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Team Chartier, Grandmaison

Wealth Management Advisors and Portfolio Managers

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Montreal

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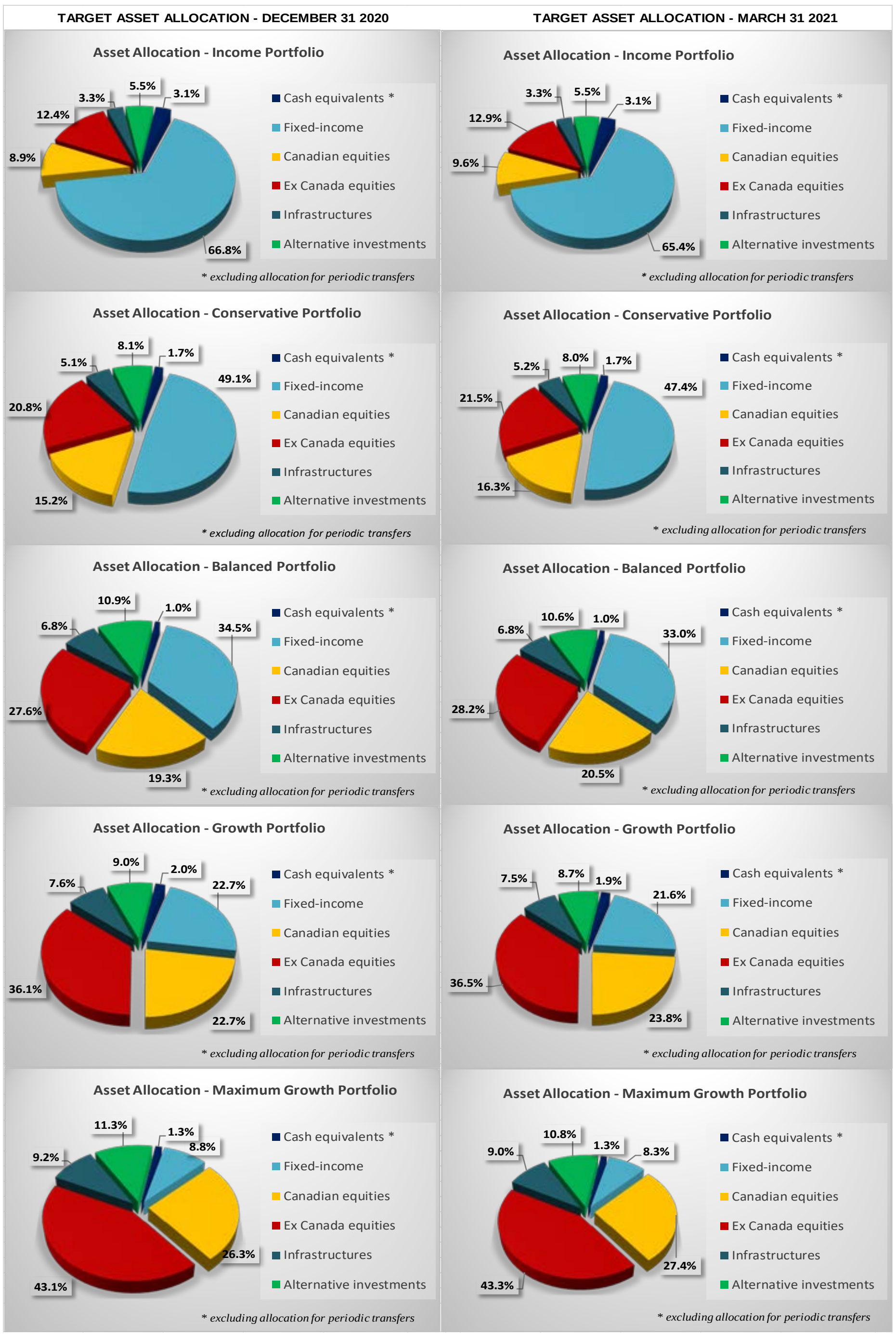
1st QUARTER 2021 SUMMARY

Asset Allocation Strategy:

The main adjustment from the previous quarter is a slight increase in the relative weight of equities and a slight decrease in the relative weight of fixed income:



Portfolio Model Revisions:

During the quarter, the U.S. Banks Income Note Security (NBC21297), introduced in August 2020, was entirely reimbursed in advance and provided the expected 4% semi-annual coupon payment. This redemption gave us the opportunity to reinvest in a new Canadian stock.

Lion Electric (LEV) is a Quebec-based company). It was founded twelve years ago and is a manufacturer of zero-emission heavy-duty vehicles. With major contracts in place, with well-known companies such as Amazon and Ikea, we are fully confident in the company's potential growth.

As LEV is not yet publicly traded, we have temporarily invested in Northern Genesis Acquisition Corp (NGA), a special purpose acquisition vehicle (SPAC). The NGA shares will be converted into LEV shares at a 1:1 ratio after the special meeting of shareholders scheduled for April 23.

Still on the Canadian equity side, we introduced a new position, Open Text Corp. (OTEX), a company that provides a platform and suite of software products and services that help organizations find, use and share business information from any device.

Our analysts have had a very positive view of OTEX for a long time. The company is looking to build a recurring revenue base (83% of total revenue) and is achieving this largely in the cloud technology through acquisitions and leveraged business expansion. In addition, we believe that the company's ability to develop organic growth is real and inexpensive as it is only marginally reflected in the stock price. The purchase of OTEX was funded by selling a generic Canadian equity index position.

4th Quarter Highlights:

The first quarter of 2021 have witnessed days of increased volatility both because of the surge in certain speculative assets (Gamestop, Tesla, Bitcoin...) and because of inflationary expectations due to a strong economic recovery, the main factors being Joe Biden's 1.9 trillion US rescue plan combined with an intensive vaccination campaign and a generalized drop in COVID-19 cases.

In this environment, 10-year interest rates rose sharply, temporarily pushing bond prices lower. Equities generally reacted well, especially those in more cyclical sectors or regions (energy, financials, Canada, value stocks, etc.), in contrast to so-called growth sectors (technology).

The first quarter also marks the end of the first year of the ongoing bull market that began on March 24, 2020. With a performance unrecorded in more than 60 years, the US stock market index S&P 500 has recovered by +75% in 1 year. This proves once again that government interventions have kept the economic machine on track.

On the Canadian stock market, investors also had an excellent quarter, with the S&P/TSX index up 8.1%.

S&P 500 Bull Markets Since 1957 (price return)

Bear Market Bottom	Bull Market Return Year 1	Bull Market Return Year 2	Bull Market Max Drawdown Year 2
10/22/1957	31%	10%	-9%
10/23/1962	36%	17%	-7%
10/7/1966	33%	7%	-10%
5/26/1970	44%	11%	-11%
10/3/1974	38%	21%	-5%
8/12/1982	58%	2%	-14%
10/19/1987	23%	25%	-7%
7/23/2002	24%	10%	-6%
3/9/2009	69%	16%	-16%
3/23/2020	75%	?	?
Average	**43%**	**13%**	**-10%**

CIO Office (data via Refinitiv, Bloomberg).

In this context of recovery, it is natural to wonder what to expect over the next few quarters, given that historically, the second years of bull markets have all been characterized by positive returns. A temporary correction along the way would not be a surprise, as year 2 of bull markets have always experienced a correction (average of 10%) at one point or another, and still ended with a net positive return (average of 13%).

<u>To watch in coming quarters:</u>

After the Biden administration's stimulus package was signed in March, the new infrastructure plan will drive negotiations in Congress. The issue is how the whole thing will be financed, with tax rate increases being at the heart of the debate between Democrats and Republicans. Given that the goal of the plan is to stimulate growth, we see this more as a volatility factor than a fundamental risk to the markets.

Further negotiations will be followed between the US and China, at a time when environmental issues are higher than ever on the agenda of international summits.

It will also be interesting to observe the evolution of inflation, a direct consequence of the improvement in the economic situation (reopening of businesses, job creation). Although already anticipated, the rise in inflation could still have an impact on long-term interest rates and therefore temporarily weigh on bond yields, although it will improve their forward outlook.

Finally, the evolution of the U.S. dollar deserves to be watched as it will be an indicator of the U.S. economic health and will result in the appreciation or depreciation of several assets, such as emerging markets and the Canadian dollar.

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

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

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