Our expertise, your success

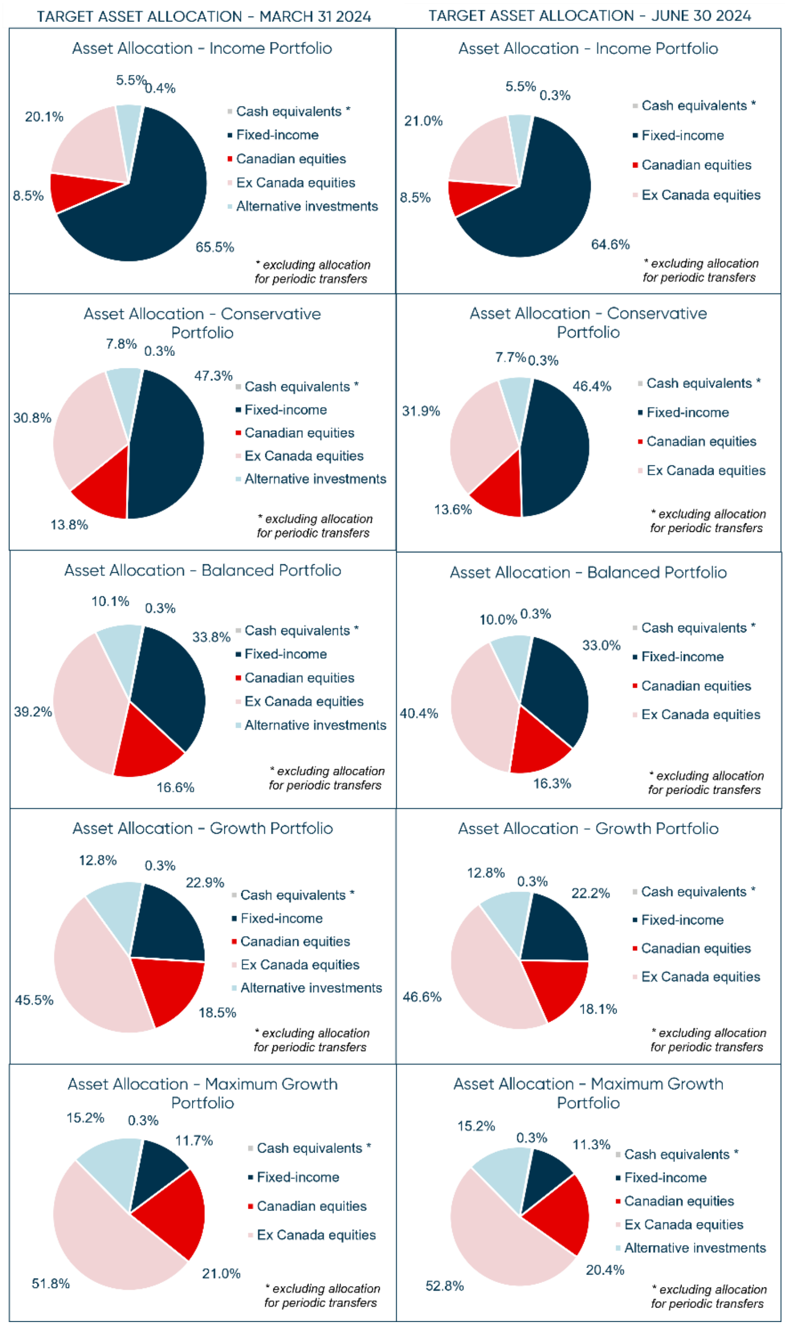
Team Chartier Grandmaison Leclerc

Managers of your family's wealth

2nd QUARTER 2024 SUMMARY

Asset Allocation Strategy

In Q2, we increased our exposure to international equities by reducing the allocation of US equities. The other variations observed are the result of market movements.



NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

TEAM CHARTIER GRANDMAISON LECLERC
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Portfolio Model Revisions

Having seen that valuations in international equities were quite low compared to US equities, which have risen sharply since the beginning of the year, we decided to reduce our exposure to the latter to increase our exposure to international equities. To do this, we sold a portion of the **NBI U.S. High Conviction Equity Private Portfolio (NBC5078)** and reallocated the proceeds to the **NBI International High Conviction Equity Private Portfolio (NBC4080)**. Both investment products are managed by the same portfolio manager, Nadim Rizk at Pinestone Asset Management.

We have also decided to sell the position in The Lion Electric Company (LEV), a manufacturer of electric buses and trucks based in Saint-Jérôme, Quebec. We bought the stock when it was issued in 2021 when it had very promising growth characteristics. However, we had limited exposure to the stock to around 0.5% of the portfolio.

Unfortunately, the electric vehicle sector was heavily affected at the beginning of the COVID crisis due to the supply problems of electronic components from which LEV suffered greatly.

Despite the optimism surrounding the recovery, the company continued to face economic difficulties despite the return to normal supply conditions in the sector. After several disappointing quarters, we decided to sell the stock in its entirety and reallocate the proceeds to the **NBI Quebec Growth Fund (NBC760)**, which focuses its investments in small and mid-cap companies in Quebec. This fund has been by far one of the best contributors to performance in the portfolio's Canadian equities for several years in addition to providing increased sector diversification within Canadian equities compared to their reference market represented by the S&P/TSX index, which is more concentrated in the materials, energy and financials sectors.

Quarter Highlights

In our model portfolio, all asset classes contributed positively to Q2 performance, particularly non-Canadian equities and alternative investments. Advances in the artificial intelligence sector have benefited some of the companies we hold in the portfolio, including Microsoft, Amazon.com, Alphabet and Broadcom. Our Canadian equities also performed very well, mainly thanks to stock selection in the financials and industrial sectors, which allowed our sub-model to beat the performance of the Canadian S&P/TSX market index over the past three months.

In Canada, the economy has escaped an official recession as population growth has supported consumption, and consequently gross domestic product (GDP) growth. However, the persistent rise in the unemployment rate and the contraction in GDP per capita over the past two years indicate that the economy has slowed more than overall GDP would suggest. In this context, the Bank of Canada began easing its key interest rate in the second quarter. We expect further policy rate cuts to be announced by the end of the year.

At mid-2024, the US economy is still very strong. The labour market has rebalanced smoothly to the level of 2019. Core consumer expenditure inflation moderated to 2.6% and appears to be on track to meet the Federal Reserve's (Fed) target next year.

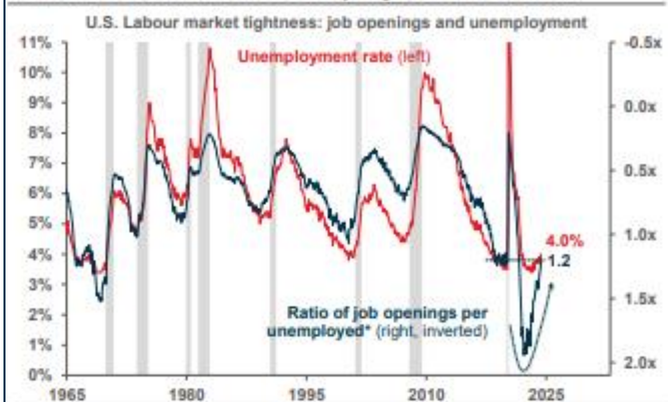
Outlook

The key question of the year has been whether the U.S. economy is headed for a soft landing or a recession and a clear answer has yet to emerge.

The economists' base case is for a mild recession. The cumulative impact of interest rate hikes would push the unemployment rate slightly above expectations and the economy would teeter between stagnation and a mild recession. Consumers would eventually reduce spending to save more, leading to a moderate economic slowdown, gradually bringing inflation closer to target for the Fed to move toward more rate cuts to provide markets with a clearer outlook.

However, now that the job-to-unemployed ratio has finally returned to its pre-pandemic level, it will be important to keep a close eye on the labour market developments in the second half of the year, as it will be critical for the Fed's further decisions.

15 | ... a continuation of employment trends...



CIO Office (data via Refinitiv). *Job openings data before 2001 is based on the Help-Wanted index published by the Conference Board and the methodology outlined in Barnichon (2010).

Aware that a pace of market growth such as the one we have experienced since the beginning of the year could run out of steam, we are careful to maintain the quality and stability of our investments. It is also important to remember that diversification is an essential pillar in our strategy for sound management of the assets in the portfolio.

Our diversification involves exposure to different sectors, geography, and different types of investment products to improve returns and reduce risk in the event of a market downturn while allowing you to achieve your long-term goals.

Team Chartier Grandmaison Leclerc wishes you a great summer!

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