NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

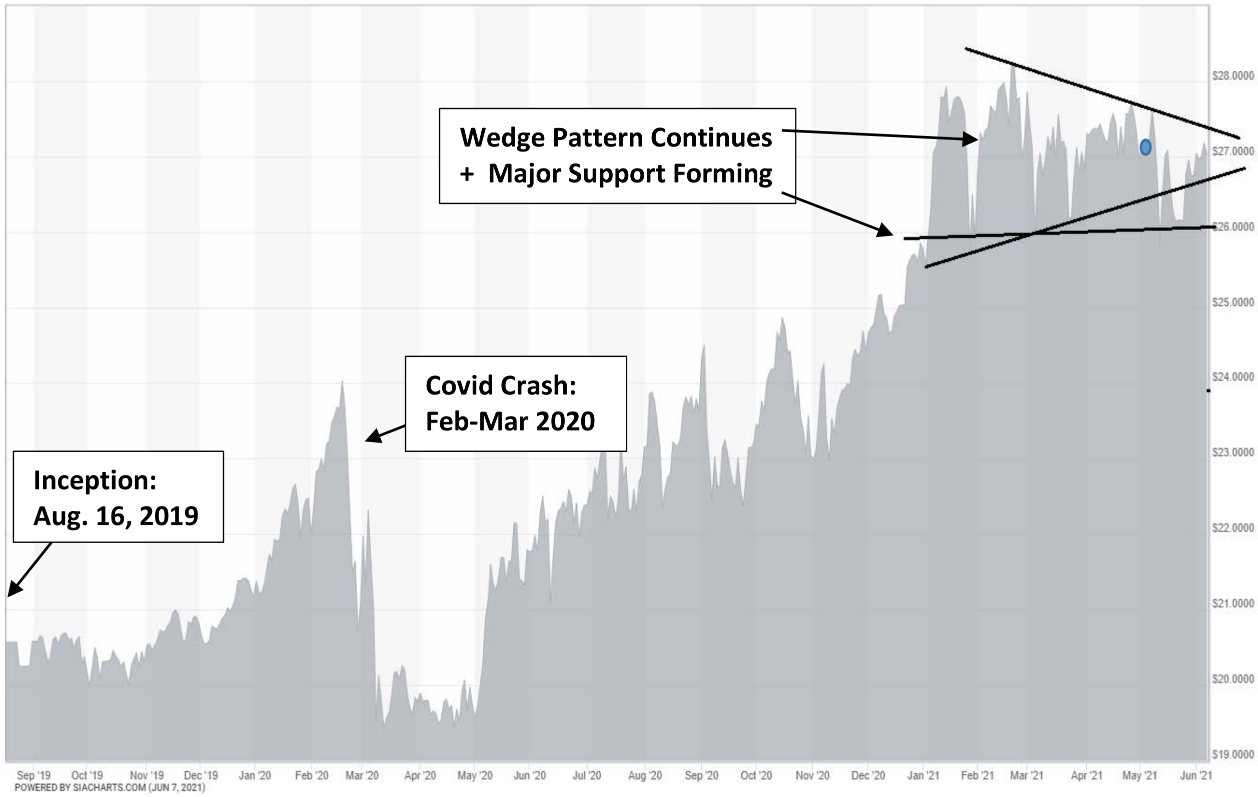
MOTT LIOKOSSIS WEALTH MANAGEMENT GROUP

June 2021 Commentary

Our hypothetical model gave up some ground in May, losing 0.85% and brining our year-to-date return to 3.07%. In a nutshell, not much is happening as we prepare to enter the seasonally quiet period through the summer. However, below the surface, the spring is winding tighter.

Market Update

Last month we gave you a small insight into the technical picture of the market. With apologies to readers who find this sort of thing tedious, we've rarely addressed it in these pages and thought it would give a different perspective. 'Technical' refers to reading price charts and the various metrics attached to them to yield some insight, isolated from fundamentals. Last month our 60,000 foot view was that after two spectacular years of gains in 2019 and 2020, at some point we needed a correction. That could come in the form of a sharp, short-term decline of the type we've seen many times. Or it could come with the market seemingly doing nothing on the surface for an extended period while it digests those gains. This happens less frequently and is often a sign of strength. It's this option that seems to be unfolding now.



This is the same graph of our *SIA ML Global Tactical Pool* that we showed last month, updated to include May's data. The wedge that was forming has continued. The dot in the middle of the wedge is where we left off last month so everything to the right of that is new data for May. Amazingly, the subsequent peak in early May exactly touched the upper limit projected by the wedge before reversing back down.

On the lower side the boundary was breached but rebounded strongly back into the wedge, so it is still in play. We call this a false break-out. When you see a channel or formation like this, 80% of the time when the price breaks out it fails, faking out traders who are poised to take advantage of it.

As often happens, these patterns evolve. This month we've added a horizontal line, which is another way of looking at the same data. Rather than looking at a narrowing wedge that should eventually lead to a real price break-out, you can instead view the pattern as a base of support forming at around the $26.00 unit price (horizontal line). On half a dozen occasions the price of the fund has touched this area before rebounding. This has taken five months to unfold (and counting). The longer it lasts, the stronger it will act.

Conclusion? So far it is confirming what we proposed last month. The market is strong, biding it's time. Both the wedge pattern and the support line suggest the next move is higher. The longer this continues the tighter it winds the spring, creating more potential energy for the eventual move - whatever it happens to be. Keep in mind that this type of analysis gives context about what is most likely, but it is rarely more reliable than 60%.

Bond Update

Long time readers of this letter will know that we are generally not huge fans of bonds (fixed income). This is especially so at this particular point in history where rates are low and governments around the world have become utterly unhinged in their borrowing. To us, this makes investing in government bonds – i.e. lending to governments – one of the worst ideas in investing.

Having said that, we face certain constraints in our portfolio construction and many clients need to hold some fixed income. We've done quite a bit of due diligence to find solutions that would eliminate some of our concerns. In addition to the declining credit quality of government issuers, especially Canada, we want to keep our bonds short-term to mitigate the risk of rising interest rates. At the same time, achieving these objectives usually means turning to high yield corporate bonds and so we add mitigating credit quality to the list. There are other factors as well.

Thus far we've found one remarkable solution that we think will serve us well, and one conservative solution that achieves part of what we're after. Neither is perfect but both are moves in the right direction, which is away from politicians. To that end, for clients that do hold bonds, over the last two months we've shifted two-thirds of your fixed income from short term Canada's into these new positions. Having said that, it's not enough to get excited about and we're still researching better solutions. If we find any we won't hesitate to move on them.

June 2021 Portfolio Review

Mott Liokossis Hypothetical Model sector breakdown at the end of May 2021:

Cash	2.09%
Diversified Global Equity Portfolio	39.92%
Electronics & Semi-Conductors	12.43%
Diversified Canadian Equity Portfolio	11.79%
Specialty Retail	11.78%
Manufacturing	5.83%
Aerospace & Defense	5.75%
Internet	5.62%
Automotive	4.81%

SIACharts.com

Hypothetical Model Growth Portfolio Holdings at the end of May 2021:

% Held	Security	Symbol	Sector	Price	Yield
0.95%	Cash				
6.20%	Airbus SE ADR	EADSY	Aerospace & Defence	$ 39.44	0.00%
7.28%	ASML Holding NV	ASML	Electronics & Semi-Conductors	$ 814.68	0.40%
11.85%	BMO SIA Focused CDN EQ ETF	ZFC	Canadian Equity Portfolio	$ 37.94	1.67%
5.62%	Deere & Co	DE	Manufacturing	$ 435.52	0.73%
7.15%	Dicks Sporting Goods	DKS	Specialty Retail	$ 117.63	1.11%
5.24%	PulteGroup Inc	PHM	Construction	$ 69.70	0.75%
39.90%	SIA ML Global Tactical Pool	SWI220	Global Equity Portfolio	$ 26.75	5.89%
5.34%	Tata Motors LTD	TTM	Automotive	$ 26.21	0.00%
5.22%	Tractor Supply Company	TSCO	Specialty Retail	$ 219.15	0.84%
5.24%	Whirlpool Corp	WHR	Consumer Durables	$ 285.95	1.78%

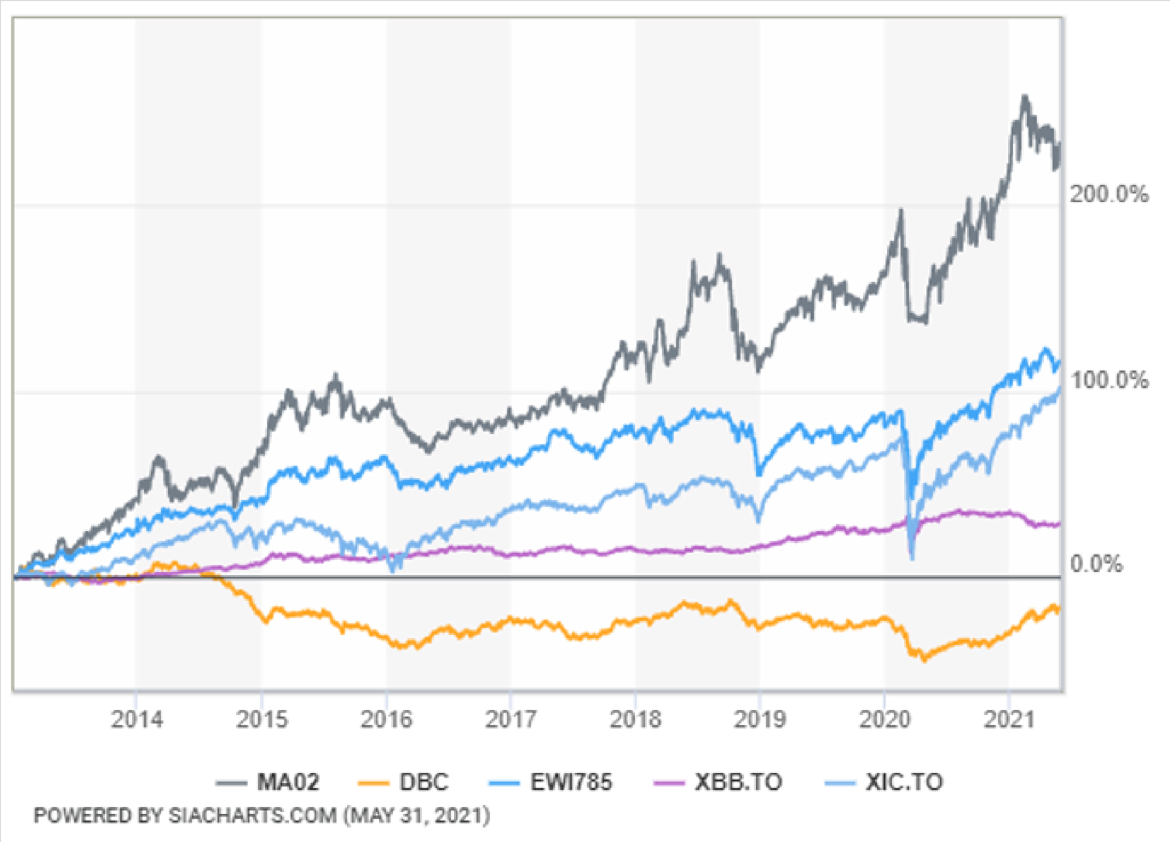
SIACharts.com

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Yearly Returns**	
2021	1.62%	5.68%	-3.36%	0.16%	-0.85%								**3.07%**	**YTD**
2020	4.33%	-3.90%	-8.54%	-0.42%	9.70%	2.13%	5.75%	4.27%	-2.33%	-1.79%	7.32%	6.07%	**22.93%**	
2019	1.36%	5.01%	3.75%	3.46%	-1.58%	2.58%	0.97%	1.13%	-3.33%	-0.78%	3.76%	2.09%	**19.73%**	
2018	2.84%	0.81%	-0.31%	-0.79%	5.53%	8.19%	-0.60%	8.18%	-2.65%	-14.70%	-0.14%	-2.73%	**1.60%**	
2017	-1.26%	3.11%	0.49%	3.26%	1.45%	-3.95%	0.50%	2.31%	3.43%	7.33%	2.38%	-3.57%	**16.08%**	
2016	-3.29%	-2.97%	-3.70%	-3.30%	5.04%	1.01%	3.03%	-0.56%	1.02%	-1.70%	1.56%	0.82%	**-3.36%**	
2015	9.73%	2.78%	3.71%	-8.98%	10.69%	-4.34%	7.93%	-5.39%	-3.05%	0.23%	-0.08%	1.84%	**13.89%**	
2014	6.39%	6.38%	-5.18%	-4.67%	1.52%	1.94%	-1.25%	5.18%	-2.40%	0.44%	5.70%	3.57%	**18.08%**	
2013	6.00%	4.20%	3.95%	-2.83%	9.64%	-3.67%	4.06%	3.65%	3.29%	3.42%	4.68%	2.66%	**45.96%**	

Monthly & Annual Returns for the Mott Liokossis Hypothetical Model Growth Portfolio.
Performance reflects actual trades executed in our maximum growth model and does not include fees or expenses.
We use this hypothetical model as the basis for our clients' portfolios.

SIACharts.com



Growth of $10,000 Jan. 04, 2013 - May. 31, 2021	
Mott Liokossis Model (MA02)	$33,134
World Stock Equal Weight Index (EWI785)	$21,558
Canadian Stocks (XIC.TO)	$20,073
Canadian Bonds (XBB.TO)	$12,905
Commodities (DBC)	$8,387

SIACharts.com

Click here to access your online account and tax statements.

Click here to learn more about the team.

Click here to contact us.

Blair Mott, FCSI, CIM, FMA
Vice President & Portfolio Manager, Investment Advisor

Tony Liokossis, B.A., FCSI, CIM
Vice President & Portfolio Manager, Investment Advisor

519-646-2146
blair.mott@nbc.ca

519-646-5728
tony.liokossis@nbc.ca

Stephanie Lindsay, HBA
Investment Associate
519-646-2149
stephanie.lindsay@nbc.ca

Juliana Weese
Investment Associate
519-646-2152
juliana.weese@nbc.ca