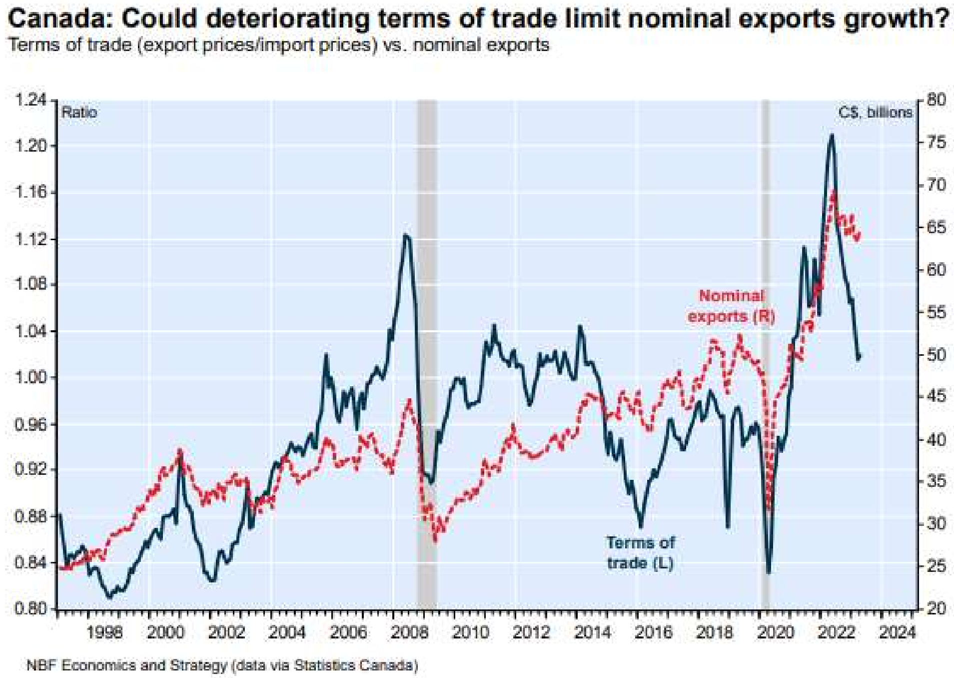
What have you done for me lately – updated.

Canada: Could April mark a turning point for Canada's trade balance?

Trade balances and short-term interest rates affect foreign exchange rates. A positive trade balance (more goods exported than imported) is often seen as positive for a country's currency. There are other factors that play into FOREX. NBF Economics examines trade.



https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=66611b37-240f-4c62-a4d4-626456be5ef7&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

I should point out that despite the above strong and rising exports (red line) the Loonie has been lackluster vs the US dollar - our major trading partner.

Cost to buy $1 US in Canadian Funds $1.336 last May/1986-June/2023

Higher on the chart means it takes more Loonies to buy $1 dollar. Up is weak, down is strong.

Canada has a small population and large capacity to export commodities. Canada exports more raw materials than finished goods, and imports more finished goods than commodities. A weak Loonie means we receive more Loonies per $USD for the commodities we sell but pay more Loonies for each $USD of goods we buy. If we receive less in Loonies than we pay out in US dollars, inflation may result. An inconvenient truth is Canada's largest export product was hydrocarbons, being three times autos, the next largest.

Factors driving currency FOREX rates are complex, ranging from short-term interest rates to secular trends. Canada's economy is roughly 1/10th of the US. A 1% shift in interest by US business, towards or away from Canada, <u>will</u> have a significant impact on our currency, economy, jobs and lifestyles. Demand for products sold by a small economy like Canada can be swamped by demand (or lack thereof) for development investments coming into the country – or leaving. Chasing away billions in investment by the 'Fat Cats at Big Business' may play well with a left-leaning voter base in the short term. It is not a good economic plan. One can't simply blame politicians for FOREX rates (although it's fun!). Correlation is not causation. With these caveats in mind…

Looking at the above FOREX chart, who was at the helm?

https://en.wikipedia.org/wiki/List_of_prime_ministers_of_Canada

From 1984-1993, Brian Mulroney lead the Conservatives. Under his tenure the Loonie strengthened 20%. From 1993 to 2003 Jean Chretien led the Liberals. The Loonie sagged 40% (left 1/3rd on the chart). Paul Martin led a Liberal Govt from 2003 to 2006, cracking down on spending.

Loonie rebounded 30%. Stephen Harper led the Conservatives from 2006 to 2015. The Loonie gained an additional 20%, trading at a rare premium to USD during his tenure.

In 2015, as it became clear Harper's political days were numbered, the Loonie began to fall. The Trudeau Liberal government was elected in Oct/2015. By Feb/2016, the Loonie had sagged 40% to $1.40 per USD ($0.72 cents US). Under the Trudeau-II Liberals, the Loonie has struggled to regain $1.25/80 cents USD. The 5-year average rate under their tenure has been $1.31/76 cents USD (dotted red line). Correlation may not be causation, but clearly something is going on. The current leadership appears unconcerned with repeat deficit financing. Politicians who play fast and loose with the nation's finances create inflation, higher costs, lower benefits, slower economic growth, and reduced lifestyles…eventually.

A Canadian Federal election will be held on or before October 2025. History says a party that survives three elections, the last 2 being minorities, rarely wins a fourth term. Someone new is likely to be in power in 2026. **If** the pendulum swings toward fiscal prudence, the Loonie could rebound significantly. A sharply higher Loonie could drag on US dollar and international investment returns, explaining our contrarian tilt towards Canada and the Loonie. This isn't a popular investment stance today.

NOTE: I am not, repeat not, predicting a Federal Conservative government's fiscal prudence. Politicians of all stripes know their voters like 'free stuff'. Convincing voters to give an austerity mandate is hard and rarely ends well for the party in power. Witness Paul Martin, doing the right thing then losing to Stephen Harper.

'Canada: May marks first deterioration in job market in nine months' NBF Economic News June 9, 2023

We've maintained that we're in a mild recession. We're starting to see job number confirmation. Remember this information is history. Trade the mystery not the history.

https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=bac4a9e3-337c-47a2-ab5c-ae65b4914266&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

'Is This a New Bull Market?' – Ben Carlson June 6, 2023

Mr. Carlson's short answer is 'I don't know'. He provides a chart plotting S&P500 Bear Market's since WW2. We assign printing a copy and hanging it on the wall near your favored financial news sources. It will be on the test!

https://awealthofcommonsense.com/2023/06/is-this-a-new-bull-market/

Whadda' ya' done for me lately?

Mr. Carlson's notes on last year's volatility reminds us to provide our returns during the 2022 27% market drop. The following was presented at our May 23, 2023 seminar. This slide compares our portfolio returns to the recent broad indices highs into the Oct/2022 bottom (various periods) as of Oct 21, 2022. The Year-to-Date entry is Jan 1-Oct 21, 2022. Markets peaked in Jan/2022 and bottomed in October. Our blended equity portfolio broke even over that period. Our portfolio peak was in April/2022. Our Peak to trough was -7.4%. 'Downside capture' was roughly 1/3rd.

Jan/2022: Selected US & Canadian

Description	Oct 21/2022	% From High	Year to Date
S&P500	3752.75	-22.1%	-21.3%
US Div Achievers	3281.06	-18.1%	-17.6%
FAANG+TM Index	4663.85	-42.15%	-37.2%
TSX Composite	18860.95	-19.5%	-11.1%
TSX Banks	3816.9	-21.6%	-13.6%
DJ Cda Select Div Index	276.0	-20.1%	-14.7%
Hilberry Cdn Div Growth	n/a	-9.6%	-1.3%
Hilberry US Div Growth $CDN	n/a	-5.5%	+0.10%
Hilberry Div Growth Blended	n/a	-7.4%	-0.5%

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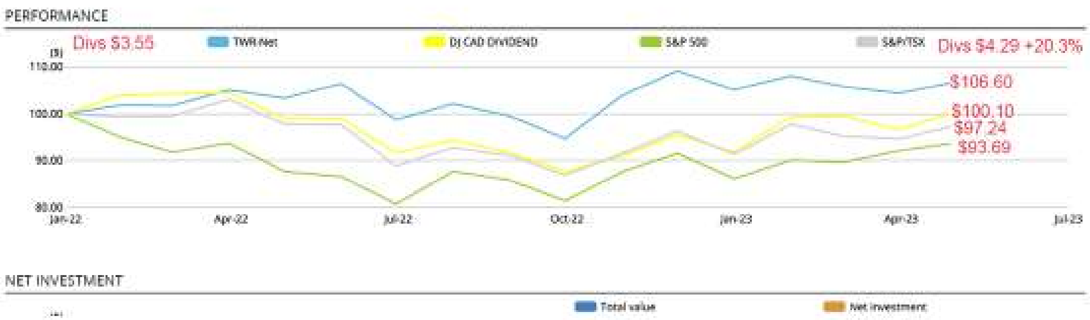
What about recently? How have our cumulative returns compared during the rebound? The next chart compares $100 invested Jan/2022 to April/2023. While it's nice to see our portfolio showing higher than bench-mark total returns, we're more excited about the 20% jump in dividend income over the period. Bear markets can set up investors for future wealth.

Bear Market Survival: Jan/2022 to Apr/2022 +6.6% total

PORTFOLIO PERFORMANCE (CAD)



Per $100:

- S&P500 $C: $93.69
- TSX $97.24
- DJ Cdn Div Index $100.10
- Portfolio $106.60. Divs now 4.29% +20.3%

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What about over the long term?

Apr/2023: Hilberry Portfolio Cumulative per-$100

- 12 mos: $103.12 = 3.12% avg
- 2 years: $116.83 = 8.08% avg
- 3 years: $151.09 = 14.74% avg
- 5 years: $154.10 = 9.03% avg
- Inception July 11, 2013: $286.94 = 11.34% avg ann return

- For each $100 invested July 11, 2013
  - 2013 Projected 12 mos div: $3.21
  - 2023 Projected 12 mos div: $11.58
  - Annual Dividend Income growth rate: 13.98%

- DISCLOSURE: Portfolio returns are live, time-weighted, net of costs as of April 30, 2023. Additional information available upon request. Past returns do not predict future results. Share values are not guaranteed. Investing in equities may result in losses. Dividends are not guaranteed and may be altered or eliminated without notice. Such decisions are beyond our control.

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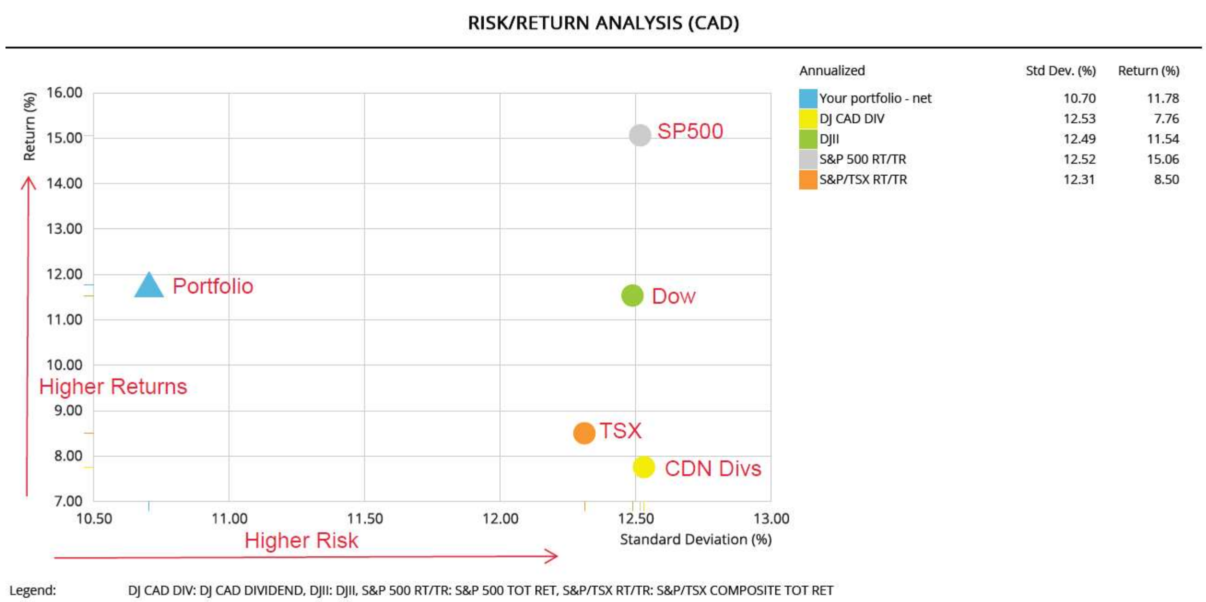
We've been advising investors since 1989. Our fully discretionary services inception date was July 11, 2013. As of April 30, 2023 (last month close prior to seminar dates), our discretionary service since-inception annual average net compound time-weighted rate of return was 11.78%.

At the April 2023 close, for each $100 invested at inception, the total dollar value was now $286.94. It's nice to see market values go up, but spending market values can be challenging. When do you SELL? If we can generate an adequate cash dividend income for our clients, they don't have to rely on rising market values to pay for their retirement income. One of our goals is to grow cash dividend income for our clients. For how dividends are taxed see last week's note on taxes. Our portfolio compound growth rate in dividend income has been 13.98%, exceeded our annual average total returns. For each $100 invested 10 years ago, our portfolio now generates $11.58 cash income. A 2013 investment of $100,000 is now generating close to $1,000 per month.

How Risky have our portfolios been?

Portfolio managers risk-adjusted performance compares portfolio volatility (how much the values fluctuate over a given period) to that of a benchmark. A scatter chart plots volatility on the bottom axis and returns on the side axis. Higher risk will be farther to the right, while higher returns will be closer to the top. A perfect risk-adjusted return would result in dot landing in the upper left-hand corner. This never happens. Returns that exceed volatility are deemed superior. The next chart plots Hilberry Dividend Growth (blue triangle) risk-reward versus benchmarks. Our benchmarks are the **Canadian Select Dividend Index** (yellow dot) and the **Dow Industrials $CDN index** (green dot). Index returns are synthetic, exclude real-world trading costs, spreads and fees. Hilberry portfolio returns are net.



Our returns have been at or above benchmarks with lower risk.

DISCLAIMERS: The above is for information purposes only and is not to be construed as a solicitation to purchase securities. Consult your advisor prior to making investment decisions. Dividends are not guaranteed, may be altered or eliminated by corporate Boards of Directors at any time without prior notice. Such decisions are beyond our control. Loss of invested capital is possible. Individual investor experience may vary. Past performance does not indicate future returns. The returns provided are from reliable sources but are not guaranteed as to accuracy. I hold the above portfolios personally, for family members and for clients accounts over which I have trading authority. We have transacted in our portfolios within the past 60 days.

Have a Great Weekend

Steve & Anna Hilberry

Steve Hilberry
Wealth Management Advisor, CIM

Anna Hilberry
Wealth Management Advisor, CIM

<u>FOR THE RECORD June 9; 2023</u>

DOW INDUSTRIALS:	33,815
S&P 500:	4,292
CDN DIV INDEX:	290.93
S&P/TSX COMP:	19,858
WTI:	$71.91
LOONIE IN $USD:	$0.7491 $US

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Sent by

Montreal office
National Bank Financial
Wealth Management
1155 Metcalfe 5th Floor
Montreal, Quebec H3B 4S9
Phone: 514 879-2222

Toronto office
National Bank Financial
Wealth Management
130 King Street West Suite 3200
Toronto, Ontario M5X 1J9
Phone: 416 869-3707

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WEALTH MANAGEMENT

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