NATIONAL BANK INVESTMENTS

ASSET ALLOCATION STRATEGY | January 2021

A Record Year: Our Top 10 Charts of 2020

Highlights

- While few will miss 2020, all will long remember this past year that began amidst bombings between the U.S. and Iran, featured the worst pandemic in over 100 years, increased social tensions, and included a Presidential election which looked like a referendum on America's core values.
- Aside from all the drama, the fact remains that from an investor's point of view, there is little to complain about. Believe it or not, 2020 was nothing more than an "average" year. The annual performance of a traditional 60% stock/40% bond portfolio is within one percentage point of its yearly average over the last 30 years.
- Naturally, beyond this observation lies an abundance of extreme movements for financial markets and the economy. Under the circumstances, we thought we'd look back at 2020 with a Top 10 of the most important and striking charts from this turbulent period. These are divided into two categories: 5 record highs and 5 record lows (in no specific order).
- For historical highs, we list: (1) the volatility of the S&P 500, which earned its place in the history books; (2) the rebound of the U.S. stock market, reminiscent of the rally 11 years earlier; (3) the total domination of growth stocks and the Technology sector, to the great benefit of the U.S. market; (4) real disposable income of households which posted its largest increase ever; and (5) retail sales that smashed through expectations.
- For historical lows, we list: (1) the unprecedented drop in employment, which still has a long way to go before recovering all the lost ground; (2) 10-year Treasury yields, for which we may just have seen the last act of a secular downward-trend cycle that has spanned the last 4 decades; (3) the net interest expense of the U.S. Federal government, down despite the magnitude of deficits; (4) the number of corporate bankruptcies, which is remarkably stable under the circumstances; and (5) oil prices, which have been momentarily negative, an unusual fact that illustrates just how out-of-the-ordinary the past year has been.
- Happy reading and best wishes for the New Year!

Table 1 Global Asset Allocation Views

	− ⟵ =	⟶ +	Δ
Asset Classes			
Cash			
Fixed Income	■■■		
Equities		■■	
Alternatives		■	
Fixed Income			
Government	■■		
Investment Grade		■■	
High Yield			
Duration	■		
Equities			
Canada	■		
United States			
EAFE			
Emerging Markets		■	
Value vs. Growth			
Small vs. Large Cap.			
Cyclicals vs. Defensives	■		
Alternatives & FX			
Inflation Protection		■	
Gold		■	
Non-Traditional FI			
Uncorrelated Strategies			
Canadian Dollar			

This table is for illustration purposes only. Bars represent the degree of preference of an asset realtive to the maximum deviations allowed from a reference index. The further to the right (left) they are, the more bullish (bearish) our outlook for the asset is. For equity factors/styles, a bar to the right indicates a preference for the factor to the right (e.g. Growth) and vice versa. No bars indicate a neutral view. The column under the delta sign (Δ) displays when our outlook has improved (↑) or worsened (↓) from the previous month. Consult Table 3 for details on the base-case economic scenario underpinning these views and Table 4 to see how they translate into a model balanced portfolio.

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Market Review

Fixed Income

- Credit spreads inched lower once again in December, closing out the year near – and, in some cases, below – their pre-pandemic January levels.
- Meanwhile, safer government bonds failed to appreciate significantly last month as interest rates remained relatively unchanged by December's end.
- Nonetheless, long-term bonds stood as the category's Top Performer for 2020, thanks in great part to the sharp plunge in yields across the term-spectrum to record lows in the first half of the year following unprecedented monetary stimulus in reaction to the global pandemic.

Canadian Equities

- Canadian equity performance in December was relatively subdued, contrasting with their stellar November.
- The breadth of sector returns last month was accentuated by a reversal in Healthcare stock performances from the previous month, making it and the Energy sector the two worst performers of the year (-23.0% and -26.6%, respectively).
- At the other end of the spectrum, not only did the Information Technology sector finish the month at the head of the pack, it also had its strongest year since 1999, beating out most other sectors both during and after the pandemic-induced bear market.

U.S. Equities

- Beating out its cousin to the North, U.S. equities edged higher in December.
- The discovery of a new COVID virus strain caused some market jitters last month, as investors anticipated a renewal in strict lockdown measures across many developed countries. Nonetheless, every sector closed out the period posting gains, with Financials at the head of the pack for the period (up 6.3%).
- This year's top performing sector was the "lockdown-safe" Information Technology sector, attaining a second consecutive 40+% annual gain.

Commodities

- Energy prices advanced in December despite a renewal in lockdown measures across many developed countries, but still closed out 2020 down 21%.
- Of historic note, WTI temporarily traded at negative prices in April of this year, as demand for crude plummeted precipitously and in lockstep with the first wave of global lockdowns.
- December saw the price of gold pop up, reversing its November losses to close the year up 24.8%.

Foreign Exchange

- The USD closed out December and the calendar year down 2.1% and 6.7%, respectively, weighed down by falling rate differentials between the U.S. and most other developed nations in the first half of the year.
- Meanwhile, the Loonie appreciated throughout the year as it recovered from its March trough and closed out 2020 slightly stronger.

Table 2 Market Total Returns

Asset Classes	December	Q4	2020
Cash (3-month T-bills)	0.0%	0.0%	0.9%
Bonds (FTSE CA Ovr. Univ.)	0.4%	0.6%	8.7%
FTSE CA Short term	0.2%	0.5%	5.3%
FTSE CA Mid term	0.6%	0.6%	10.1%
FTSE CA Long term	0.4%	0.8%	11.9%
FTSE CA Government	0.2%	0.2%	8.7%
Federal	0.0%	-0.2%	7.3%
Provincial	0.4%	0.6%	9.9%
Municipal	0.5%	0.7%	10.1%
FTSE CA Corporate	0.7%	1.8%	8.7%
AA+	0.3%	0.8%	6.3%
BBB	1.0%	2.1%	9.4%
BoAML Inv. Grade ($US)	0.5%	3.0%	9.8%
BoAML High-Yield ($US)	1.9%	6.5%	6.2%
Preferred Shares	2.4%	7.3%	6.2%
Canadian Equities (S&P/TSX)	1.7%	9.0%	5.6%
Energy	0.7%	14.7%	-26.6%
Industrials	2.8%	7.1%	17.0%
Financials	1.9%	16.7%	1.6%
Materials	3.2%	-3.7%	21.2%
Utilities	0.8%	5.6%	15.3%
Cons. Disc	5.8%	21.0%	17.1%
Cons. Staples	-0.6%	-5.6%	4.3%
Healthcare	-10.3%	30.1%	-23.0%
IT	3.1%	7.6%	80.7%
Comm. Svc.	-0.6%	3.7%	-3.7%
REITs	-2.5%	9.7%	-8.7%
S&P/TSX Small Cap	5.8%	23.5%	12.9%
US Equities (S&P500 USD)	3.8%	12.1%	18.4%
Energy	4.4%	27.8%	-33.7%
Industrials	1.2%	15.7%	11.1%
Financials	6.3%	23.2%	-1.7%
Materials	2.5%	14.5%	20.7%
Utilities	0.7%	6.5%	0.5%
Cons. Disc	2.5%	8.0%	33.3%
Cons. Staples	1.8%	6.4%	10.7%
Healthcare	3.9%	8.0%	13.4%
IT	5.7%	11.8%	43.9%
Comm. Svc.	3.1%	13.8%	23.6%
REITs	1.5%	4.9%	-2.2%
Russell 2000 (USD)	8.5%	31.0%	18.4%
World Eq. (MSCI ACWI)	4.7%	14.8%	16.8%
MSCI EAFE (USD)	4.7%	16.1%	8.3%
MSCI EM (USD)	7.4%	19.8%	18.7%
Commodities (CRB index)	4.8%	13.0%	-9.3%
WTI Oil (US$/barrel)	6.5%	20.5%	-21.0%
Gold (US$/ounce)	7.0%	-0.1%	24.8%
Copper (US$/tonne)	2.4%	16.2%	26.0%
Forex (DXY - US Dollar index)	-2.1%	-4.2%	-6.7%
USD per EUR	2.3%	4.3%	9.0%
CAD per USD	-2.1%	-4.4%	-2.0%

CIO Office (data via Refinitiv) 2021-01-01

Looking Back on 2020…

While few will miss 2020, all will long remember this past year that began amidst bombings between the U.S. and Iran, featured the worst pandemic in over 100 years, increased social tensions, and included a presidential election which looked like a referendum on America's core values.

Aside from all the drama, the fact remains that from an investor's point of view, there is little to complain about. For fixed income, substantial drops in interest rates helped generate strong gains across the asset class – ranging from 6.2% for U.S. high-yield securities to 11.9% for Canadian long-dated bonds. Overall, equity markets also generated solid gains, although sector dispersion – 78% between the Technology (+43.9%) and Energy (-33.7%) sectors in the U.S. – is especially striking. Among major regions, the United States benefitted greatly from its high exposure to the growth factor, but it is emerging markets that came out on top, thanks to the spectacular performance of Asian countries, most of which have managed to quickly contain the pandemic (Chart 1).

1 2020 at a glance

Total return in 2020

Cross Assets	S&P/TSX Sectors	S&P500 Sectors	Fixed Income	Equity Regions (in C$)	U.S. Factors	CA Factors
US Small 20.0%	Techno 80.7%	Techno 43.9%	Long (Can) 11.9%	Asia (EM) 26.5%	Growth 43.1%	Growth 17.9%
EM 18.7%	Materials 21.2%	Disc. 33.3%	Muni. (Can) 10.1%	Emerg Mrkts 16.6%	Momentum 29.6%	Momentum 14.6%
S&P 500 18.4%	Disc. 17.1%	Comm. serv. 23.6%	Mid (Can) 10.1%	U.S. 16.3%	Quality 22.9%	Small 12.8%
Balanced* 9.8%	Industrials 17.0%	Materials 14.4%	Prov. (Can) 9.9%	World 14.8%	Large 21.4%	S&P/TSX 5.6%
Can Bonds 8.7%	Utilities 15.3%	Health Care 13.4%	IG (US) 9.8%	Japan 11.1%	MSCI USA 21.4%	Large 5.6%
EAFE 8.3%	Staples 4.3%	Industrials 11.1%	Corp (Can) 8.7%	EAFE 6.4%	Small 18.9%	Quality 0.7%
US HY 6.2%	Financials 1.6%	Staples 10.7%	Overall (Can) 8.7%	Canada 5.6%	Low Vol. 2.6%	Value -1.0%
Can Pref. 6.2%	Comm. serv. -3.7%	Utilities 0.5%	Fed. (Can) 7.3%	Europe 4.1%	High Div. 1.7%	Low Vol. -1.4%
S&P/TSX 5.6%	Real Estate -8.7%	Financials -1.7%	HY (US) 6.2%	EMEA (EM) -8.1%	Value 0.9%	High Div. -7.4%
C$ per USD -1.8%	Health Care -23.0%	Real Estate -2.2%	Prefs (Can) 6.2%	LatAm (EM) -15.0%		
Commo. -23.7%	Energy -26.6%	Energy -33.7%	Short (Can) 5.3%			

CIO Office (data via Refinitiv). *Balanced = 40% FTSE TMX Universe, 21% S&P/TSX, 21% S&P 500 (C$), 12% MSCI EAFE (C$), 6% MSCI EM (C$)

So, what does this all mean for a traditional balanced portfolio composed of 60% equities and 40% bonds? Believe it or not, 2020 was nothing more than an "average" year. The annual performance of such a portfolio (+9.8%) is within one percentage point of its yearly average over the last 30 years (+8.9%)[1] (Chart 2).

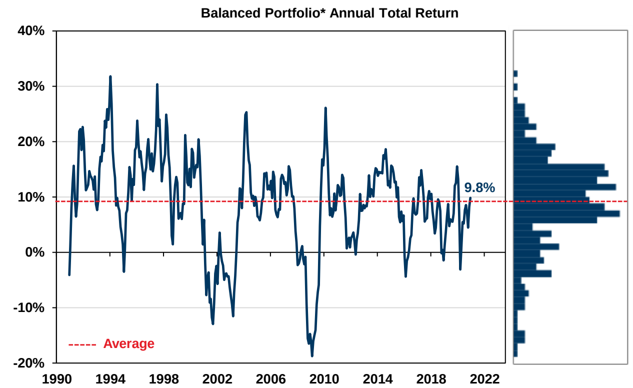
Naturally, lurking behind this observation lies an abundance of extreme movements for financial markets and the economy. This is vividly reflected in the Economic Surprise Index of the G10 countries which, after reaching an all-time low at the beginning of the year, has remained at heights never before seen (Chart 3).

Under these circumstances, we thought we would look back at 2020 through a Top 10 of the most important and striking charts of this turbulent period. These are split into two categories: 5 record highs and 5 record lows (in no specific order). For our detailed 2021 outlook, simply refer to our December 1 report – *Taking Exit 2020, En Route to 2021*. For a summary of our views, consult the updated version of our base-case scenario on page 7 (Table 4).

On behalf of the entire team, happy reading and best wishes for the New Year!

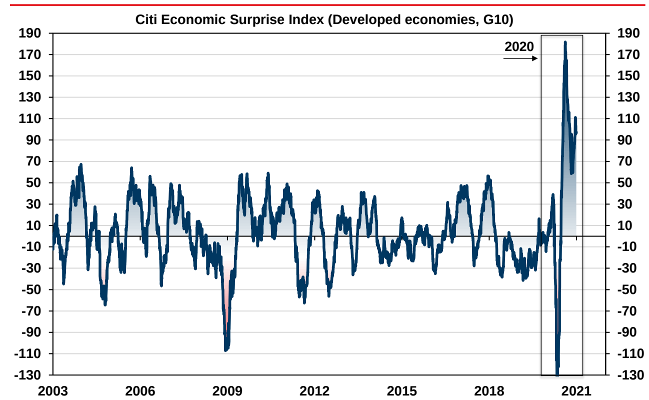
~ Louis Lajoie

2 An **average year (believe it or not)…**



CIO Office (data via Refinitiv). *Balanced = 40% FTSE TMX Universe, 21% S&P/TSX, 21% S&P 500 (C$), 12% MSCI EAFE (C$), 6% MSCI EM (C$). Note that this performance represents a theoretical portfolio composed of passive indices and is for illustrative purposes only.

3 **…** unlike any other



CIO Office (data via Refinitiv).

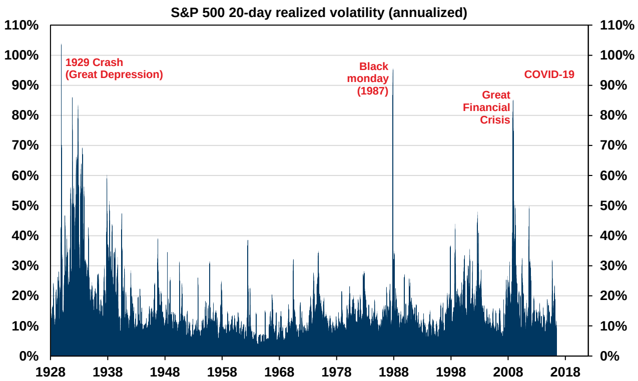
… a Year Full of Record **Highs…**

The word "historical" was certainly overused in 2020, but the reality is that many market figures justify its use. Such is the case for the first chart in our Top 10 showing S&P 500 volatility since 1928. While the stock market storm was brief, let's remember that it resulted in gusts of wind exceeding those of the 2009 financial crisis, comparable to "Black Monday" of 1987, and surpassed only by the great crash of 1929 (Chart 4, 1/10, next page). That truly was one for the history books.

Fortunately, the wind quickly changed direction late in the first quarter, with the S&P 500 reaching a new high on August 18, just 5 months after its March 23 trough. This was the second-

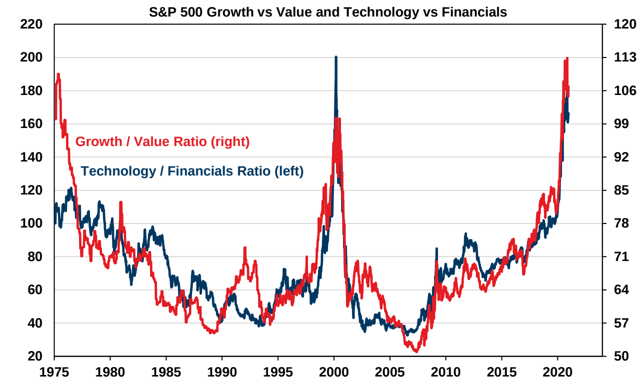
[1] Note that this performance represents a theoretical portfolio composed of passive indices and is for illustrative purposes only.

4 The COVID-19 stock market storm was historic



CIO Office (data via Refinitiv, Bloomberg).

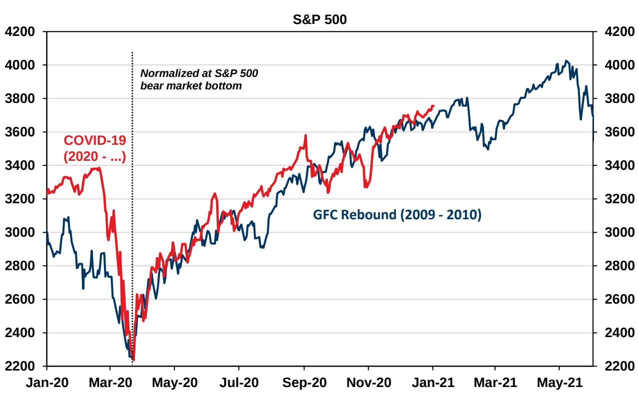
6 **... supported this time by high**-growth stocks...



CIO Office (data via Refinitiv).

fastest comeback in the history of U.S. bear markets – only the August-to-November 1980 rally was shorter. However, if we normalize the market from the trough (and not the pre-crisis peak), we see that the recent stock market trajectory is not as atypical as one might think. In fact, its amplitude is strikingly similar to what was observed the last time we were coming out of the crisis of 11 years earlier. This is indeed an analysis we first published in our July 1 report and it has proven to be an excellent indicator for the subsequent months, though the more time passes, the less it should serve as a reliable reference (Chart 5, 2/10).

5 A recovery with a certain sense of déjà vu...

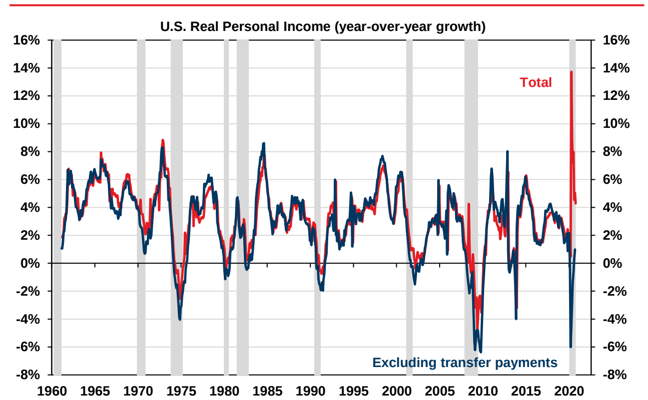


CIO Office (data via Refinitiv).

It must be emphasized that the sector breakdown of the U.S. market has played a major role in its favour in 2020, whereas other indices, such as the S&P/TSX in Canada, have not yet reached new heights. The backdrop of social distancing, sharp economic slowdown, and declining interest rates together provided a perfect storm for an outperformance of high-growth stocks (over-represented within Technology companies, the largest sector in the S&P 500) at the expense of value-style stocks (over-represented within Financial companies, the largest sector in the S&P/TSX). This total domination is reflected in the skyrocketing ratios between styles and sectors, definitely a highlight of the year (Chart 6, 3/10).

That said, it wasn't just the relative immunity of high-growth companies that saved the stock market during this pandemic year. Fundamentally, the key element that stopped the markets' free-fall at the end of March was the American Government's capacity to quickly put fiscal relief measures in place. Case in point: we should recall that it was March 24 (i.e. the day that marked the beginning of a new bull market) when we learned Congress had just concluded a $2 trillion agreement, ultimately signed under the name of the Cares Act on March 27. Concretely, these measures allowed U.S. Household Real Disposable Income to post its largest increase in more than 60 years of data, in the midst of a recession (you read that right, Chart 7, 4/10). We haven't established a specific order for our charts, but if we did, this definitely would be #1.

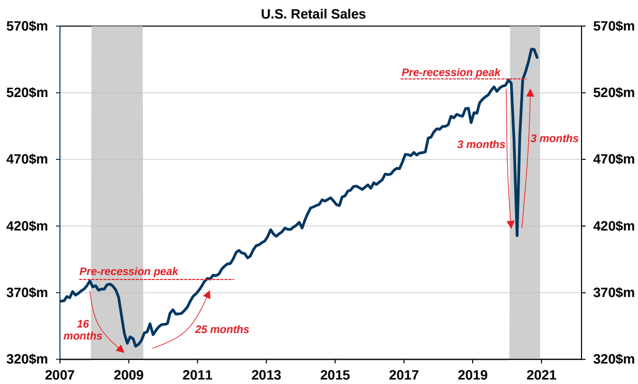
7 ... but above all, unprecedented fiscal stimulus



CIO Office (data via Refinitiv).

Why is this so important? Because this is the first time that governments have simultaneously orchestrated a recession (for health reasons) and put in place measures to mitigate its impact. This unprecedented setting probably explains why the debates between market pundits over the alphabetical shape of the recovery (V, U, W, L, ...) have diverged so much throughout the year. Although nothing can be taken for granted, several "Vs" are visible 9 months later. This is notably the case for retail sales, which took only 3 months to reach a new historical high compared to 25 months during the previous recession (Chart 8, 5/10).

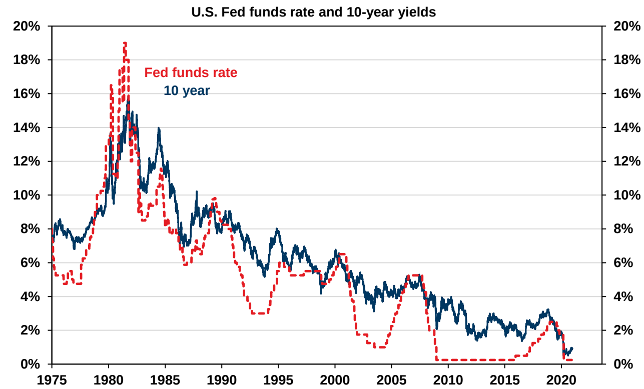
8 A V-shaped recovery for retail sales



CIO Office (data via Refinitiv).

downward-trend cycle that has spanned these last 4 decades (Chart 10, 7/10).

10 Record low in 10-**year Treasury yields…**

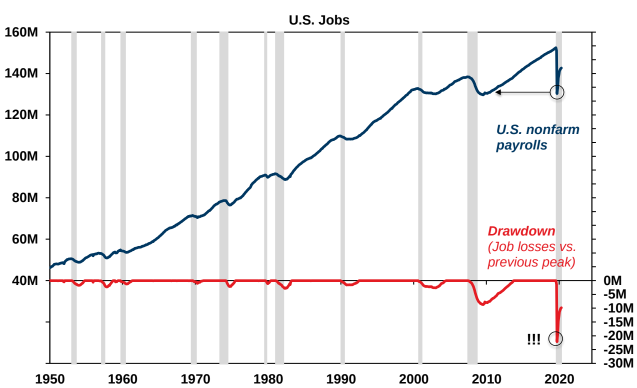


CIO Office (data via Refinitiv).

… and Record Lows

To be fair, not all data exhibit the same profile as retail sales, and it will probably take a few more years before aggregate economic activity recovers all the lost ground. This is maybe best illustrated by U.S. employment figures. In the space of just two months, nothing less than 10 years of job creation was lost - a drop that completely dwarfs any previous recession. Fortunately, the following months saw more than half of those losses recovered (from 22.2 million to 9.8 million). But, even after this rebound, the jobs drawdown remains the largest in modern history (it was 8.7 million at the bottom of the 2008/2009 financial crisis, Chart 9, 6/10).

9 Still a long way to go for employment to fully recover

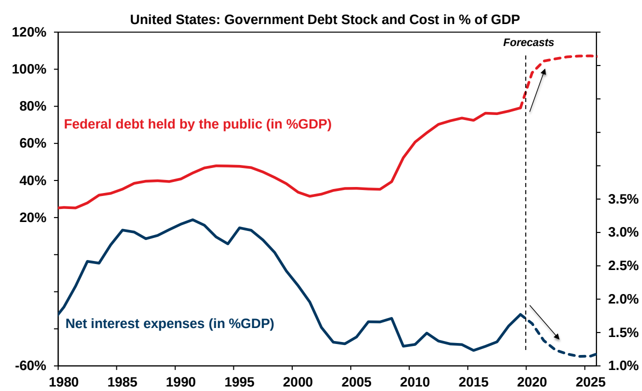


CIO Office (data via Refinitiv).

Against this backdrop, central banks quickly deployed the full extent of their monetary arsenal in order to (1) ensure the proper functioning of financial markets in the short term, and (2) provide favourable conditions for a sustained economic recovery in the long term. For the Federal Reserve, this meant bringing its policy rate near zero (as in 2008) but, more importantly, transmitting a clear willingness to keep rates unchanged for an extended period of time and a whopping ~$3 trillion in asset purchases. The result: an historic low for 10-year Treasury yields, possibly marking the last act in a secular

Consequences of low interest rates are numerous; this variable exerts a great influence on all asset classes, as we have discussed on numerous occasions throughout this past year. But, rather than simply reiterating them, we thought we would highlight the very concrete impact rates have on the public debt burden – a matter of concern for many investors. The conclusion? Despite a ~20% jump in the U.S. Federal Government's debt level as a percentage of GDP in 2020, the cost associated with the total public debt is expected to be lower than it was in 2019 (this also holds true in Canada) (Chart 11). In other words, the public debt issue may not be as heavy as one might think at first glance, as long as a rapid rise in inflation does not compel central banks to substantially raise interest rates which is the real risk here.

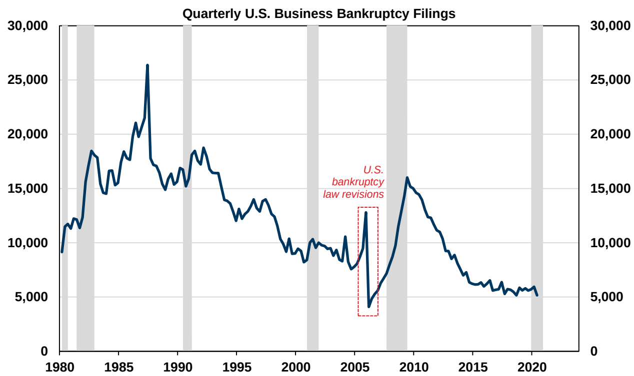
11 … i.e. **government's cost of borrowing**



CIO Office (data/forecasts via Congressional Budget Office, as of September 2020).

That said, the most surprising historical low in 2020 is arguably the number of business bankruptcies. If we exclude Q1 2006 (legislation changes at the end of 2005 prompted many companies to file for bankruptcy before the reform), the most recent bankruptcy figures are indeed at a record low but, above all, remarkably stable for recessionary times (Chart 12, 9/10, next page). We should recall that the primary objective of fiscal and monetary accommodations is to avoid inflicting permanent damage to the economy as we fight through the health crisis. While it is still too early to claim "mission accomplished," the absence of an increase in the number of bankruptcies in recent months is encouraging.

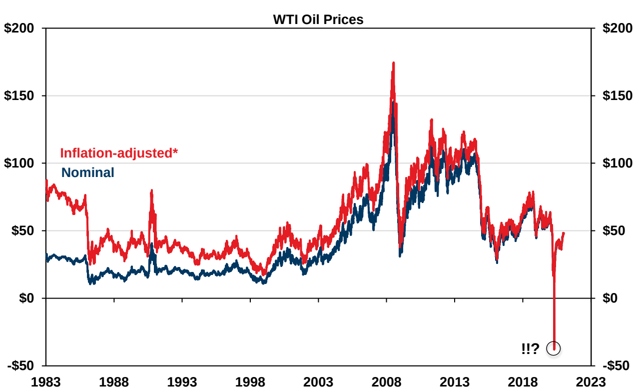
12 Commercial bankruptcies are remarkably stable



CIO Office (data via American Bankruptcy Institute).

In short, 2020 was a year like no other: a year where a once-in-100-year pandemic triggered a recession that was as brief as it was brutal, revealed the spectacular effectiveness of coordination between monetary and fiscal authorities in times of crisis, and generated a succession of historical highs and lows – many of them quite unusual. On this last point, let's remind ourselves that we even saw a record low of negative $37 for oil prices, an odd event that befittingly wraps up our Top 10 charts from this out-of-the-ordinary year (Chart 13, 10/10)!

13 Oil: A record low reflecting this out-of-the-ordinary year



CIO Office (data via Refinitiv). *Normalized in November 2020 dollars using U.S. CPI Inflation

Table 3 Base Case Scenario

Scenario (prob.*)	Key elements and investment implications
Base case (70%)	• The coronavirus vaccination campaign provides immunization for the vast majority of the most-at-risk population in developed countries by the end of Q1-2021 and takes us near herd immunity mid-year. COVID-19 gradually becomes a secondary issue as pressure on the health care network subsides.
	• The strong global cyclical recovery continues. After a more challenging start of the year due to containment measures, the pace of growth accelerates in Q2-2021, driven by a gradual and permanent reopening of the economy, a rise in consumer sentiment, and a recovery in the service sector.
	• Central banks ensure highly accommodative monetary conditions as inflationary pressures remain muted. Asset purchases are extended and even increased if need be.
	• The majority of developed countries policy makers maintain a significant level of fiscal support to businesses and consumers.
	→ **Bond yields remain stable while the U.S. dollar depreciates. Global equities continue to rise along their long-term trend. Leadership remains volatile but edge in favor of cyclical and emerging markets equities. Mega-cap stocks lag.**
Bullish (15%)	• A multiplication of high-efficacy vaccine alternatives speeds up the immunization process. Countries remove the bulk of their containment measures earlier than expected.
	• The reopening of economies following a definitive victory against COVID-19 reveals an unsuspected pent-up demand. Consumer sentiment surges; excess savings accumulated during the pandemic translate into consumer spending. Inflation rises, albeit not high enough to cause discomfort among central banks, which keep their rates unchanged.
	→ **Bond yields rise modestly while the U.S. dollar depreciates. Global equities surge above their long-term trend. Small caps, cyclical, emerging markets and EAFE equities significantly outperform.**
Bearish (15%)	• Vaccination campaigns are delayed. The slowdown in economic growth expected in Q1-2021 extends into Q2-2021 due to an increase in COVID-19 cases, the extension of containment measures, and a sharp drop in consumer sentiment.
	• The new Biden administration reveals a few surprises in its first 100 days. Uncertainty over U.S. fiscal policy, Big Tech regulations and/or sino-american relations force markets to recalibrate their expectations.
	→ **Bond yields fall and the U.S. dollar shoots higher. Equities venture in correction territory. Leadership shifts to government and high-grade bonds. Defensive stocks outperform.**

*CIO Office. Last update: January 4, 2021 (updated quarterly unless an event demands a revision). *Subjective probabilities based on current market conditions and subject to change without notice.*

Table 4 Global Asset Allocation - Model Portfolio Weights (in CAD)

	Benchmark		Model Portfolio				Comments
			Total		Asset Class		
	Total	Asset Class	Allocation	Active Weight	Allocation	Active Weight	
Asset Classes							
Cash	0%	-	0.0%	0.0%	-	-	Early in a new economic cycle, the outlook for equities compares favourably to bond markets, which are showing yields close to an all-time low. Alternatives allow for better control of the total risk of the portfolio and offers protection against a potential recovery in inflation. Overall, this positioning is slightly pro-risk.
Fixed Income	40%	-	32.0%	-8.0%	-	-	
Equities	60%	-	62.0%	2.0%	-	-	
Alternatives	0%	-	6.0%	6.0%	-	-	
Fixed Income							
Government	28%	73%	17.5%	-10.5%	55%	-18.3%	Highly accommodative monetary conditions and a gradual recovery in economic activity should lead corporate bonds to outperform government securities. For risk control purposes, we are sticking to investment grade credit. Treasury yields should remain close to current levels, with inflation expectations exerting only modest upward pressure on interest rates over the cyclical horizon.
Investment Grade	12%	27%	14.5%	2.5%	45%	18.3%	
High Yield	0%	0%	0.0%	0.0%	0%	0.0%	
Duration	*8.4 yrs*	-	*8.0 yrs*	-0.4 yrs	-	-	
Equities							
Canada	21%	35%	20.0%	-1.0%	32%	-2.7%	Geographical mix broadly in line with the recommendations of our GRT model. We expect emerging markets to be the major beneficiaries of the weakening U.S. dollar environment. To diversify against a potential style rotation and add cyclicality, we hold neutral positions in U.S. and EAFE equities, we favour the high-quality (MSCI Quality, 4% weight) dividend-paying (Div. Aristocrats, 4%) companies and the equal weight index (4%) in the U.S.
United States	21%	35%	21.7%	0.7%	35%	0.0%	
EAFE	12%	20%	12.4%	0.4%	20%	0.0%	
Emerging markets	6%	10%	7.9%	1.9%	13%	2.7%	
Alternatives							
Inflation Protection	0%	0%	2.0%	2.0%	33%	33.3%	The macroeconomic environment remains very favourable to gold, with real interest rates likely to trend lower and the U.S. dollar to depreciate. Accordingly, TIPS should outperform their nominal counterparts, in addition to providing more direct inflation protection and little volatility. This asset mix offers low correlation with traditional assets.
Gold	0%	0%	4.0%	4.0%	67%	66.7%	
Non-Traditional FI	0%	0%	0.0%	0.0%	0%	0.0%	
Uncorrelated Strategies	0%	0%	0.0%	0.0%	0%	0.0%	
Foreign Exchange							
Canadian Dollar	61%	-	54.0%	-7.0%	-	-	Our overall portfolio strategy places us overweight in U.S. dollars versus our benchmark, mainly through our gold position. Although our base case scenario is consistent with a slight appreciation of the Canadian dollar, we maintain this positioning solely for hedging purposes as gold in CAD offers more attractive historical properties from a portfolio construction standpoint.
U.S. Dollar	21%	-	25.7%	4.7%	-	-	
Euro	5%	-	4.7%	0.2%	-	-	
Japanese Yen	3%	-	3.2%	0.1%	-	-	
British Pound	2%	-	1.7%	0.1%	-	-	
Others	9%	-	10.7%	2.0%	-	-	

CIO Office. The fixed income benchmark is 100% FTSE Canada Universe. There are no alternative assets in the benchmark as their inclusion is conditional on improving the risk/return properties of traditional assets (60/40). The amplitude of the color bars under the "Active Weight" columns are proportional to the maximum deviations of the portfolio (+/- 10% for stocks and bonds, +10% in cash, +20% in alternative assets).

CIO Office
CIO-Office@nbc.ca

Martin Lefebvre
CIO and Strategist
martin.lefebvre@nbc.ca

Louis Lajoie
Investment Strategist
louis.lajoie@nbc.ca

Simon-Carl Dunberry
Chief Analyst
simon-carl.dunberry@nbc.ca

Nicolas Charlton
Analyst
nicolas.charlton@nbc.ca

General

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