



2021 MARKET OUTLOOK

Opportunities in a post-pandemic world

NEI

They say that change is accelerating. Exhibit A? The year 2020.

Change can induce anxiety; we need to acknowledge that. But change can also bring opportunity, particularly for investors who are focused on the future. For our 2021 Market Outlook, we have highlighted five major transitions that offer investors opportunity through change.

1 Transition to a fiscal-led recovery

As monetary policy tools become increasingly stretched, we can expect fiscal policy to play an ever more prominent role in driving the recovery, with a range of implications for fixed income and equity asset classes.

2 Transition to a digital economy

Digital technology will continue to play an increased role in our daily lives, as well as in our investment portfolios. We believe companies that are able to navigate the transition to the digital economy will be rewarded, while companies that cannot, will languish.

3 Transition to a sustainable economy

Recognizing that some more vulnerable industries may be impacted in the short-term, the transition to a low-carbon future will create a more sustainable economy with new jobs in new sectors, which means new opportunities for investors.

4 Transition to a durable economy

To make this transition, companies committed to building sustainable value must drill down on ESG issues across the entire organization, including the supply chain, to increase resilience in a world prone to exogenous shocks and satisfy a customer base more focused on environmental and social issues.

5 Transition to an equitable/inclusive economy

Companies that expand their purpose can achieve this transition and generate value for all stakeholders. For example, they can prioritize the health and safety of their employees and provide opportunities for underrepresented groups, helping to attract and retain top talent and maintain a strong corporate reputation.

Caution, however, is warranted. Not all transition effects will be positive for all companies. Some firms will succeed, others will fail. In a world where exogenous shocks are increasing, companies must pay less attention to maximizing short-term profit and more to building sustainable business models. By focusing on the long term, the winning companies will produce better outcomes for all their stakeholders. Finding those winners is what active management is all about—and that's where we come in.

On the next page, we have identified ten investment opportunities for a post-pandemic world. These are opportunities that NEI and our roster of sub-advisors believe have the potential to drive increased returns or help reduce risk over the next year and beyond. For more information, ask your advisor to share the details of our full 2021 Market Outlook report.

Investment opportunities at a glance

1. U.S. inflation-linked bonds are likely to outperform traditional government bonds; developed and emerging market debt is likely to benefit from economic recovery and accommodative fiscal and monetary policy.
2. Canadian precious metals companies and Real Estate Investment Trusts may benefit from an inflation in real assets.
3. Small cap companies tend to benefit most from accommodative tax policies and government spending that occurs during the early stages of an economic recovery.
4. A “barbell” investment strategy can offer a balanced exposure to recovery—one that mixes higher quality cyclical companies such as specialty retailers, professional services companies, and insurance companies with more traditional defensive businesses in sectors such as consumer staples and utilities.
5. Foreign developed market stocks may outperform their U.S. counterparts, which could suffer from weaker fiscal support and lower interest rates as compared to Europe.
6. Companies in the financial sector should benefit from economic support and more stable conditions.
7. The surge in technology sector stock prices may have left investors overweight U.S. growth stocks; time to revisit asset allocations against long-term growth objectives.
8. Tangible opportunities in the transition to a more sustainable economy include industrial automation, digitization, and health, safety and well-being.
9. Companies with strong value-chain propositions, that have control over the sourcing decisions in their supply chains, are likely to do well.
10. The opportunity set for impact investments within public fixed income is growing, with social and sustainability bonds gaining market share relative to green bonds, offering more opportunities in areas such as education, affordable housing and healthcare.

Talk to your advisor about how responsible investment solutions from NEI can help you achieve your goals.

Opinions as of December 1, 2020, with contributions from: Guardian Capital, Amundi Asset Management, Principal Global Investors, QV Investors, Laurus Investment Counsel, Alliance Bernstein, Columbia Threadneedle, Wellington Management, Impax Asset Management, Federated Hermes, Addenda Capital.

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