Balanced ETF Private Portfolio

December 31st, 2021

Portfolio Manager: Joseph O'Donnell

69 King Street, 2nd Floor
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) 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)

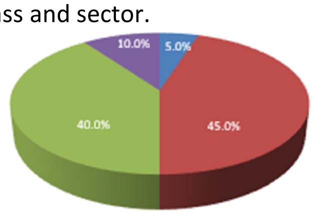
Portfolio Performance					
	6 Mths	1YR	3YR	5YR	Since Inception*
Portfolio TW	3.52 %	9.03 %	8.13 %	5.11 %	5.29 %
Portfolio MW	3.52 %	9.03 %	8.22 %	5.10 %	5.32 %
Benchmark	4.67 %	10.25 %	11.03 %	7.56 %	7.60 %

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

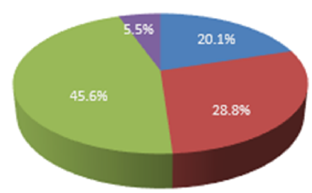
Value of Basket Date: Dec.31st , 2021	$ 35,908.28

***Fees:** Returns presented are net of fees at the lowest rate of 1.75%. **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		MV	MV (%)
PURPOSE HIGH INT SVGS ETF	$	5,300.54	14.835
VANGUARD S&P 500 IDX ETF	$	3,846.24	10.764
ISHRS CORE S&P/TSX CAPPED	$	3,845.22	10.762
BMO AGGREGATE BD INDX ETF	$	3,059.38	8.562
VANGUARD GLB AGG BD C$HDG	$	2,958.00	8.279
HORIZONS ACTV C/B-E ETF	$	2,031.36	5.685
PIMCO MONTHLY INCM FD T/U	$	1,979.00	5.539
ISHRS CORE MSCI EM MK IMI	$	1,921.26	5.377
CI WISD CDA QLT ETF-N/HDG	$	1,892.70	5.297
AGFIQ US EQUITY ETF	$	1,836.40	5.14

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Transactions (October 1st – December 31st, 2021)

(See attachment 1)

Commentary Regarding Transactions

Numerous adjustments were made to the portfolio this quarter to reduce risk and to add gold and infrastructure.

Portfolio Manager's Comments

The economy

- A new coronavirus variant, problematically high inflation, supply-chain challenges, and China's property-market slowdown are among the main headwinds facing the global economy. Moreover, policymakers are acknowledging that the recovery is well advanced, allowing for a gradual dialing back of monetary accommodation and less generous fiscal support. As the recovery progresses and economies reach their potential, it is natural for growth to become less buoyant. The recovery is still in good shape, and we expect growth to persist into 2022, albeit at a slower pace relative to 2021.

- Among all of the headwinds, there are two key factors that could continue to support the expansion. The first is that consumers are flush with savings, and they have low financial obligations, putting them in a solid position to boost their spending. The second is that businesses have also expressed their desire to rebuild inventories and boost capital expenditures. Weighing the positives and the negatives, we look for 3.5% growth for most developed nations in 2022. This projected growth rate is nearly twice the pre-pandemic norm and consistent with an extension of the economic recovery. However, our below-consensus GDP projection means that the expansion will slow, perhaps to a degree that ends up disappointing investors.

Fixed Income

- Sovereign-bond yields began the year on a rapid upward trajectory amid the economic reopening, COVID vaccinations and firming inflation, but declined toward the end of the period as slowing growth and mounting concerns about the Omicron variant boosted the appetite for safe havens. Our models continue to suggest that yields are too low and that the key to higher yields lies in the eventual normalization of real interest rates to levels at or above the zero bound. Real rates are currently deeply negative and sovereign-bond investors are accepting an after-inflation loss in purchasing power over time. We don't think this situation is sustainable and, as a result, we expect a gradual increase in yields paced by a gradual upward adjustment in real interest rates

Asset mix

- Our base case scenario is for the economy to continue growing at a rapid yet slowing rate as the recovery matures and much of the economic damage from the pandemic has been repaired. As the economy moves into its middling stage, central banks are starting to dial back monetary accommodation and, although conditions fully justify the need for tightening, we recognize that financial markets will be receiving less support.

- Prospective returns for fixed income are especially unappealing in this environment and any meaningful increase in yields would lead to low or negative returns in sovereign bonds. Stocks continue to offer better return potential relative to fixed income. However, we recognize that the cycle is advancing, valuations are elevated, and the market is vulnerable to correction should risks mount. We reduced our equity allocation by 50 basis points during the summer in recognition of the maturing of the recovery. Since then, narrowing market breadth, slowing growth, a lack of leadership outside of U.S. large-cap equities and the threat of the new Omicron variant have motivated us to reduce our equity weight by another 50 basis points this quarter, placing the proceeds into cash.

- Our current recommended asset mix for a global balanced investor is 63.5% equities (strategic: "neutral": 60%), 33.5% bonds (strategic "neutral": 38%) and 3.0% 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.

Attachment 1:

Type	Qty	Description	Price
Sell	-24	FT CBOE VES US EQ ETF-NOV	$ 35.711
Sell	-54	AGFIQ GLB ESG FACTORS ETF	$ 37.192
Buy	120	VANGUARD GLB AGG BD C$HDG	$ 25.249
Buy	54	ISHS MSCI MULFAC EAFE ETF	$ 24.660
Buy	20	ISHRS CORE MSCI EAFE IMI	$ 34.940
Sell	-62	FRANKLIN LIB GLB AGG ETF	$ 20.780
Buy	16	CI WISD CDA QLT ETF-N/HDG	$ 35.240
Buy	22	BMO GLB INFRAS INDX ETF	$ 41.810
Buy	40	AGFIQ US EQUITY ETF	$ 45.507
Buy	36	VANGUARD S&P 500 IDX ETF	$ 106.109
Sell	-76	VANGUARD GL EX-US AGG ETF	$ 27.243
Buy	106	PURPOSE HIGH INT SVGS ETF	$ 50.025
Buy	100	PIMCO MONTHLY INCM FD T/U	$ 19.809
Sell	-52	ISHARES CDN RL RET BD ETF	$ 26.347
Buy	34	ISHRS CORE S&P/TSX CAPPED	$ 34.490
Sell	-160	ISHARES S&P/TSX60 IDX ETF	$ 32.950
Sell	-48	ISHS MSCI MUL US C$HD ETF	$ 37.252
Buy	36	PURPOSE GLD N/CUR HDG ETF	$ 27.253
Sell	-24	ISHARES CORE MSCI C$ HDG	$ 28.129
Sell	-84	ISHR CORE S&P US TOTC$HD	$ 41.079
Sell	-90	HORIZONS ACTV C/B-E ETF	$ 10.805
Buy	4	HORIZONS CASH MAXI ETF	$ 101.360
Buy	44	DESJ ALT LONG/SHRT EQ ETF	$ 21.640
Sell	-16	CI MUNRO ALT GL GW ETF C$	$ 29.511
Sell	-50	BMO MSCI USA HI QLTY ETF	$ 61.530
Buy	10	BMO AGGREGATE BD INDX ETF	$ 15.400