



**2022  
Awards of Excellence**

Wealth Management  
Montreal

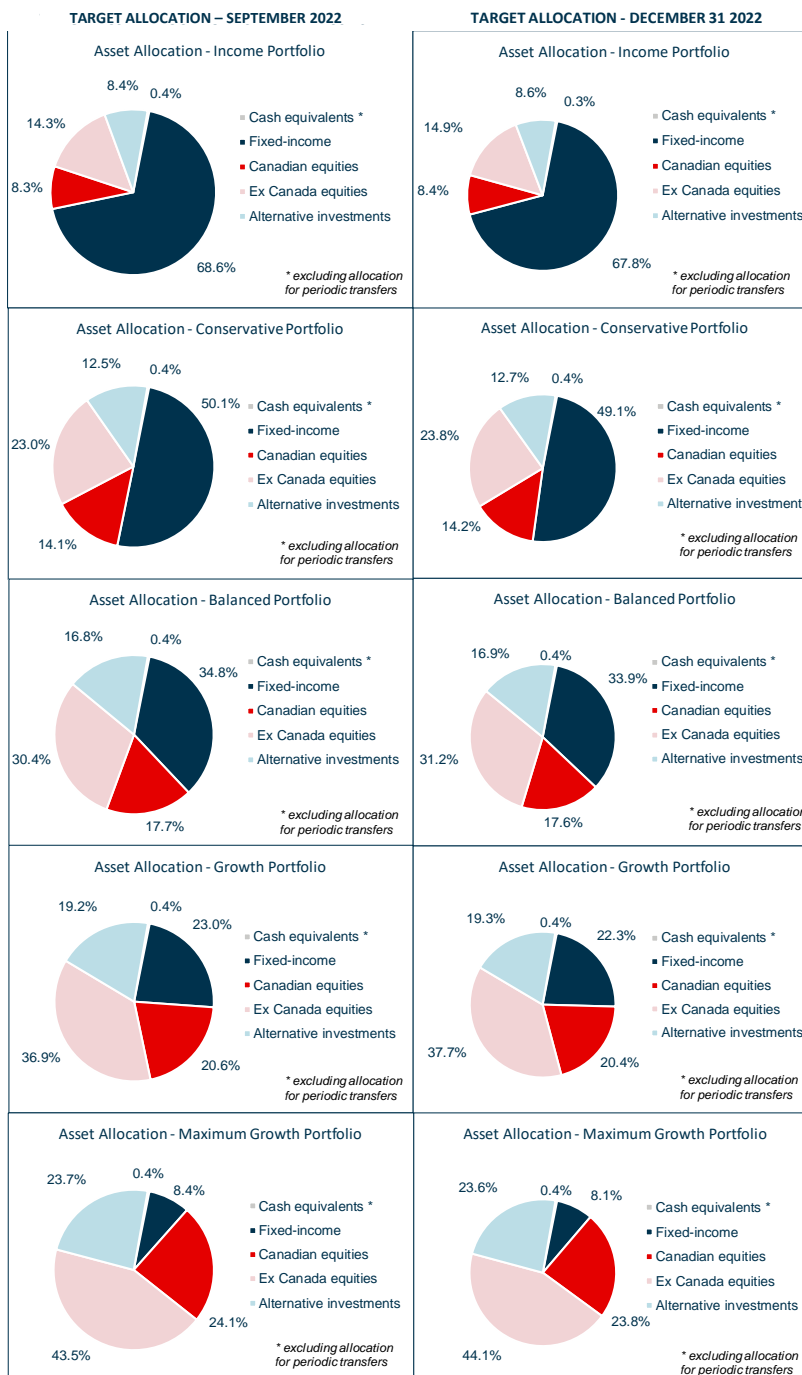


Our expertise, your success

## 4<sup>th</sup> QUARTER 2022 SUMMARY

### Asset Allocation Strategy

We made no changes to the target portfolio allocation during Q4. The changes observed result from market movements.



## Portfolio Model Revisions

After several months of reflection and observation, we have decided to sell the entire position in Canadian stock NFI Group Inc (NFI). After cutting its dividend by 75% at the end of the first quarter and considering the risks related to the sector that had already impacted the stock's value, we deemed it prudent to exit the position, as the company's future was becoming too uncertain.

We reinvested the proceeds from the sale of NFI Group Inc. in another Canadian stock, Finning International Inc. (FTT), a dealer and distributor of Caterpillar heavy equipment and parts. The company has operations in Canada, South America, the United Kingdom and Ireland and other countries.

With international exposure, strong financial results, a growing dividend of close to 3%, and a return expectation of close to 30% at the time of purchase, FTT has a role to play in the portfolio and will be a more suitable investment solution than NFI.

## 4<sup>th</sup> Quarter Highlights

Once again, the fourth quarter tested investors' emotions. Between hopes of recovery and fears of relapse, it has been difficult to see a clear trend over the past three months. After a turbulent but positive October, a rebound in November marked by an encouraging inflation report and a loss of momentum in December (recession fears are still very much on everyone's mind), we end the quarter generally on the upside, but the year 2022 will still show a negative return and will have been a trying year for investors.

Still, the slowdown in inflation in the fourth quarter was a major source of optimism. Not only did gasoline prices continue to fall, but more importantly, the normalization of supply chains related to China's abandonment of its zero COVID policy and the decline in the price of several commodities allowed durable goods inflation to decelerate significantly. The next step will be to see inflation in services slow down as well.

## Outlook

Considering that stock markets act in anticipation and that most of the known information is already reflected in stock prices, it is legitimate to think that most of the decline is behind us.

Central banks have moved their monetary policy into restrictive territory in 2022. Since there is about a one-year lag between a policy rate hike and its effect on the economy, we believe that central banks will slow the pace and monitor the situation closely before making any further major moves.

The robustness of the North American economies with a still strong job market leads us to believe that, in a context where inflation slows down without central banks raising their policy rate significantly, 2023 could be a good year for investors.

The following table shows that years of stock market decline are mostly followed by positive returns, but for two exceptional occasions (1974: oil shock; 2008: financial crisis).

Annualized S&P 500 return following the start of a bear market*				
Date of 20% drawdown	Next year	Next 3 years	Next 5 years	Next 10 years
21-Oct-1957	25.7%	9.8%	5.8%	7.6%
28-May-1962	21.2%	12.9%	8.4%	5.7%
29-Aug-1966	24.3%	8.4%	5.9%	3.4%
29-Jan-1970	11.1%	10.9%	-3.4%	2.6%
27-Nov-1973	-27.4%	2.1%	-0.1%	5.6%
22-Feb-1982	32.6%	17.6%	20.2%	15.6%
19-Oct-1987	26.5%	14.2%	16.4%	19.1%
12-Mar-2001	0.3%	0.7%	3.3%	3.1%
09-Jul-2008	-27.4%	4.8%	7.7%	10.4%
12-Mar-2020	61.6%	n/a	n/a	n/a
<b>Bear market average</b>	<b>14.8%</b>	<b>9.0%</b>	<b>7.1%</b>	<b>8.1%</b>
<b>Global average</b>	<b>9.9%</b>	<b>8.7%</b>	<b>8.5%</b>	<b>8.0%</b>

CIO Office (data via Refinitiv & Bloomberg). \*Total return since 1988, price return before that.

As Warren Buffet said: "The stock market is a device to transfer money from the impatient to the patient". Let's be on the winning side! Investing is all about long-term returns and the best way to succeed is to stay invested.

Because giving is also receiving...

In addition to sponsoring "La Boucle turquoise" at *Le Week-end pour combattre le cancer* event for the Jewish General Hospital last August, we made donations in memory of our clients who sadly passed away in 2022 to charities close to their hearts, the main ones being the Montreal Children's Hospital Foundation, Shriners Hospitals for Children, the Cancer Research Society and the Alzheimer Society of Canada.



We wish you all the best for 2023, and may this new year bring you health, happiness and prosperity.

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"A goal without a plan is just a wish." – Antoine de Saint-Exupéry