Balanced Equity Private Portfolio

December 31st, 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 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	12.30 %	12.21 %	7.67 %	6.61 %	7.76 %
Portfolio MW	12.35 %	12.21 %	7.55 %	6.50 %	7.79 %
Benchmark	7.85 %	9.07 %	6.97 %	6.89 %	7.31 %

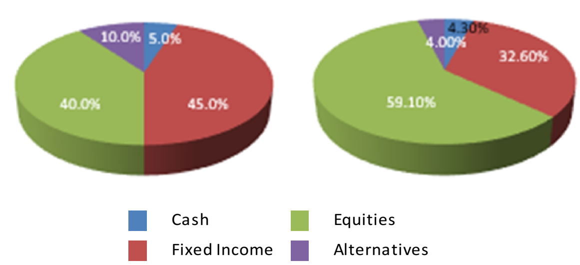
Represents a return since inception (June 3rd, 2013)

Value of Basket Date: December 31st, 2020	$ 293,032.06

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.*

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	$27,969.30	9.596
BMO AGGREGATE BD INDX ETF	$26,003.02	8.921
VANGUARD GL EX-US AGG ETF	$18,552.60	6.365
INVESCO SNR LN IDX ETF C$	$14,733.60	5.055
ISHS MSCI EAFE(C$HDG) ETF	$14,524.10	4.983
ISHRS CORE MSCI EM MK IMI	$13,819.76	4.741
PURPOSE GOLD BULLION ETF	$11,608.00	3.982
BROADCOM INC	$11,172.44	3.833
TAIWAN SEMICON MAN SP/ADR	$10,294.62	3.532
FRANKLIN LIB GLB AGG ETF	$9,472.16	3.25

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Transactions (October 1st, 2020 – December 31st, 2020)

Type	Qty.	Description	Price
Buy	304	CI MUNRO ALT GL GW ETF C$	$25.62
Buy	136	FT CBOE VES US EQ ETF-NOV	$31.93
Buy	148	ISHRS CORE MSCI EM MK IMI	$29.73
Sell	180	ISHR CORE S&P US TOTC$HD	$31.35
Sell	414	PURPOSE MULTI-STR MKT ETF	$18.72
Sell	26	TAIWAN SEMICON MAN SP/ADR	$125.70

Commentary Regarding Transactions

- We sold the complete Purpose Multi Strategy position and replace it with CI Munroe Alt GLB Gwth, because of poor performance of the Purpose position.
- We reduced some of the direct US equity exposure with an option strategy that reduces downside risk while allowing maximum upside to 16.5%.
- We trimmed Taiwan Semiconductor to bring it's weighting in line with other holdings. Taiwan is one of the best preforming stocks in the portfolio but too high of a weighting in any one company can increase risks.

Portfolio Manager's Comments

The economy

- The pandemic remains the key challenge for economies as we approach the New Year, with case counts and fatalities reaching near record levels. But the transmission rate is starting to slow and, while countries including the U.S. and Canada are battling a second wave, many European countries appear to be emerging from theirs. Tighter restrictions to combat the virus may lead to some economic slippage at the end of 2020, but there are reasons to be optimistic.
- The economic recovery has been exceeding expectations, vaccine developments are promising, and markets have responded positively to the outcome of the U.S. presidential election. Although the economy may encounter hurdles in the very near term, our growth forecasts for 2021 have featured more upgrades than downgrades and are now situated modestly above the consensus.

Fixed Income

- Central bankers have expressed a commitment to keeping short-term interest rates extremely low to stimulate economies and financial markets even as the recovery gains traction. Longer-term bond yields have a bit more room to rise, but the scope for increases is limited by secular pressures such as aging demographics, slowing population growth and an increased desire for saving versus spending. All these factors have contributed to declines in real interest rates (i.e. the after-inflation interest rate) and these trends are unlikely to change anytime soon.
- We have evolved our modelling to incorporate these elements into our real-interest-rate projections. As a result, we now look for a more gradual and ultimately smaller rise in real rates of interest. Our new modelling suggests that sovereign bond yields everywhere will drift just slightly higher over the next year, acting as a modest headwind to total returns for bondholders.

Asset mix

- With the economy entering a period of normalization supported by low interest rates and ample fiscal stimulus, stocks continue to offer superior return potential versus fixed income. Our forecasts look for mid-single to potentially low-double digit returns from stocks over the year ahead versus low single-digit or potentially negative returns from sovereign bonds. Moreover, extremely low bond yields mean that fixed-income markets may not provide as much protection against stock declines as they have in recent decades. In our opinion, traditional views on optimal asset mix should be reconsidered to reflect the impact of structural change in the global economy on returns, correlations and risk mitigation within the universe of investment options. For many, one option may be to invest over longer time horizons and add more equities to portfolios.
- Supporting our positive view on stocks is long-term price momentum, which suggests equities could be in a long lasting bull market. We continue to position our portfolios with an overweight in stocks and underweight in fixed income. This quarter, we were further encouraged by the style rotation into value from growth, the increasing breadth in small- and mid-cap stocks, international equity outperformance, the steepening yield curve and the weakening U.S. dollar, all of which are frequently in evidence in the early stages of bull markets. As a result, we added 2.5 percentage points to our equity allocation during the quarter, sourced from fixed income. For a balanced, global investor, we currently recommend an asset mix of 64.5 percent equities (strategic neutral position: 60 percent) and 34.5 percent fixed income (strategic neutral position: 38 percent), with the balance 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.