

Portfolio Manager Commentary

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CIPF
Canadian Investor Protection Fund
MEMBER



Happy New Year and welcome to the Winter edition of our Basket update. 2022 was a difficult year for investors, but despite almost all global markets posting losses and a near constant stream of negative headlines, **we were able to achieve a positive return on the basket of 3.44% on the year versus our benchmark declining 4.72%.**

From the beginning, the long-term goal of our Basket has been to try to provide investors with returns of 8-10% within a range of +/- 20% in any given year. We are happy to report that **since inception we have met that goal with a compound annual rate of 9.96%.**

We are currently witnessing some short-term weakness in markets, brought on by drastic increases in interest rates as central bankers try to get a handle on inflation. With some early signs of slowing inflation, there is speculation as to whether the Fed and Bank of Canada will continue to hike, take a pause, or even possibly begin to cut later in 2023.

Other headline factors including the war in Ukraine, supply shortages and the resurgence of COVID in China have contributed to North American stock market declines ranging from 8-30% in 2022. Considering all these factors, we are thrilled that the basket earned a positive return, up 3.44% on the year, truly a year of massive outperformance and capital protection relative to our benchmark.

On the positive side of things, we remain hopeful that most of the heavy lifting regarding increases in interest rates has likely been done. Also, our analysts remain hopeful that stock markets will have seen the worst of the damage and that the coming quarters will provide some light at the end of the tunnel. "We have seen this movie before" and our patience has been well rewarded in the past.

We again thank you for your continued confidence and we are happy to discuss your questions or concerns at any time. We will be reaching out in the coming weeks regarding topping up TFSAs and RRSPs, so please feel free to call us at your convenience if you wish to make any contributions.

Thank you.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Investment Objectives

To provide a diversified portfolio, predominantly of Canadian securities, that produces capital appreciation and moderate income. The portfolio performance will be proportionately measured against the TSX and US indices.

Fund Details

| | |
|-----------------------------|-----------------------|
| Inception Date: | Sept. 25, 2002 |
| Inception Value: | \$12,980 Cdn |
| 31 Dec 22 Value: | \$59,126 Cdn |
| Total Distributions: | \$15,775 Cdn |
| (Since Inception) | |

Total Returns (gross of fees) 31 Dec 22

| | <u>Basket</u> | <u>Benchmark</u> |
|-------------------------|---------------|------------------|
| 3 mths: | 10.68% | 8.37% |
| 1 year: | 3.44% | -4.72% |
| 3 years: | 10.17% | 7.37% |
| 5 years: | 9.10% | 7.20% |
| Since Inception: | 9.96% | 8.00% |

Present Holdings - As at Dec 31, 2022

| <u>Company</u> | <u>Sector</u> | <u>Weighting</u> | <u>ESG Score*</u> |
|----------------------------|------------------|------------------|-------------------|
| iShares Healthcare (US) | Healthcare | 9.12% | N/A |
| Canadian Pacific Railway | Industrials | 8.56% | A |
| National Bank of Canada | Financials | 7.74% | B+ |
| Teck Resources | Materials | 7.46% | A |
| Invesco QQQ (US) | Technology | 7.34% | N/A |
| Trisura Group Ltd. | Financials | 6.76% | C- |
| Cenovus Energy | Energy | 6.33% | B- |
| Visa (US) | Technology | 5.73% | B |
| Tourmaline | Energy | 5.56% | B- |
| Boeing (US) | Industrials | 5.25% | A- |
| Canadian Natural Resources | Energy | 5.10% | B |
| Bank of Nova Scotia | Financials | 4.50% | A- |
| Costco | Consumer Staples | 4.19% | B+ |
| CIBC | Financials | 3.90% | A- |
| BCE Inc. | Telecom | 3.63% | B+ |
| Kinaxis | Technology | 3.61% | A- |
| Walt Disney Company (US) | Telecom | 2.79% | B+ |
| Innergex Renewable Energy | Utilities | 2.36% | B+ |
| Total | | 100.00% | |

Portfolio Allocation

by Sector As at Dec 31, 2022

| | |
|------------------|----------------|
| Financials | 23.0% |
| Energy | 17.0% |
| Technology | 16.7% |
| Industrials | 13.8% |
| Healthcare | 9.1% |
| Materials | 7.5% |
| Telecom | 6.4% |
| Consumer Staples | 4.2% |
| Utilities | 2.4% |
| Total | 100.00% |

Year Over Year Returns

| <u>Period</u> | <u>Return on Investment</u> |
|---------------|-----------------------------|
| 2002* | 6.04% |
| 2003 | 22.18% |
| 2004 | 7.91% |
| 2005 | 15.53% |
| 2006 | 21.97% |
| 2007 | 6.57% |
| 2008 | -22.26% |
| 2009 | 18.04% |
| 2010 | 12.31% |
| 2011 | 4.69% |
| 2012 | 9.52% |
| 2013 | 18.59% |
| 2014 | 16.82% |
| 2015 | -2.41% |
| 2016 | 15.76% |
| 2017 | 14.02% |
| 2018 | -6.74% |
| 2019 | 23.95% |
| 2020 | 9.36% |
| 2021 | 18.21% |
| 2022 | 3.44% |

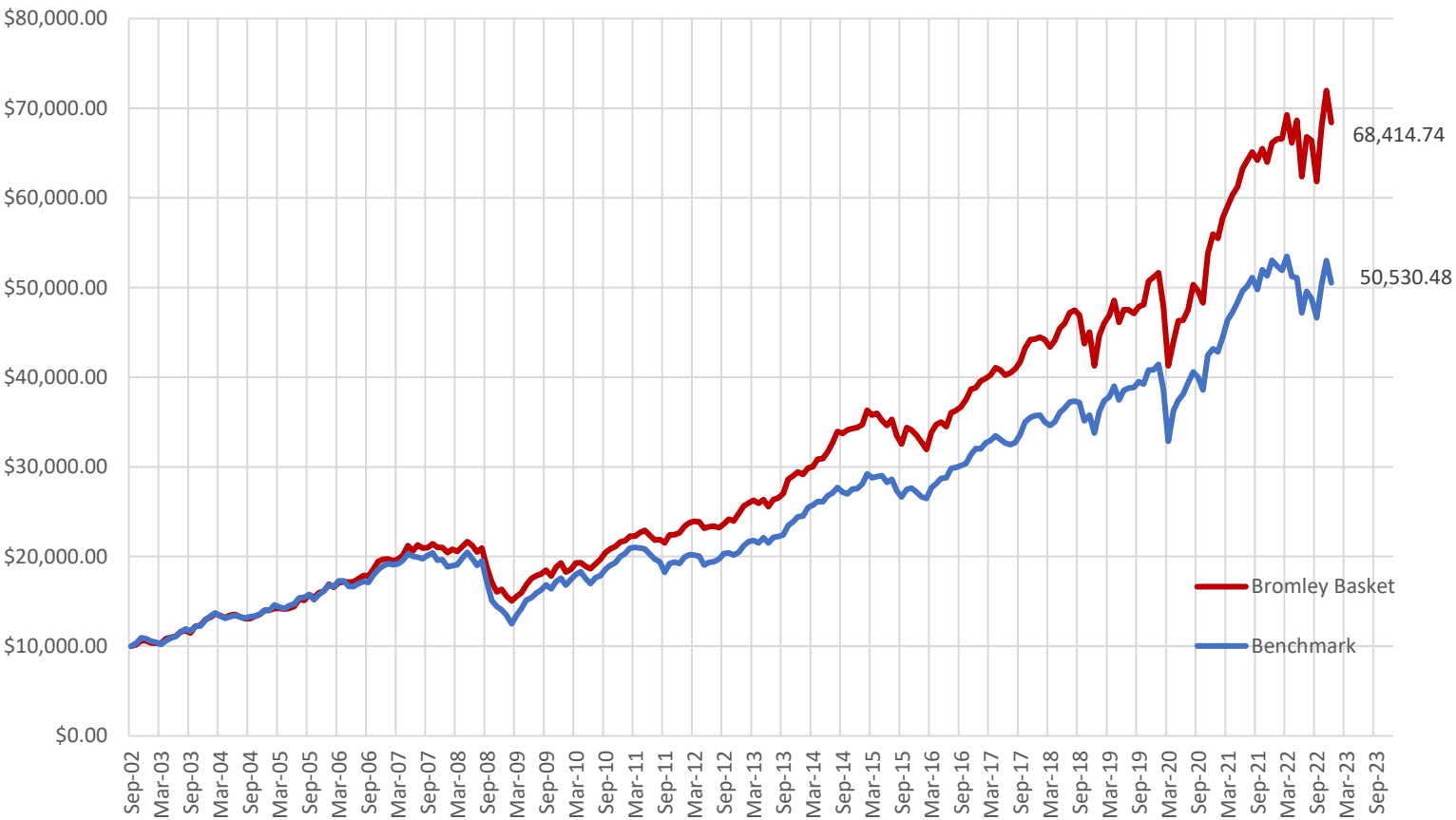
*ESG Scores are collected from Refinitiv via Thomson One

*From 25 Sep 02 to 31 Dec 02

Transaction Summary for the Quarter: Bought 4 shares of Costco (COST-US) & 42 shares of CIBC (CM-T); Sold 18 shares of Canadian Natural Resources (CNQ-T), 16 shares of Canadian Tire (CTC'A-T) & 20 shares of Tourmaline Oil (TOU-T)

Bromley Basket Growth from \$10,000 Performance Comparison

Growth of \$10,000 in Bromley Basket vs Index



Benchmark calculated as: {0.7 x (S&P/TSX Total Returns)} + {0.3 x (DJII x US\$)}

Note: Effective September 30, 2006, we changed one of the components of the Benchmark to more closely represent the holdings in our Basket.

i.e. In the past, we were using the TSX300 Index to tabulate the Benchmark, but are now using the S&P/TSX Total Returns to calculate the Benchmark returns. For comparison purposes to our Benchmark, the returns are calculated gross of fees

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