Balanced Equity Private Portfolio

September 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	4.01 %	12.80 %	8.70 %	7.38 %	7.81 %
Portfolio MW	4.01 %	12.84 %	8.62 %	7.29 %	7.84 %
Benchmark	5.03 %	11.21 %	7.96 %	6.85 %	7.32 %

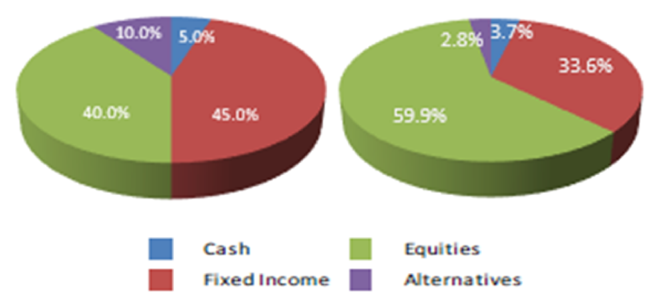
Represents a return since inception (June 3rd, 2013)

Value of Basket Date: Sept. 30th, 2021	$ 307,900.22

***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	$	26,705.70	8.685
BMO AGGREGATE BD INDX ETF	$	24,398.28	7.935
VANGUARD GL EX-US AGG ETF	$	18,044.40	5.868
AGFIQ GLB ESG FACTORS ETF	$	16,304.80	5.302
INVESCO SNR LN IDX ETF C$	$	14,514.16	4.72
ISHRS CORE MSCI EM MK IMI	$	13,688.10	4.451
BROADCOM INC	$	12,369.02	4.022
ISHARES CDN RL RET BD ETF	$	11,140.84	3.623
GOEASY LTD	$	10,913.94	3.549
TAIWAN SEMICON MAN SP/ADR	$	10,536.98	3.427

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Transactions (June 30th – Sept. 30th, 2021)

Type	Qty	Description	Price
Sell	-610	ISHS MSCI EAFE(C$HDG) ETF	$ 27.30
Buy	458	AGFIQ GLB ESG FACTORS ETF	$ 35.62

Portfolio Manager's Comments

The economy

- Momentum in the recovery appears to have peaked and tougher days for the economy likely lie ahead as challenges mount and the stimulus that has been in place since the early days of the pandemic starts to fade. Growth is slowing even as the expansion moves ahead and the contours of a post-COVID economy come into view. The virus continues to challenge economies, most predominantly in developing nations where vaccines have been less available and more difficult to administer. The unpredictability of virus waves has disrupted global supply chains and hampered the flow of goods, causing worldwide shortages and/or price increases that could extend beyond the short term.
- Other risks include China's property market. The focus is currently on Evergrande, one of the country's largest real-estate companies, which is heavily indebted and unlikely to meet its financial obligations without government intervention. Our GDP forecasts remain quite good historically speaking, but we look for growth in 2022 to be below the rate of 2021 and our forecasts are slightly below the consensus.
- Most major stock-market indices encountered turbulence in September as mounting risks and rising yields tempered investors' enthusiasm. The S&P 500 Index fell as much as 5% from its record high earlier in the month and underperformed other global equity markets, weighed down by mega-cap growth and technology stocks which tend to be more sensitive to changes in discount rates. Optimism waned, as indicated by the American Association of Individual Investors survey showing an extreme lack of bulls. That said, stocks remain relatively fully valued, with the S&P 500 trading at more than one standard deviation above our modelled estimate of fair value.
- A resumption in the stock market's ascent will likely require continued strong growth in corporate profits. The recovery in earnings from the pandemic lows has been extremely powerful, with profits having already exceeded their pre-pandemic level and on track to be 20% above that prior peak by the end of this year. While the strength of the recovery is truly impressive, investors may be shifting their focus to what will happen beyond the initial recovery and what would be required to extend profit increases beyond these levels. We still expect the economy to grow at a fairly rapid pace next year, which should translate to a strong corporate-profit growth and provide support for equity markets. However, continued earnings gains are becoming increasingly critical as valuations are rather demanding.

Fixed Income

- Global bond yields have begun moving higher again after a period of consolidation through the spring/summer and our models suggest they could continue to rise. The U.S. 10-year yield climbed back above 1.50% in September after falling as low as 1.17% last month, but it remains below its March 2021 peak of 1.74%. Although the increase in yields has reduced valuation risk, our models continue to suggest that the appropriate level for yields is higher.
- The reason is that real, or after-inflation, interest rates are still extremely negative, and we don't think such a situation can persist. As the economy moves to a more normal environment and quantitative easing ultimately ends, we see a gradual rise in real interest rates back to zero or slightly above. If this scenario plays out and inflation hovers around 2.0%, the U.S. 10-year yield would be at or above 2.0%, an adjustment that we think will occur gradually over time. We remain comfortable with our forecast of 1.75% for the U.S. 10-year yield.

Asset mix

- In our base case scenario, the economy continues to grow at an above average, yet slowing, rate and central banks move forward with intentions to gradually dial back monetary accommodation. In this environment, we expect yields to continue to rise which will act as a headwind to bond returns.
- As a result, we remain underweight fixed income in our asset mix. Stocks continue to offer superior return potential and we think the economy will grow at a sufficient pace to maintain strong corporate-profit growth. We recognize, however, that elevated valuations and strong investor confidence are critical to sustaining the bull market and that there are a number of threats that could cause heightened periods of market volatility.
- With this in mind, we remain overweight stocks, but are holding a cash reserve as protection against volatility and to take advantage of opportunities should they present themselves. Our current recommended asset mix for a global balanced investor is 64.0% equities (strategic: "neutral": 60%), 33.5% bonds (strategic "neutral": 38%) and 2.5% 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.