NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

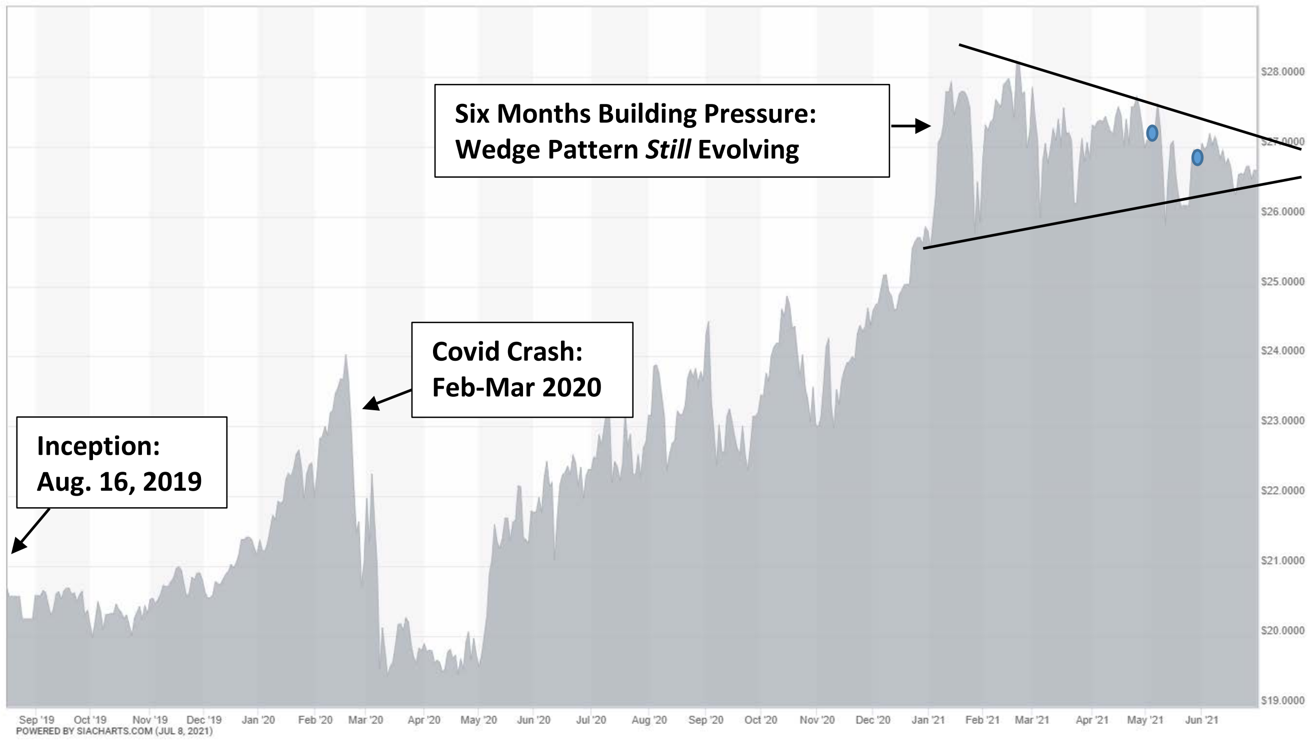
MOTT LIOKOSSIS WEALTH MANAGEMENT GROUP

July 2021 Commentary

Our hypothetical model delivered a pretty average month in June. We gained 0.93% and moved our year-to-date return to 4.03%. It's still pretty quiet in the headlines but as we said last month, much is happening that is not obvious to the casual observer.

Market Update

For the third month in succession, we revisit the chart of our private fund the *SIA ML Global Tactical Pool*, updated to include June's data. The two blue dots in the upper right show where the chart ended April 30th and May 31st, respectively. Remarkably, the wedge pattern has still not resolved itself and is instead continuing to unfold in almost picture-perfect fashion. We're seeing lower highs and higher lows as we wind towards a finer and finer point:



A picture is worth a thousand words and that is never truer than when we interpret technical data for financial assets. What we're seeing is warfare. On one side you have a stock market that wants to behave according to natural principals; rise steadily in stair-steps, then correct excesses that have built up in a sharper, more compact time frame. Rinse and repeat. It wants to inhale and exhale like any multi-cell organism. On the other side you have central banks that are conducting policy that seems to indicate they are desperate to prevent any exhale. They are focussing their attention not on the broad market but on the more narrow, headline-grabbing major indexes like the S&P500. This is not healthy. To breathe in fresh, life-giving oxygen, we must empty our lungs first.

We've been commenting of late that sometimes a market corrects with a sharp down move, or sometimes with a long grind sideways and it is the latter that we are seeing now. When you look below the surface, you see other things happening. Throughout May we saw a market that has been *narrowing*. In other words, the majority of stocks across the broad stock market are not acting particularly well. At the same time, mega-caps – very large, well-known names - that make up the major indexes like the S&P500 are doing very well. This kind of action is normally a danger sign. It is a warning that big, smart money is selling a lot of its stock and buying back a smaller amounts of just the biggest, safest mega-caps. This is the kind of thing portfolio managers of huge pension funds or trusts do when they are concerned and want to reduce market risk.

What could be the cause of their concern? The obvious answer is buy the mystery, sell the history. The world economy continues to open up from the pandemic lock downs and the market has rallied in anticipation of this. Once we're open we should get the selling, the profit taking. Caveat emptor, the obvious reason is often not the right one.

A narrowing market is one of the most important indicators that we use to warn of trouble ahead. As a result, over the last six weeks or so we have moved to a significant cash position in our model. It's not that we are predicting a crash. We never predict. It's more akin to taking a precautionary stance when we see the precursors of a potential crash start to manifest.

However, that's not what we've seen happen. The flip side is that the technical picture of the leading mega-cap stocks is strong, very bullish. So, having taken precautions to avoid a potential crash, we are now seeing there is strength in certain areas and that is where we are re-deploying some of our cash.

As scenarios constantly evolve we still see the potential for a good move to the upside from here, from the coiled position shown in the graph above. Unfortunately, it's likely to be limited because we are not coming off a good, stiff correction.

A short term crash going into spring would have been more desirable. We prefer more frequent 3.0 Richter-scale tremors that shake chandeliers to the more rare 7.0s that level buildings. But…we don't always get what we want. Our way is to follow what is happening.

So…to summarize, we saw warning signs of a potential short-term crack-up and we took action to avoid it. Central banks are fighting it and sending capital in the direction of big, safe, recognizable companies and that is where we are going now. As always, we follow the capital flows. From here, maybe we make a bit of money and *then* get a crack up that is more painful than it needed to be had central banks just let the market do its thing in the first place. Some things never change.

There will be no letter in August as your dedicated team rotates through summer vacations. Hopefully so many of you who have been putting off travel and are chomping at the bit to go somewhere will get a chance to do so. However you spend it, have a wonderful summer!

July 2021 Portfolio Review

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

Cash	10.40%
Diversified Global Equity Portfolio	39.39%
Diversified Canadian Equity Portfolio	11.77%
Electronics & Semi-Conductors	7.58%
Specialty Retail	7.48%
Aerospace & Defense	6.22%
Energy	5.74%
Conglomerates	5.72%
Automotive	5.70%

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

% Held	Security	Symbol	Sector	Price	Yield
10.40%	Cash				
6.22%	Airbus SE ADR	EADSY	Aerospace & Defence	$ 39.91	0.00%
7.58%	ASML Holding NV	ASML	Electronics & Semi-Conductors	$ 856.30	0.38%
11.77%	BMO SIA Focused CDN EQ ETF	ZFC	Canadian Equity Portfolio	$ 38.05	1.67%
5.74%	Cheniere Energy Inc.	LNG	Energy	$ 107.51	0.00%
7.48%	Dicks Sporting Goods	DKS	Specialty Retail	$ 124.19	1.09%
39.39%	SIA ML Global Tactical Pool	SWI220	Global Equity Portfolio	$ 26.65	5.91%
5.70%	Tata Motors LTD	TTM	Automotive	$ 28.24	0.00%
5.72%	Textron Inc.	TXT	Conglomerates	$ 85.24	0.09%

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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%	0.93%							**4.03%**	**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.

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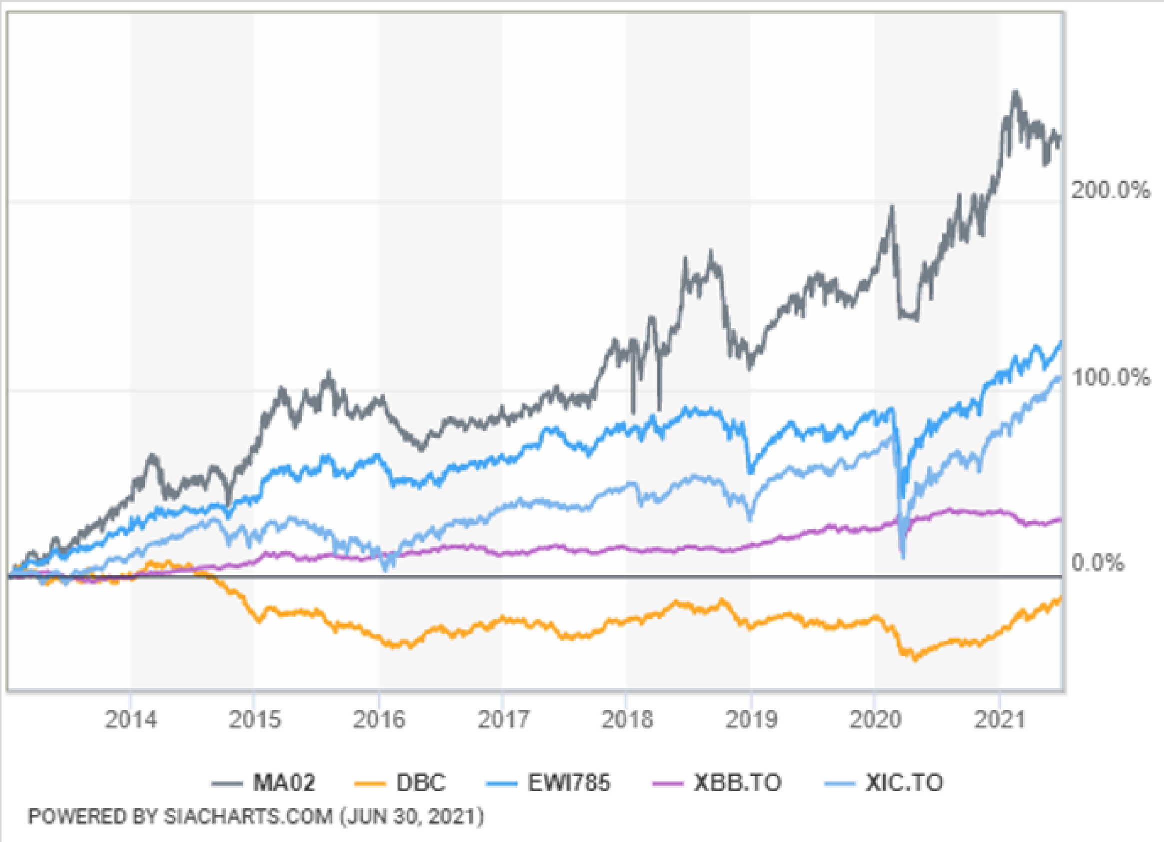

Growth of $10,000	Jan. 04, 2013 - June 30, 2021
Mott Liokossis Model (MA02)	$33,442
World Stock Equal Weight Index (EWI785)	$22,434
Canadian Stocks (XIC.TO)	$20,569
Canadian Bonds (XBB.TO)	$13,041
Commodities (DBC)	$8,920

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