Balanced ETF Private Portfolio

September 30th, 2022

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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)

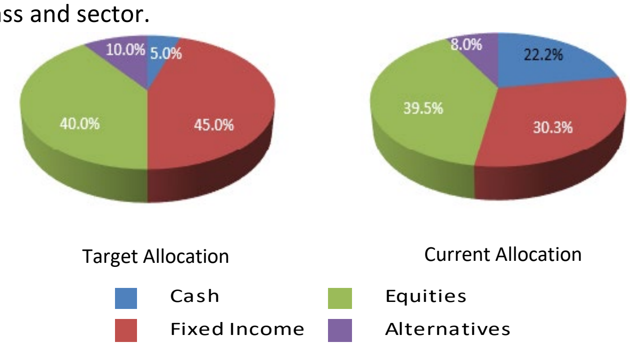
Portfolio Performance					
	6 Mths	1YR	3YR	5YR	Since Inception*
Portfolio TW	-8.28 %	-6.76 %	1.64 %	2.20 %	3.62 %
Benchmark	- 9.31 %	-9.64 %	1.97 %	3.82 %	5.34 %

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

Value of Basket Date: September 30th, 2022	$ 32,138.00

***Fees:** Returns presented are net of fees at the lowest rate of 0.32%. **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	MV	MV (%)
ISHRS CORE S&P/TSX CAPPED	$ 4,452.08	13.869
VANGUARD S&P 500 IDX ETF	$ 3,165.12	9.860
PURPOSE HIGH INT SVGS ETF	$ 3,001.80	9.351
BMO AGGREGATE BD INDX ETF	$ 2,839.20	8.845
VANGUARD GLB AGG BD C$HDG	$ 2,723.50	8.484
HORIZONS CASH MAXI ETF	$ 2,473.20	7.705
CI WISD CDA QLT ETF-N/HDG	$ 2,252.88	7.018
PIMCO MONTHLY INCM FD T/U	$ 1,948.80	6.071
BALANCE (CAD)	$ 1,942.88	6.053
HORIZONS ACTV C/B-E ETF	$ 1,908.00	5.944

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Transactions (June 30th - Sept. 30th, 2022)

None

Commentary Regarding Transactions

No changes were required this quarter

Portfolio Manager's Comments

The economy

• Interest rates likely have further to rise, and they may need to stay elevated for longer than previously expected to curb unacceptably high inflation. This is the message being voiced by central banks around the world and is being followed up by super-sized rate hikes in quick succession. Four decades of central-bank credibility is at stake and policymakers want to tame inflation at all costs even if that means they are negatively impacting the economy and financial markets.

• The global economy is already slowing, and higher borrowing costs will act as an additional headwind. Other challenges include the war in Ukraine, the energy crisis in Europe and China's irregular pandemic-related shutdowns. That said, there are a variety of reasons to believe that inflation may have already peaked given that all four of the major tailwinds to inflation – monetary stimulus, fiscal stimulus, commodity prices and supply chain challenges – have turned. While peak inflation is a positive development, central bankers' patience will ultimately be tested by the speed at which upward pressure on consumer prices fades. In this environment, we expect the economy to continue to decelerate and that the odds of recession remain elevated. If the economy does shrink, though, we expect that the contraction would be of middling size and duration. Our growth forecasts remain below the consensus and our inflation forecasts are more in line with the market view in that we expect a meaningful decline in 2023 versus 2022.

Fixed Income

• The notion that higher overnight lending rates could stick around for a while yet caused bond yields in most regions to rise to new cycle highs. The U.S. 10-year yield jumped beyond 3.75%, well above its prior peak of 3.50% in June. In the U.K., the announcement of tax cuts and government-support sparked fears that inflation could be fanned even more. The British pound plunged, and 10-year Gilt yields surged toward 4%, far above their prior peak of 2.75% in June and surpassing U.S. 10-year Treasury yields for the first time since 2014.

• Bucking the trend has been Canadian bonds, which outperformed in the latest fixed-income sell-off as falling oil prices, fears of recession and outright declines in Canadian consumer prices last month kept a lid on Canadian government bond yields. At this point, our bond models suggest that valuation risk has been greatly reduced because of the recent surge in yields and that any further rise in yields from here would likely only be sustained if unacceptably high inflation persists.

Asset mix

• The economy is slowing and there are a variety of risks to the outlook. We believe that the risk of recession is elevated and the range of potential outcomes for markets is especially large in the near term. Over the long term, however, valuation risk has diminished across both fixed income and equity markets, and the long-term return potential has improved because of the significant re-pricing in both asset classes. Given the current higher level of yields, we think bonds could provide more of a cushion to stocks in a balanced portfolio in the event of a recession. For this reason, we will be narrowing our underweight in bonds this quarter as yields have moved higher.

• We are maintaining a slight overweight allocation to stocks given our view that stocks will likely outperform bonds over the longer term, and we recognize that there are a variety of positive scenarios for stocks should inflation calm rapidly, and economies avoid recession. That said, our equity overweight is much lower than it has been in recent years, reflecting our cautious view in the near term. Balancing the risks and opportunities, as well as the near-term versus longer-term view, we remain close to neutral in our positioning.

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.