

2019 Awards of Excellence

Portfolio Management Excellence
Montreal

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Team of the Year
Montreal

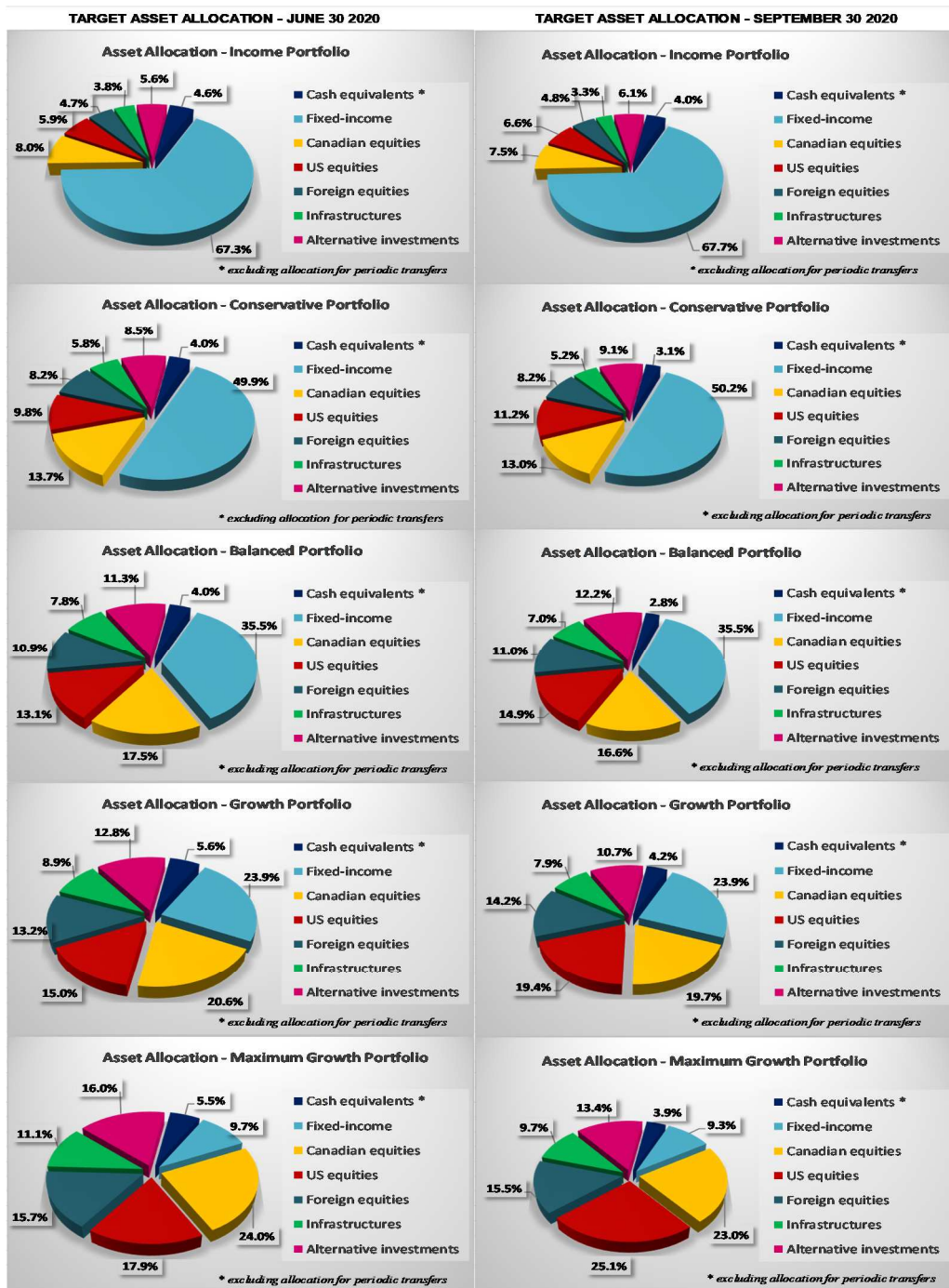


Our expertise, your success

3rd QUARTER 2020 SUMMARY

Asset Allocation Strategy:

The main adjustment made during the quarter was to increase our equity target and decrease our target in alternative investments in the Growth and Maximum Growth profiles:



Portfolio Model Revisions:

We have introduced a new income-generating Note providing a substantial downside protection, the NBC Auto Callable Contingent Income Note linked to a portfolio of American banks (BAC, C, JPM, MS, WFC), which can be summarized as follows:

- The Note is issued by National Bank of Canada with a \$100 par value.
- The objective of the Note is to provide its holder an 8% annual cash return paid in two semi-annual coupon of 4%.
- Every six months (the “anniversary date”), beginning February 22, 2021, the 4% coupon will be paid if the value of the underlying portfolio is at least equal to 50% of its value on inception. As a reference, the value of the portfolio on October 7 was 95.7% of its value on inception.
- In addition to the payment of the semi-annual coupon, the original capital will be reimbursed if the value of the underlying portfolio on the anniversary date is equal to or higher than 105% of its value on inception and the Note will mature.
- If the Note has not been reimbursed by August 20, 2027, it will mature on that date. If the value of the underlying portfolio on that date is at least equal to 50% of its value on inception, the original capital will be reimbursed in full. If not, a portion of the capital would not be reimbursed

We have also upgraded our investments in environment-related global equities by replacing the NEI Environment Leaders fund with the AGF Global Sustainable Growth Equity fund. We prefer the investment style of the manager of the AGF fund, more oriented towards growth, which is in our opinion the essence of this investment theme.

Finally, we have introduced a new US equity position in the technology sector, Cisco Systems Inc. In addition to being a leader in its markets, Cisco exhibits attractive fundamentals, a strong balance sheet, excellent cash management and high quality governance as well as interesting projects to support its future growth. In our opinion, the share of Cisco offers a good capital appreciation potential as well as good dividends of about 3.6% currently, which is not often the case with technology stocks. To allow for that purchase, we sold Magna International and Manchester United, which in the current context were less attractive.

3rd Quarter Highlights:

In a global context filled with economic and political uncertainty coming from the pandemic, prudence and patience remain at the heart of our investment philosophy. Markets remain subject to volatility and while it is difficult to anticipate changes of moods, it is possible to mitigate their impact through proper diversification and asset allocation in our model portfolios.

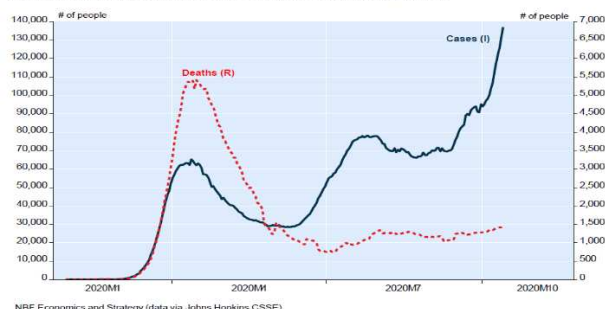
The recession has been exceptionally deep, but also short, as the energetic and opportune response from governments allowed to restore the global economy and to recover a good share of the GDP decline. This new economic cycle that begins could last for many years, supported by the concerted efforts from central banks that will maintain interest rates to historical lows.

Some sectors remain more severely impacted and their recovery will be longer and uncertain. Some companies could even vanish or survive only at the cost of a painful restructuring that could be damaging to their shareholders. Other sectors are becoming stronger and benefit from new trends (such as teleworking) brought by the pandemic. Good long-term investment opportunities will therefore always continue to appear.

Q3 2020 has proven that it was possible to take advantage of the situation even following the significant rebound we witnessed in Q2, with historical record returns on some North-American equity indexes in August. An investor who would have sold at the markets low on March 23, 2020 would have missed by September 30 a 50%+ performance on US equities and 43%+ on Canadian equities. As Cambria Investment Management co-founder Meb Faber once said, investment is the only domain where customers rush out of the store when products are on sale... That's why we insist on weathering the storms with calm and patience because there's always a recovery after.

We now enter the last quarter of 2020 with US elections looming on the horizon and a new geopolitical map between China and the United States that is reshaping the global supply chain and relaunches the race for innovation. The impact of a Democrat or Republican win should not drastically change the underlying economic fundamentals.

2. Developed countries: Perspective on COVID-19 cases and deaths
New cases and new deaths in Europe and North America, 7-day moving average



We remain convinced that the main catalyst of the recovery will be controlling the pandemic. Per statistics released by WHO, the death rate is much lower than what it was during the first wave of the virus, leading us to believe that the risk of another shutdown of the global economy is remote.

Progress made towards the discovery and distribution of a vaccine would probably be the trigger of any significant confidence improvement. We will follow up closely developments in this area.

On a more humanitarian note, we wished to mention National Bank of Canada support of the people affected by the terrible explosions that occurred in Beirut last August, with a \$100,000 donation to the Canadian Red Cross Lebanon Humanitarian Needs Appeal. Team Chartier, Grandmaison also made a donation to the Red Cross as a tribute to our friends and clients of Lebanese descent.

More recently, Team Chartier Grandmaison also actively supported the fundraising initiative of the Juvenile Diabetes Research Foundation (JRDF), that organizes each year its "Ride to Defeat Diabetes". Five members of our team participated to the virtual event through various physical activities performed at distance. The fundraising is still open, so those who would like to make a donation can do so online on the web site of the Foundation (the name of our team is: "Charme & Grande Forme"!).

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