

# Balanced Equity Private Portfolio

June 30<sup>th</sup>, 2020

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## 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) in order 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 mth	1 Yr.	3 Yr.	5Yr	Since Inception*
Portfolio TW	(0.08) %	2.76 %	5.33 %	4.44 %	6.58 %
Portfolio MW	(0.04) %	2.82 %	5.36 %	4.44 %	6.71 %
Benchmark	1.66 %	5.40 %	5.88 %	5.55 %	6.83 %

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

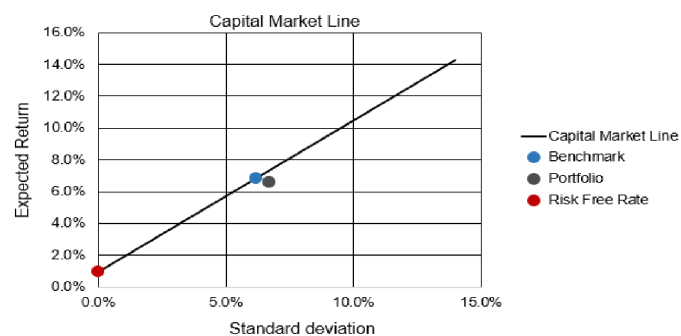
Value of Basket (As at June 30 <sup>th</sup> , 2020)		\$265,621.24	
Metrics since inception		Portfolio	Benchmark
Best Month		5.99%	6.68%
Worst Month		-7.38%	-7.17%
Sharpe Ratio		0.84	
Upside Capture		99.12 %	
Downside Capture		102.62 %	

## Risk-Return Comparison (since inception)

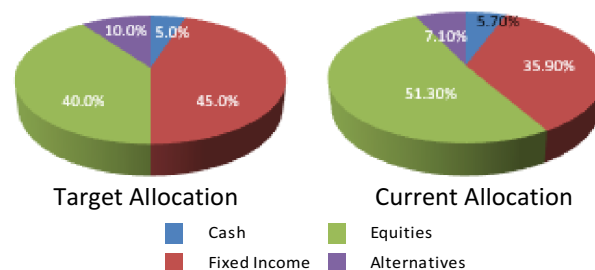
**Fees:** Returns presented are net of fees at the lowest rate of 0.75%.

**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.



## Top 10 Holdings

Description	Market Value	MV (%)
HORIZONS ACTV C/B-E ETF	\$ 27,459.00	10.357
BMO AGGREGATE BD INDX ETF	\$ 26,112.08	9.849
VANGUARD GL EX-US AGG ETF	\$ 18,288.60	6.898
INVESCO SNR LN IDX ETF C\$	\$ 15,078.00	5.687
ISHS MSCI EAFE(C\$HDG) ETF	\$ 13,212.60	4.984
PURPOSE GOLD BULLION ETF	\$ 11,120.00	4.194
FRANKLIN LIB GLB AGG ETF	\$ 9,137.20	3.447
BROADCOM INC	\$ 8,596.20	3.242
PURPOSE HIGH INT SVGS ETF	\$ 8,000.00	3.018
TAIWAN SEMICON MAN SP/ADR	\$ 7,731.16	2.916

## Transactions (April 1<sup>st</sup> – June 30<sup>th</sup>, 2020)

ACTION	DESCRIPTION	QUANTITY	PRICE

(see appendix A)

## Commentary Regarding Transactions

We took advantage of excellent individual company share prices to lock in good dividend income and capital gains potential.

## Portfolio Manager's Comments

### The economy

- Global economies were severely impacted by government-imposed lockdowns that shuttered businesses and curtailed consumer activity.
- As countries ease lockdown measures, the most prominent risk is that the virus regains traction and forces economies into a second closure.
- Massive global fiscal and monetary stimulus programs were announced, aimed at providing relief to households and businesses and ensuring the proper functioning of financial markets. In the U.S., the total stimulus so far amounts to more than 35% of GDP.
- We have slashed our growth forecasts and they are now mostly below-consensus. Our base case outlook for the U.S. is for a 7.1% decline in 2020 GDP, though we recognize a variety of scenarios are possible.

### Fixed Income

- Global central banks supplied substantial monetary support by slashing short-term interest rates and expanding balance sheets by trillions of dollars.
- The U.S. 10-year Treasury yield fell to an all-time low of 31 basis points as investors sought safe havens and central banks ramped up bond buying.

- The current low level of sovereign-bond yields is set to deliver unimpressive returns over our 1-year forecast horizon and possibly beyond.
- Corporate bonds offer higher yields and widening credit spreads caused by the crisis have boosted their return potential. We think exposure to credit, if properly managed, could enhance portfolio yields and total returns.

### Asset mix

- This crisis seems likely to reinforce trends already in place that will have major impacts on savers and investors. Among these is the massive reduction in the real rate of interest which now looks to stick near zero for a very long time into the future, likely bringing down nominal returns on all risk assets even if risk premiums do not change. Sovereign fixed income markets could be locked into low single digit coupons and returns for many years, reducing their utility as a risk modifier in multi asset portfolios and the income they provide.
- Investors will be challenged to find substitutes for the role played by fixed income through the past 40 years, although credit and private markets hold promise as a result of some combination of higher yields than sovereign fixed income, lower volatility than stocks and, frequently, correlations not perfectly tied to equity market indices. Modest additions to risk assets, including stocks, may make sense, especially for those with time horizons beyond a single business cycle.
- Reflecting this and recognizing the long holding periods of many of our clients, we are shifting the strategic asset mix for our reference portfolio for global, balanced investors from 55% equities, 43% fixed income, 2% cash to 60% equities, 38% bonds, 2% cash. Based on the new strategic neutral setting and our tactical view that stocks will outperform bonds and cash, our current tactical asset mix is 61% equities, 38% bonds, 1% 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.

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

Appendix A

Type	Symbol	Quantity	Price
Buy	T	234	\$ 22.24
Buy	TJX	56	\$ 45.97
Sell	RY	-44	\$ 82.33
Buy	PGR	32	\$ 81.31
Buy	POW	220	\$ 20.30
Buy	PYPL	22	\$ 115.78
Buy	OTEX	100	\$ 51.91
Buy	NA	100	\$ 51.96
Buy	MG	104	\$ 48.92
Sell	XIU	-900	\$ 21.84
Sell	XUH	-900	\$ 24.29
Buy	HUM	8	\$ 367.11
Buy	HCA	22	\$ 105.01
Buy	FB	14	\$ 184.68
Sell	CSU	-6	\$ 1,356.71
Buy	CNR	52	\$ 108.95
Buy	CCL.B	128	\$ 41.11
Sell	ZAG	-404	\$ 16.36
Buy	XFF	610	\$ 20.35
Sell	XFI	-306	\$ 19.48
Buy	XEC	188	\$ 22.60
Sell	KILO.B	-408	\$ 28.02
Buy	KILO	400	\$ 25.86
Buy	XFH	122	\$ 19.28
Buy	VGH	144	\$ 37.09
Sell	VGG	-102	\$ 52.19
Sell	XEF	-118	\$ 26.49
Buy	XUH	1080	\$ 23.56
Sell	XUU	-900	\$ 28.24
Sell	ZAG	-550	\$ 15.81

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