

---

# Quarterly Investment Update

First Quarter 2021

DAVID R. JOHNSON, CFP, CLU, CH.FC  
SENIOR FINANCIAL ADVISOR/ MANULIFE SECURITIES INCORPORATED  
LIFE INSURANCE ADVISOR - D.R. JOHNSON FINANCIAL SERVICES INC.

STEVEN D. JOHNSON, CFP, PFP  
FINANCIAL ADVISOR/ MANULIFE SECURITIES INCORPORATED  
LIFE INSURANCE ADVISOR - D.R. JOHNSON FINANCIAL SERVICES INC.





MANULIFE SECURITIES INCORPORATED  
D.R. JOHNSON FINANCIAL SERVICES  
MARSLAND CENTRE, 20 ERB ST. W, SUITE 901  
WATERLOO, ONTARIO N2L 1T2  
PH: 519-884-4650  
FAX:519-884-0150

Dimensional Fund Advisors Canada ULC ("DFA Canada") is not affiliated with [insert name of Advisor]. DFA Canada is a separate and distinct company.

# Market Update: A Quarter in Review

March 31, 2021

## Canadian Stocks

Large Cap	Small Cap	Growth	Value
8.80%	9.74%	0.42%	15.50%
			



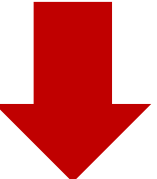

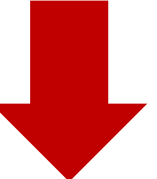
## International Stocks

Large Cap	Small Cap	Growth	Value	Emerging
2.09%	3.10%	-1.90%	6.00%	0.91%
				

## US Stocks

Large Cap	Small Cap	Growth	Value
4.37%	11.11%	-0.23%	10.21%
			

## Real Estate and Fixed Income

Global REITs	1-Month T-Bills	Short-Term Bonds	Intermediate Bonds	Global Bonds (hedged)
4.79%	0.02%	-0.59%	-5.04%	-0.39%
				

In Canadian dollars. Market segment (index representation) as follows: Canadian stocks: Large Cap (S&P/TSX 60 Index), Small Cap (S&P/TSX Small Cap Index), Growth (MSCI Canada Growth Index [gross div.]), Value (MSCI Canada Value Index [gross div.]); US stocks: Large Cap (Russell 1000 Index), Small Cap (Russell 2000 Index), Growth (Russell 3000 Growth Index), Value (Russell 3000 Value Index); International stocks: Large Cap (MSCI EAFE Index), Small Cap (MSCI EAFE Small Cap Index), Growth (MSCI EAFE Growth Index), Value (MSCI EAFE Value Index), Emerging Markets (MSCI Emerging Markets Index); Real Estate: Global REITs (S&P Global REIT Index); Fixed Income: 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Short Term Bonds (FTSE Canada Short-Term Bond Index), Intermediate Bonds (FTSE Canada Universe Bond Index), Global Bonds (hedged) (FTSE World Government Bond Index 1-5 Years [hedged to CAD]). MSCI and Russell index returns are net of withholding tax on dividends except where noted. S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2021, all rights reserved. S&P data copyright 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2021 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance does not guarantee future returns.

# Survey of Long-Term Performance

March 31, 2021

**D.R. JOHNSON**  
FINANCIAL SERVICES

**Manulife Securities**

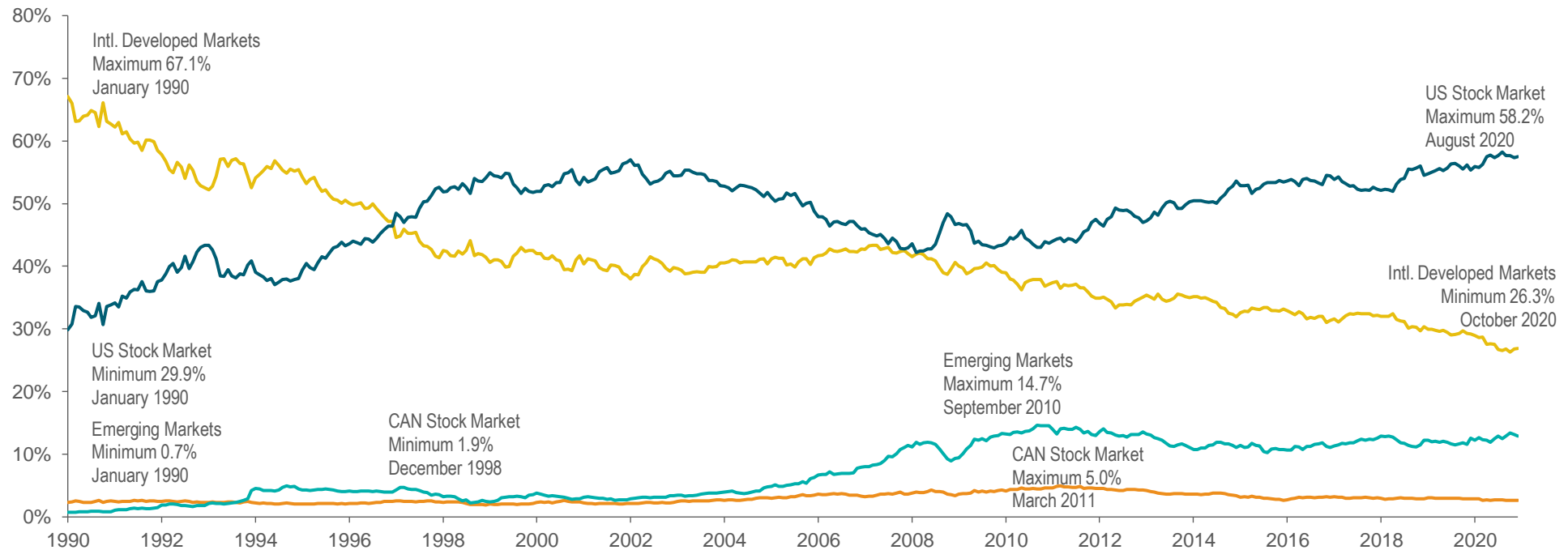
Asset Class	Index	Annualized (%)					Since First Full Month	First Full Month
		1 Year	3 Years	5 Years	10 Years	20 Years		
<b>Canadian Stocks</b>								
Large Cap	S&P/TSX 60	40.89	10.71	10.59	6.50	7.54	8.69	Feb-87
Small Cap	S&P/TSX Small Cap	100.15	8.36	9.01	1.78	5.13	5.04	Feb-00
Growth	MSCI Canada Growth	35.94	11.46	9.22	5.03	6.34	8.11	Jan-75
Value	MSCI Canada Value	44.36	6.42	9.65	6.17	7.67	11.13	Jan-75
<b>US Stocks</b>								
Large Cap	Russell 1000	41.12	15.69	15.35	16.26	7.15	12.22	Jan-79
Small Cap	Russell 2000	71.47	13.35	15.24	14.13	8.13	11.82	Jan-79
Growth	Russell 3000 Growth	44.72	20.95	19.74	18.88	8.14	12.02	Jan-79
Value	Russell 3000 Value	38.86	9.23	10.41	12.96	6.22	11.99	Jan-79
<b>International Stocks</b>								
Large Cap	MSCI EAFE (net div.)	27.66	5.13	8.23	8.26	4.27	9.01	Jan-70
Small Cap	MSCI EAFE Small Cap (net div.)	43.03	5.42	9.86	10.81	8.04	7.47	Jan-99
Growth	MSCI EAFE Growth (net div.)	25.91	8.91	10.21	10.00	4.81	9.21	Jan-75
Value	MSCI EAFE Value (net div.)	28.66	0.99	5.96	6.35	3.59	11.03	Jan-75
Emerging Markets	MSCI Emerging Markets (net div.)	39.86	5.58	11.43	6.34	8.79	8.40	Jan-99
<b>Real Estate</b>								
Global REITs	S&P Global REIT (net div.)	20.14	5.00	2.92	8.98	6.94	7.89	Jul-89
<b>Fixed Income</b>								
Canadian T-Bills	FTSE Canada 30-Day T-Bill	0.17	1.11	0.92	0.87	1.67	5.70	Jun-73
Canadian Short-Term Bonds	FTSE Canada Short-Term Bond	2.77	3.15	2.06	2.45	3.74	7.18	Jan-80
Canadian Bonds	FTSE Canada Universe Bond	1.62	3.77	2.83	3.98	5.04	8.32	Jan-80
Global Bonds (hedged)	FTSE World Government Bond Index 1-5 Years (hedged to CAD)	0.43	2.41	1.63	2.10	3.05	5.77	Jan-85

In Canadian dollars. MSCI Canada Growth Index and MSCI Canada Value Index returns are gross dividends. Russell 1000 Index returns are net of withholding tax on dividends as of March 2008. Russell 2000 Index returns are net of withholding tax on dividends as of July 2002. Russell 3000 Growth Index and Russell 3000 Value Index returns are net of withholding tax on dividends as of July 2010. S&P Global REIT Index returns are gross dividends prior to January 2001. S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2021, all rights reserved. S&P data copyright 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2021 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

# Value of Stock Markets around the World

January 1990–March 2021

	Number of Countries	Number of Stocks	Total Value	Weights		
				March 31, 2021	Change from Previous Year	01/90-12/20 Average
Canada	1	277	2.13 Trillion	2.7%	↑ 1.5%	3.0%
United States	1	2344	44.69 Trillion	57.6%	↑ 0.2%	48.2%
Developed Markets	21	3199	20.29 Trillion	26.2%	↓ -5.1%	41.5%
Emerging Markets	27	3010	10.47 Trillion	13.5%	↑ 10.1%	7.3%
<b>Total</b>	<b>50</b>	<b>8,830</b>	<b>77.57 Trillion</b>	<b>100.0%</b>		



**Global market capitalization weights are not static; they change across time.**

Data is in US dollars and values are beginning of month. The proxies for the Canadian and US equity markets are based on the respective country markets from the MSCI All Country World IMI Index. The international developed market proxy is the MSCI All Country World IMI ex USA ex Canada Index. The proxy for emerging markets is the MSCI All Country World IMI Index (Emerging Markets). MSCI data copyright MSCI 2021, all rights reserved.

# The Randomness of Quarterly Returns

March 31, 2021

This table shows from top to bottom the highest returning asset classes each quarter over the last 17 quarters. Each asset class is color coded based on the legend below.

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
	10.83	3.48	3.90	7.63	4.36	8.21	5.12	1.77	13.29	2.58	7.12	9.54	2.30	16.97	7.45	14.16	8.05	?
	6.65	3.34	3.68	6.39	2.10	6.77	0.31	1.33	11.57	2.51	2.48	6.70	1.56	16.61	6.98	10.68	4.81	?
	5.01	1.11	1.50	4.45	1.32	5.86	0.01	0.41	11.39	1.68	2.35	5.94	0.46	12.99	4.73	9.26	4.79	?
	2.41	0.23	0.56	4.42	0.26	0.77	-0.41	-0.45	7.57	1.41	1.19	3.17	13.30	9.93	2.78	8.97	2.09	?
	1.24	0.17	0.28	3.16	0.10	0.51	-0.57	-2.22	7.51	1.26	0.79	0.43	-	6.38	0.44	7.34	0.91	?
	0.88	0.13	0.16	2.02	0.04	0.31	-0.96	-7.58	3.91	0.42	0.42	0.09	-	5.87	0.39	0.63	0.02	?
	0.21	-0.99	-1.84	0.21	-3.06	0.04	-1.77	-9.58	0.94	-0.93	0.23	-0.85	-	0.49	0.21	0.12	-0.39	?
	0.13	-1.64	-2.61	-0.04	-4.52	-6.09	-2.81	10.11	0.39	-1.59	-2.98	-1.27	22.09	0.06	0.06	0.03	-5.04	?

Canadian Stocks
US Stocks
International Developed Markets
Emerging Markets
Global REITs
Canadian 1-Month T-Bills
Canadian Bonds
Global Bonds

The lack of a pattern indicates that picking which asset classes will be the best or worst performers is virtually impossible.

Portfolios combining these various investments will avoid extreme returns.

Data is in Canadian dollars. Indexes represented as follows: Canadian stocks (S&P/TSX Composite Index), US stocks (Russell 3000 Index), International Developed Markets (MSCI EAFE Index), Emerging Markets (MSCI Emerging Markets Index), Global REIT (S&P Global REIT Index), Canadian 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Canadian Bonds (FTSE Canada Universe Bond Index), Global Bonds (FTSE World Government Bond Index Canada 1-5 Years (hedged to CAD)). MSCI and Russell index returns are net of withholding tax on dividends. S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2021, all rights reserved. S&P data copyright 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2021 FTSE Fixed Income LLC. Indexes are not available for direct investment. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

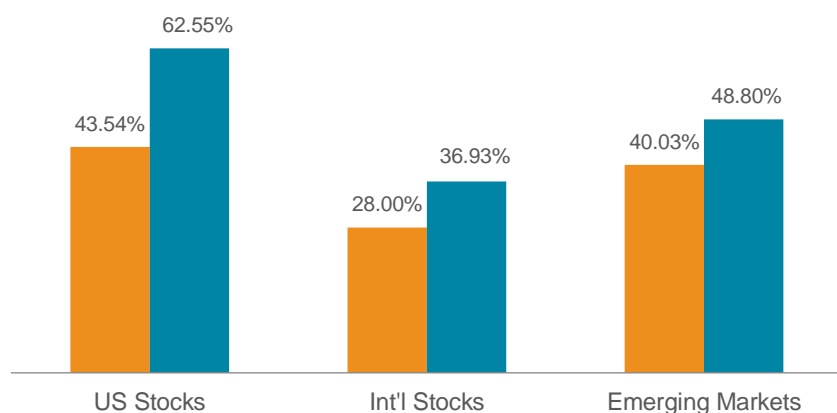
## Change in Foreign Exchange Rates (%)

FX/\$CAD

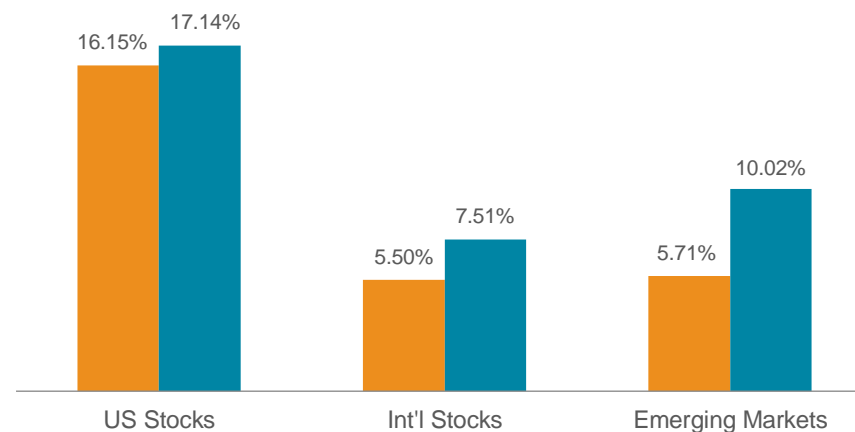
Currency	Q4 2020	One Year	Three Years
\$ US Dollars	-1.35%	-11.70%	-0.84%
€ Euro	-5.30%	-6.11%	-2.42%
£ Pounds	-0.55%	-1.99%	-1.42%
¥ Yen	-8.00%	-14.25%	-2.15%

## Impact of Currency Fluctuations

### Annual Returns in CAD and Local Currency



### Three-Year Annualized Returns in CAD and Local Currency



■ CAD ■ Local Currency

Data is in Canadian dollars. The market for the United States, International Developed Markets, and Emerging Markets is defined as: Russell 3000 Index (net of tax), MSCI EAFE Index (net div.), and MSCI Emerging Markets Index (net div.), respectively. MSCI data copyright MSCI 2021, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

# MSCI Country Returns

In Canadian Dollars and Local Currency

## Fourth Quarter 2020 Returns

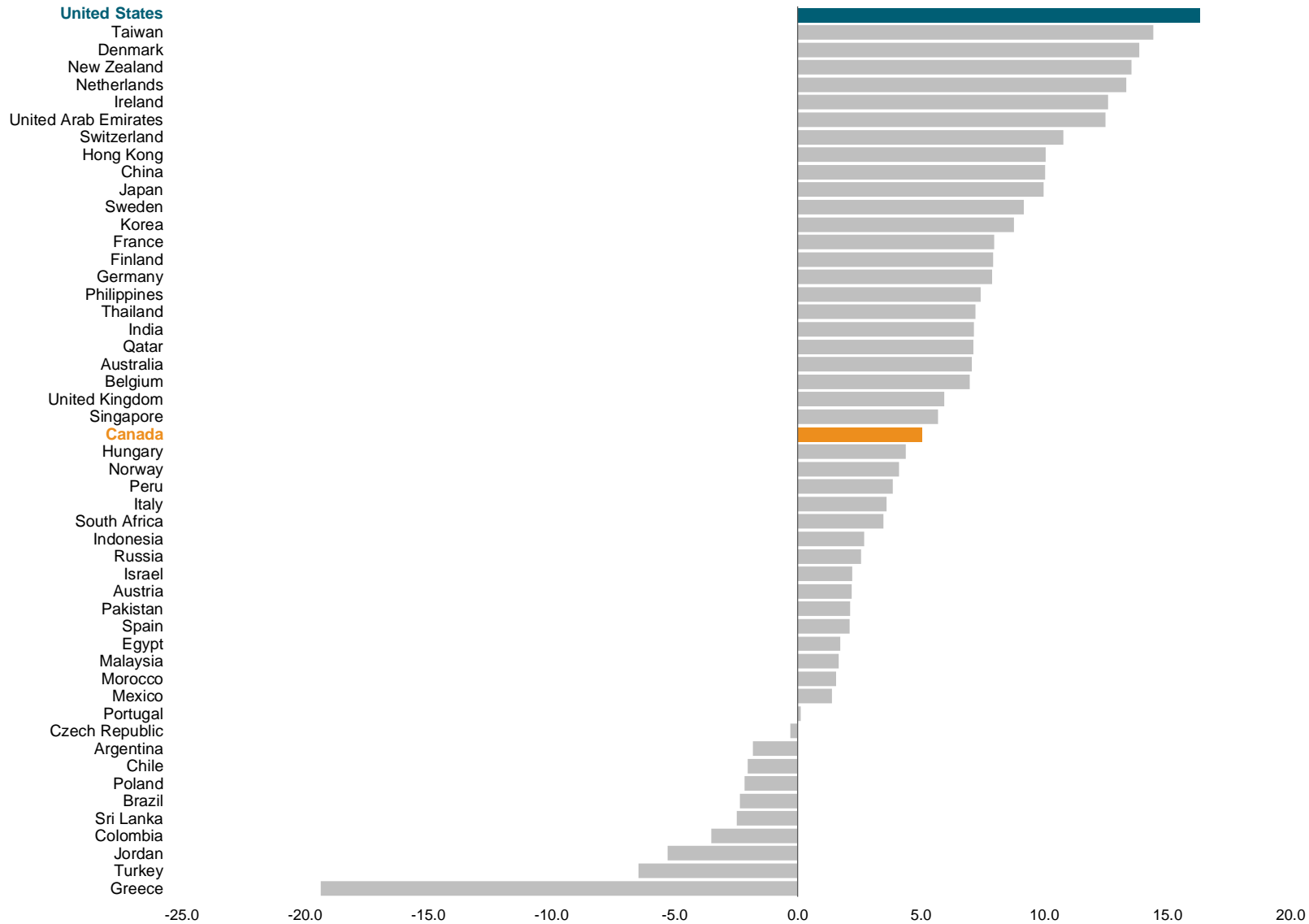
Currency	Return in CAD	Return in Local Currency	Impact of Currency
1. Saudi Arabia	14.22%	15.74%	-1.52%
2. Chile	14.13%	16.97%	-2.84%
—			
—			
<b>14. Canada</b>	<b>8.26%</b>	<b>8.26%</b>	<b>—</b>
—			
—			
<b>24. United States</b>	<b>4.87%</b>	<b>6.30%</b>	<b>-1.43%</b>
—			
—			
55. Turkey	-16.61%	-5.88%	-10.73%
56. Colombia	-18.19%	-10.91%	-7.29%

## One Year Returns in CAD and Local Currency

Currency	Return in CAD	Return in Local Currency	Impact of Currency
Taiwan	70.05%	81.70%	-11.65%
Korea	66.50%	75.30%	-8.80%
—			
—			
—			
<b>19. Canada</b>	<b>46.45%</b>	<b>46.45%</b>	<b>—</b>
—			
<b>21. United States</b>	<b>43.75%</b>	<b>62.79%</b>	<b>-19.04%</b>
—			
—			
—			
55. Turkey	4.22%	48.22%	-44.00%
56. Egypt	-4.08%	8.48%	-12.55%

# MSCI Country Returns

Country Rankings—Ten-Year Annualized Returns as of March 31, 2021



Data in Canadian dollars gross of fees. MSCI data copyright MSCI 2021, all rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

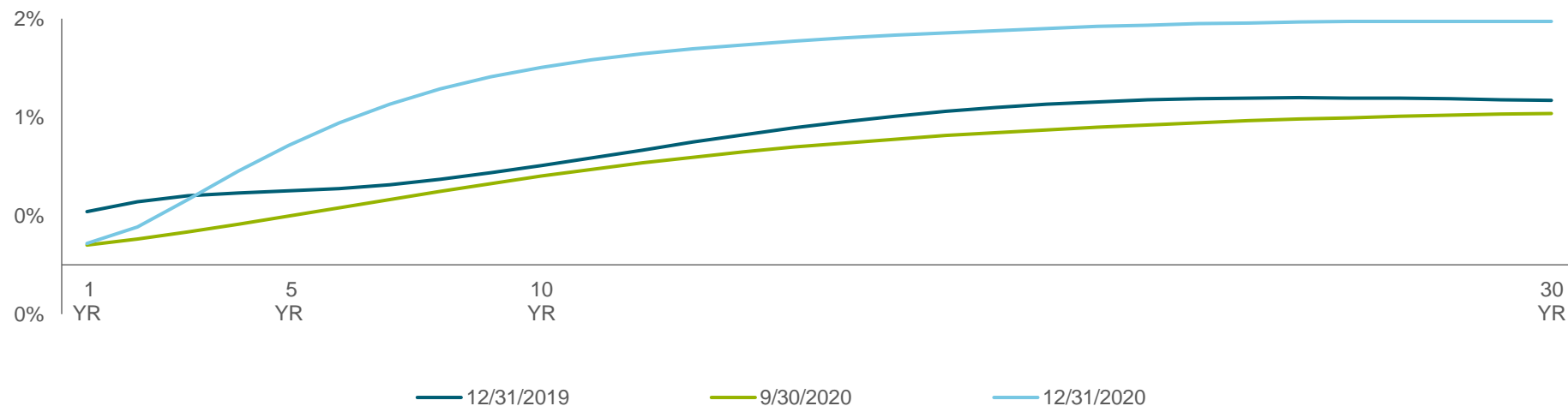


# Fixed Income

March 31, 2021

Index	Return (%)		
	Q4 2020	One Year	Three Years Annualized
FTSE Canadian 30 Day T-Bill	0.02%	0.17%	1.11%
FTSE Canada Short-Term Bond Index	-0.59%	2.77%	3.15%
FTSE Canada Mid-Term Bond Index	-4.53%	1.73%	4.23%
FTSE Canada Long-Term Bond Index	-10.69%	-0.23%	4.15%
FTSE Canada Universe Bond Index	-5.04%	1.62%	3.77%
FTSE World Government Bond Index 1-5 Years (hedged to CAD)	-0.39%	0.43%	2.41%

## CAN Treasury Yield Curve



# YOLO, Meme, and EMH: What's Your Investment Style?

First Quarter 2021

Marlena Lee, PhD  
Global Head of Investment Solutions

You only live once! Social media investors have banded together on unconventional platforms to drive up the prices of a handful of “meme stocks,” seemingly without traditional evaluation of investing risks and rewards. They made headlines with their “short squeeze” of GameStop (GME), and, as they garner media attention, their tactics continue. While it’s not the intended victim of the YOLO traders, will the efficient market hypothesis be a casualty of these events? The answer depends a lot on your definition of efficient markets. Perhaps long-term investors would be better served questioning the potential impact on their investment philosophy.

Fama (1970) defines the efficient market hypothesis (EMH) to be the simple statement that prices reflect all available information. The rub is that it doesn’t say how investors should use this information. EMH is silent on the “correct” ways investors should use information and prices should be set. To be testable, EMH needs a companion model: a hypothesis for how markets and investors should behave. This leaves a lot of room for interpretation. Should asset prices be set by rational investors whose only concerns are systematic risk<sup>1</sup> and expected returns? It seems implausible to link recent meme-stock price movements to economic risks. Rather, they seem fueled by investor demand to be part of a social movement, hopes to strike it rich with a lucky stock pick, or plain old schadenfreude.

There is a vast ecosystem of investors, from individuals investing in their own accounts to governments and corporations who invest on behalf of thousands. Ask investors why they invest the way they do, and you’ll likely get a range of goals and approaches just as diverse. It’s this complex system that generates the demand for stocks. Another complex system fuels the supply of stocks.

Supply and demand meet at the market price. People may contend that the market is not always efficient, or rational, but the stock market is always in equilibrium. Every trade has two sides, with a seller for every buyer and a profit for every loss.

There are plenty of well-studied examples that show supply and demand at work. The huge increase in demand for stocks added to a well-tracked index often creates a run-up in the stock price. Some of this price increase can be temporary and reversed once the tremendous liquidity demands at index reconstitution<sup>2</sup> are met. Index reconstitution is just one example; instances of liquidity-driven price movements happen all the time. It is well documented that liquidity demands can produce temporary price movements.<sup>3</sup> Investors may wonder if temporary price dislocations motivated by users of r/WallStreetBets differ from those caused by changes to an index. Lots of buying puts temporary upward pressure on prices, which later fall back to “fundamental value”—it sounds familiar. The more relevant observation may be that markets are complex systems well adapted to facilitate the supply and demand of numerous market participants.

There are numerous reasons people may be willing to hold different stocks at different expected returns. Can all those differences be explained by risks? Doubtful. To quote Professor Fama, “The point is not that markets are efficient. They’re not. It’s just a model.”<sup>4</sup> EMH can be a very useful model to inform how investors should behave. We believe investing as if markets are efficient is a good philosophy for building long-term wealth. Trying to outguess markets might be a quick way to destroy wealth.

1. Systematic risk is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved.

2. Reconstitution involves the re-evaluation of a market index. The process involves sorting, adding, and removing stocks to ensure that the index reflects up-to-date market capitalization and style.

3. For example, see “Tesla’s Charge Reveals Weak Points of Indexing” (Dimensional, 2021)

4. “Are markets efficient?” – Interview between Eugene Fama and Richard Thaler (June 30, 2016)

# YOLO, Meme, and EMH

(continued from page 10)

---

It's true, you only live once. The good news is that investors can look to market prices, not internet fads, to pursue higher expected returns. Theoretical and empirical research indicate higher expected returns come from lower relative prices and higher future cash flows to investors. Long-run investors can be better served by using markets, rather than chatrooms, for information on expected returns.

---

The information in this document is provided in good faith without any warranty and is intended for the recipient's background information only. It does not constitute investment advice, recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. It is the responsibility of any persons wishing to make a purchase to inform themselves of and observe all applicable laws and regulations. Unauthorized copying, reproducing, duplicating, or transmitting of this document are strictly prohibited. Dimensional accepts no responsibility for loss arising from the use of the information contained herein.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

Named securities may be held in accounts managed by Dimensional. This information should not be considered a recommendation to buy or sell a particular security. Diversification does not protect against loss in declining markets. There is no guarantee strategies will be successful.

Eugene Fama is a member of the Board of Directors of the general partner of, and provides consulting services to Dimensional Fund Advisors LP.

# Disclosure

Manulife Securities Incorporated is a Member of the Canadian Investor Protection Fund.

Manulife, Manulife & Stylized M Design, Stylized M Design and Manulife Securities are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

This presentation is for information purposes only. It should not be considered legal, tax or accounting advice and should not replace the advice of your legal, tax or accounting professionals. Every effort has been made to ensure the information contained in this presentation is accurate.

Manulife cannot guarantee the accuracy of any information in this presentation that has been reproduced from a third party source.

Manulife, Manulife & Stylized M Design, Stylized M Design and Manulife Securities are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

Stocks, bonds and mutual funds are offered through Manulife Securities Incorporated. Insurance products and services are offered through D.R. Johnson Financial Services Inc. Banking products and services are offered through referral.

Dimensional Fund Advisors Canada ULC ("DFA Canada") is not affiliated with David R. Johnson, CFP, CLU, CH.FC or Steven R. Johnson CFP, PFP at D.R. Johnson Financial Services Incorporated and Manulife Securities Incorporated. DFA Canada is a separate and distinct company.

This publication contains opinions of the writer and may not reflect opinions of Manulife Securities Incorporated. The information contained herein was obtained from sources believed to be reliable, but no representation, or warranty, express or implied, is made by the writer or Manulife Securities Incorporated or any other person as to its accuracy, completeness or correctness. This publication is not an offer to sell or a solicitation of an offer to buy any of the securities. The securities discussed in this publication may not be eligible for sale in some jurisdictions. If you are not a Canadian resident, this report should not have been delivered to you. This publication is not meant to provide legal or account advice. As each situation is different you should consult your own professional Advisors for advice based on your specific circumstances.

This publication is solely the work of David & Steven Johnson for the private information of their clients. Although the author is a Manulife Securities Advisor, they are not a financial analyst at Manulife Securities Incorporated ("Manulife Securities"). This is not an official publication of Manulife Securities. The views, opinions and recommendations are those of the author alone and they may not necessarily be those of Manulife Securities. This publication is not an offer to sell or a solicitation of an offer to buy any securities. This publication is not meant to provide legal, accounting or account advice. As each situation is different, you should seek advice based on your specific circumstances. Please call to arrange for an appointment. The information contained herein was obtained from sources believed to be reliable; however, no representation or warranty, express or implied, is made by the writer, Manulife Securities or any other person as to its accuracy, completeness or correctness.

"Manulife Securities Incorporated. does not make any representation that the information provided in the 3rd Party articles is accurate and will not accept any responsibility or liability for any inaccuracies in the information or content of any 3rd party articles.

Any opinion or advice expressed in the 3rd party article, including the opinion of a Manulife Securities Advisor, should not be construed as, and may not reflect, the opinion or advice of Manulife Securities. The 3rd party articles are provided for information purposes only and are not meant to provide legal accounting or account advice

The information in this document is provided in good faith without any warranty and is intended for the recipient's background information only. It does not constitute investment advice, recommendation, or an offer of any services or products for sale and is not intended to provide a sufficient basis on which to make an investment decision. It is the responsibility of any persons wishing to make a purchase to inform themselves of and observe all applicable laws and regulations. Unauthorized copying, reproducing, duplicating, or transmitting of this document are strictly prohibited. Dimensional accepts no responsibility for loss arising from the use of the information contained herein.

"Dimensional" refers to the Dimensional separate but affiliated entities generally, rather than to one particular entity. These entities are Dimensional Fund Advisors LP, Dimensional Fund Advisors Ltd., Dimensional Ireland Limited, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd, Dimensional Japan Ltd., and Dimensional Hong Kong Limited. Dimensional Hong Kong Limited is licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) regulated activities only and does not provide asset management services.

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.