NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

HOLYK DORAN | WEALTH MANAGEMENT GROUP

HOLYK DORAN WEALTH MANAGEMENT
PORTFOLIO UPDATE

June 30, 2023

MARKET COMMENTARY

At the halfway mark of 2023 (in comparison, to the huge returns of 2021 and the poor returns of 2022) portfolio returns averaged over the last three years appear to have normalized. So far, halfway through 2023 our Model Portfolios (Conservative, Balanced and Growth) are up between 3-5%. Mathematically, that puts us in line to achieve our target returns by year end of 6, 8 and 10%. We remain confident that by sticking to our proven strategy in the coming years we will see a return to more stable and steady growth similar to the last few decades – which at times were also patchy and challenging.

Our client portfolios are constructed of three main building blocks – Equity, Fixed Income (Bonds) and Alternative Assets. The Equity component (stocks) have been doing the heavy lifting in our portfolios so far in 2023. This may seem surprising given the economic backdrop and geopolitical news but the stock market is a story of winner and losers. With the odd exception we have managed to position the vast number of our equity holdings in the winner's camp. This selection process was no accident- it is something we review constantly.

The Fixed Income category (bonds) has been less impressive and while still showing a positive return, continued uncertainty about terminal (or the cyclical top) interest rates administered by Global Central Banks in their collective battles with inflation has played havoc with the yield curve. We remain confident that the fixed income market will stabilize soon and that we will realize the full benefit of higher yields.

Our final portfolio building block is Alternative Assets. Nine months ago, we launched our own Alternative Investment Pool. Due to market conditions and the gradual allocation of capital the performance results have been muted so far… not down a lot last year, not up a lot this year. We are confident that the Alternative Asset Pool will enhance returns on a risk adjusted basis and significantly reduce volatility.

More details on the inner workings of our model portfolios and the 3 main categories of investments: Equities, Fixed Income,and Alternatives are assembled below. We hope you will find this informative and enjoy this new format.

EQUITIES

As previously mentioned, the Equity component of our portfolios has been the biggest contributor of returns so far in 2023. This was not totally unexpected due to the significant drawdowns in 2022 because often we see a quick recovery off of extreme lows. The TSX is up only 2.2% YTD but the S&P500 is up 13%, due mostly to a handfulof stocks that are responsible for most of that return – and we happen to own nine of the top 25 best performing ones. (AAPL. MSFT, V, LLY, PG, HD, PEP, ABBV and COST).

The Equity block of our portfolios has returned 10.33% YTD. It has an evenly balanced collection of blue-chip stocks with a lower beta than the market, which means they are less volatile than the index and all, but one of the 23 stocks pay dividends.

The main new investment theme that has emerged this year centers on artificial intelligence. We generally avoid pure technology names due to their volatile nature, historically however our Investment Committee approved two of these leadership stocks on the basis that they fell into the category of "technology infrastructure". They are Microsoft and Apple and we have owned both since early 2021.

We have also seen all-time highs this year in some of our other portfolio names: Visa, Eli Lilly, and TFII.

Given the economic outlook, some categories such as Banking and Real Estate remain depressed. We still maintain small exposures here in what we regard as two best in class stocks: BMO and Realty Income Corp. Both are well positioned for a rebound.

To complement our North American individual stock selection and to ensure a well-balanced, diversified exposure within the equities category, we utilize three third party specialty managers: NBI International Conviction, Mackenzie Mid Cap Growth, and CI Canadian REIT Fund. These are best in class managers in their specific disciplines that add tremendous value as illustrated by their performance numbers below:

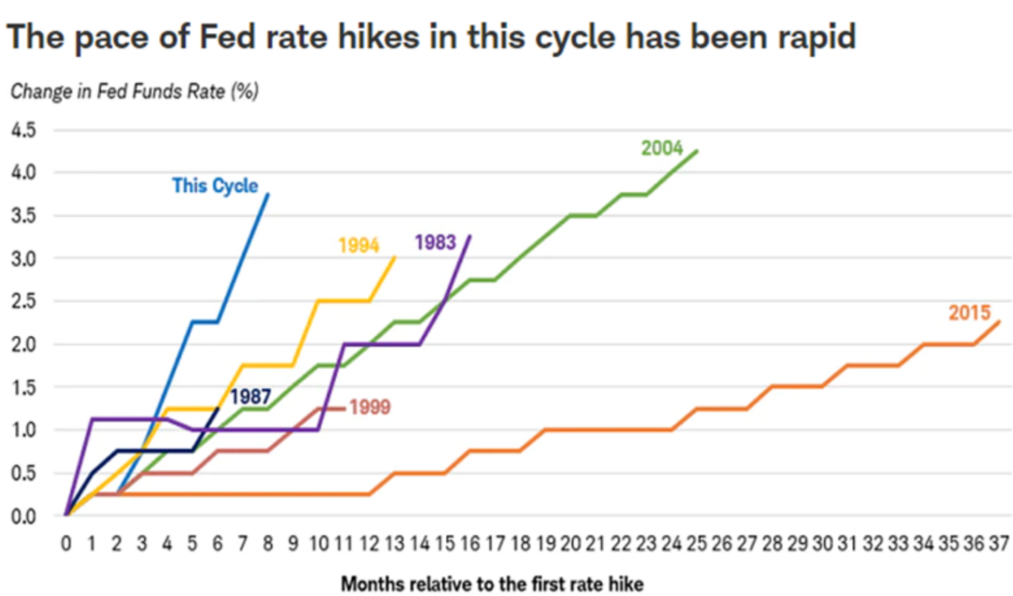
	YTD	2022	2021	2020	2019	2018	2017	2016	2015	Cumulative	Since Inception
Equity Basket	10.33%	-6.68%	22.80%	21.25%	23.96%	-4.54%	8.18%	18.43%	5.77%	99.49%	7.81%
Mackenzie Small Cap Growth	3.99%	-16.52%	19.55%	13.00%	2.76%	12.20%	11.09%	12.52%	10.00%	68.59%	10.56%
CI Canadian REIT Fund	2.24%	-20.74%	34.34%	-6.86%	22.86%	3.93%	11.72%	16.88%	15.44%	79.81%	9.09%
NBI Internation Conviction	14.10%	-14.27%	15.89%	17.45%	25.18%	-0.03%	23.76%	-2.80%	-	79.28%	9.46%

Sources: Croesus Financial & Morningstar

Our outlook for equities is somewhat muted in the short term as we feel stocks are fairly valued, but we feel confident in our more defensive positioning and will continue to enjoy a healthy dividend yield of 2.2% in the meantime while we wait for the next leg up. We are confident that in the medium and long term equities will continue to be the main driver of returns consistent with our past experience.

FIXED INCOME

Although generally regarded as the "safe" asset class, last year was brutal for Fixed Income and Bonds as 2022 saw the steepest interest rate hiking cycle in history.

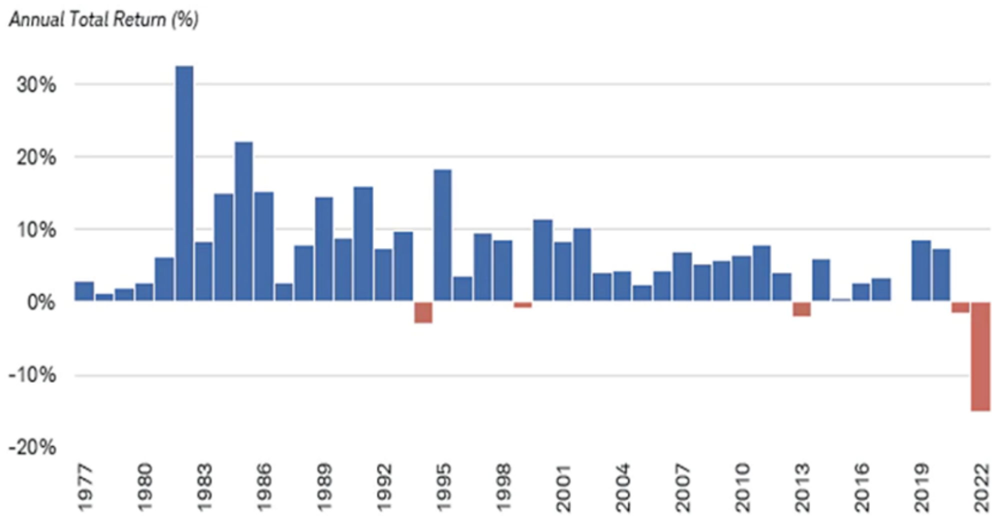


Source: Bloomberg.

Federal Funds Target Rate - Upper Bound (FDTR Index), using monthly data. Current cycle as of 10/31/2022. Note: Data is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy. Lines represent the cumulative change in the fed funds target rate from the start of each rate hike cycle shown. Past performance is no guarantee of future results.

Simple bond and Fixed Income metric: when interest rates go up, prices fall and when interest rates fall, Fixed Income and Bond prices rise. According to the Barclay's US Aggregate Bond Index, 2022 was the worst year since they started recording for bonds in 1976. A professor of historical investment returns called it the worst bond market in 250 years!

Negative returns have been uncommon in a diversified fixed income portfolio



Source: Schwab Center for Financial Research with data provided by Morningstar, Inc.

So, why did we hold Bonds and Fixed Income then? Bonds have historically added value by being a counterweight to stock market declines.

We had been hearing that interest rates "will be going up" for over decade and yet they remained persistently low until last year's sudden change. However, along the way we positioned our Bond and Fixed Income holdings to be a shorter term to maturity (less interest rate sensitive) and high quality (less credit sensitive) with a relatively low exposure to government bonds (which are again more interest rate sensitive).

We were positioned well enough to beat our benchmark by a wide margin, but still suffered significant drawdowns as no element of the Fixed Income market was spared in 2022.

2023 looks like a fabulous opportunity in a completely different looking interest rate market than we have seen for over 15 years. Given that interest rates have gone up over 420 basis points in a year and bond prices have subsequently fallen there is a very strong standing yield on our current Bond holdings.

Typically, we are now seeing current market yields of 5-6% on bonds within our holdings. With price stability we will simply collect that yield year over year going forward, which should beat GIC rates while providing liquidity and flexibility to move investment dollars around.

Many of our strategic partners are finding tremendous opportunities in lower credit quality as their teams of analysts do all the forensic work on balance sheets. They are reporting portfolio yields in the double-digit range.

We still have an expectation that interest rates will peak by late this year or early next and be followed by rate cuts. When this happens, Bond prices will first stabilize and then reverse course and start to climb. This would provide an extra tail wind for the portfolios

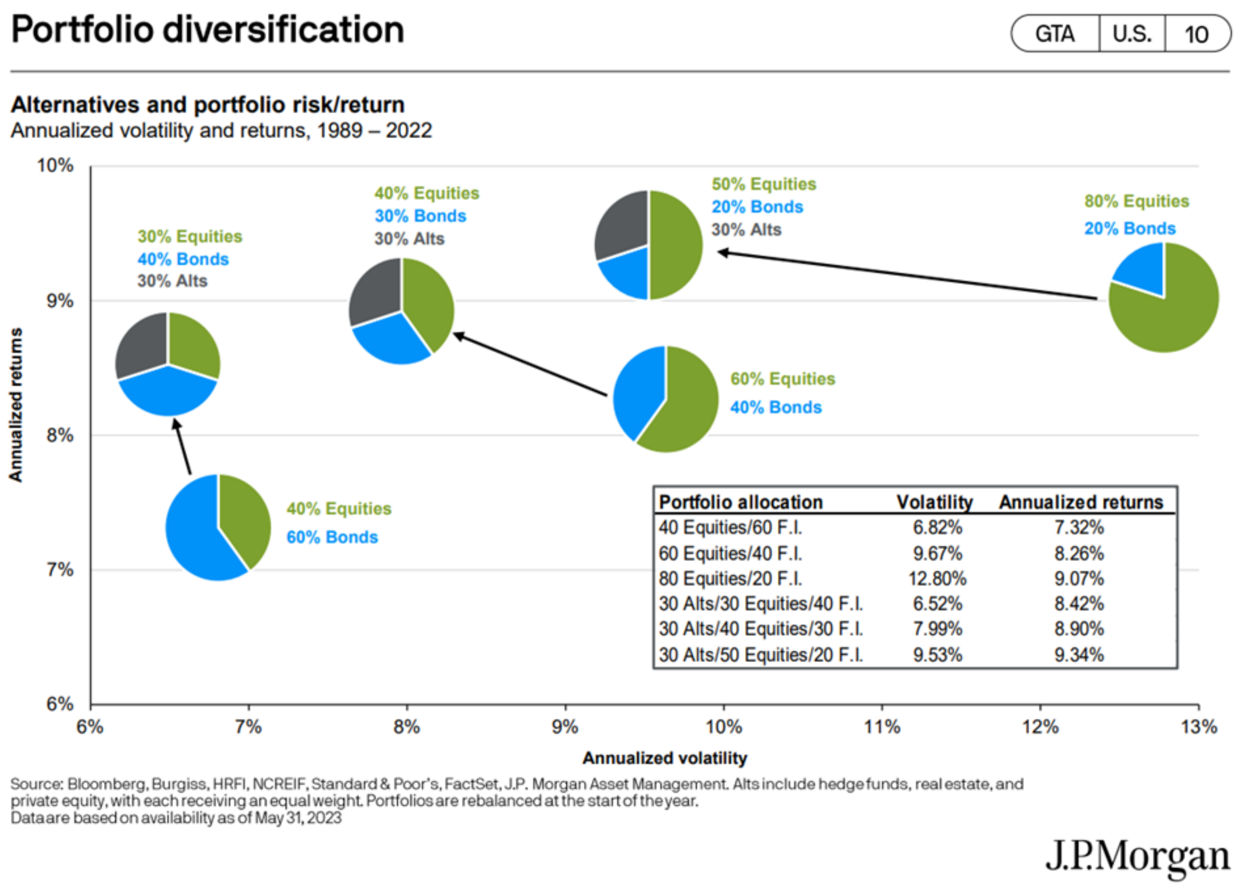
HDWM ALTERNATIVE ASSET POOL

Investment Strategy

The Third category in our portfolios is Alternative Assets. We launched our HDWM Alternative Assets Pool in September of 2022 in order to provide better liquidity(cashable in 3 days), more diversification (now 15 strategies vs only 5 before), and to strive for better performance with LESS risk.

Alternative Assets are a risk reduction tool. There have been countless industry studies and academic papers that prove the value of this asset class to enhance risk adjusted returns.

In the following example a 30% alternatives weighting is added to a three Balanced Portfolios with different weightings of stocks and bonds. In each case the return went up and the volatility (risk) went down. More return and less risk. This is diversification at its finest:



Portfolio allocation	Volatility	Annualized returns
40 Equities/60 F.I.	6.82%	7.32%
60 Equities/40 F.I.	9.67%	8.26%
80 Equities/20 F.I.	12.80%	9.07%
30 Alts/30 Equities/40 F.I.	6.52%	8.42%
30 Alts/40 Equities/30 F.I.	7.99%	8.90%
30 Alts/50 Equities/20 F.I.	9.53%	9.34%

Since September we were able to consolidate our pre-existing Alternative funds within the pool, resize the positions, and allocate to more new strategies. We have intentionally gone slowly on the process of reallocating to additional funds. The due diligence process of identifying, researching and then interviewing potential new managers is time consuming but if done well most certainly will pay off later.

Here is a list of the holdings in the HDWM Alternative Asset Pool as of June 30, 2023, along with the strategy categories and the historical returns of each fund to illustrate how they have fared over time:

Description	Sector	Current Weighting	Return Since Inception	Data Start Date	Annualized Return
CASH	Cash	10.19%	N/A	N/A	Prime Minus 2.95%
PIMCO TACTICAL INCOME	Long/short Fixed Income	9.13%	-2.00%	Nov, 2020	-0.77%
CANOE GLOBAL PRIVATE EQUITY	Private Equity	1.80%	10.16%	Jan, 2022	7.17%
KENSINGTON GLOBAL PRIVATE EQUITY	Private Equity	1.20%	141.56%	May, 2007	8.80%
PICTON MAHONEY INCOME OPPORTUNITIES	Long/short Fixed Income	3.74%	73.77%	Jan, 2010	5.50%
ROMSPEN MORTGAGE INVESTMENT FUND	Mortgage Lending	13.03%	143.50%	Jan, 2005	7.79%
UBS GLOBAL MERGER ARBITRAGE FUND	Merger Arbitrage	5.15%	159.03%	Jan, 2005	8.64%
WARATAH PERFORMANCE FUND	Market Neutral	3.38%	128.56%	Jul, 2010	9.95%
CANOE E/A LP	Commodities	2.59%	121.21%	Jan, 2019	27.44%
PICTON MAHONEYABSOLUTE ALPHA FUND	Multi-Strategy	10.34%	65.17%	Mar, 2017	10.43%
EDGEHILL GLOBAL MULTI-STRATEGY FUND	Global Multi Strategy	4.96%	0.30%	Jan, 2021	0.12%
FORGE FIRST LONG/SHORT FUND	Long/Short Equity	9.99%	30.15%	Apr, 2019	7.24%
RPIA ALTERNATIVE GLOBAL BOND FUND	Long/Short Fixed Income	9.02%	20.24%	Jul, 2019	5.17%
VISION CAPITAL LIQUID ALTERNATIVE FUND	Long/Short REIT	8.78%	23.79%	Mar, 2019	5.60%
NBI LIQUID ALTERNATIVE ETF	Global Macro	6.70%	32.13%	Mar, 2019	7.56%
TOTAL		**100.00%**			

As a result of the slower allocation of capital into the various strategies the performance has been sluggish over the last nine months, but we expect it to pick up in the second half of 2023 onward. Here is the performance for the first nine months in comparison to the benchmark:

HDWM Alternative Asset Pool Performance				
	3 Months	6 Months	YTD	Since Inception (October 2022)
Pool Performance	-0.34%	0.85%	0.85%	0.37%
Benchmark	-1.56%	0.94%	0.94%	0.28%

Value of Pool Date:	$9.683

Fees: Returns presented are net of fees.

Composition of the benchmark: This Index tracks the performance of the Canadian Alternative Mutual Fund universe.

LOOKING FORWARD

We continue to interview and evaluate new potential additions to the Alternative Asset Pool and believe that the recent turmoil in all markets provides a fertile environment for many of these strategies to prosper. Our goal is to grow your investment portfolio as much as possible with as little risk as possible in accordance with your investment objectives. Our success is measured by the financial success of our clients, and we will always work tirelessly to achieve this goal.

We always love the opportunity to discuss any concerns or do reviews so please contact us anytime with any questions. Thank you for your placing your trust in our team and your faith in our process. We look forward to continued success over time.

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