%
Aggressive	80 / 20	6.4%	6.4%
All Equity	100 / 0	6.9%	7.1%

Source: PWL Capital

Expected returns are nominal, net of product fees and gross of all other fees and portfolio costs. Calculations based on the following market indices: FTSE/TXM Universe Bond Index (Canadian bonds), S&P/TSX Composite Index (Canadian equity), Russell 3000 Index (U.S. equity), MSCI EAFE Index (international developed ex-North America) and the MSCI EM Index (emerging markets)

Portfolios in 2023-2024

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Daniel Kahneman, Nobel
Prize in Economic Sciences
2002

”
The core of our illusion is we believe we understand the past, which implies that the future also should be knowable, but in fact we understand the past less than we believe we do...



Carl Richards, Author of
The Behavior Gap

”
Risk is what’s left over
after you think you’ve
thought of everything.

- Are REITs still a relevant asset class in portfolios?
- Why Emerging Markets when China keeps underperforming?
- Are we keeping Bond Duration short?

✓ Global diversification

✓ Value tilt

✓ Sector diversification

✓ Small-Cap tilt

✓ Security diversification

✓ Profitability tilt

✓ Total market approach

✓ Rebalancing

✓ Minimize product fees

✓ Tax optimization

Thank You!

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