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NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

MOTT LIOKOSSIS WEALTH MANAGEMENT GROUP

September 2022 Commentary

Our hypothetical equity model[1] was flat in August, returning -0.11%. Even though we didn't make any money, it was another good month as we handily outperformed our benchmark global equity index[2] which lost 1.51%. Year-to-date, our model is +2.24% compared to our benchmark at -14.54%.

In addition, this year is proving us correct in our long-held distaste for bonds in the current era. (If it were 1984 with yields in the mid-teens and inflation behind us, we'd love bonds). In August, Canadian bonds[3] returned -2.79%, bringing them to -11.51% in 2022 so far. The preponderance of Canadian investors turn to balanced portfolios for some protection from volatile equity markets. They have been sorely disappointed this year as their bond losses have exacerbated their stock losses rather than offsetting them. Bond returns have been so bad this year that they have nearly wiped out the gains for the last 5 years. It looks like the pain could continue with interest rates projected to rise.

[1] If you are new to this newsletter, our reference to a 'hypothetical equity model' bears explaining. Because every client's portfolio is slightly different and customized, we track a 'hypothetical' model to represent our results. This model contains the same investments as the equity portion (i.e. the 'engine') of your portfolio. It excludes the bonds. Each trade is done at the same time and price as your portfolio.

Our *Hypothetical Equity Model* closely approximates the actual performance of your equities before fees. It gives us context, allowing for various types of analyses & comparisons.

[2] Global stock market is represented by *EWI785 World Stock Equal Weight Index*[t], Courtesy of SIA Charts

[3] Canadian bonds are represented by *XBB iShares Core Canadian Universe Bond Index* which includes a management expense ratio (MER) of 0.10%

Market Update

A quick recap of the current situation in stocks. Last year, we started to detect trouble in May so we started to take evasive action. We continued to pare back our stock exposure through 2021 while the main stock market indexes continued to rise into the end of the year. At the start of 2022, things changed in a hurry. Stocks around the world started to fall, revealing the fundamentals behind what our instruments had been picking up six months previously.

We continued to divest of stocks right up to summertime, while the market continued down with out us. Mid-summer markets started to recover to the point that our dials moved and we started to buy back stocks. We never did get fully invested but from an all-cash position in July, we bought back over 80% of our normal stock exposure in August.

About the support/resistance line in the chart below, we quote ourselves:

> *"We expect stock prices to recover enough to reach this line and test it. Then what?*
>
> *Option A – if resistance holds, expect another big decline in the stock market. This is the most profitable outcome for us as we sit on significant cash and wait.*
>
> *Option B - if we break through, then perhaps the market is out of the woods and the worst is behind us. In this case, the huge performance gap we're enjoying over the market thus far in 2022 will be dramatically reduced by the time we start buying stocks again."*

The chart is updated below to show what happened next. We did indeed charge up to - and through - the line of support and resistance. In the past we've noted that when a pattern or channel is developing and becomes well established, breakouts from the pattern (which are the most profitable) fail 80% of the time. They are false breakouts. So it has turned out to be in this case. The move back up looks like it has failed. So far, it looks more like option A – even though we poked above the line, resistance has held.

Where are we now? We added a few percent in performance after re-entering the market, then gave it up. The action in stocks has been utterly unconvincing. August has proven to be an interesting month. Rather than confirmation, it has thrown up more questions. Will we get further declines in stock prices? If we do, we're ready. We have one foot out the door with our model about one-quarter in cash. Through spring and summer we talked a lot about a potential big decline in stocks as we sat in cash, which would have given us a fantastic entry point and robust potential profits over the next few years. It hasn't happened – yet. Stay tuned.

September 2022 Portfolio Review

Hypothetical Model Growth Portfolio Holdings at the end of August 2022:

% Held	Security	Symbol	Sector	Price	Yield
2.56%	Cash				
5.46%	Cintas Corp	CTAS	Diversified Services	$ 534.30	0.75%
5.53%	Equinor ASA	EQNR	Energy	$ 50.94	2.28%
5.93%	Genuine Parts Company	GPC	Wholesale	$ 204.89	1.68%
6.07%	ICICI Bank Limited	IBN	Banking	$ 28.68	0.44%
5.57%	Nexterra Energy Inc.	NEE	Utilities	$ 111.71	1.49%
5.22%	TRIP.COM Group Limited	TCOM	Udiversified Services	$ 33.78	0.00%
5.52%	VICI Properties	VICI	Real Estate	$ 43.33	3.32%
5.76%	Waste Management Inc.	WM	Construction	$ 221.99	1.11%
40.32%	SIA ML Global Tactical Pool	SWI220	Global Equity Portfolio	$ 25.09	9.07%
12.07%	BMO SIA Focused CDN EQ ETF	ZFC	Canadian Equity Portfolio	$ 40.84	0.93%

SIACharts.com

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Yearly Returns**	
2022	-2.76%	2.22%	6.38%	-2.67%	0.65%	-1.38%	-0.05%	-0.11%					**2.24%**	**YTD**
2021	1.62%	5.68%	-3.36%	0.16%	-0.85%	0.93%	0.28%	7.23%	-4.67%	1.70%	0.60%	0.51%	**9.93%**	
2020	4.33%	-3.90%	-8.54%	-0.42%	9.70%	2.13%	5.75%	4.27%	-2.33%	-1.79%	7.32%	6.07%	**22.93%**	
2019	1.36%	5.01%	3.75%	3.46%	-1.58%	2.58%	0.97%	1.13%	-3.33%	-0.78%	3.76%	2.09%	**19.73%**	
2018	2.84%	0.81%	-0.31%	-0.79%	5.53%	8.19%	-0.60%	8.18%	-2.65%	-14.70%	-0.14%	-2.73%	**1.60%**	
2017	-1.26%	3.11%	0.49%	3.26%	1.45%	-3.95%	0.50%	2.31%	3.43%	7.33%	2.38%	-3.57%	**16.08%**	
2016	-3.29%	-2.97%	-3.70%	-3.30%	5.04%	1.01%	3.03%	-0.56%	1.02%	-1.70%	1.56%	0.82%	**-3.36%**	
2015	9.73%	2.78%	3.71%	-8.98%	10.69%	-4.34%	7.93%	-5.39%	-3.05%	0.23%	-0.08%	1.84%	**13.89%**	
2014	6.39%	6.38%	-5.18%	-4.67%	1.52%	1.94%	-1.25%	5.18%	-2.40%	0.44%	5.70%	3.57%	**18.08%**	
2013	6.00%	4.20%	3.95%	-2.83%	9.64%	-3.67%	4.06%	3.65%	3.29%	3.42%	4.68%	2.66%	**45.96%**	

Monthly & Annual Returns for the Mott Liokossis Hypothetical Model Growth Portfolio.
Performance reflects actual trades executed in our maximum growth model and does not include fees or expenses.
We use this hypothetical model as the basis for our clients' portfolios.

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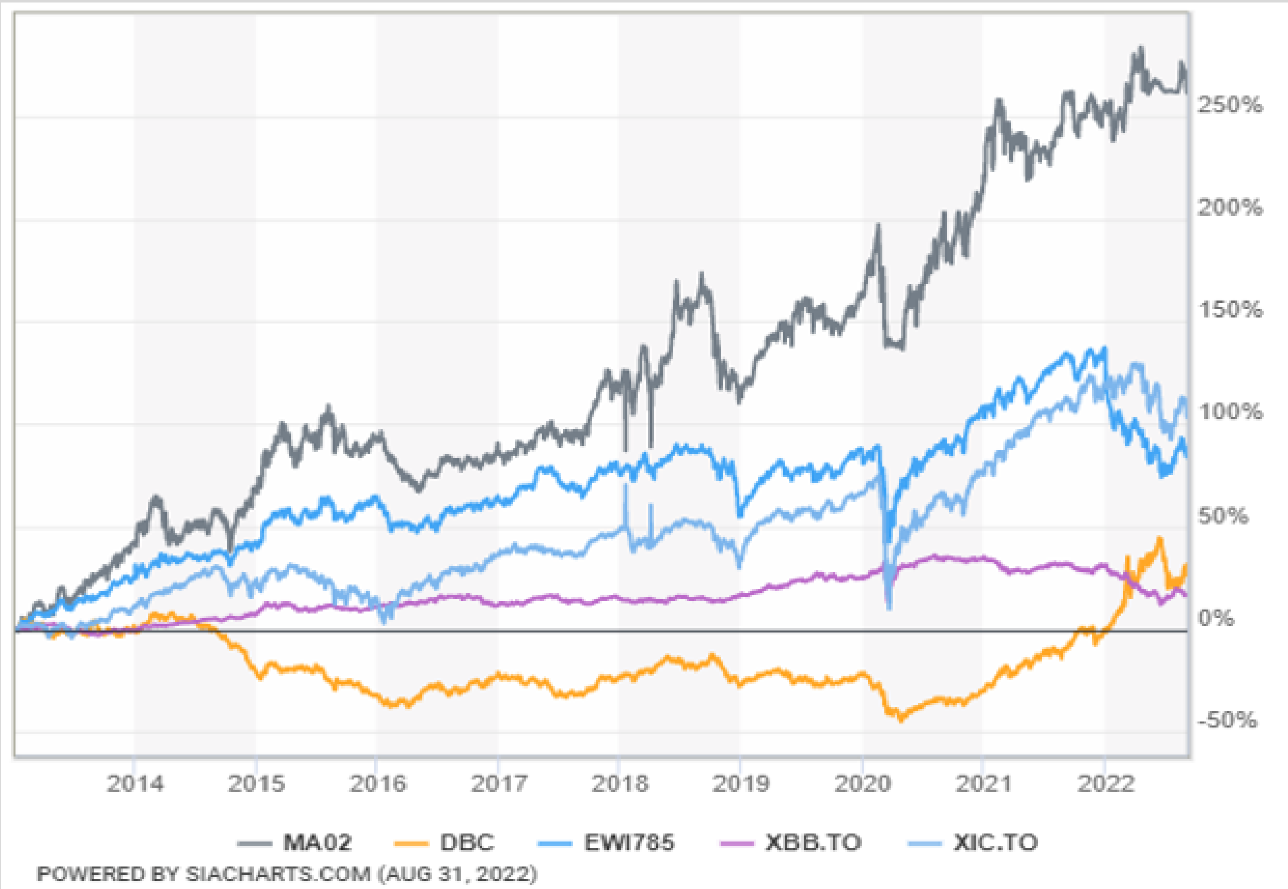

Growth of $10,000 Jan. 04, 2013 - Aug. 31, 2022	
Mott Liokossis Model (MA02)	$36,131
World Stock Equal Weight Index (EWI785)	$18,421
Canadian Stocks (XIC.TO)	$20,338
Canadian Bonds (XBB.TO)	$11,640
Commodities (DBC)	$12,628

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