Unified
Q4 2023 Review

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NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

Looking back on the 4th quarter of 2023

Investors experienced an eventful last quarter of the year, as markets started October sharply lower, then November brought in a spectacular rebound in both stocks and bonds, as investor sentiment quickly shifted from pessimism back to optimism. All in all, Q4 was positive for both stocks and bonds, with a notable underperformance by emerging markets against a backdrop of a weak Chinese economy.

Market enthusiasm was inspired by the prospect of a return to accommodative monetary policies. In the current environment, “bad” economic news can sometimes be “good” in the eyes of the market as it fuels expectations that central banks will cut rates sooner than later. Thus, in addition to the marked slowdown in inflation, signs of a cooling labour market were well received by investors as these factors raised expectations of both the likelihood and frequency of rate cuts in 2024.

Looking ahead, we expect a sustained slowdown in inflation to eventually pave the way for rate cuts and believe that the trajectory of employment is what central banks will be using to guide their strategy. What they hope to see is balance between the supply and demand for workers that tempers inflation without leading to a significant rise in unemployment – a “soft landing”. However, with the most restrictive monetary policies since the 1980s and several recession signals now triggered, it seems unlikely that the current balance in the labour market continues throughout 2024.

In November, against this backdrop, we deployed the cash in your tactical asset allocation into bonds and conservatively into stocks to participate in the market rally. Further details are available in the coming pages.

We would like to wish you and your family a healthy and prosperous 2024 and thank you for entrusting us to manage your investments.

Quarterly Market Performance

Market Total Returns

Asset Classes	Dec	Q4	2023
Cash (S&P Canada T-bill)	0.4%	1.3%	4.8%
Bonds (Canada Broad Universe)	3.4%	8.2%	6.4%
Federal Government	2.8%	6.8%	4.8%
Corporate	3.4%	7.6%	8.3%
Corporate BBB	3.7%	8.0%	8.7%
S&P/TSX Preferred shares	0.8%	7.3%	5.9%
U.S. Corporate (US$)	4.0%	7.9%	8.4%
U.S. High Yield (US$)	3.7%	7.1%	13.4%
World Equities (MSCI ACWI US$)	4.8%	11.1%	22.8%
S&P/TSX	3.9%	8.1%	11.8%
S&P/TSX Small Caps	3.8%	6.0%	4.8%
S&P 500 (US$)	4.5%	11.7%	26.3%
Russell 2000 (US$)	12.2%	14.0%	16.9%
MSCI EAFE (US$)	5.3%	10.5%	18.9%
MSCI Emerging Markets (US$)	3.9%	7.9%	10.3%
Commodities (GSCI US$)	-3.3%	-10.7%	-4.3%
WTI Oil (US$/barrel)	-4.9%	-20.8%	-10.4%
Gold (US$/oz)	1.4%	11.2%	13.8%
Copper (US$/tonne)	0.9%	3.1%	1.2%
Forex (US$ Index DXY)	-2.1%	-4.6%	-2.7%
USD per EUR	1.2%	4.3%	3.5%
JPY per USD	-4.8%	-5.6%	7.6%
CAD per USD	-2.3%	-2.4%	-2.2%

CIO Office (data via Refinitiv, as of 2023-12-29)

Market Total Returns (C$)

Asset Classes	Dec	Q4	2023
Cash (S&P Canada T-bill)	0.4%	1.3%	4.8%
Bonds (Canada Broad Universe)	3.4%	8.2%	6.4%
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Corporate	3.4%	7.6%	8.3%
Corporate BBB	3.7%	8.0%	8.7%
S&P/TSX Preferred shares	0.8%	7.3%	5.9%
U.S. Corporate	1.6%	5.3%	6.0%
U.S. High Yield	1.3%	4.5%	10.9%
World Equities (MSCI ACWI)	2.4%	8.4%	20.1%
S&P/TSX	3.9%	8.1%	11.8%
S&P/TSX Small Caps	3.8%	6.0%	4.8%
S&P 500	2.1%	9.0%	23.5%
Russell 2000	9.6%	11.3%	14.3%
MSCI EAFE	2.9%	7.8%	16.2%
MSCI Emerging Markets	1.5%	5.3%	7.8%
Commodities (GSCI)	-5.6%	-12.9%	-6.4%
WTI Oil (C$/barrel)	-7.1%	-22.7%	-12.4%
Gold (C$/oz)	-1.0%	8.5%	11.2%
Copper (C$/tonne)	-1.4%	0.6%	-1.1%
Forex (US$ Index DXY)	-2.1%	-4.6%	-2.7%
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CAD per USD	-2.3%	-2.4%	-2.2%

CIO Office (data via Refinitiv, as of 2023-12-29)

Transactions during the 4th quarter of 2023

Fixed Income| Blend – December

We have exited your position in the NBI Corporate Bond Fund (NBC4020) to reinvest in your NBI Canadian Diversified Bond Fund (NBC4015). Although many investors have an optimistic outlook and the corporate bond market has been doing quite well in 2023, the economic indicators we monitor increasingly recommend a cautious asset allocation.

Government bonds add an extra layer of caution to your portfolio, as historically they tend to protect capital better than corporate bonds. Your investments are also better aligned with our economic outlook, and we have reserves to increase the weighting of corporate bonds should the opportunity arise in the future.

Fixed Income| Responsible Investing – December

We have exited your position in the BMO ESG Corporate Bond ETF (ESGB) and reinvested in the iShares ESG Canadian Bond ETF (XSAB) and the Invesco Long Government Bond ETF (PGL). Although many investors have an optimistic outlook, and the corporate bond market has been doing quite well in 2023, the economic indicators we monitor increasingly recommend a cautious asset allocation.

Government bonds add an extra layer of caution to your portfolio, as historically they tend to protect capital better than corporate bonds. Your investments are also better aligned with our economic outlook, and we have reserves to increase the weighting of corporate bonds should the opportunity arise in the future.

Transactions during the 4th quarter of 2023

Tactical Asset Allocation | November

We deployed your cash position into Fixed Income (bonds) and a smaller amount split between Canadian, U.S., and international equities.

Central banks are likely to cut rates with the recent slowdown in inflation and the weakening job market. Against this backdrop, we believe it is now time to deploy your tactical cash position via a greater overweight in bonds. We also added conservatively to equities, which remain underweight. Geographically, we favour U.S. and International equities, while your Canadian and Emerging Market allocation remains underweight vs. a neutral or “normal” position.

Our base-case scenario remains essentially unchanged, with the current economic environment suggesting that a defensive positioning remains appropriate. Indeed, with the most restrictive monetary policy since the 1980s and a series of recession signals now triggered, it suggests that equity markets will face some challenges in coming quarters. However, we can't rule out a scenario where markets celebrate reductions in the Fed's key interest rate before an economic slowdown occurs which warrants a slight increase in your equity allocation.

The macroeconomic conditions of a strong U.S. dollar, slowing global growth, and relatively high interest rates suggest an environment where U.S. equities outperform Emerging Markets for the next few months. Lastly, a deterioration in economic growth, which is likely to be greater and more imminent on our side of the border, suggest investments in Japanese stocks would add value as its markets are performing well and the yen is known for its the defensive properties.

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Fixed Income | Index plus

Your Fixed Income investments are diversified, selected to produce steady income and manage fluctuations in your portfolio. Cost is managed to ensure you retain as much of your income as possible.

Target Allocations

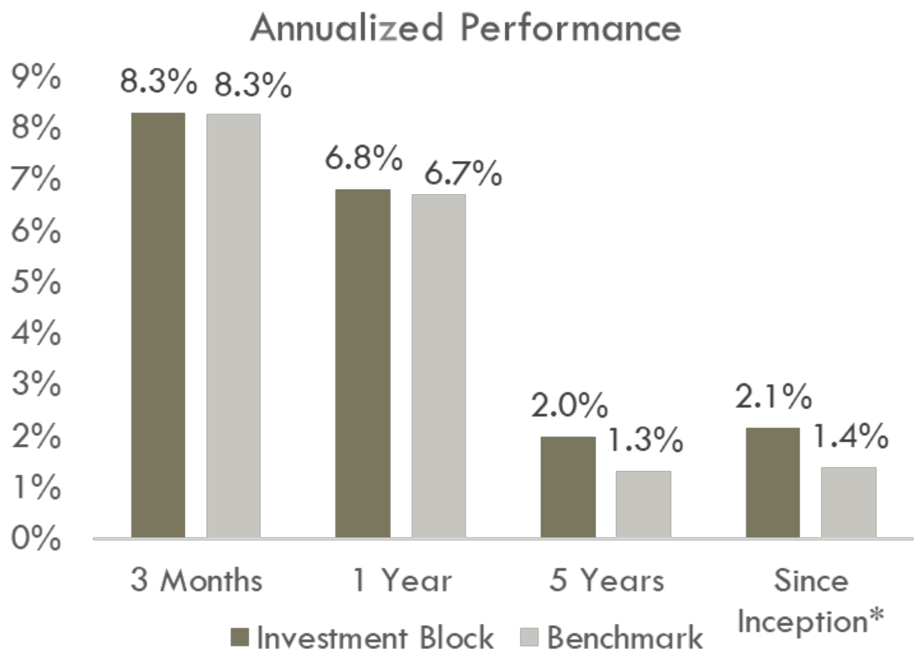
Vanguard Canadian Aggregate Bond	39.5%
iShares High Quality Canadian Bond	20.2%
Invesco Long Term Government Bond Index ETF	15.2%
PIMCO Monthly Income ETF	14.9%
Horizons Active Corporate Bond	10.2%

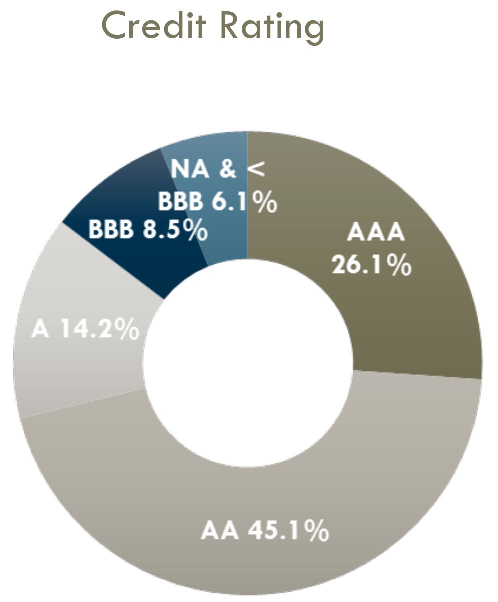
Statistics

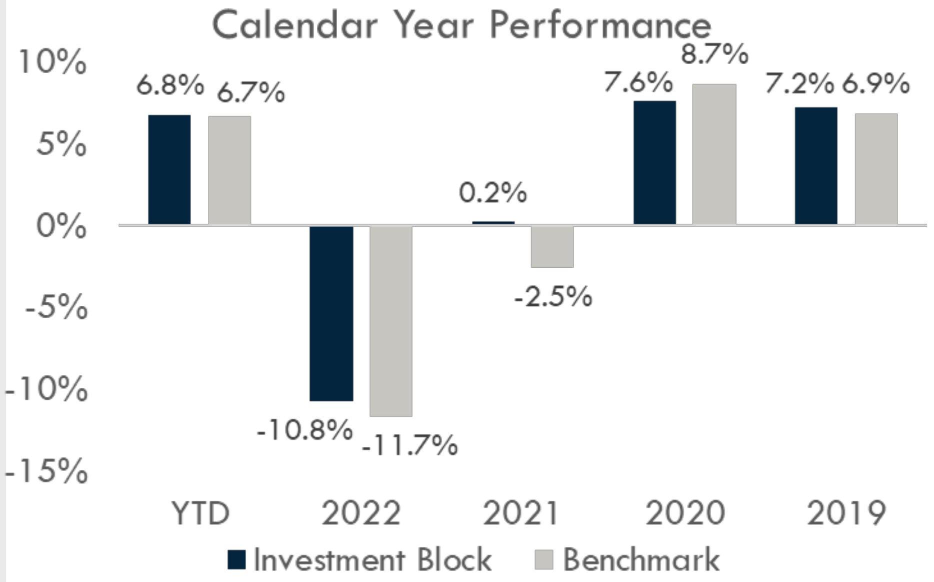
Yield to Maturity	4.38%
Duration (years)	7.58

Benchmark

FTSE Canada Universe Bond







Comments

The duration of your fixed income is in line with the benchmark. Your portfolio is therefore positioned for good relative performance in a rising or falling interest rate environment.

Overweight in corporate bonds and underweight in government bonds, allowing you to generate a higher-than-average level of income.

The integration of global bonds (PIMCO ETF) allows you to increase your portfolio's income and offers the opportunity to outperform Canadian bonds.

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Canadian Equity | Index plus

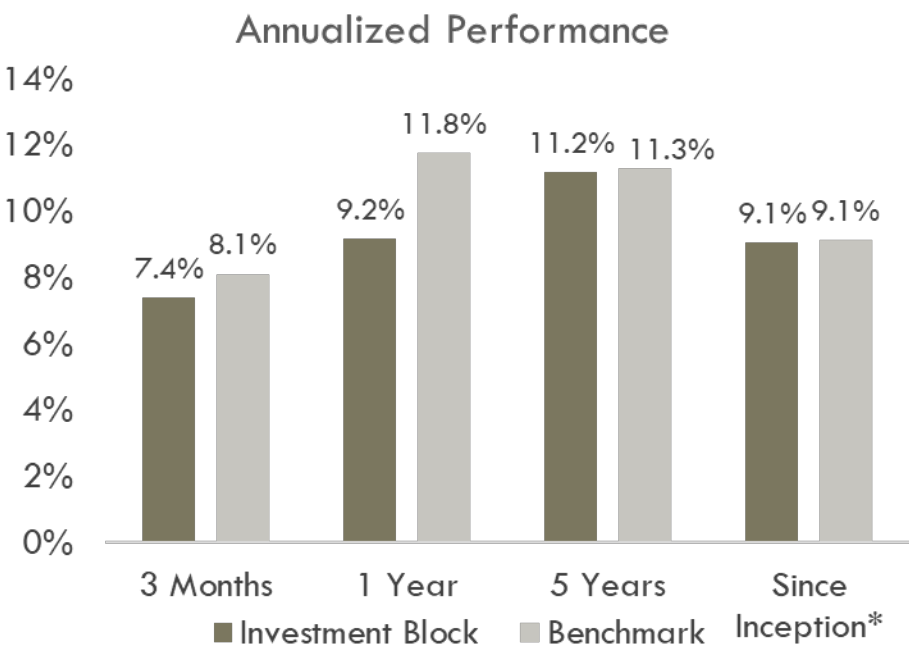
Your Canadian equity investments are designed to achieve returns comparable to investing in a broad-base of Canadian corporations (an index), with core holdings in large, dividend paying companies. Cost control is a focus to ensure you maximize your earnings.

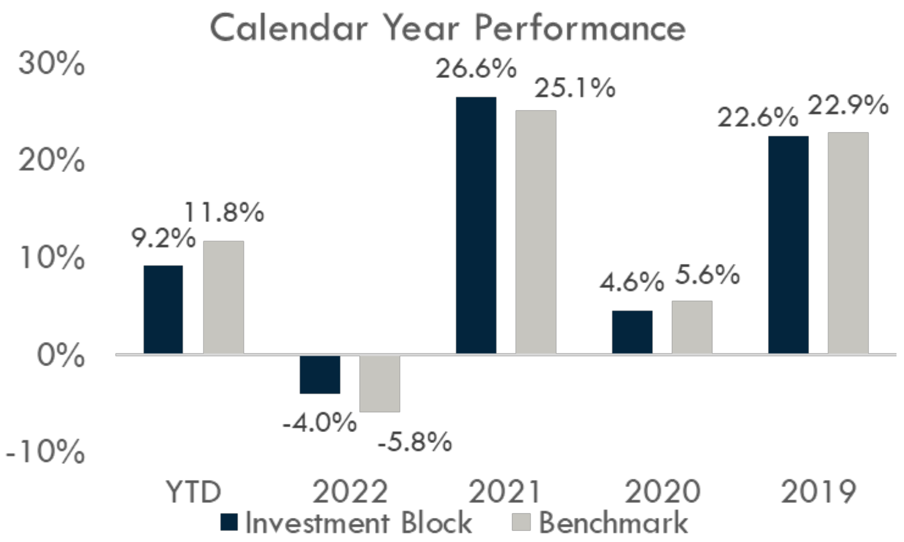
Target Allocations

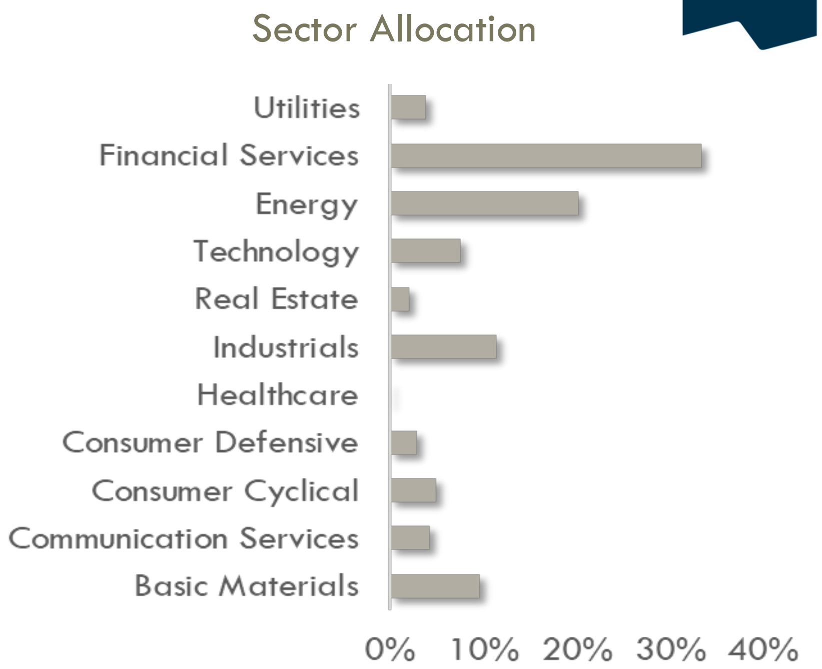
BMO S&P/TSX Composite Index	86.2%
Vanguard FTSE Canadian High Dividend	13.8%

Benchmark

S&P / TSX Composite TR







Comments

The BMO S&P/TSX Index ETF is a low-cost way to invest in the entire Canadian market.

The Vanguard ETF is intended to generate additional income from your Canadian equity investments

Canadian equities are attractive because of Canada's stable financial and political sector and investor-friendly governance standards.

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Global Equity | Blend

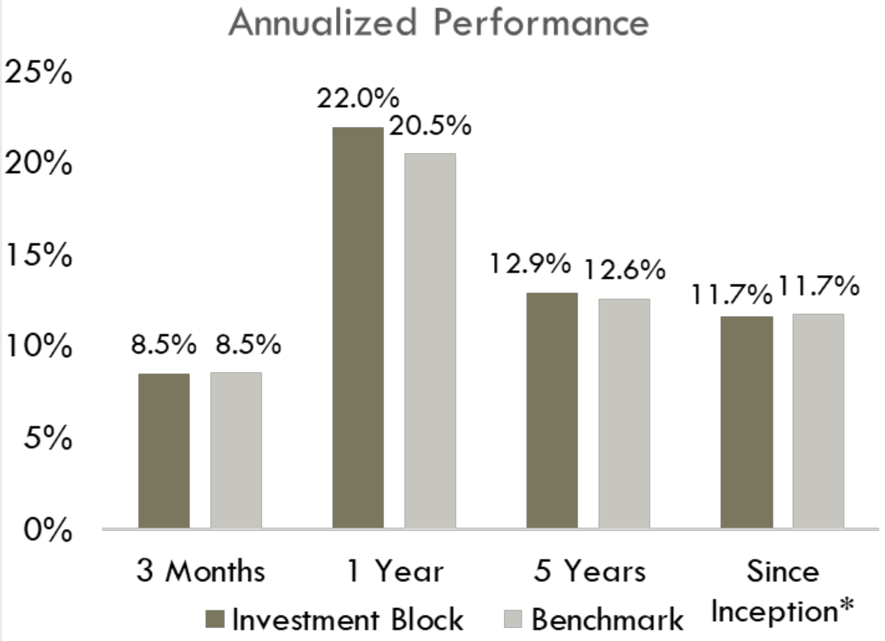
Your Global equity investments will be divided between managers that identify focused investment opportunities and those that provide broad based access to a variety of countries and industries. You will benefit from global growth while controlling cost.

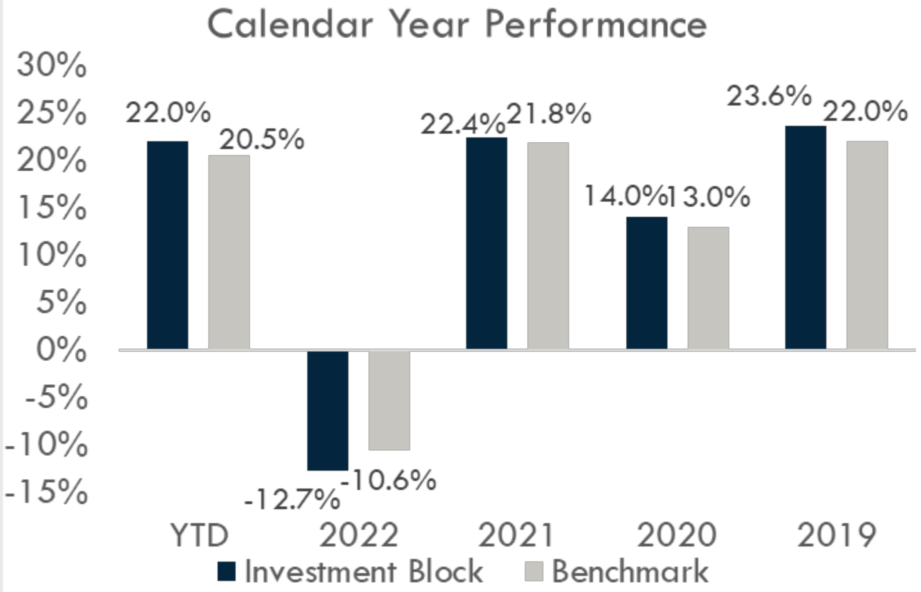
Target Allocations

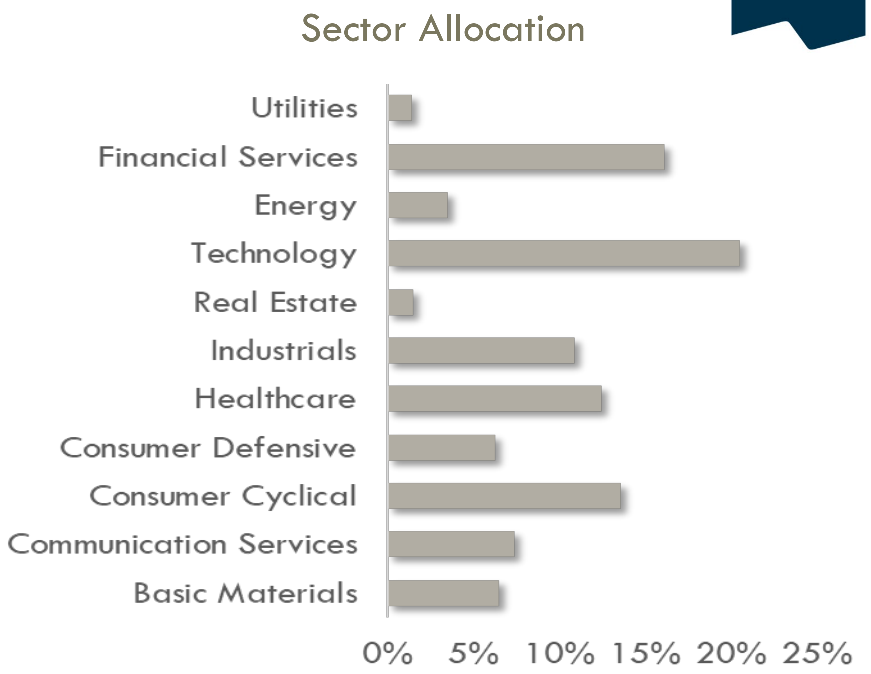
NBI US High Conviction Equity (Pinestone)	36.2%
Vanguard S&P 500	33.3%
iShares MSCI EAFE IMI	18.8%
Fidelity International High Quality Index ETF	11.7%

Benchmark

NBF Global Equity Benchmark







Comments

Your global equity investments give you exposure to the growth of the U.S. economy, recognized for its innovation and technological leadership, as well as an investor-friendly regulatory framework. You also gain exposure to international equities for added diversification.

Your global equity managers favour quality stocks generating stable earnings and cash flows, making them less vulnerable to market downturns. These companies also have sustainable competitive advantages, such as strong brand recognition, intellectual property or market dominance.

Alternatives | Blend

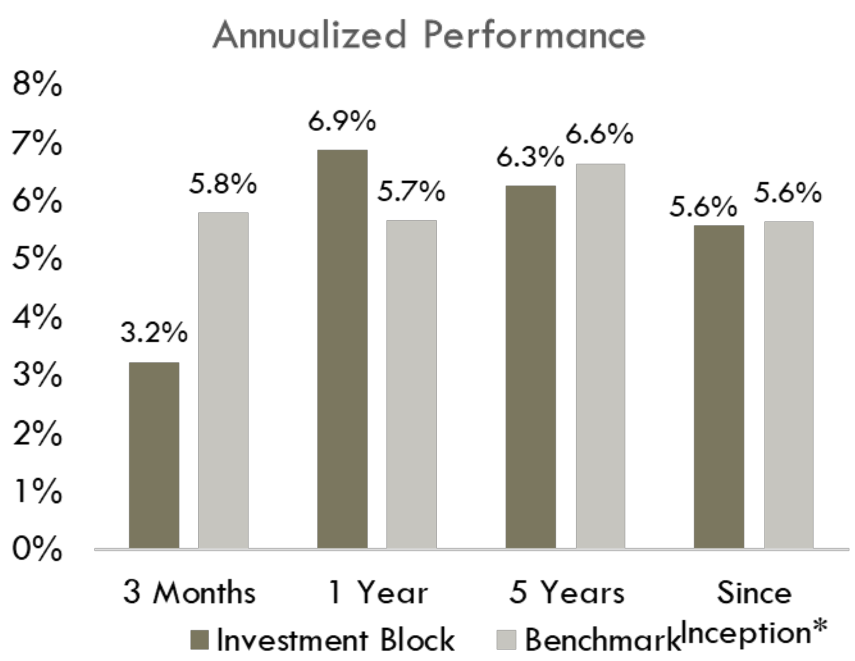
Your holdings in Alternatives are invested in a combination of publicly traded infrastructure as well as non-traditional strategies, designed to reduce fluctuation within your portfolio and to generate income.

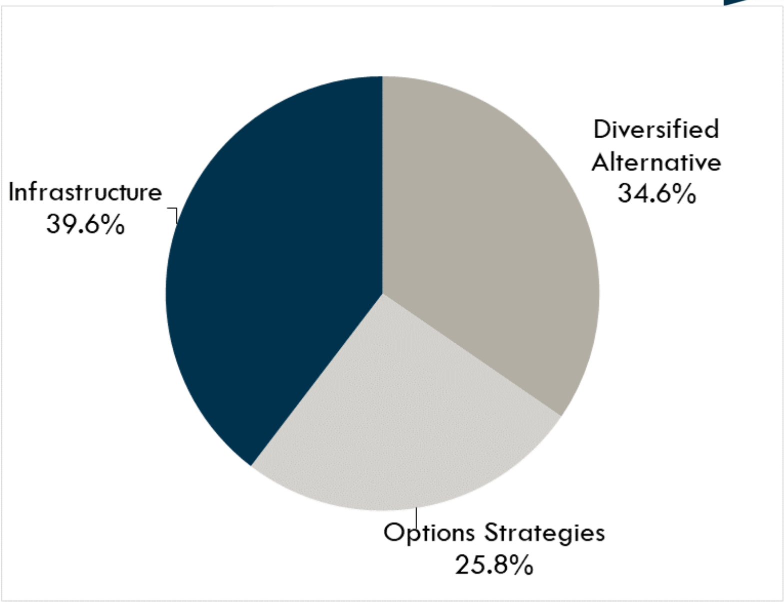
Target Allocations

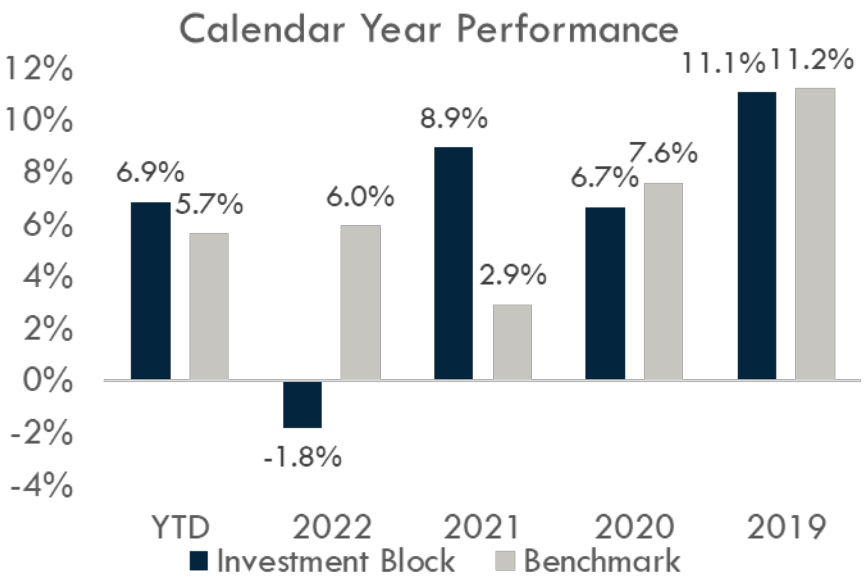
Dynamic Premium Yield	25.8%
NBI Real Assets Pooled Fund	25.4%
Mackenzie Diversified Alternatives	23.7%
iShares Global Infrastructure Index ETF	14.2%
NBI Liquid Alternatives	10.9%

Benchmark

NBF Alternative Benchmark







Comments

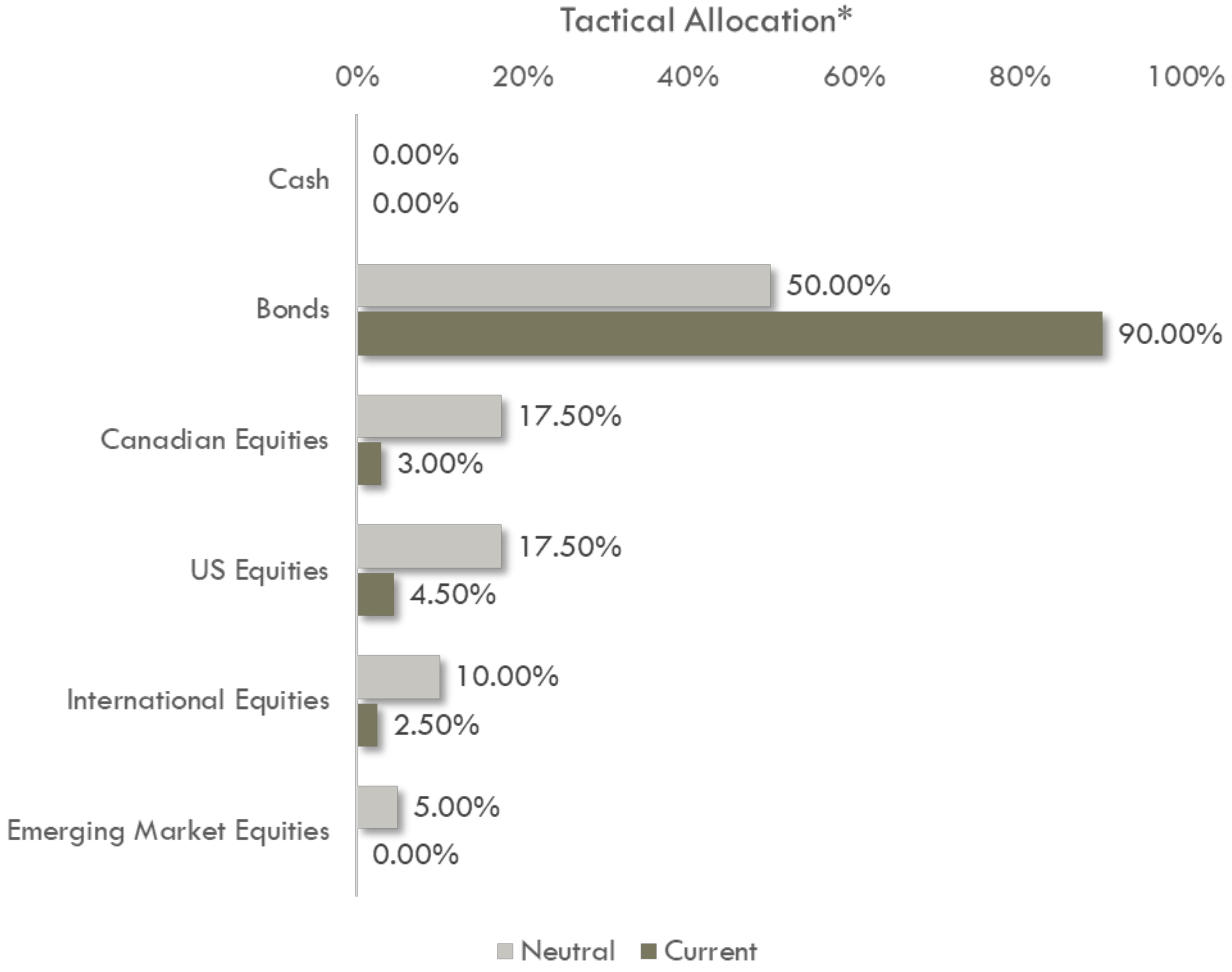
Diversified combination of alternative strategies to smooth returns and reduce portfolio volatility by diversifying your investments away from fixed-income securities and the equity market.

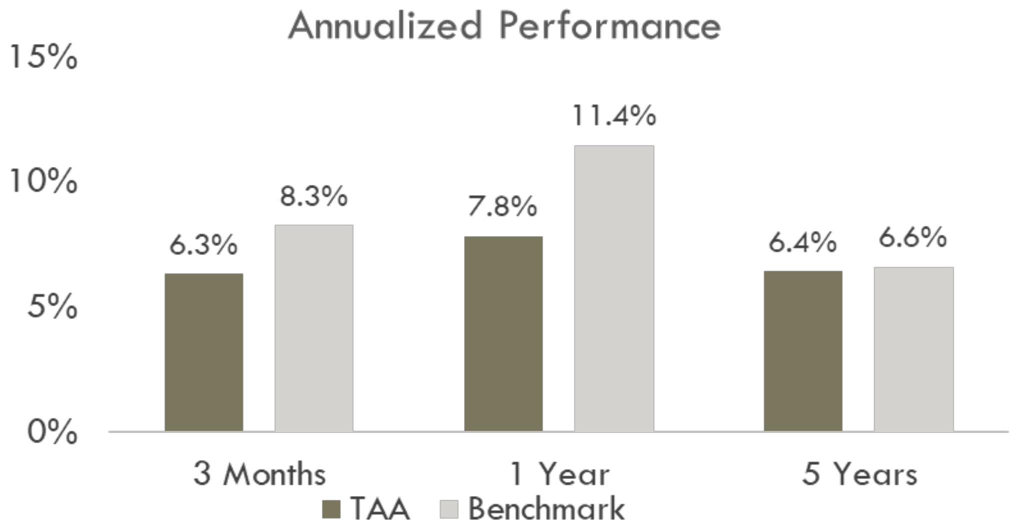
Infrastructure investments such as pipelines, utilities and energy storage generate stable and predictable cash flows. These assets provide essential services and are subject to relatively constant demand, making them less sensitive to economic cycles.

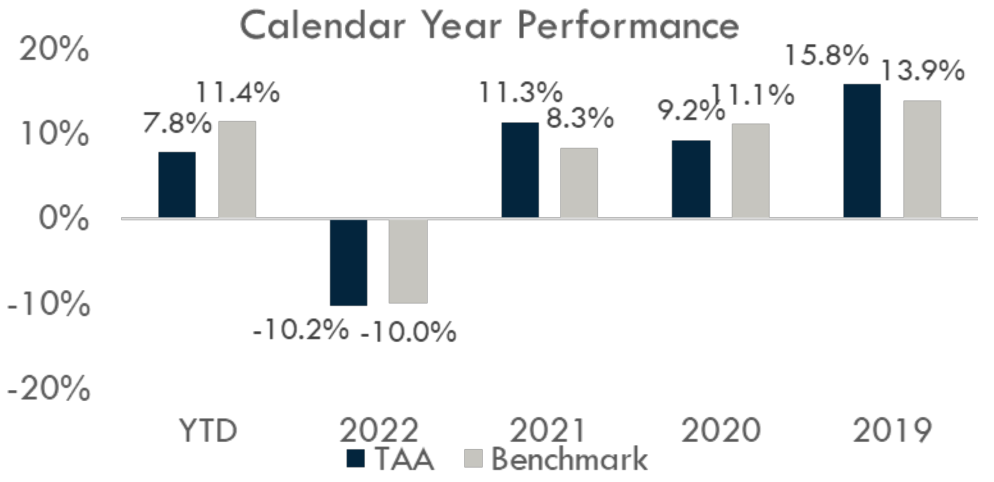
Equity option income strategies offer a means of generating high income while reducing volatility compared with equity investments.

Tactical Allocation of your Portfolio

The Tactical Asset Allocation is a small component of your portfolio designed to take advantage of market opportunities or to protect your investments when appropriate. The weightings above compare your current tactical investments against a neutral or usual weighting in various asset classes.







Perspective

Being well informed and remaining objective is essential to maximize your investment success.

Are Rate Hikes Bad for Stocks?

MYTH

Stocks generally perform poorly when central banks hike their policy rate.

REALITY

Each rate hike cycle has its own set of circumstances that often bring additional volatility to markets. However, what normally prompts central banks to raise their policy rate is usually an economy that is showing strength and is expected to continue to do so; a typically favorable environment for stocks.

Case in point: since 1996, the yearly total return of the S&P/TSX averages 6.2% when the Bank of Canada hikes the overnight rate at least once, lower than the 9.3% average of all years over that same time period but still well into positive territory. Similar findings in the United States, where the average yearly total return of the S&P 500 is 8.1% when the Federal Reserve hikes its policy rate at least once.

To be clear, these historical trends are no guarantee for any specific year, as evidenced by the year 2022, whose unique circumstances led to substantial setbacks for stocks. Nevertheless, **over the long run, odds remain in favor of patient investors, regardless of the ups and downs of policy rates.**

Markets and rate hikes (data since 1996)

Canada

Year	# of rate hikes*	Total return (S&P/TSX)
1997	5	15.0%
1998	3	-1.6%
2000	4	7.4%
2002	2	-12.4%
2005	3	24.1%
2006	4	17.3%
2010	3	17.6%
2017	2	9.1%
2018	3	-8.9%
2022	16	-5.8%
Average (rate hikes)		**6.2%**
Average (all years)		**9.3%**

United States

Year	# of rate hikes*	Total return (S&P 500)
1997	1	33.4%
1999	3	21.0%
2000	4	-9.1%
2004	5	10.9%
2005	8	4.9%
2006	4	15.8%
2015	1	1.4%
2016	1	12.0%
2017	3	21.8%
2018	4	-4.4%
2022	17	-18.1%
Average (rate hikes)		**8.1%**
Average (all years)		**10.7%**

CIO Office (data via Refinitiv)

Market Timing in the Long Run

MYTH

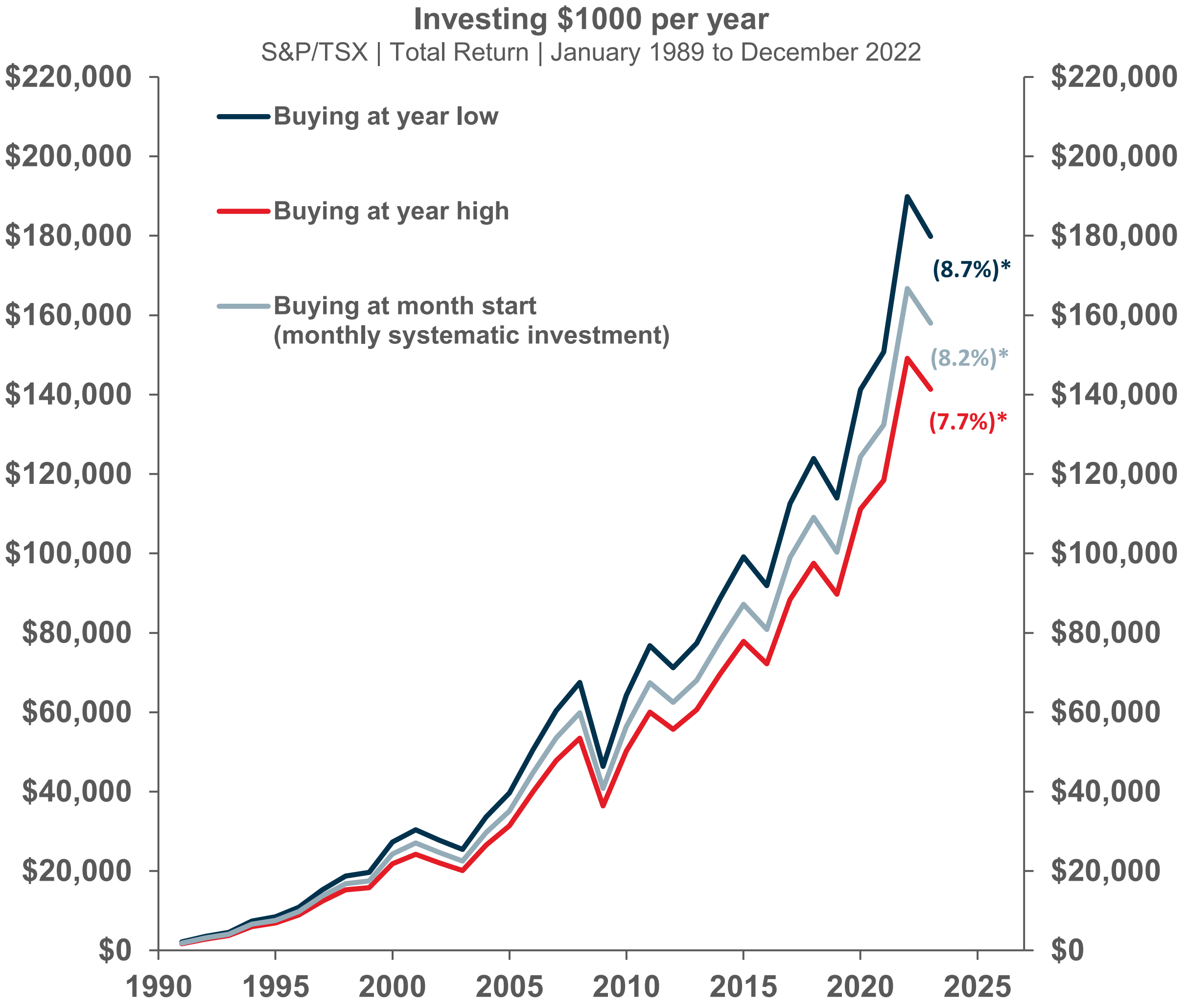
The timing of your investment is of utmost importance for your long-term returns.

REALITY

The timing of your annual investment will make a difference in the long run, but it is far from being the critical factor many seem to believe.

Case in point: consider an investor blessed with the power of perfect market timing (blue line) compared to another investor cursed with systematically picking the worst possible day to invest each year, over 30 years (red line). In the end, the market timing champion would have outperformed the most unfortunate of all investors by a mild 1% / year. If we take the more realistic example of an investor saving systematically at the beginning of each month, this annual outperformance shrinks below 1%.

How is such a small gap possible? Simply because in the long run, the first year's return is superfluous. **What truly matters is the frequency of savings and passage of time, not market timing.**



CIO Office (data via Refinitiv)

Reasons to Sell?

MYTH

Selling in times of heightened uncertainty can protect investments from heavy losses.

REALITY

Selling in times of heightened uncertainty is generally the best way to ensure heavy losses, as it often rhymes with selling low and missing the rebound.

More importantly, one should keep in mind that **the only certainty is that there will always be uncertainty, as it is the price to pay for capital appreciation in the long run.**

And – need we add – it isn't in the media's best interest to report the latest news with nuance and historical perspective; better to let fear and pessimism easily set in. However, **the chart on the right should act as a reminder that letting emotions take over is a good recipe for short-term gain, but long-term pain.**

CIO Office (data via Refinitiv)

Average Return?

MYTH

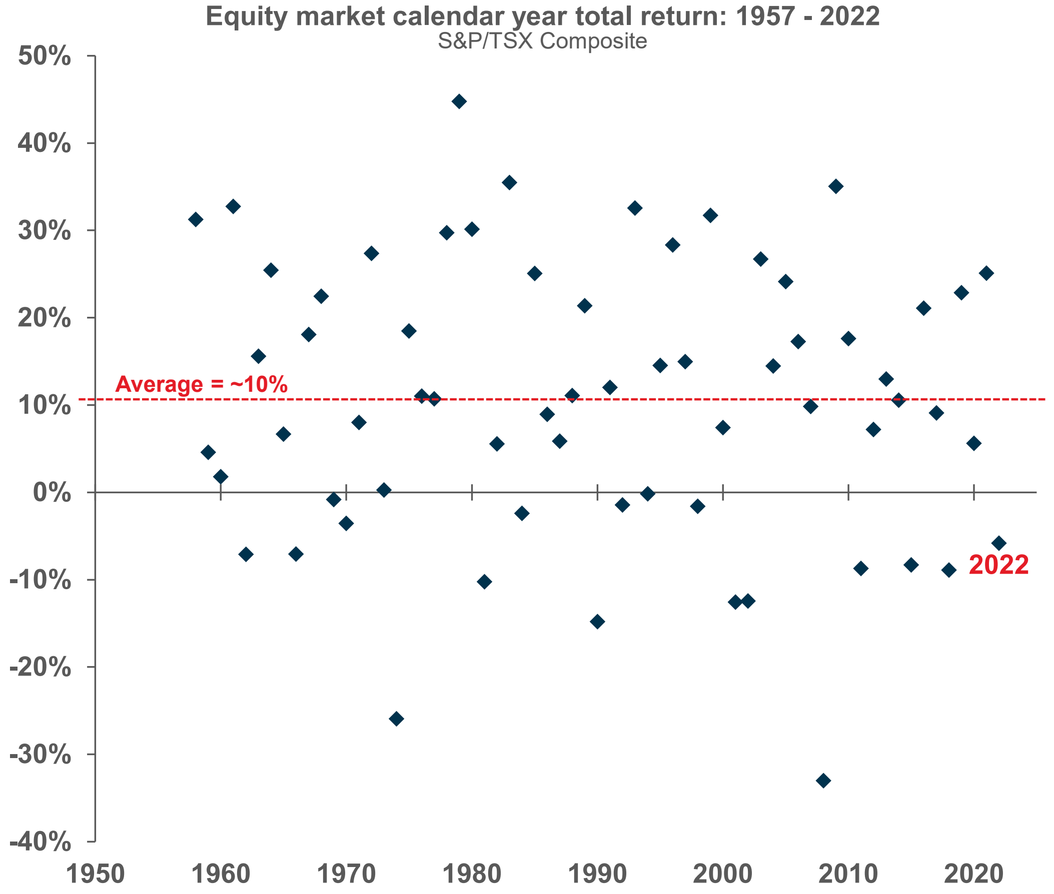
Since the long-term historical average annual return on the stock market is ~10%, investors should expect to see calendar-year returns near 10%.

REALITY

Quite the contrary, it is likely that investors will only rarely see a calendar year where equity returns are close to their long-term historical averages. Case in point: since 1957, only 8 years out of 63 have seen the Canadian stock market generate performance near average (+/- 2%).

One likely reason for this myth is the common misconception that "average" is synonymous with "typical." However, there is no such thing as a "typical" year in the stock market.

As a result, **investors should expect a wide range of possible outcomes in any given year, whereas only the passage of time can lead to an annualized return near the market's long-term average.**



CIO Office (data via Refinitiv)

Equity Performance in the Long Run

MYTH

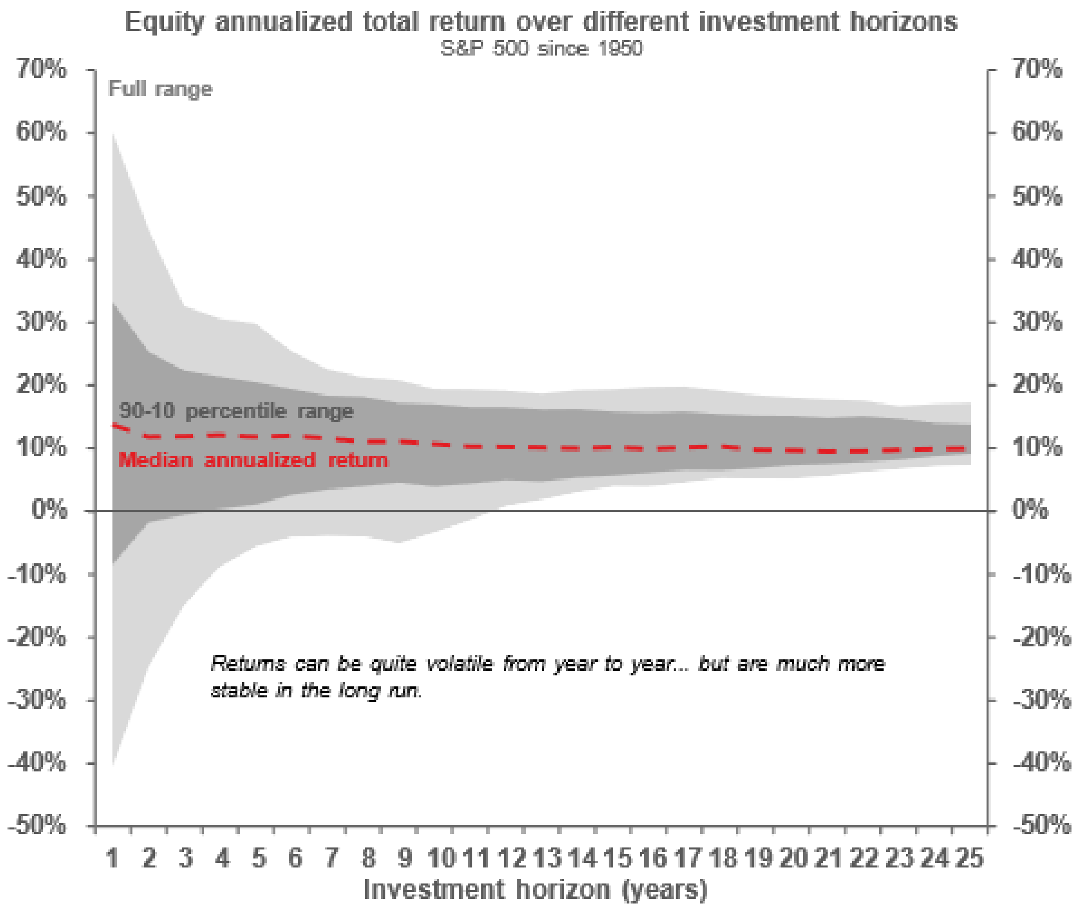
Investing in the stock market is akin to gambling at a casino.

REALITY

It is true that daily market fluctuations resemble a coin toss. Nevertheless, two fundamental reasons make investing completely different from gambling.

First, unlike the world of gambling, investing in the stock market is not a zero-sum game, as evidenced by the positive median annualized return (red dotted line). In the long run, equity returns come from companies' ability to grow their earnings, not from other investors' misfortune.

Second, while gambling remains just as uncertain no matter how long you "play", the opposite occurs within equity markets, as evidenced by the narrowing range of outcomes over time (grey area). The longer one "plays" (i.e. remains invested), the greater the chances are of converging towards the premium investors earn for bearing equity risk.



CIO Office (data via Robert J. Shiller at http://www.econ.yale.edu/~shiller/data.htm)

Home Country Bias

MYTH

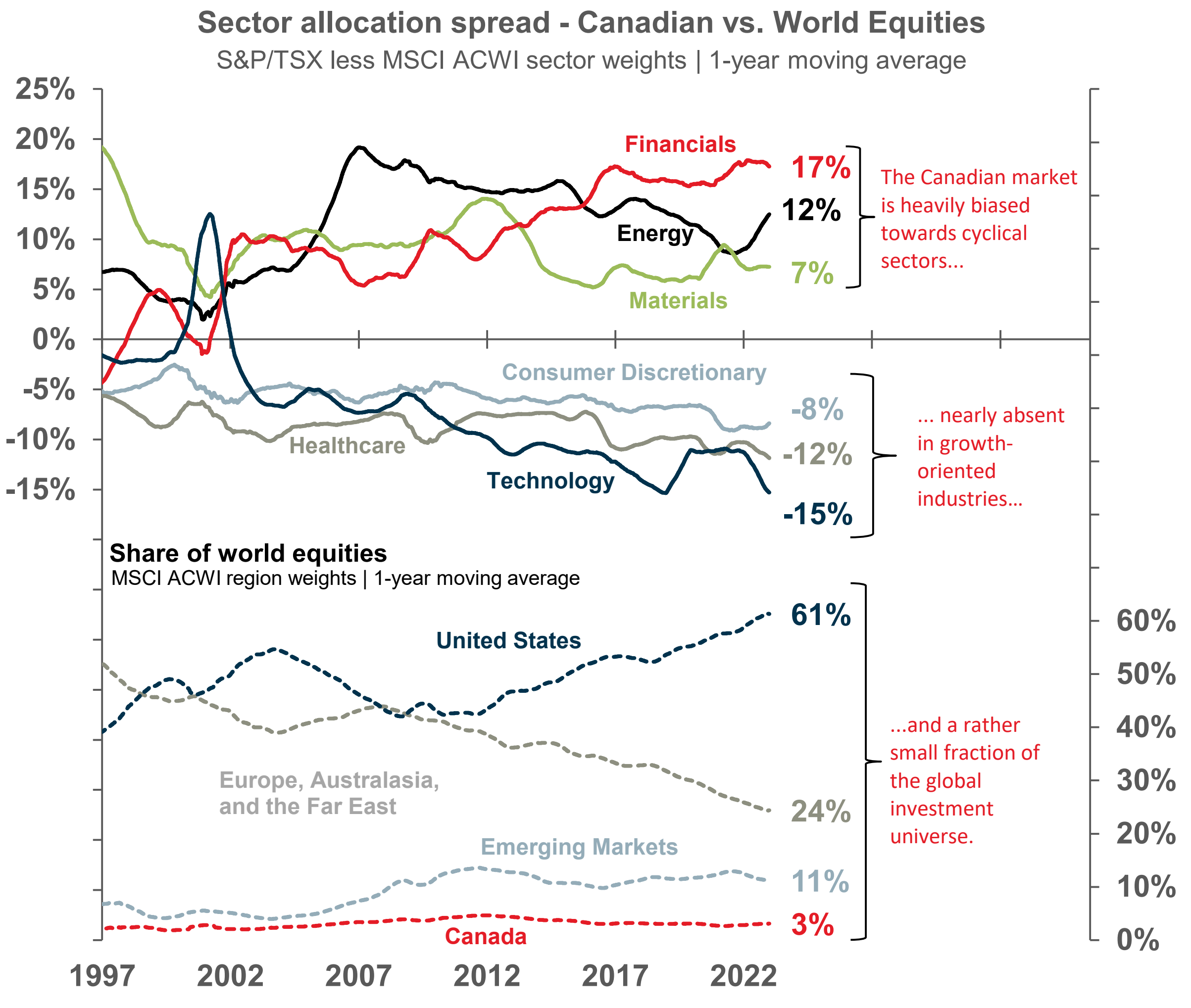
It is more prudent to invest most of your portfolio in companies domiciled at home and thus of greater familiarity than to “risk it” with foreign corporations.

REALITY

While predominantly investing in domestic equities might seem sufficient and feel comforting, such a portfolio could, in fact, be just the opposite. **Do not confuse familiarity with safety.**

For instance, Canada’s stock market’s high concentration in some of the most cyclical sectors and its relative lack of growth-oriented companies poses a risk that can result in unpleasant surprises if left undiversified.

The good news is that there are plenty of opportunities abroad to complement for such risks. After all, Canadian stocks only represent 3% of the global equity investment universe... a far cry from the ~45% they account for in Canadians’ portfolios*. Home bias indeed!



CIO Office (data via Refinitiv) *Estimate base on an average from FMI’s

* "Coordinated Portfolio Investment Survey" for 2014-2018.

Should Investors Fear Recessions?

MYTH

Investors should be fearful of recessions as they entail heavy financial losses.

REALITY

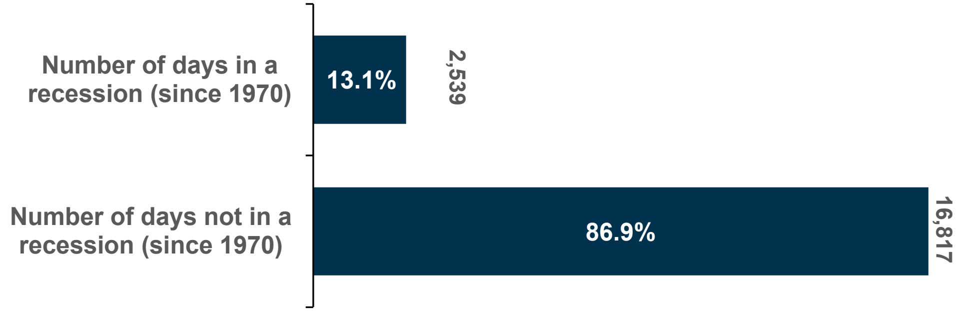
It is true that the most turbulent periods for markets are generally concomitant with recessions. As such, those with eyes riveted on daily stock exchange prices are very likely to experience fear in times of economic downturn.

However, if we step back from market fluctuations and look, rather, at the historical performance of a basic balanced portfolio (60% stocks, 40% bonds) during the last six recessions, we see that the average return was actually zero. Not something to celebrate, but far from the financial catastrophe many seem to believe – especially when we consider returns in the previous and following years. What's more, let's not forget that recessions are relatively rare events, covering only 13% of the last 50 years.

Therefore, **it is not the recession that investors should fear, but fear itself… or rather the risk of materializing heavy losses, when in the grip of emotion, at an untimely moment.**

Balanced portfolio (60/40)* total return

Recessions (NBER)	12-months Before	During Recession	12-months After	Full period**
Nov 1973 - Feb 1975	7%	-7%	12%	11%
Jan 1980 - Jun 1980	11%	9%	7%	31%
Jul 1981 - Oct 1982	9%	15%	26%	57%
Jul 1990 - Feb 1991	4%	6%	9%	21%
Mar 2001 - Oct 2001	-1%	-5%	-8%	-14%
Dec 2007 - May 2009	1%	-16%	9%	-8%
Feb 2020 - March 2020	16%	-9%	22%	28%
Average	**7%**	**-1%**	**11%**	**18%**



Data via Refinitiv. *60% MSCI World (in CAD) 40% ICE Bofa Broad Canada Universe (FTSE 91-day index for the 1973-1975 recession).
**Total return from 12-months before a recession until 12-months after a recession. Recession dates are from the NBER.

CIO Office

Are GICs a Risk-Free Alternative?

MYTH

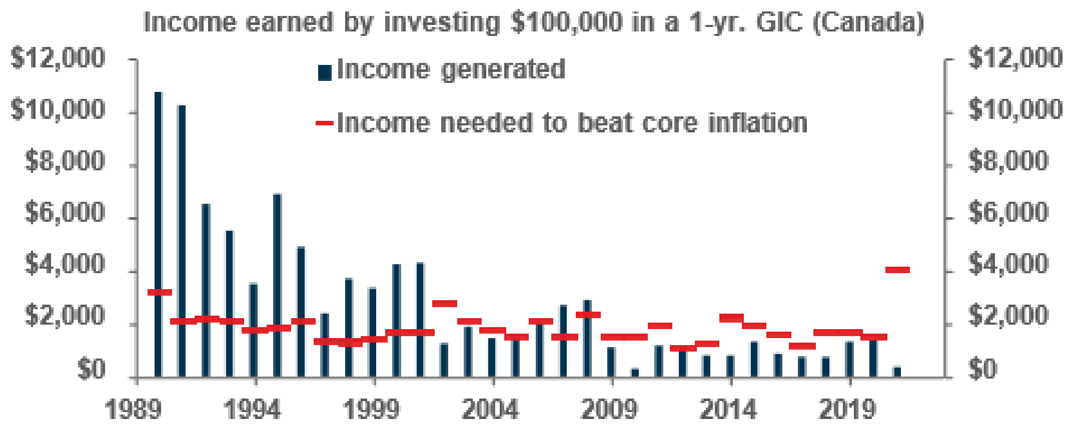
Guaranteed Investment Certificates (GICs) offer a risk-free alternative for investors seeking to at least preserve the purchasing power of their assets.

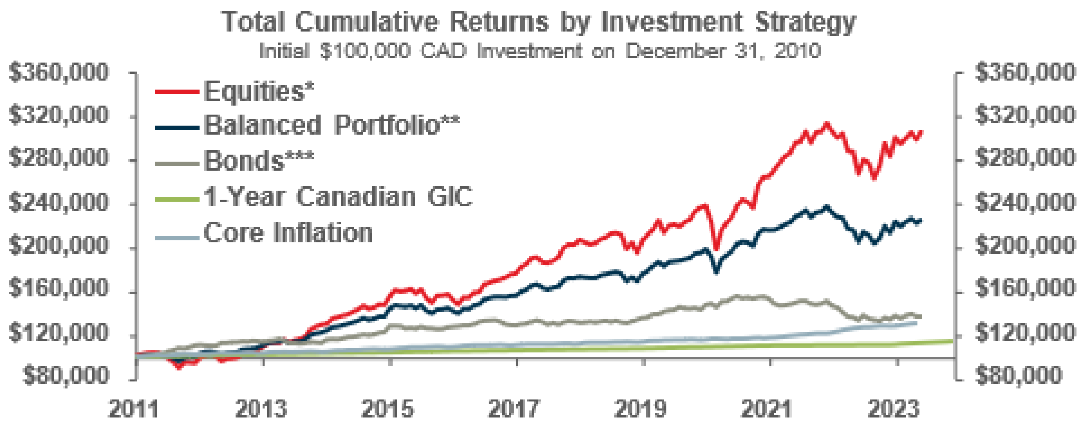
REALITY

GICs are indeed among the safest investment vehicles available. However, their returns, while guaranteed, generally fail to cover inflation, leaving their holders at risk of seeing their purchasing power decline over time.

It should be specified that this observation is a reflection of the low interest rate environment prevailing over the past several years. For instance, although a 1-year GICs provided income above inflation in the 1990s, this has not been the case since 2009.

Ultimately, the selection of an investment vehicle depends on risk tolerance - GICs may therefore be the right choice for some. However, **a key risk for investors whose investment horizon is measured in years may not be the short-term volatility of other assets, but rather the potential erosion of their purchasing power over the long run.**





Data via Refinitiv. *35% S&P 500, 35% S&P/TSX, 20% MSCI EAFE, 10% MSCI EM; all in CAD. **60% Equities, 40% Fixed Income ***100% ICE Bofa Broad Canada Universe

CIO Office

Back to basics: Diversification

Over short periods of time, asset classes will take turns out-performing and under-performing. A diversified portfolio helps protect your investments against market fluctuations.

2015	2016	2017	2018	2019	2020	2021	2022	2023
Balanced* 6.7%	S&P/TSX 21.1%	MSCI Emerging 37.8%	Cash 1.5%	S&P 500 31.5%	Gold 20.9%	Commodities 40.4%	Commodities 26.0%	S&P 500 26.3%
Canadian Bonds 3.6%	US High Yield 17.5%	MSCI EAFE 25.6%	Canadian Bonds 1.3%	S&P/TSX 22.9%	MSCI Emerging 18.7%	S&P 500 28.7%	Cash 1.4%	MSCI EAFE 18.9%
S&P 500 1.4%	S&P 500 12.0%	S&P 500 21.8%	**Balanced* -1.5%**	MSCI EAFE 22.7%	S&P 500 18.4%	S&P/TSX 25.1%	Gold -0.7%	US High Yield 13.4%
Cash 0.7%	MSCI Emerging 11.6%	Can. Pref. Shares 13.6%	US High Yield -2.3%	MSCI Emerging 18.9%	**Balanced* 9.8%**	Can. Pref. Shares 19.3%	S&P/TSX -5.8%	Gold 12.8%
MSCI EAFE -0.4%	Commodities 11.4%	Gold 12.8%	Gold -2.8%	Gold 18.0%	Canadian Bonds 8.6%	MSCI EAFE 11.8%	CADUSD -6.8%	**Balanced* 12.1%**
US High Yield -4.6%	Gold 7.7%	**Balanced* 9.7%**	S&P 500 -4.4%	Commodities 17.6%	MSCI EAFE 8.3%	**Balanced* 11.1%**	**Balanced* -10.1%**	S&P/TSX 11.8%
S&P/TSX -8.3%	Can. Pref. Shares 7.0%	S&P/TSX 9.1%	CADUSD -7.8%	**Balanced* 15.6%**	US High Yield 6.2%	US High Yield 5.4%	US High Yield -11.2%	MSCI Emerging 10.3%
Gold -10.9%	**Balanced* 7.0%**	US High Yield 7.5%	Can. Pref. Shares -7.9%	US High Yield 14.4%	Can. Pref. Shares 6.2%	CADUSD 0.8%	Canadian Bonds -11.5%	Canadian Bonds 6.4%
MSCI Emerging -14.6%	CADUSD 3.0%	CADUSD 6.8%	S&P/TSX -8.9%	Canadian Bonds 7.0%	S&P/TSX 5.6%	Cash 0.2%	MSCI EAFE -14.0%	Can. Pref. Shares 5.9%
Can. Pref. Shares -14.9%	Canadian Bonds 1.5%	Commodities 5.8%	MSCI EAFE -13.4%	CADUSD 5.0%	CADUSD 2.0%	MSCI Emerging -2.2%	Can. Pref. Shares -18.1%	Cash 4.8%
CADUSD -16.0%	MSCI EAFE 1.5%	Canadian Bonds 2.7%	Commodities -13.8%	Can. Pref. Shares 3.5%	Cash 1.1%	Canadian Bonds -2.7%	S&P 500 -18.1%	CADUSD 2.3%
Commodities -32.9%	Cash 0.5%	Cash 0.6%	MSCI Emerging -14.2%	Cash 1.7%	Commodities -23.7%	Gold -4.3%	MSCI Emerging -19.7%	Commodities -4.3%

CIO Office (data via Refinitiv, as of 2023-12-29)

*A 60% stocks / 40% bonds portfolio made of: 21% S&P/TSX, 21% S&P 500, 12% MSCI EAFE, 6% MSCI Emerging Markets and 40% ICE BofA Canada Broad Market, all in C$.

Historical Perspective on Bear Markets

It is difficult to predict the timing of market corrections. What can be reasonably assumed though is that markets often experience healthy rebounds after trying times.

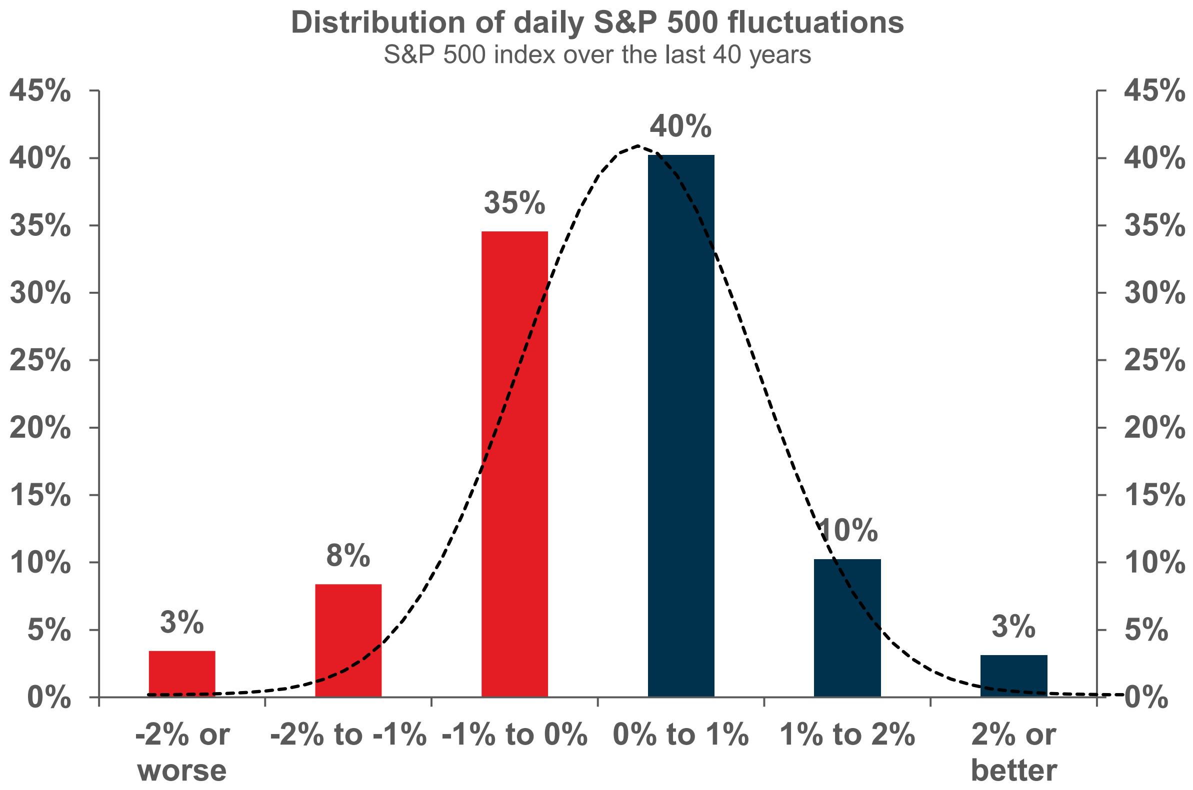
S&P 500 Bear Markets (1950-2022)

Peak	Trough	# days	Period Drawdown	# days to recover	Cumulative price return over the following:			
					6 months	12 months	24 months	36 months
1956-08-02	1957-10-22	446	-22%	337	8%	31%	47%	42%
1961-12-12	1962-06-26	196	-28%	434	20%	34%	53%	71%
1966-02-09	1966-10-07	240	-22%	209	22%	32%	37%	30%
1968-11-29	1970-05-26	543	-36%	650	19%	48%	54%	61%
1973-01-11	1974-10-03	630	-48%	2,114	35%	37%	68%	54%
1980-11-28	1982-08-12	622	-27%	83	43%	58%	48%	88%
1987-08-25	1987-12-04	101	-34%	600	13%	19%	50%	35%
2000-03-24	2002-10-09	929	-49%	1,694	13%	28%	45%	57%
2007-10-09	2009-03-09	517	-57%	1,480	48%	63%	96%	94%
2020-02-19	2020-03-23	33	-34%	148	52%	74%	99%	--
2022-01-03	2022-10-12	282	-25%	--	--	--	--	--
	Average:	**413**	**-35%**	**775**	**27%**	**43%**	**55%**	**59%**

Ibbotson. S&P 500 bear markets are defined as periods when the index fell at least 20% from its all time high.

CIO Office (data via Refinitiv)

Daily Stock Market Fluctuations



Market fluctuations are normal, both mathematically* and literally. While only the few "extremes" end up in the evening news and morning shows, the truth is they don't matter all that much.

What really matters is the accumulation of "0% to 1%" days that rarely make the headlines, but explain much of the 12.3% S&P 500 annualized total return over the last 40 years…

…despite the fact that the index closes in the red almost every other day.

Ibbotson. S&P 500 bear markets are defined as periods when the index fell at least 20% from its all time high.

CIO Office (data via Refinitiv)

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 For greater details see www.morningstar.ca. The Morningstar Categories have been used to show how an Investment Block has performed compared to a universe of securities which would have, in NBF’s opinion, a similar asset allocation profile. When securities within the category are ranked from the best performer to the worst performer over a specific time period, the median of the Category represents the investment return of the security that is exactly in the middle of the range (or 50th percentile ranking). The advantage of using the median over the average is that it is resilient to extremely large or small values which may sway the average statistic upwards or downwards. The Investment Blocks are not categorized or ranked by Morningstar Research Inc. The number of investments ranked may vary through time, depending on the performance data available. Currently, the different Categories had the following number of investments: Canadian Fixed Income Category: 670, Canadian Equity Category: 731, Global Equity Category: 2500, Global Neutral Balanced Category: 1932.

The NBF Balanced Benchmark consists of 5% FTSE TMX 91 day T-Bill, 40% FTSE TMX Universe Bond, 18% S&P TSX Composite Total Return, 18% S&P 500 $CAD Total Return, 9% MSCI EAFE $CAD Total Return, and 10% of the NBF Alternative benchmark. The NBF Alternative Benchmark consists of 33% HFRX Equal Weighted Strategies Index ($CAD), 33% S&P Global Infrastructure Index ($CAD), and 33% Gold ($CAD). The NBF Global Equity Benchmark consists of 66% S&P 500 $CAD and 33% MSCI EAFE $CAD.

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