

Building your financial future

# Team Chartier, Grandmaison

Wealth Management Advisors  
and Portfolio Managers



## 1<sup>st</sup> Quarter 2018 Summary

### Asset Allocation Strategy

At the beginning of the quarter, we have slightly increased our targeted weighting in Canadian equities. In parallel, we have slightly reduced our targeted weighting in U.S. equities<sup>1</sup>.

### Portfolio Model Revisions

We have made the following changes to our model portfolio:

- We have sold our position in the American bank *Wells Fargo Inc.* at a price of \$65.97; the share had recovered well since complaints were raised about its selling practices, but at that price was facing in our mind a higher risk of decline than opportunity to rise. In effect, these issues resurfaced after we sold and the price of the share had declined to \$52.41 at the end of the quarter.
- With the proceeds from the sale of Wells Fargo, we have taken a position in *Magna International Inc.*, a major global automotive supplier. Magna operates in over 30 countries, has sales in excess of US\$ 40 billion and is in our opinion a significant player in the production and marketing of electrical vehicles, a fast growing segment.
- We have sold our position in the Exchange Traded Fund *iShares Core S&P U.S. Total Market Index*, representing the overall US stock market; we have reinvested the proceeds as follows :
  - $\frac{3}{4}$  in the Exchange Traded Fund *iShares Core S&P U.S. Value*, a well-diversified portfolio of U.S. Value stocks, and
  - $\frac{1}{4}$  in the Exchange Traded Fund *iShares U.S. Energy*, a portfolio of about 60 U.S. stocks of companies active in the Energy sector.

As we had indicated in our 4th Quarter 2017 Summary, we believe that Value and Energy stocks tend to outperform Growth stocks in the maturity phase of the economic cycle in which we currently are.

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<sup>1</sup> Except for the « Income » profile, for which we have slightly increased our targeted weighting in U.S. equities to bring it in line with the other profiles.

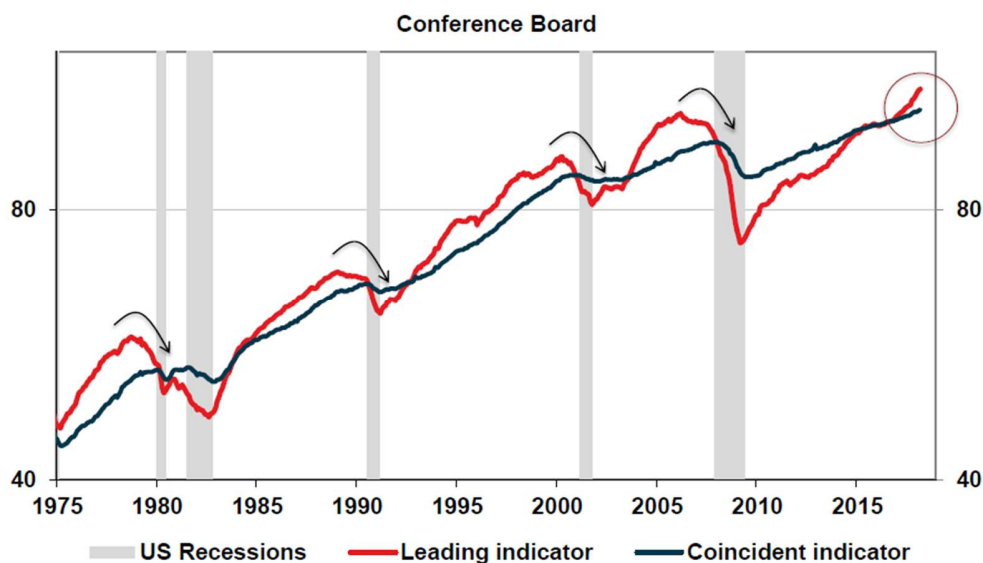
## 1<sup>st</sup> Quarter 2018 Highlights

The quarter has seen the return of volatility in financial markets, prompted by fears of a trade war between the United States and its major partners, mainly China. Economic prosperity depends largely on international trade. It is therefore normal for investors to worry when politicians threaten to put obstacles to it. In our views, the most likely scenario is that a reasonable compromise will be found between the world's economic powers to defuse the conflict.

Under that assumption, we keep our current portfolio asset allocation, with a positive bias for equities. Job creation remains healthy and corporate earnings are once again living up to expectations: 80% of the large U.S. S&P500 companies having so far released their quarterly results have beaten expectations.

As a conclusion, here is a chart from the office of our Chief Investment Officer at National Bank:

### No leading indication of recession



Source: Datastream

CIO office NATIONAL BANK

"A goal without a plan is just a wish." – *Antoine de Saint-Exupéry*

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