

# Balanced ETF Private Portfolio

March 31<sup>th</sup>, 2020

## Portfolio Manager: Joseph O'Donnell

69 King Street

Saint John, NB E2L 1G5

Tel.: 506-642-7441 Toll Free: 1-888-269-5755

E-mail: joseph.odonnell@bnc.ca

Web: <http://advisors.nbfwm.ca/en/joseph-o-donnell>

## Basket Investment Strategy

This Basket invests in a variety of asset classes and seeks to optimize the risk-return relationship. We will regularly modify the investment mix (within a specified range) to reap the potential advantages associated with altering market conditions.

For the most part, this Basket will consist of exchange-traded funds (ETFs), alternative investments and individual securities. Long-term target allocations for equities and fixed income are 60% equities and 40% respectively. This portfolio is suited for an investor seeking long-term capital appreciation, capital preservation and the generation of a steady stream of income.

In addition, this Basket aims to minimize the volatility ascribed to traditional asset classes. More specifically, it seeks to attain a return similar to that obtained by a traditional portfolio but with lower volatility. Both the diversity of asset classes and the inclusion of non-traditional asset classes allow for a reduction in risk and volatility.

Various studies have shown that when it comes to achieving both steady and substantial real returns, the relative weighting of asset classes within a portfolio is equally as important as security selection. By investing in this portfolio, our team is given the authorization to invest your money and manage your investments according to your pre-established asset mix parameters.

## Performance

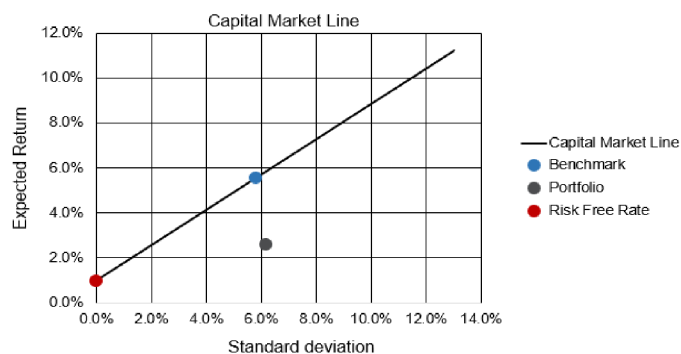
(TW – Time Weighted; MW – Money Weighted)

Portfolio Performance					
	6 Mths	1YR	3YR	5YR	Since Inception*
Portfolio TW	(10.32)%	(8.45)%	(1.54)%	0.07%	2.58%
Portfolio MW	(10.12)%	(8.25)%	(1.33)%	0.18%	2.77%
Benchmark	(6.14)%	(2.55)%	2.37%	2.96%	5.39%

\* Represents a return since inception (June 3rd, 2013)

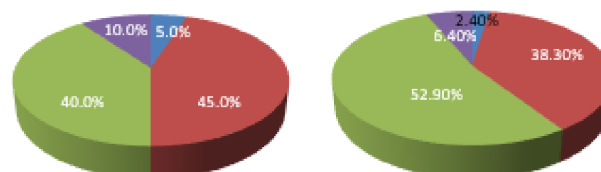
Value of Basket (As at March 31 <sup>st</sup> , 2020)		\$27,385.54
Metrics since inception	Portfolio	Benchmark
Best Month	3.98 %	4.31%
Worst Month	-9.87%	-7.17%
Sharpe Ratio	0.26	
Upside Capture	70.23%	-
Downside Capture	106.55%	-

## Risk-Return Comparison (since inception)



**Fees:** Returns presented are net of fees at the lowest rate of 0.75%.  
**Composition of the benchmark:** 5% 91-day T-bills, 45% FTSE TMX Canada Universe Bond, 22.5% S&P/TSX Composite Index, 27.5% MSCI World Index.  
 \*Represents a return since inception (June 1st, 2013)

The following represents the long-term targets for each asset class and sector.



Target Allocation

Current Allocation

■ Cash      ■ Equities  
■ Fixed Income      ■ Alternatives

## Top 10 Holdings

Description	Market Value	MV (%)
ISHRS CORE S&P US TOT ETF	5,226.36	19.108
BMO AGGREGATE BD INDX ETF	4,449.96	16.269
ISHARES S&P/TSX60 IDX ETF	3,551.80	12.985
HORIZONS ACTV C/B-E ETF	2,860.56	10.458
VANGUARD GL EX-US AGG ETF	2,054.28	7.51
ISHRS CORE S&P/TSX CAPPED	1,694.40	6.195
PURPOSE GLD N/CUR HDG ETF	1,316.16	4.812
FRANKLIN LIB GLB AGG ETF	1,241.24	4.538
AGFIQ US EQUITY ETF	985.66	3.604
BMO GLB INFRAS INDX ETF	903.50	3.303

Transactions (Dec 31<sup>ST</sup> – March 31<sup>st</sup>, 2020)

ACTION	DESCRIPTION	QUANTITY	PRICE

(see appendix A)

## Commentary Regarding Transactions

We reduced equity exposure on March 12 to minimize downside to the portfolios and increased equity weightings on March 25<sup>th</sup> to participate in the market recovery.

## Portfolio Managers Comments

### The economy

- The global economy is now descending into an extremely deep but short and artificial recession. The uncertainty surrounding the COVID-19 virus is extraordinarily high with some of the key unknowns being how long this will last and how quickly the economy can recover from this artificially induced recession.
- We have a checklist of key COVID-19 developments that we are monitoring to gauge the extent to which the virus is being resolved:
- Further significant enhancements to containment, border control and disease testing efforts
- Further major government stimulus announcements
- A decline in the number of new daily cases in Italy
- A decline in the number of new daily cases in the U.S.
- A decline in the daily fatality rate
- A decline in the total number of people actively sick
- The development of an important therapeutic treatment for COVID-19
- The end of quarantining
- A return to economic growth
- The development of a vaccine

I have prepared this commentary to give you my thoughts on various financial aspects and considerations. This commentary reflects my opinion alone, and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgement and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial. National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada. The National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX). National Bank Financial may act as financial advisor, fiscal agent or underwriter for certain companies mentioned herein and may receive remuneration for its services. National Bank Financial and/or its officers, directors, representatives or associates may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time on the open market or otherwise. The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. Unit values and returns will fluctuate and past performance is not necessarily indicative of future performance.

- We have seen significant improvements with the government disease containment efforts and feel more confident that Italy has in fact established its virus peak. However, there are several additional boxes to check before we can speak confidently about the virus beginning to genuinely wane.

### Fixed Income

- We've seen an extremely rare decline in bond yields since the beginning of the year as investors have flocked to high quality bonds amid uncertainties related to COVID-19, falling oil prices and slowing global growth. After hitting a low of 0.54% on March 9th, 10-year US Treasury yields have risen, but remain well below the near 2% levels at which they started the year.
- The bigger story in fixed income this year has been the rapid and significant widening of credit spreads, which has led to double-digit declines in high yield and emerging market bonds. The market has started coming to grips with what effect the virus spread prevention will have on the economy, with lost consumption and production (demand and supply) leading to declining probabilities of bond investors getting their money back. Hence, we've seen revisions to default expectations, and to interest rate coverage ratios as revenues get revised sharply lower.

### Asset Mix

- We had trimmed our equity weight in March given heightened investor optimism and stretched valuations, placing the proceeds in cash. Since then, the plunge in equity prices and bond yields has boosted the equity risk premium and, while near-term volatility is likely to be elevated as headlines from COVID-19 flood news outlets, stocks offer superior return potential to bonds over the longer term especially after the latest correction.
- Our current recommended asset mix for a global balanced investor is 59.0% equities (strategic: "neutral": 55%), 39.0% bonds (strategic "neutral": 43%) and 2.0% in cash.

## Who is this investment for?

This investment is for individuals who are seeking a moderate level of capital gains and income. This is a "balanced" approach with a moderate level of risk and seeks to protect capital over the long-term through active asset allocation and security selection.



**NATIONAL BANK  
FINANCIAL**  
WEALTH MANAGEMENT

## Appendix A – Transactions

<b>Action</b>	<b>Description</b>	<b>Quantity</b>	<b>Price</b>
Sell	QUS	-34	28.12
Sell	DGRC	-38	21.8
Sell	XUU	-70	26.255
Sell	XEC	-16	21.65
Sell	XEF	-14	24.34
Sell	XFI	-34	17.834
Sell	XIC	-80	20.001
Buy	XSB	140	27.366
Buy	PSA	60	50.04
Sell	PMM	-24	18.58
Buy	XUU	122	26.77
Buy	XIU	172	20.74
Sell	XSB	-140	27.23
Sell	PSA	-68	50.05

I have prepared this commentary to give you my thoughts on various financial aspects and considerations. This commentary reflects my opinion alone, and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgement and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial. ° National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada. The National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX). ° National Bank Financial may act as financial advisor, fiscal agent or underwriter for certain companies mentioned herein and may receive remuneration for its services. National Bank Financial and/or its officers, directors, representatives or associates may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time on the open market or otherwise. The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. Unit values and returns will fluctuate and past performance is not necessarily indicative of future performance.



**NATIONAL BANK  
FINANCIAL**  
WEALTH MANAGEMENT