HARBOURFRONT
WEALTH MANAGEMENT

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# Q2 – INVESTMENT UPDATE
# JUNE 30TH 2020

After experiencing a massive market shock in February and March, global stock markets responded much more quickly than most asset managers anticipated in Q2. The unquestionable driving factor behind this rally was massive financial stimulus from central banks and governments alike. As the pandemic driven shut-down of the economy wore on however, the stock market quickly disconnected from fundamental data and a steep rally continued though the end of May. One popular thesis for this divergence is the rapid emergence of the do-it-yourself investor. Financial institutions across North America have reported a record number of brokerage accounts being opened during the first 6 months of 2020. Early reports suggest that the millennial generation has been the dominant group behind this phenomenon due to the popularization of phone-based stock trading applications. Without sports and other forms of entertainment on TV, millennials (and older generations as well) have flocked to stock trading for entertainment.

In one egregious example this quarter, "investors" flooded into Hertz' stock shortly after the company had announced its bankruptcy. The company contemplated a first ever "Initial Bankruptcy Offering" or IBO. Not to be confused with an IPO, this offering was aimed at raising capital to pay off creditors. The prospectus for the IBO said explicitly that stock investors were not likely to see their investment returned. In the subsequent days the stock soared by over 600% before crashing back to earth. This type of speculative behaviour should be concerning to long term investors for obvious reasons.

Overall in Q2, we continued to maintain a fairly defensive posture while adding to some of our existing positions and initiating a new position in Gold. Our momentum strategy, the Willoughby Investment Pool, reacted aggressively to identify companies that would benefit from the Pandemic and those that would suffer. Technology stocks, like Microsoft, NVDIA, Netflix, Google, Apple and Activision Blizzard were leaders before the Pandemic and recovered quickly to achieve new all-time highs.

Additional prospective companies have landed on our radar and we are eager to see what we can learn from the first real COVID earnings season, which is now upon us. Meanwhile we will continue to hold investments in private debt and private real estate, that provide strong, consistent, risk-adjusted returns while increasing our weight to great companies that can perform well in the current environment. This leaves your portfolios well balanced, with the ability to generate wealth in both great markets and markets of uncertainty.

Have a fantastic summer.

-The Gilman Deters Team