Building your financial future

Team Chartier, Grandmaison
Wealth Management Advisors and Portfolio Managers

Award recipient for the 5th consecutive year

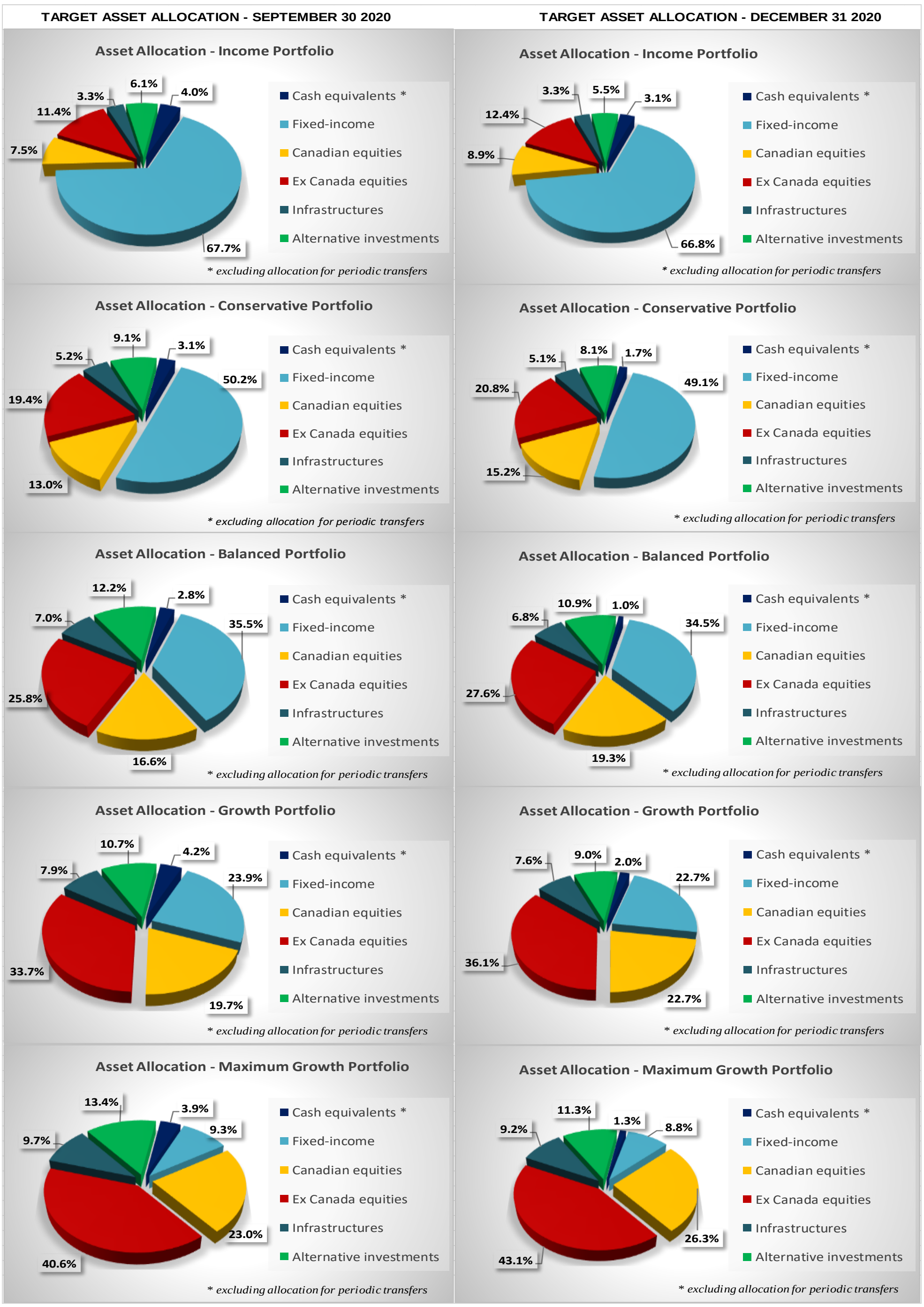
2020 Awards of Excellence
Portfolio Management Excellence
Montreal

Our expertise, your success

4th QUARTER 2020 SUMMARY

Asset Allocation Strategy:

We have reduced our allocation to cash to increase equity weighings. Beginning this quarter, we now group U.S. and foreign equities under "Ex Canada equities".



Portfolio Model Revisions:

During the quarter we increased the exposure to U.S. mid-cap equities with the *TD US Mid-Cap Growth* fund that we expect will increase the return of the portfolio and reduce its volatility. To fund that investment, we reduced the exposure to international equities by selling *iShares MSCI EAFE Min Vol Factor*.

We also increased the weighing of Emerging markets equities, as we foresee long term growth opportunities in that sector as well as a faster global economic recovery on the short term. We funded this addition by selling shares of U.S. Bancorp which offered lower potential in the current environment.

We introduced a new Canadian company in the portfolio, *NFI Group Inc*. NFI is a bus and motor coach manufacturer and parts distributor in North America and a leader in zero carbon emission buses. It pays an attractive 3.7%[1] dividend and offers promising growth potential as part of the fight against climate changes.

During the quarter, AlphaFixe Capital replaced Fiera Capital as manager of the Bond Basket. AlphaFixe was founded in 2008, is based in Montreal and has over $6 billion in assets under management. It enjoys a good reputation in the field of Responsible Investing (ESG).

4th Quarter Highlights:

The fourth quarter was anxiously awaited by most on the economic front with many decisive events. The most noteworthy were the victory of Joe Biden over Donald Trump and the U.S. economic recovery package voted at the very last minute by Congress. Overseas, the Brexit accord was finally signed after four years of negotiation.

On the health front, the Pfizer-BioNTech and Moderna vaccines were approved and began to be delivered in a number of countries in North America and Europe, while China and Russia also began their own vaccination campaign.

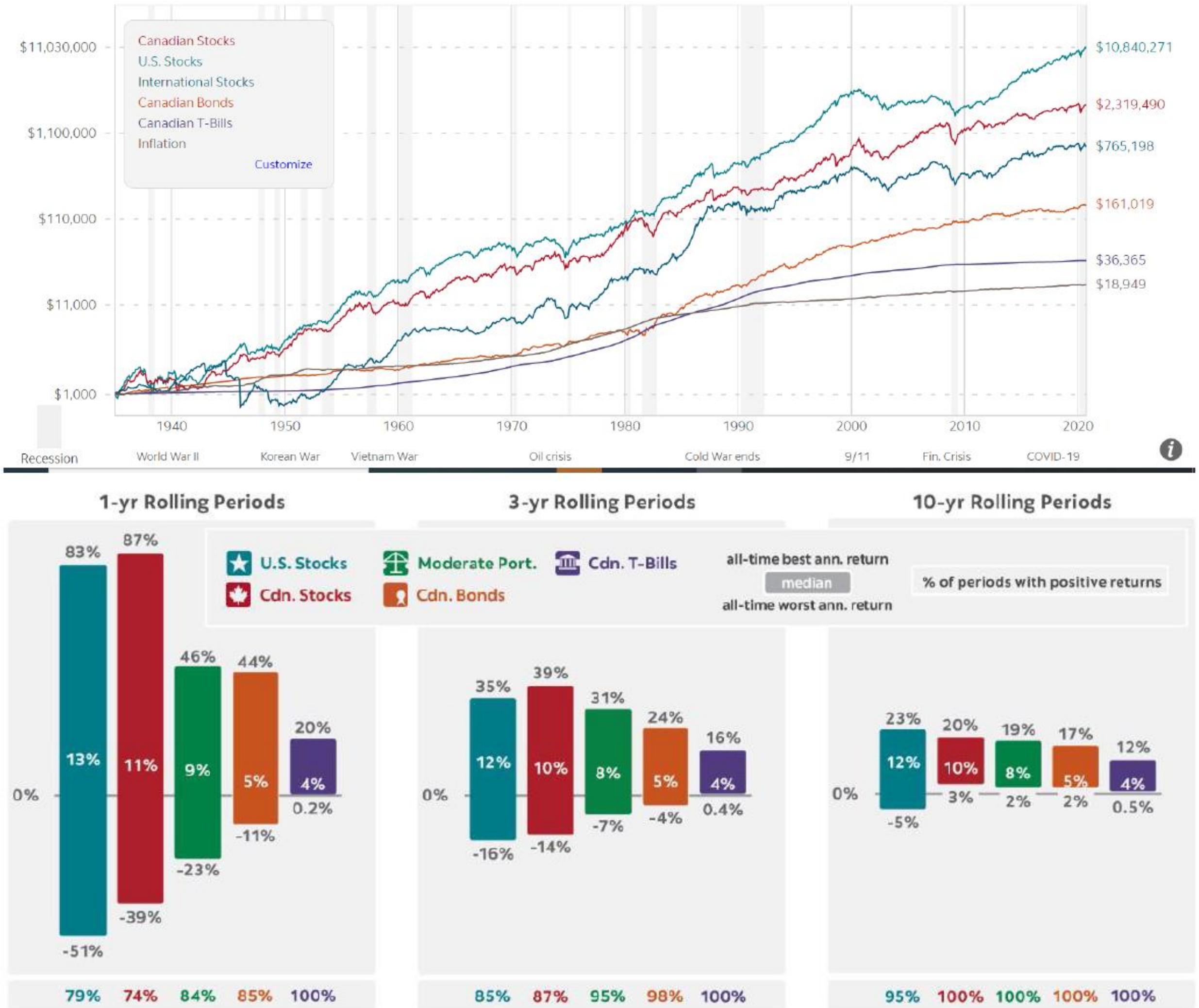
The fourth quarter, filled with emotions, allowed this crazy year to end on a positive note in financial markets. November recorded the best return since April for equities. Globally, the last quarter was one of the best of the year and allowed equities to end 2020 with a performance in line with their average of the past 30 years. Performance was especially strong for ESG investments; our positions in *Northland Power* (a renewable energy producer) and in the *AGF Global Sustainable Growth Equity* and *IAC Inhance Global Equity Socially Responsible Investment* funds were among the top 5 performers of our model portfolio in 2020.

<u>The importance of holding on to your investments in 2020:</u>

As we often like to remind, it is important to remain invested, especially through turbulent periods. The economy and financial markets have experienced unprecedented volatility last year. Stock markets suffered a swift and deep correction from February 19 to March 23. They have consistently moved up since with a 67% rebound for the March low.

As the chart on next page will suggest, on the long term, this is even more true: the longer the horizon, the lower the risk of a loss.

[1] Based on the price when added to the portfolio.



Active management makes the difference:

While the bull markets of the past decade have popularized passive, index-like investment vehicles, 2020 highlighted the strengths of active mangement. Here are some key aspects:

- Flexibility & agility

Contrary to passive funds, an active portfolio manager had the ability to avoid sectors impacted by the pandemic (energy, tourism, air carryers …) to favour more sectors that benefited from it (teleworking technologies, e-commerce, delivery services …).

- Stock picking and asset allocation

Which companies will offer the best potential after the pandemic? A disciplined active management process allows good analysis to be made to identify opportunities and act on them.

- Risk management

The high volatility experienced in 2020 should remind us of one key objective of active portfolio management: get the highest possible investment return, yes, but also preserve capital in period of turbulences.

Our active management

In 2020, our actively managed model portfolios have generated solid positive returns for all investor profiles and have on average outperformed passive benchmark portfolios by around +1%, after all fees.

That achievement earned us for a 5th consecutive year the *NBF Regional Award for Portfolio Management!*

2021 outlook:

Joe Biden's inauguration should lower the tension on the global politics front, but we nevertheless expect some volatility episodes in 2021. Overall, the year should be favorable to equities and reasons to be optimistic are numerous:

- A world-wide vaccination effort is under way
- Central banks and governments are committed to support the economic recovery
- A new economic cycle has begun, with reassuring data on consumption and savings, and employment statistics that suggest a gradual return to pre-pandemic levels over a few years

The coming year should prove favorable to active investors and portfolio managers and to those who will tolerate a level of volatility slightly above what they have been used to in the past.

[1] *Benchmark portfolios are built with the following ETFs : XBB for bonds, XIU for Canadian equities, XWD for non-Canadian equities, HHF and ZGI for the alternative investments. The weightings vary according to the profiles.*