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2021 Awards of Excellence
Portfolio Management Montreal

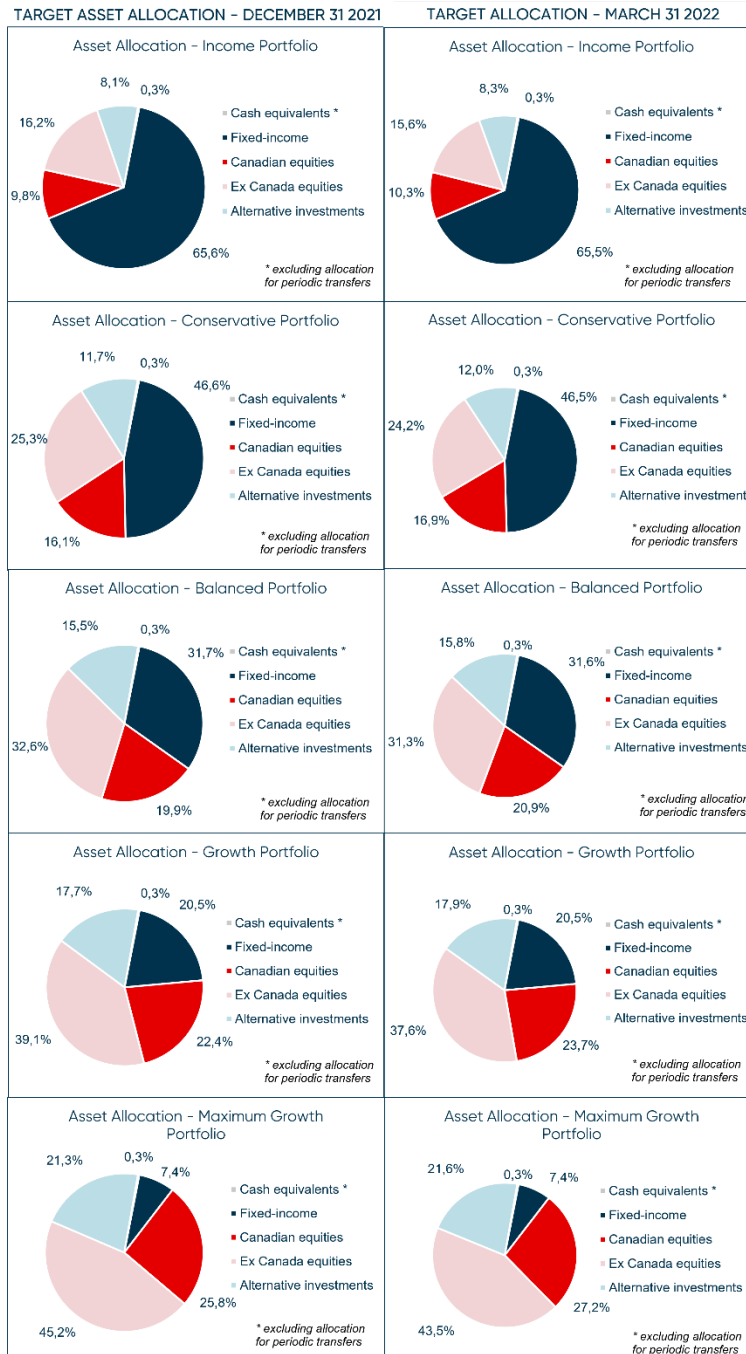


Our expertise, your success

1ST QUARTER 2022 SUMMARY

Asset Allocation Strategy

We have reduced our exposure to European equities and increased the relative weight of U.S. equities. The weighting of non-Canadian equities in the overall portfolio remains unchanged. The other variations observed are due to market movements.



Portfolio Model Revisions

As mentioned in our March 17, 2022 "News from your investment advisors" email, we have reduced our exposure to European equities and the Euro as a defensive measure in light of the situation in Ukraine. We believe that if the conflict were to continue, the negative impact would be felt more by European equities and the Euro than by U.S. equities and the dollar. To do so, we have modified our portfolio allocation by redeploying assets from the NBI International High Conviction Equity Private Portfolio - managed by Fiera Capital - into the NBI U.S. High Conviction Equity Private Portfolio, which is already in our model portfolio, and managed by the same firm.

1st Quarter Highlights

While global equities ended 2021 on a high note, the events of early 2022 were less favorable. The presence of the Omicron variant, persistent inflation coupled with soaring fuel, materials and agricultural prices, expectations of central bank intervention, and of course Russia's invasion of Ukraine, all dampened investor optimism.

Given this uncertain economic and geopolitical environment, inflation could be a key indicator to watch in the coming quarters. We note that 10-year U.S. Treasury bond yields rose above the 2% mark for the first time since 2019 and the impact has been felt more in the bond market as an increase in interest rates leads to a decline in the current value of these securities. In fact, since the beginning of the year, the Canadian bond index is down 6.5%.

That being said, apart from the humanitarian drama in Europe, the situation on the markets is not nearly as worrisome as what we experienced at the beginning of the health crisis, as shown in the graph below.



Since January 1, 2022, the U.S. market has experienced a 6% decline, far less virulent than the 35% decline experienced during the first quarter of 2020.

Episodes of volatility during times of conflict are commonplace and we must remember that investing is a long-term goal.

In addition, the recent talks between Russia and Ukraine allowed global equity markets to rebound at the end of the quarter.

In Canada, the main stock market index, the S&P/TSX, ended the quarter up by more than 3% since the beginning of the year. As for the U.S. and global indices, they are down 4.7% and 5.9% respectively in the first quarter, a far cry from the 20% drops recorded over the same period in 2020.

Outlook

In agreement with the Chief Investment Officer Office, we continue to believe that the economic environment is favorable for equities.

On the bond side, the defensive properties of this asset class should be more attractive than they were a few months ago given the recent rate hikes.

The conflict in Ukraine could continue to prolong instability in Europe and continue to drive up energy and food prices in the coming months.

Continued inflation is expected to trigger a slowdown in economic growth later this year.

Despite this prolonged uncertainty, asset diversification and the quality of the securities held in the portfolio are key to maintaining a long-term focus and reducing the risk of volatility in the months ahead.

A Reminder of the Benefits of Portfolio Diversification

1. Holding several types of investments will mean that they will not all react in the same way to various market events. As a result, the returns on these investments will not be equal at the same time. They will have the advantage of being complementary and will allow for better capital preservation over the long term.
2. Diversification allows you to build a portfolio whose overall risk is lower than the specific risks of each individual security.
3. Lack of diversification creates an overexposure to certain risk factors that will not improve the average return of the portfolio over the long term.

Our goal is to be your partner in financial success. We remind you that diversification is one of our beliefs to achieve this.

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