



**2022
Awards of Excellence**

Wealth Management
Montreal

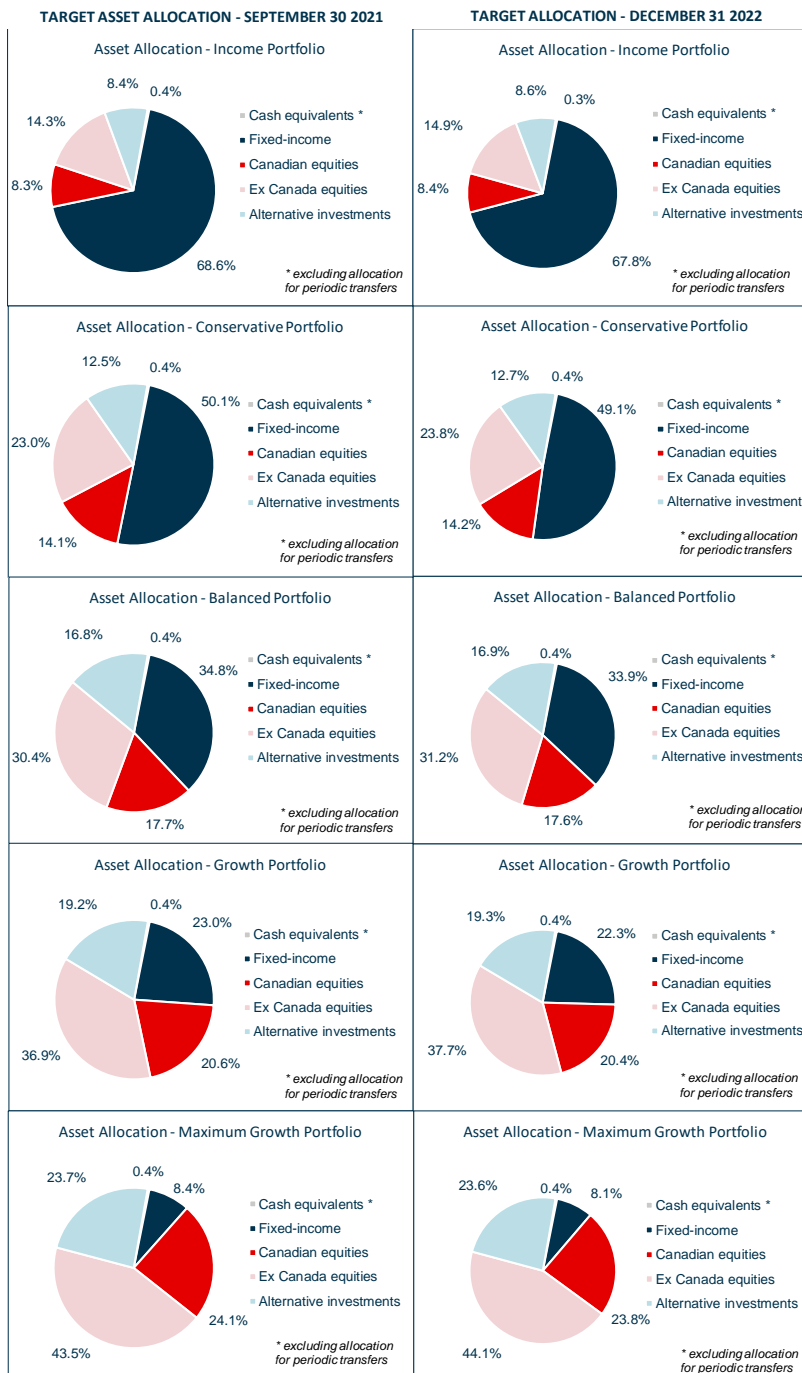


Our expertise, your success

4th QUARTER 2022 SUMMARY

Asset Allocation Strategy

We made no changes to the target portfolio allocation during Q4. The changes observed are the result of market movements.



Portfolio Model Revisions

After several months of reflection and observation, we have decided to sell the entire position in Canadian stock NFI Group Inc (NFI). After cutting its dividend by 75% at the end of the first quarter and considering the risks related to the sector that had already impacted the stock's value, we deemed it prudent to exit the position, as the company's future was becoming too uncertain.

We reinvested the proceeds from the sale of NFI Group Inc. in another Canadian stock. (FTT), a dealer and distributor of Caterpillar heavy equipment and parts. The company has operations in Canada, South America, the United Kingdom and Ireland and other countries.

With international exposure, strong financial results, a dividend growth rate of close to 3%, and a yield expectation of close to 30% at the time of purchase, FTT has a place in the portfolio and will be a more suitable investment solution than NFI.

4th Quarter Highlights

Once again, the fourth quarter tested investors' emotions. Between hopes of recovery and fears of relapse, it has been difficult to see a clear trend over the past three months. After a turbulent but positive October, a rebound in November marked by an encouraging inflation report and a loss of momentum in December (recession fears are still very much on everyone's mind), we end the quarter generally on the upside, but the year 2022 will still end with a negative return and will have been a trying year for investors.

Still, the slowdown in inflation in the fourth quarter was a major source of optimism. Not only did gasoline prices continue to fall, but more importantly, the normalization of supply chains related to China's abandonment of its zero COVID policy and the decline in the price of several commodities allowed durable goods inflation to decelerate significantly. The next step will be to see inflation in services slow down as well.

Outlook

Considering that stock markets act in anticipation and that most of the known information is already reflected in stock prices, it is legitimate to think that most of the decline is behind us.

Central banks have moved their monetary policy into restrictive territory in 2022. Since there is about a one-year lag between a policy rate hike and its effect on the economy, we believe that central banks will slow the pace and monitor the situation closely before making any further major moves.

The robustness of the North American economies with a still strong job market leads us to believe that, in a context where inflation slows down without central banks raising their policy rate significantly, 2023 could be a good year for investors.

The following table shows that years of stock market decline are mostly followed by positive returns, except on two exceptional occasions (1974: oil shock; 2008: financial crisis)

Annualized S&P 500 return following the start of a bear market*				
Date of 20% drawdown	Next year	Next 3 years	Next 5 years	Next 10 years
21-Oct-1957	25.7%	9.8%	5.8%	7.6%
28-May-1962	21.2%	12.9%	8.4%	5.7%
29-Aug-1966	24.3%	8.4%	5.9%	3.4%
29-Jan-1970	11.1%	10.9%	-3.4%	2.6%
27-Nov-1973	-27.4%	2.1%	-0.1%	5.6%
22-Feb-1982	32.6%	17.6%	20.2%	15.6%
19-Oct-1987	26.5%	14.2%	16.4%	19.1%
12-Mar-2001	0.3%	0.7%	3.3%	3.1%
09-Jul-2008	-27.4%	4.8%	7.7%	10.4%
12-Mar-2020	61.6%	n/a	n/a	n/a
Bear market average	14.8%	9.0%	7.1%	8.1%
Global average	9.9%	8.7%	8.5%	8.0%

CIO Office (data via Refinitiv & Bloomberg). *Total return since 1988, price return before that.

As Warren Buffet said: "The stock market is a device to transfer money from the impatient to the patient". Let's be on the winning side! Investing is all about long-term returns and the best way to succeed is to stay invested.

Because giving is also receiving...

In addition to sponsoring "La Boucle turquoise" at *Le Week-end pour combattre le cancer* event for the Jewish General Hospital last August, we made donations in memory of our clients who sadly passed away in 2022 to charities close to their hearts, the main ones being the Montreal Children's Hospital Foundation, Shriners Hospitals for Children, the Cancer Research Society and the Alzheimer Society of Canada.



We wish you all the best for 2023, and may this new year bring you health, happiness and prosperity.

NBF may act as financial advisor, fiscal agent or underwriter for certain companies mentioned herein and may receive remuneration for its services. NBF and/or its officers, directors, representatives or associates may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time on the open market or otherwise. The particulars contained herein were obtained from sources we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. The opinions expressed do not necessarily reflect those of NBF. I have prepared this report to the best of my judgment and professional experience to give you my thoughts on various financial aspects and considerations. The opinions expressed herein, which represent my informed opinions rather than research analyses, may not reflect the views of NBF. The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your investment advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.

National Bank Financial – Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF) and a trademark owned by National Bank of Canada (NBC) used under license by NBF. NBF is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund (CIPF) and is a wholly owned subsidiary of BNC, which is a publicly traded company listed on the Toronto Stock Exchange (NA: TSX).

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