Spring 2025

Info SIGMA

The decades follow one another, but they are not alike: so where should we invest?

There is a lot of uncertainty hanging over the markets right now. The American executive takes pleasure in disrupting everything they can, economically, politically and culturally. But in the end, there is nothing new about this uncertainty; The future is always unknown to us and the past is in no way a guarantee of the future. So where should we invest when faced with unpredictable markets?

The first part of the answer is: just about everywhere. Diversification across a wide range of asset classes and stock market segments always help us to avoid the worst, and to participate, at least to some extent, in the performance of the best-performing markets.

The second part of the answer is to be able to position yourself in the asset classes and stock market segments that offer the best performance. The problem is that markets are terribly unpredictable and choosing investments based on scenarios and forecasts inevitably leads to failure.

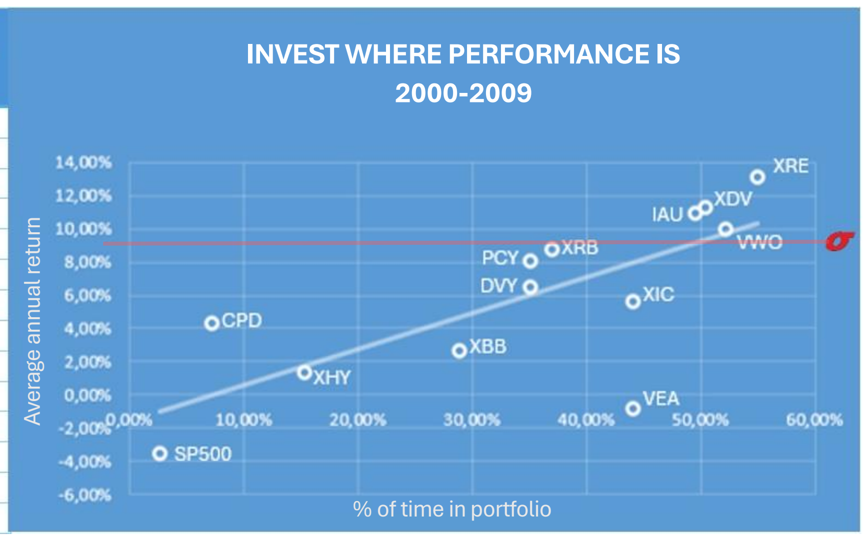
The solution we have chosen is to let the markets show us the way. Using relative performance studies, our asset class rotation baskets position themselves where the money seems to be going over a period of several months. The basic principle is that asset classes that demonstrate outperformance relative to other markets tend to maintain that outperformance over the medium term. The composition of the portfolio is reviewed monthly, in a trial-and-error exercise aimed at catching heavy trends, like a surfer who has caught a good wave. We do not attempt to predict how long a position will hold. Some only last 2 or 3 months when the wave is not very promising. Other positions can last for several years, as was the case with our recent position in the S&P500 that we held for two years. It is only after the fact that we can see that a position has been able to earn its place consecutively over many months.

Indeed, the decades follow one another but are rarely alike. The S&P 500 has performed very well since 2010 (Tables II and III on the next page), posting returns of 15.77%[1] from 2010 to 2020 and 17.04%[2] from 2020 to 2025. The decade 2000-2010 (Table I) was very growth stocks, which posted the worst performance of all asset classes with a negative annual return of -3.55%[3]. What will the situation be like for the next 10 years? Will the current weakness in the US index continue? No one knows. But history tells us that a rotation portfolio would have been invested only 2.70% of the time in it from 2000 to 2010, or a total of two months, and would have been invested in the best-performing asset classes such as real estate, gold, emerging markets and Canadian equities.

The potential results of the method are illustrated by the Rotation point to the right of the graphs, the results[4] of which are generated using a simple simulation for illustrative purposes. The dot is to the right of the chart, as the holding period of the portfolio can be seen as being 100% (not always the same positions, but the portfolio is still invested). Regardless of the decade, and regardless of the relative performance of the different markets over the period, the rotation approach produces a stable return over time and compares favorably to all asset classes.

Which asset classes and market segments will we be most invested in over the next 10 years? Which ones will be the least present? We will be able to tell you in 10 years.

Position	Description	% temps présent au portefeuille	% rendement annuel moyen
XRE	CA Real Estate	54.95%	13.13%
VWO	Emerging market share	52.25%	10.00%
XDV	CA Dividend Stock	50.45%	11.29%
IAU	Gold	49.55%	10.90%
	Rotation	100%	9.60%
XIC	TSX	44.14%	5.64%
VEA	International Shares	44.14%	-0.86%
XRB	Real return bond	36.94%	8.78%
DVY	US Dividend Stock	35.14%	6.50%
PCY	Emerging markets bond	35.14%	8.08%
XBB	Canadian Bonds	28.83%	2.67%
XHY	High Yield Bond	15.32%	1.31%
CPD	Preferred Shares	7.21%	4.29%
SP500	US Shares	2.70%	-3.55%



Source : Thompson FBN 2025

[1] Bloomberg – 2010-2020

[2] Bloomberg – 2020-2025

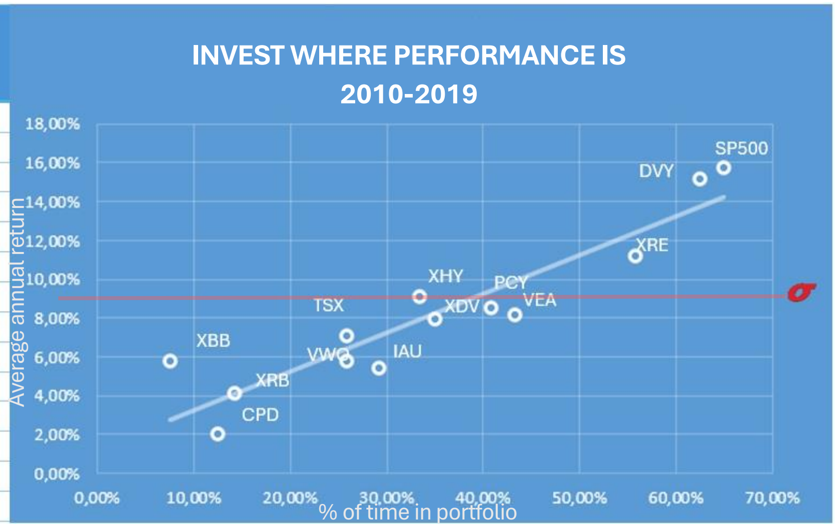
[3] Bloomberg – 2000-2010

[4] Sigma Management – Croesus NBF and Thompson NBF 2000 à 2024

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

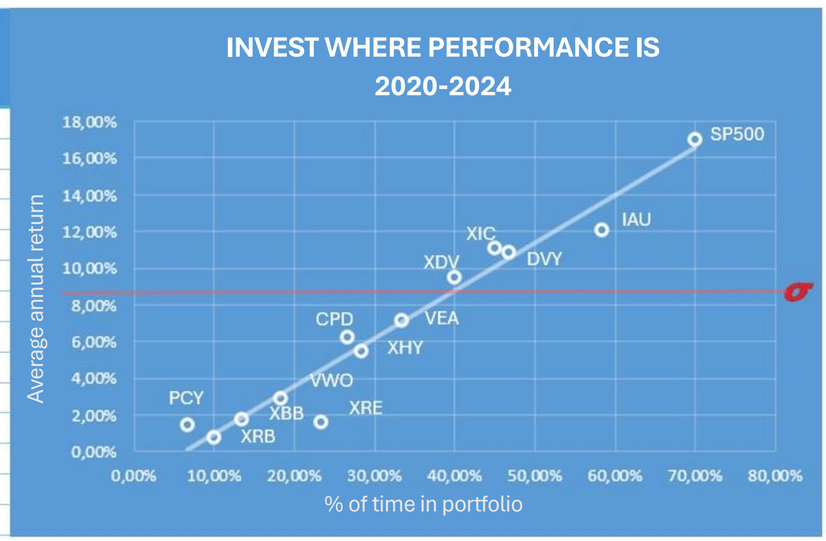
SIGMA MANAGEMENT INDEX BASED SOLUTIONS LALONDE-BEAUCAGE GROUP

Position	Description	% temps présent au portefeuille	% rendement annuel moyen
SP500	US Shares	65.00%	15.77%
DVY	US Dividend Stock	62.50%	15.15%
XRE	CA Real Estate	55.83%	11.22%
σ	Rotation	100%	9.28%
VEA	International Shares	43.33%	8.13%
PCY	Emerg. markets bond	40.83%	8.50%
XDV	CA Dividend Stock	35.00%	7.96%
XHY	High Yield Bond	33.33%	9.12%
IAU	Gold	29.17%	5.39%
VWO	Emerging market share	25.83%	5.75%
XIC	TSX	25.83%	7.06%
XRB	Real return bond	14.17%	4.13%
CPD	Preferred Shares	12.50%	2.05%
XBB	Canadian Bonds	7.50%	5.79%



Source : Thompson FBN 2025

Position	Description	% temps présent au portefeuille	% rendement annuel moyen
SP500	US Shares	70.00%	17.04%
IAU	Gold	58.33%	12.06%
DVY	US Dividend Stock	46.67%	10.84%
XIC	TSX	45.00%	11.07%
XDV	CA Dividend Stock	40.00%	9.52%
σ	Rotation	100%	8.49%
VEA	International Shares	33.33%	7.16%
XHY	High Yield Bond	28.33%	5.50%
CPD	Preferred Shares	26.67%	6.29%
XRE	CA Real Estate	23.33%	1.65%
VWO	Emerging market share	18.33%	2.89%
XBB	Canadian Bonds	13.33%	1.80%
XRB	Real return bond	10.00%	0.77%
PCY	Emerg. markets bond	6.67%	1.47%



Source : Thompson FBN 2025

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

SIGMA MANAGEMENT
INDEX BASED SOLUTIONS
LALONDE-BEAUCAGE GROUP