Balanced Equity Private Portfolio

June 30th,2021

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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 like 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	1 Yr.	3 Yr.	5Yr.	Since Inception*
Portfolio TW	5.74 %	18.74 %	8.70 %	7.86 %	8.01 %
Portfolio MW	5.73 %	18.84 %	8.56 %	7.76 %	8.02 %
Benchmark	5.07 %	13.87 %	7.88 %	7.44 %	7.48 %

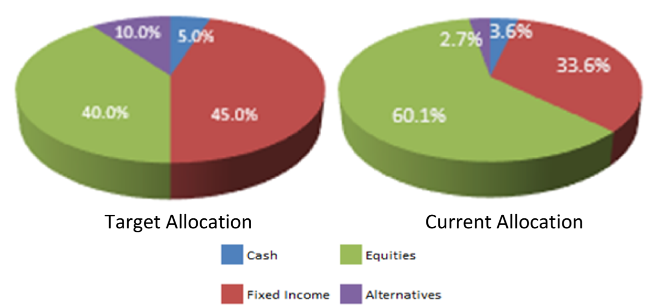
Represents a return since inception (June 3rd, 2013)

Value of Basket Date: June 30th, 2021	$ 306,690.66

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).*

Basket Sector Breakdown

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



Top 10 Holdings

Description	MV	MV (%)
HORIZONS ACTV C/B-E ETF	$ 27,070.20	8.838
BMO AGGREGATE BD INDX ETF	$ 24,709.88	8.067
VANGUARD GL EX-US AGG ETF	$ 18,090.60	5.906
ISHS MSCI EAFE(C$HDG) ETF	$ 16,494.40	5.385
ISHRS CORE MSCI EM MK IMI	$ 14,532.54	4.745
INVESCO SNR LN IDX ETF C$	$ 14,229.24	4.646
MAGNA INTL INC	$ 11,936.08	3.897
BROADCOM INC	$ 11,833.64	3.863
ISHARES CDN RL RET BD ETF	$ 11,170.80	3.647
TAIWAN SEMICON MAN SP/ADR	$ 11,033.36	3.602

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

Transactions (April 1st – June 30th, 2021)

Type	Qty	Description	Price
Buy	144	VANGUARD US DV AP C/H ETF	$ 50.26
Buy	74	TAIWAN SEMICON MAN SP/ADR	$ 120.40
Buy	22	PAYPAL HOLDINGS INC	$ 254.25
Buy	104	MAGNA INTL INC	$ 112.68
Buy	14	FACEBOOK INC CL-A	$ 310.37
Buy	4	CONSTELLATION SOFTWARE	$ 1,801.05
Buy	128	CCL INDS INC-CL-B NV	$ 70.30
Buy	20	BROADCOM INC	$ 478.70
Sell	-144	VANGUARD US DV AP C/H ETF	$ 50.26
Sell	-74	TAIWAN SEMICON MAN SP/ADR	$ 120.40
Sell	-22	PAYPAL HOLDINGS INC	$ 254.25
Sell	-104	MAGNA INTL INC	$ 112.68
Sell	-14	FACEBOOK INC CL-A	$ 310.37
Sell	-4	CONSTELLATION SOFTWARE	$ 1,801.05
Sell	-128	CCL INDS INC-CL-B NV	$ 70.30
Sell	-20	BROADCOM INC	$ 478.70

Commentary Regarding Transactions

With strong rumours that the capital gains tax inclusion rate was to increase from 50% to 75%, we crystalized the larger gains in the portfolio prior to the Federal Budget.

Portfolio Manager's Comments

The economy

- The economic recovery since March 2020 has largely been driven by massive monetary and fiscal stimulus programs, which provided support payments for businesses and individuals and spurred activity through the early phase of the pandemic. But with vaccinations underway and economies mostly reopened in some regions, the next phase of the pandemic will likely feature a bit less policy support. The winding down of government cheques to individuals could curb consumer spending and result in a deceleration in economic growth. One potential offset to fading stimulus could be that households are in solid financial shape, since limited opportunities to spend during lockdowns led to significant savings which could eventually be released into the economy. New government infrastructure spending programs could be another source of support.
- While the virus situation is continually improving and the hospitalization and fatality rates are falling, Covid-19 remains a key risk to our outlook. Vaccines are being rolled out, but at a slowing pace and the Delta variant is spreading rapidly. Overall, the economic recovery remains in good shape, though the pace of improvement may be peaking. We continue to look for well-above average growth in 2021 and 2022, but we are no longer above the consensus mainly because economists' estimates have risen significantly.

Fixed Income

- A strong economic recovery and upward pressure on inflation, even if deemed transitory, have the Fed starting to discuss policy normalization. The Fed's latest economic projections from the June 16 release showed a slight nudge higher in the dot plots, with as many as two hikes indicated for 2023 and some members even calling for a hike in 2022. This is a notable shift because last quarter the median of the dots suggested no hikes even for 2023. Moreover, quantitative easing likely comes to an end before the start of any rate hikes. These adjustments in the Fed's projections are relatively small and don't represent a major change in the outlook, but investors may perceive this change, at the margin, as the Fed being more hawkish and a bit less market friendly.
- Long-term bond yields encountered a bit of volatility following the Fed's statement and have settled toward the lower end of their recent trading range. At 1.50%, the U.S. 10-year yield is 25 basis points below its March high of 1.75% and is now situated slightly below the bottom of our modelled equilibrium band. At these yield levels, our models suggest heightened valuation risk in the sovereign bond market and, in our view, yields are more likely to resolve higher than lower over our one-year forecast horizon.

Asset mix

- The global economy continues to experience a healthy recovery from last year's recession and, while the positive momentum in growth may be peaking, the expansion could last for several more years. The virus remains a key risk, as well as the potentially negative impact of scaling back stimulus programs. An eventual tightening of monetary policy could lead to rising yields, which would generate low or potentially negative returns on sovereign bonds. Moreover, the U.S. 10-year yield is toward the bottom of our expected range and is likely to rise over our one-year forecast horizon. As a result, we remain underweight fixed income.
- Stocks, on the other hand, continue to offer decent upside potential against a backdrop of strong economic growth, which should translate to strong revenue gains and significant corporate profit growth as long as profit margins can be sustained. While U.S. equities may appear expensive according to our models, other regions offer superior return potential. Furthermore, the current environment of historically low interest rates, moderate inflation and limited alternative opportunities for investors is supportive of above-average valuations.
- For these reasons we are maintaining a moderate overweight position in stocks. Our current recommended asset mix for a global balanced investor is 64.0% equities (strategic: "neutral": 60%), 35.0% bonds (strategic "neutral": 38%) and 1.0% 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.