Portfolio Manager Commentary – December 2018

Horizons Inovestor Canadian Equity ETF (INOC)

The S&P/TSX Total Return Index ended the month of December down 5.4% and the year of 2018 down 8.9%, making it the worst year for stocks since 2015. This downturn has been driven by signs of a global economic slowdown, concerns about the direction of the US monetary policy, inflation fears from a strong job market, ongoing trade tensions between the US and China and the political dysfunction causing a US government shutdown. Meanwhile, the price of crude oil plunged 9.6% to $45.81, its lowest settle since August 2017, on fears of a weak oil demand from lower global growth. Our Nasdaq Inovestor Canadian Equity Index (NQICA) fell 6.8% for the same period, 143bps below the benchmark. Our sector allocation contributed 50bps as our decision to overweight staples and underweight energy proved to be fruitful. However, our stock selection contributed a negative 193bps as a couple of stocks underperformed. You will find below the top three and bottom three contributors to performance.

The top three contributors to performance were:

1. **Metro (MRU:CN)**, a food & staples retailer, rose 3.4% following the approval of the TSX for its Normal Course Issuer Bid (NCIB) program to repurchase 2.7% of its outstanding shares.
2. **Stella Jones (SJ:CN)**, a paper & forest producer, declined -1.3% after the company announced it would pursue its own NCIB program to repurchase 4.3% of its outstanding shares.
3. **West Fraser Timber (WFT:CN)**, a paper & forest producer, fell -2.5% after implementing a temporary production curtailment in BC over the holiday period at four of its BC sawmills.

The bottom three contributors to performance were:

1. **Canadian National Railway (CNR:CN)**, a railway operator, declined -11.1% as investors fear a global growth slowdown might impact the firm's crude-by-rail and commodities shipments.
2. **Equitable Group (EQB:CN)**, mortgage and thrift company, fell -14.7% as Canada's mortgage credit growth continued to decelerate in Q3 2018, on pace to weakest growth in 22 years.
3. **TFI International (TFII:CN)**, a transportation company, dropped -19.5% as price increases in the trucking market are leveling off. This could prove difficult for operating margins in 2019.

Best,

The Inovestor Asset Management Team