Our expertise, your success

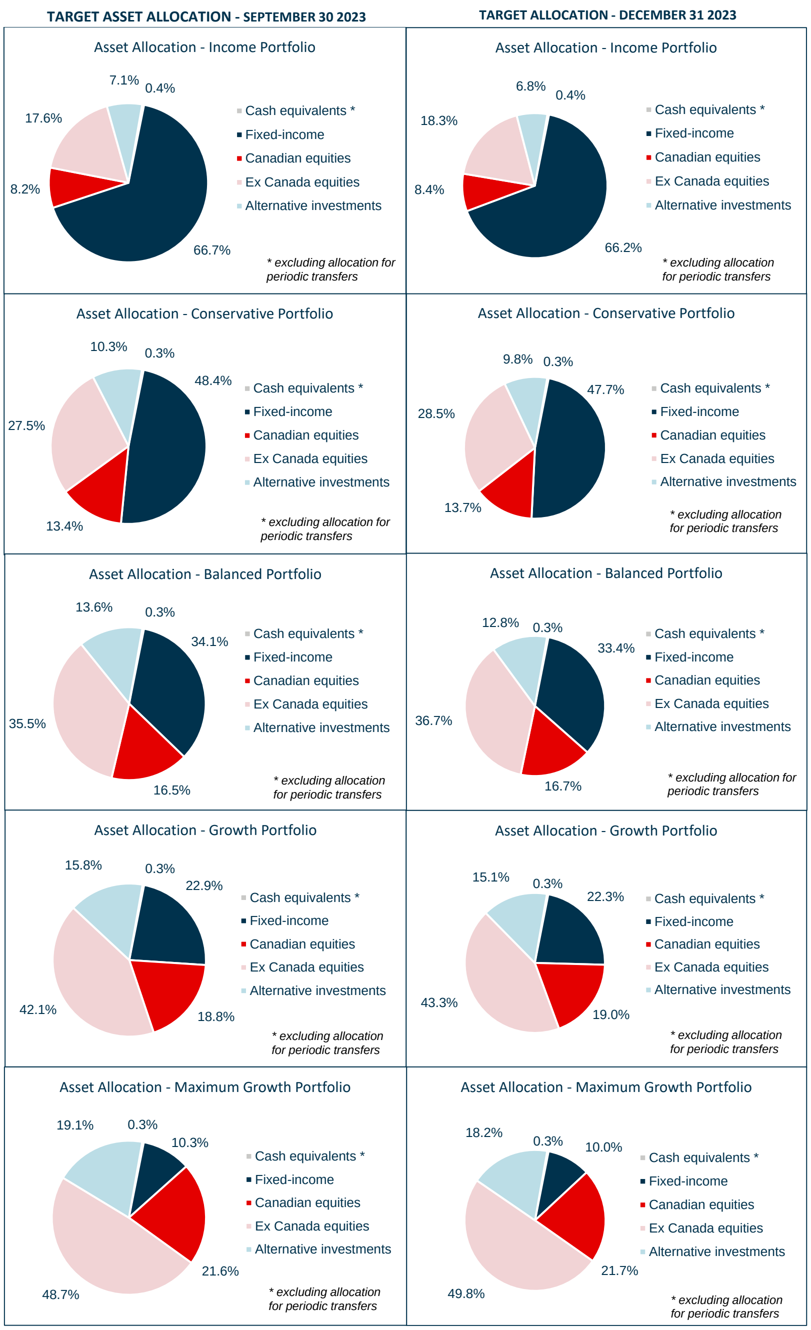
Team Chartier Grandmaison Leclerc

Managers of your family's wealth

4th QUARTER 2023 SUMMARY

Asset Allocation Strategy

We did not make changes to the asset allocation in the porfolio during Q4. The observed variations result from market movements.



Portfolio Model Revisions

We did not make changes to the holdings held in the portfolio during the last quarter. Before the end of the year, we reviewed the net capital gains realized in our clients' taxable accounts. If it was possible, and desirable, to sell in these accounts positions showing a loss in value to optimize the tax impact, we did so, while simultaneously reinvesting in investments similar to those sold.

In addition, we would like to highlight that several of the managed solutions we use in our model portfolio have won LSEG Lipper Fund recognition awards in 2023.

> **Lysander-Canso Corporate Value Bond Fund** wins Best Global Corporate Fixed Income over the three-year period ended July 31, 2023.

> **NBI Quebec Growth Fund** was awarded the Lipper Fund Award 2023 certificate for the best performance out of a total of 31 funds in the Canadian Small/Mid Cap Equity category for the ten-year period ended July 31, 2023

> **NBI U.S. Equity Private Portfolio** was awarded the 2023 Lipper Fund Award certificate for best performance out of a total of 142 funds in the US Equity category for the five-year period ended July 31, 2023.

Quarter Highlights

Once again, the economic environment has not been easy and the picture of the markets at the end of October was not attractive for investors. And yet, the spectacular rebound of the last two months of the year makes 2023 a year of exceptional performance in both equities and bonds, and even in cash, essentially a return of the pendulum after a year 2022 that had spared no one.

The year 2023 was a perfect illustration of our belief in staying invested at all times. The variability in returns has been very high; using the Canadian Equity Index to illustrate: produced a net return of +11.8% for the year; 6 months of positive performance, including two particularly robust months with a return of more than 7% in each of these 2 months, and 6 months of negative performance, including one month at almost -5% and two months with declines of more than -3%.

The investor who let himself/herself be guided by his/her emotions and who successively invested, divested, reinvested, etc. at the pace of positive or negative returns in the previous month would have turned this positive performance of +11.8% into a negative performance of -2.5%. Doing the same exercise with the U.S. equity market (in U.S. dollars), the same investor would have realized less than half the return if he had reacted emotionally to the news in the short term by successively investing and then divesting.

One might think that today's economic and geopolitical challenges are unprecedented, but when you look at history, you can see that there have always been reasons to be pessimistic.

Yet, despite the "bad news", investments have always tended to gain ground in the long run.

In fact, the most attractive investment opportunities often arise when investor sentiment is at its lowest, as shown in the chart on the right.[1]

Some big economic headlines read or heard in 2023, which suggested it would be a tough year:

- *Turbulence in U.S. regional banks*
- *The war in Ukraine continues*
- *Inflation is at an all-time high*
- *Record Fluctuations in interest rates*
- *The conflict between Israel and Palestine escalates*

Let's remember that news are a very poor leading indicator of returns. Let's stay true to our motto: discipline and diversification!

A Reminder of the Benefits of Portfolio Diversification

1. Holding multiple types of investments will ensure that they do not all react in the same way to different 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 with an overall risk that is lower than the specific risks of each individual security.

3. A lack of diversification creates an overexposure to certain risk factors that will not improve the average return of the portfolio over the long term.

Outlook

After a year marked by the resilience of the U.S. economy and equity markets, what can we expect for 2024? If we were talking about an impending recession a year ago, it would seem that rate hikes are now behind us and the consensus among economists is leaning towards a soft landing.

[1] CIO Office (Data via Refinitiv)

With a level of inflation that could satisfy the US Federal Reserve (Fed) leaders from the beginning of the 2nd quarter of 2024, we can think that their speech will gradually move towards a more accommodative policy, leaving the door open for rate cuts in the second half of the year in the US, and probably even earlier in Canada. It is the pace of these declines that will need to be closely monitored in 2024.

While a sustained slowdown in inflation can indeed be expected, the path of employment will also be decisive. In principle, a better balance between the supply and demand of workers would temper inflation without leading to a significant increase in unemployment, but it is still too early to know exactly what the impact of successive rate hikes will have been on the financial health of companies.

The presidential elections in the United States and the state of the Chinese economy will certainly be at the heart of the news in 2024, but it is above all the calibration of monetary policy that will be decisive on the markets.

The economic context therefore still calls for caution, with volatility that could surprise investors, both on the upside and on the downside.

2024 may be a year of opportunities, but we will have to continue to be selective in the choice of investments, as we have always done, favouring diversification, active management and the quality of the securities in our portfolio.

The Chartier Grandmaison Leclerc team wishes you a very happy new year 2024!

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