- FINANCIAL LETTER -

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Our current view

The global economy is in an uneven recovery mode, strong in some countries (USA, China in particular) and weak elsewhere, depending on the level of infection in Covid, the rate of vaccination and the level of government intervention in the economy. The International Monetary Fund (IMF) forecasts global growth of 6% in 2021, after falling -3.3% in 2020. The strong recovery and restrictions imposed by the pandemic caused sectorial shortages, disruptions in supply chains and inflation in some raw materials and economic sectors, including microprocessors, shipping, steel, wood, etc. The actual outcome of growth for 2021 and 2022 will depend largely on the course of the pandemic and its variants.

The pandemic has also increased awareness of the climate crisis and generally of the ecological footprint of the world economy. For us long-term investors, economic growth must be sustainable to be relevant. 6% growth in 2021 is incomplete as a baseline metric. We prefer green growth and other sustainable metrics to traditional growth metrics. We hope that the global financial community will come to a recognized measure of green GDP, discounting the effect of growth on climate, biodiversity, and generally environmental degradation. Meanwhile, taxes on carbon and other pollution, regulation and current discussions on eco-tariffs can act as a brake on unsustainable economic development. The global financial sector is also in the process of developing climate related banking stress tests.

Our investments

During the quarter, stock prices being high, we took some profits on certain stocks where we felt the return/risk profile was weaker. We are also thinking about positioning our portfolio for higher inflation in the coming years.

Our recent returns were accentuated by the overall balance of our portfolio that leans towards high quality securities, which returned to the market's attention. When we analyze our performance, we have little interest in the returns of recent periods. What concerns us is the return over long periods. Over the past five to ten years, we have done particularly well. Our focus now is to be well positioned for the next five to ten years, monitoring changes in economic, competitive, political, regulatory, and climate environments. We want to ensure that the business model of each of our companies is strong, resilient, and flexible enough to adjust to these changes. The ideal investment (although rare) is one in an extraordinary business that we can keep for decades, if it compounds at a higher after-tax rate.

The following sections are reserved for our clients.

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