

Our expertise, your success

Team Chartier Grandmaison Leclerc

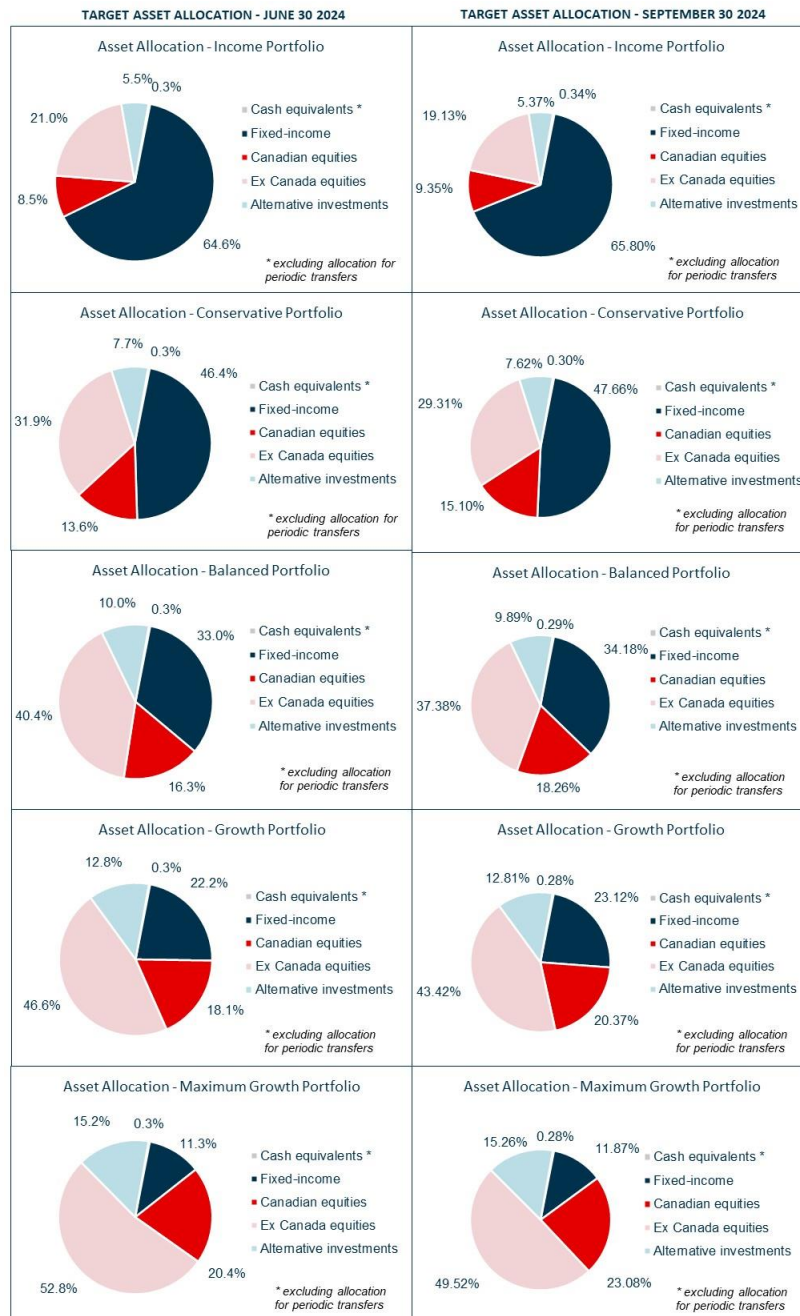
Managers of your family's wealth



3rd QUARTER 2024 SUMMARY

Asset Allocation Strategy

We did not make changes to the asset allocation in the portfolio in Q3. Quarterly variations result from market movements.



Portfolio Model Revisions

During the 3rd quarter, we added a new position to our alternative sub-model: the **Dynamic Premium Yield PLUS Fund (DYN3361)**. This fund aims to provide long-term equity-like returns but in a more stable manner to allow for regular distributions. The strategy involves writing put and call options on high-quality U.S. stocks in attractive sectors. This approach is part of a highly disciplined, predictable, and replicable portfolio management process.

Risk management is ensured by the income from the written put options and by purchasing protective put options on various general exchange-traded funds (ETFs), which helps limit losses in case of market downturns.

To integrate this new element into our alternative component, we sold the **Dynamic Credit Absolute Return Fund (DYN27550)**, which had provided good capital protection but limited growth potential and reduced our exposure to the **BNI Real Assets Pooled (NBC4090)**. This pool will continue to provide good capital stability but will be better complemented by a higher-income solution through DYN3361, improving the risk-adjusted return in the portfolio

Quarter Highlights

During the quarter, concerns about a slowdown or possible recession in the U.S. economy temporarily weighed on market sentiment, leading to a decline in stocks, especially in the tech sector. However, later data showing a more resilient U.S. labor market and lower inflation gave a positive boost to stocks. This positive trend was supported by the Federal Reserve's decision to cut its key rate by 0.5% in September to 5%, marking the end of its aggressive fight against inflation.

In Canada, inflation remained stable within the Bank of Canada's target range, which cut its key rate three times during the quarter to 4.25%, with more cuts possible. The banks' prime rate followed this trend, dropping from 7.20% in early June to 6.45%; this rate is used for variable-rate loans to bank clients.

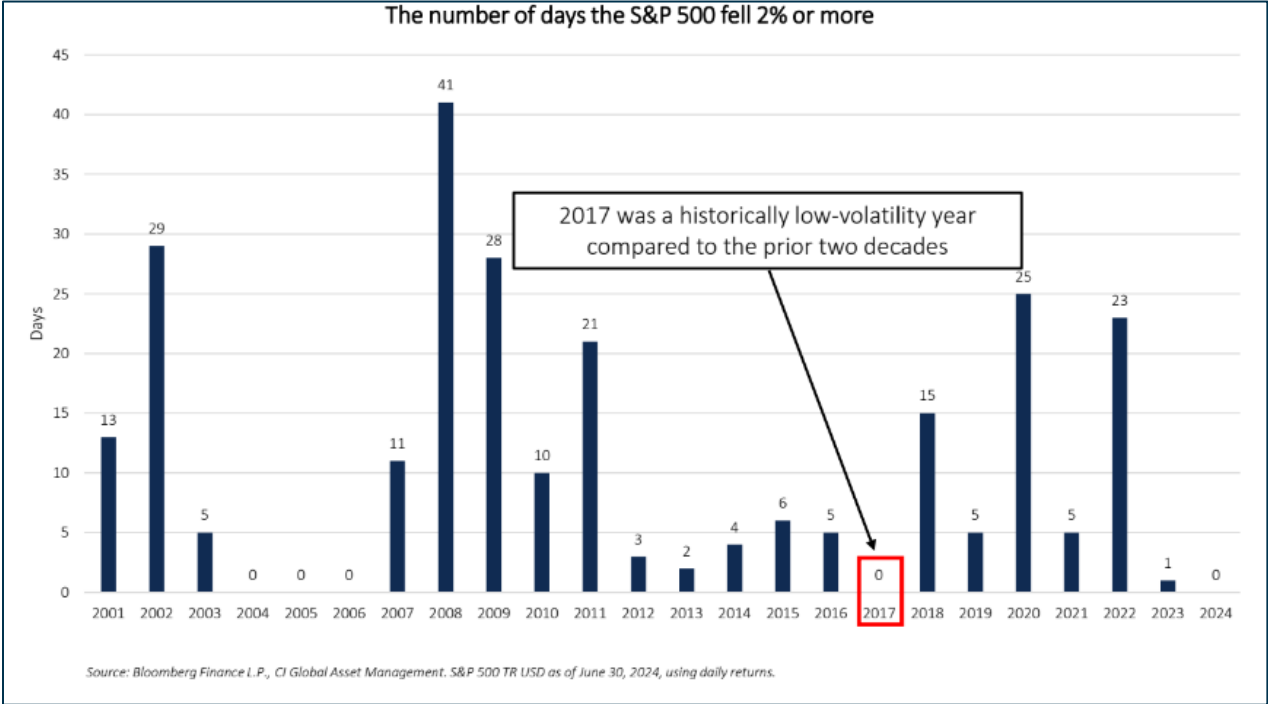
In our model portfolio, all asset classes contributed positively to the third-quarter performance, particularly Canadian equities, which performed very well due to stock selection in the financial, industrial, and consumer discretionary sectors. Underweighting the energy sector also benefited the quarter's performance. These factors allowed our Canadian sub-model to outperform the Canadian market index S&P/TSX over the last three months and year-to-date.

Outlook

Positive economic prospects, marked by lower inflation and interest rates, continue to support financial markets. Investors remain attentive to economic data to ensure central banks act in time to avoid a slowdown. The Bank of Canada and the Fed have clearly indicated their intention to support growth after successfully controlling inflation.

With a month to go before the U.S. elections, the consensus on the outcome and its consequences will likely change several times. For the markets, this could mean more volatility, as is usually the case before a presidential election. However, the importance of the person in the Oval Office for the economy and markets is not proportional to the media attention they receive. In many ways, the economic successes or failures of presidents largely depend on the context they inherit. Moreover, the challenges ahead will be numerous, regardless of who wins on November 5th, 2024.

Headlines and short-term volatility can sometimes be frightening, but it is important to stay calm and remember that volatility does not necessarily mean a decline; it can also have positive effects. For almost two years now in the U.S. stock market, there have been very few negative days of more than 2%, as shown in the graph below. It is possible and even likely that there will be more in the future; but it will be good to remember that a high number of negative days in a year does not necessarily equate to a net decline for that year; for example, in 2009, 2011, and 2020, there were more than 20 days when the S&P500 fell by 2% or more, but the S&P500's performance was positive in each of those three years.



For managing your investments, our decisions remain much more focused on medium/long-term objectives rather than short-term factors or temporary market movements. We maintain a disciplined investment strategy where good diversification of your investments helps reduce risks and seize strategic buying and rebalancing opportunities. Since there will always be uncertainty and sources of anxiety, it would be easy to give in to emotions and not invest your savings. History teaches us that, in the end, the best recipe for success is to stay true to your investment strategy and accept the fluctuations that come with it. We have the privilege of accompanying you in this lifelong marathon to help you achieve financial independence and, we hope, peace of mind!

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

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