Building your financial future

Team Chartier, Grandmaison
Wealth Management Advisors and Portfolio Managers

2022 Awards of Excellence
Wealth Management
Montreal

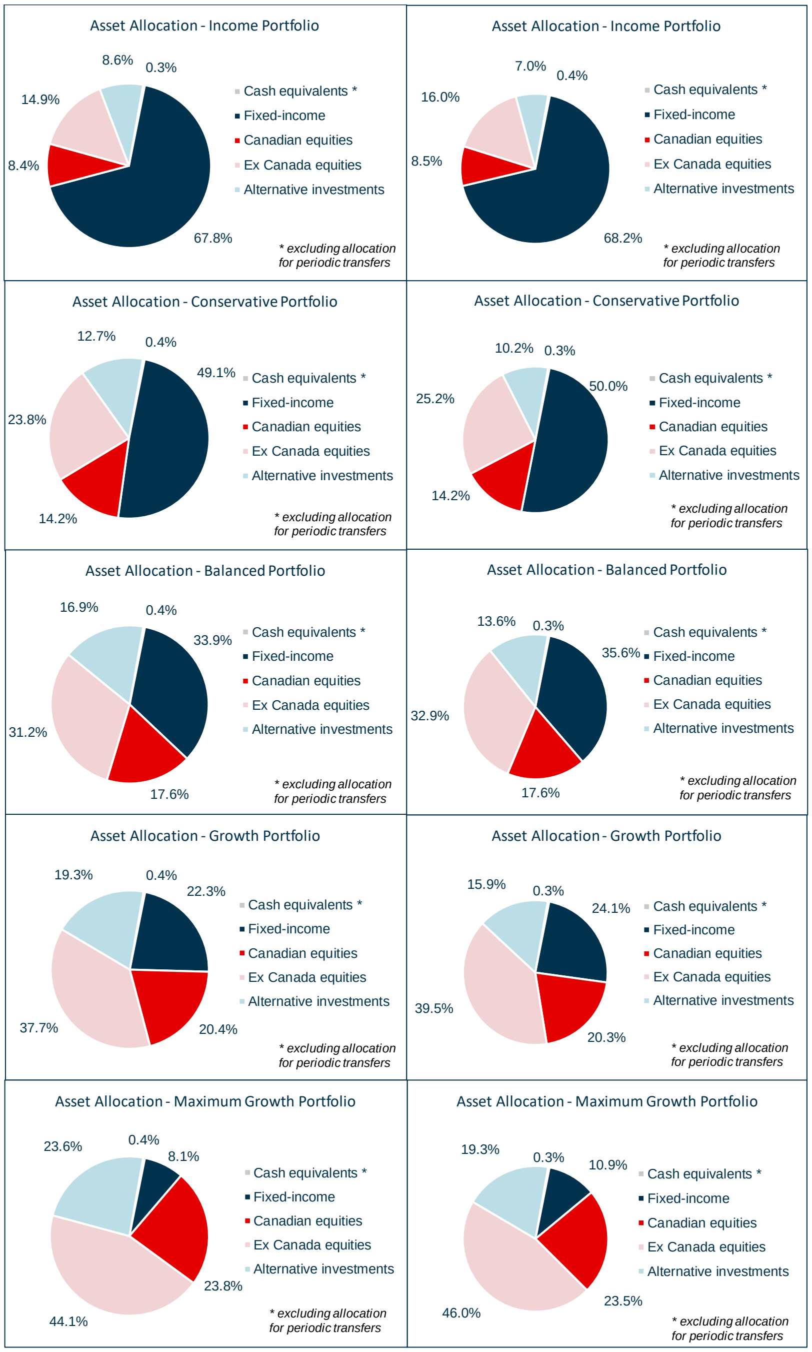
Our expertise, your success

1ST QUARTER 2023 SUMMARY

Asset Allocation Strategy

We have partially reduced the alternative portfolio to increase fixed income. On the other hand, we have lowered U.S. equities to increase international equities within Ex Canada equities.

TARGET ASSET ALLOCATION - DECEMBER 31 2022 | **TARGET ALLOCATION - MARCH 31 2023**



Portfolio Model Revisions

Recent announcements regarding moderating rate hikes in Canada during the quarter are a positive signal for fixed income, which is why we have decided to increase our fixed income portion and reduce some of our alternative investments. To do so, we halved our position in the UBS Global Merger Arbitrage Fund (UGA101) to reallocate this portion to the Canso Corporate Value Fund (CFM111F). Historically, Canso's fund has distinguished itself by excellent returns and has the flexibility to position itself tactically to find the best fixed income investment opportunities. This change will take effect at the end of April in our portfolios.

In addition, we have decided to gradually reintroduce international/European equities. As a reminder, in response to the geopolitical uncertainty caused by the Russian-Ukrainian conflict, we chose to reduce our exposure to this geographical area to reduce portfolio risk and thus take refuge in North American investments.

A little more than a year into the events, we see a more controlled situation across the Atlantic, with attractive company valuations, which is why we are reducing our position in the NBI U.S. High Conviction Equity Private Portfolio, and we reallocated that portion to the NBI International High Conviction Equity Private Portfolio by a quarter, which is managed by the same team and applies the same investment principles as the U.S. equity strategy.

1st Quarter Highlights

2023 got off to a flying start with January presenting a broad-based recovery in the main North American stock indexes (S&P 500 (C$) +4.4%; S&P/TSX +7.4%).[1] However, this optimism was tempered from the second half of the quarter when the US central bank (FED) announced that rate hikes would continue. Supported by continued strong demand and a robust U.S. labor market, inflation has become more persistent, raising the question of the future path of monetary policy.

On the Canadian side, with economic growth surprisingly slowing down in the last quarter of 2022, the Bank of Canada opted for a pause in its last speech at the beginning of March, which is probably the best option at the moment; indeed, rate hikes have been extremely strong and will continue to weigh on the economy with some lag, especially as Canada risks importing some of the monetary tightening that could continue in the United States.

More recently, the U.S. financial sector has experienced upheaval over the past month, after Silicon Valley Bank (SVB) went bankrupt following massive withdrawals by its clients triggered by the announcement of a significant financial loss. Measures taken by regulatory authorities to help depositors have helped to reaffirm the safety of the US banking system. In Europe, Swiss authorities also reacted quickly to force the merger of the troubled Credit Suisse bank with its competitor UBS. At home, while Canadian banks share prices have declined in the wake of this uncertainty affecting the global banking sector, their viability and stability have not been questioned.

Despite a context still punctuated by volatility, the performance of the first quarter was positive in all major asset classes: +3% for the Canadian fixed income universe, +4.6% for Canadian equities, +7.2% for US equities (C$) and +7.2% for global equities (C$).[1]

In our model portfolios, strong underweighting in the fossil fuel sector as well as our exposure to growth stocks were the main contributors to performance during the quarter.

[1] *CIO Office (data via Refinitiv, as of 2023-01-31)*

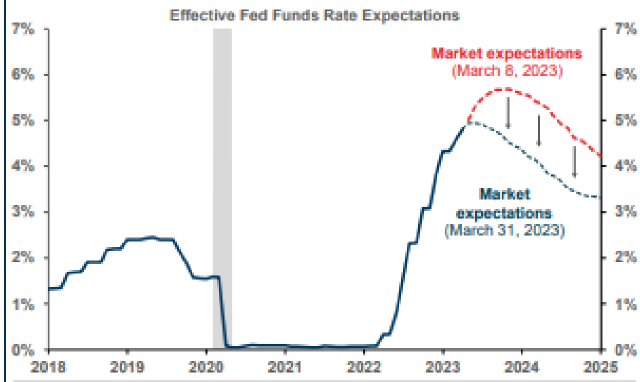
Outlook

What about the impact of recent banking sector disruptions on monetary policy and economic activity? This is what we will be monitoring closely in the coming months.

For now, the market is expecting several rates by the end of the year, which changes the forecast for continued hikes that were anticipated before SVB's collapse.

This is explained by the deflationary nature of banking crises. Indeed, in such a context, the reduction in deposits forces banks to reduce the granting of new loans, and therefore weighs in favour of a slowdown in economic activity, which is in line with the will of central banks in their fight against inflation.

14 | The market now anticipates rate cuts in 2023



CIO Office (data via Refinitiv & Bloomberg).

We therefore see this market event as another signal of caution. It should be stressed that even if the worst is behind us and monetary policy easing can be envisioned in 2023, it is still possible that a recession will be confirmed. In these circumstances, we maintain our current defensive strategy, focused on the quality of the securities in the portfolios, such as well-managed companies with clear growth objectives and sound results, and we will continuously assess the need to strengthen this strategy in the coming months.

Given market fluctuations and ongoing uncertainty, we put particular emphasis on risk management, which is at the heart of our portfolio management process, to enable you to achieve your financial objectives despite a challenging economic environment.

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