VÊRED WEALTH MANAGEMENT (CANADA) COMPANY LIMITED

VWMC 2022 Q4
Portfolio Performance Report

PART I: Market Review

- Market had a strong showing in Q4. Inflation finally decelerated and as a result, bond yields retreated as investors expected FED to slow down its tightening. Also, after over 25% drop in the first nine months, valuation became reasonable and technically the market was in the oversold territory. All these propelled the market rally in October and November. However, the anticipated Santa rally towards the year-end didn't materialize as investors' focus shifted towards a potential economic recession and still uncertainties around FED's policy (Powell maintained a hawkish tone during his December news conference).
- Overall, S&P was up 7.1% in Q4, Dow Jones up 15.4% and Russell 2000 (small caps) up 5.8%. However, NASDAQ continued to struggle (down 1%). Sector-wise, 9 out of 11 S&P sectors had positive returns, with Energy and Industrials leading the pack. Only Consumer Discretionary and Communication Services had negative returns.
- For 2022, S&P was down 19.4%, Dow Jones down 8.8%, Russell 2000 down 21.6%, and NASDAQ down 33.1%. Sector-wise, Energy was up 65.7% and Utilities up 1.6%. All the other sectors had negative returns.
- On the Canadian side, TSX was up 5.1% in Q4 (-8.7% for 2022 supported by the energy sector). For markets outside North America, EAFE (developed countries ex. US) was up 15.4% in Q4 (- 16.3% for 2022). Emerging Market was up 8.7% in Q4 (-21.8% for 2022).
- On commodities, gold was up 9.5% in Q4 (-0.4% for 2022) buoyed by lower bond yields and weaker US dollar. Oil was up 1% in Q4 (+6.7% for 2022). Oil has been trading range-bound around $80 (below pre-Russia/Ukraine war price levels) for the last few months.
- 10-year US treasury yield was relatively stable in Q4 (up 8 bps to 3.87%, still highest level since financial crisis in 2008) after rapid increases for the first nine months, as market expected FED to slow down its tightening. For the year, 10-year treasury yield was up 237bps, one of the fastest increases. Aggregated bond index also stabilized during the quarter (up 0.9%), but for the year, bond index was down 14.2%, its worst performance in many years.
- US dollar finally retreated (-7.7% in Q4) with the expectation of a slowing economy and potential FED pivot. For 2022, US dollar still appreciated significantly (up 7.9%). Euro dropped 5.9% in 2022 to be barely above parity with the US dollar. British pound declined 10.6% in 2022, Japanese Yen down 13.9%, and the Canadian dollar down 6.7%. Stabilizing or weakening US dollar could provide some relief to US corporations with meaningful overseas revenue.
- Despite the Q4 rally, 2022 was a tough year: almost all asset classes had negative return (nowhere to hide). However, Q4 offered a gleam of hope that we may have seen the worst. Inflation seemed finally turn the corner and monetary tightening may be closer to an end (two biggest factors that drove the market in 2022). Economic conditions and earnings growth though may become the new focus for investors in 2023.

	Return								
	2021	Q1 2022	Q2, 2022	Q3, 2022	Oct	Nov	Dec	Q4, 2022	2022
S&P 500	26.9%	-4.9%	-16.45%	-5.28%	7.99%	5.38%	-5.90%	7.08%	-19.44%
Dow Jones	18.7%	-4.6%	-11.25%	-6.66%	13.95%	5.67%	-4.17%	15.39%	-8.78%
NASDAQ	21.4%	-9.1%	-22.44%	-4.11%	3.90%	4.37%	-8.73%	-1.03%	-33.10%
Russel 2000	13.7%	-7.8%	-17.49%	-2.53%	10.94%	2.15%	-6.64%	5.80%	-21.56%
TSX	21.7%	3.1%	-13.84%	-2.21%	5.32%	5.29%	-5.22%	5.10%	-8.66%
FTSE Developed Market Index (ex. US)	11.7%	-5.8%	-13.92%	-10.62%	4.84%	12.57%	-2.19%	15.43%	-16.33%
MSCI Emerging Market Index	-3.6%	-7.6%	-10.43%	-13.02%	-3.44%	15.59%	-2.65%	8.66%	-21.76%
Gold	-3.5%	6.7%	-7.44%	-7.85%	-1.05%	6.14%	4.22%	9.46%	-0.43%
Oil	55.0%	33.3%	5.46%	-24.84%	11.17%	-8.85%	-0.36%	0.97%	6.71%
US Dollar Index	6.8%	2.5%	6.43%	7.11%	-1.25%	-4.46%	-2.14%	-7.67%	7.87%
Aggregate Bond Index	-1.2%	-5.8%	-4.59%	-5.28%	-1.96%	3.81%	-0.87%	0.89%	-14.15%
Change in US 10-year Treasury Yield (bps)	60	82	65	83	25	(35)	18	8	237

Source: Quotestream; Vered Wealth Management

S&P 500 (In USD)	Dec-22	3 Mo	YTD
Energy	-2.9%	22.8%	65.7%
Materials	-5.6%	15.0%	-12.3%
Industrials	-3.0%	19.2%	-5.5%
Consumer Discretionary	-11.3%	-10.2%	-37.0%
Consumer Staples	-2.8%	12.7%	-0.6%
Healthcare	-1.9%	12.8%	-2.0%
Financials	-5.2%	13.6%	-10.5%
Technology	-8.4%	4.7%	-28.2%
Communication Services	-7.8%	-1.4%	-39.9%
Utilities	-0.5%	8.6%	1.6%
Real Estate	-4.8%	3.8%	-26.1%

Source: RBC Global Asset Management

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PART II: Market Outlook

Key things to watch out for 2023 are: 1) Inflation; 2) economic growth; 3) FED policies (peak rates; potential rate cuts); 4) market fundamentals, including corporate earnings and valuation; and 5) various geopolitical issues (Russia/Ukraine war; US-China relationships, etc.).

Inflation:

- Inflation was the key driver for the market in 2022, as it is the focus by the FED and drives monetary policies, which will impact the economy, corporate earnings and ultimately the market.
- After peaking in June (9.1%), inflation finally showed signs of alleviation in the latter half of 2022, driven by a combination of FED tightening, relaxation of supply constraints, and easier comps. Headline inflation dropped consistently from 8.2% in September to 6.5% in December.
- On the positive side, goods inflation (including energy, secondhand vehicles, etc.) has come down nicely, and shelter costs (account for ~1/3 of CPI after recent adjustments), although still high, is expected to moderate as suggested by real-time housing and rental data (measurement of shelter cost in CPI has a lag).
- On the negative side, however, service inflation remains sticky partially driven by still tight labor market (3.4% unemployment rate currently, at 50-year low).
- We believe inflation has peaked, but the path towards the 2% target will not be smooth and easy. It will continue to fluctuate (for example, Jan. 2023 headline and core inflations were both above expectation and month over month increase picked up from previous months). As mentioned above, shelter costs and service inflation will be the key areas to watch.
- While inflation will not be the dominant driver for the market as it was in 2022, its fluctuation will continue to influence the market, especially in H1.
- In its most recent economic projections (Dec. 14, 2022), FED increased its inflation (PCE) expectation from 2.8% to 3.1% for 2023. While it is a big decline from 5.6% in 2022, it is still well above FED's target of 2% (FED doesn't expect inflation to drop to that level until late 2024).

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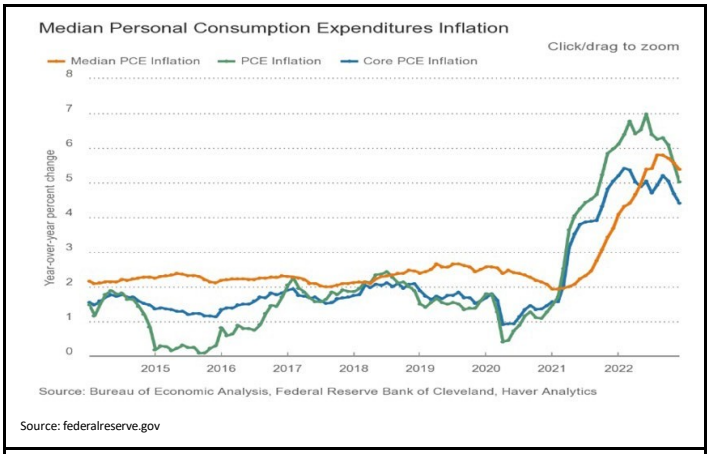
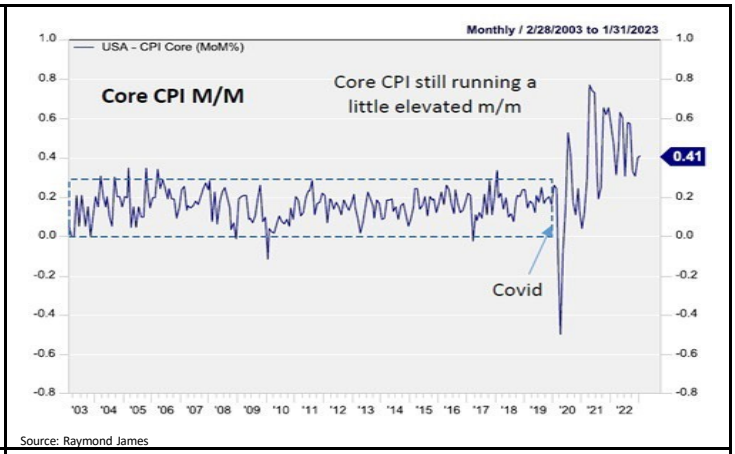
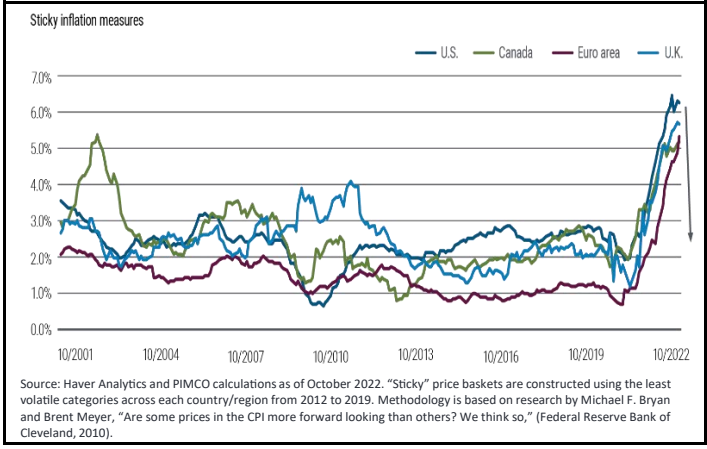


Source: federalreserve.gov



Source: Raymond James



Source: Haver Analytics and PIMCO calculations as of October 2022. "Sticky" price baskets are constructed using the least volatile categories across each country/region from 2012 to 2019. Methodology is based on research by Michael F. Bryan and Brent Meyer, "Are some prices in the CPI more forward looking than others? We think so," (Federal Reserve Bank of Cleveland, 2010).

FED Economic Projections (December 14, 2022)

Percent

Variable	Median[1] 2022	2023	2024	2025	Longer run
Change in real GDP	0.5	0.5	1.6	1.8	1.8
September projection	0.2	1.2	1.7	1.8	1.8
Unemployment rate	3.7	4.6	4.6	4.5	4.0
September projection	3.8	4.4	4.4	4.3	4.0
PCE inflation	5.6	3.1	2.5	2.1	2.0
September projection	5.4	2.8	2.3	2.0	2.0
Core PCE inflation[4]	4.8	3.5	2.5	2.1	
September projection	4.5	3.1	2.3	2.1	
Memo: Projected appropriate policy path					
Federal funds rate	4.4	5.1	4.1	3.1	2.5
September projection	4.4	4.6	3.9	2.9	2.5

Economic growth

- Recent stronger than expected non-farm payroll and retail sales number (part of the increased spending was through borrowing, so we will have to see whether it is sustainable) gave investors some hope that a soft-landing scenario may be possible. However, we believe a recession in 2023 is more likely as historically the economy rarely managed to avoid a recession with such aggressive monetary tightening. A recession may be the necessary cost to bring down inflation.
- One key measure, yield curve inversion, historically has been a good leading indicator to recessions (an inverted yield curve usually led a recession by 6-18 months). The 10-year to 2-year yield curve has inverted since July and yield differential currently stands at 72bps, the deepest inversion since 1980s.
- Other indicators, such as lower PMI, slowing housing market, weakening consumer sentiment, and cautious outlook by company management, also suggest a looming recession in 2023.
- However, the question is how severe the recession will be. We think it will likely be a mild one for the following reasons:
  - Personal savings, although declining, are still at high level. This provides support to consumer spending, which accounts for ~70% of US GDP.
  - Job market, while slowing down, is still robust (1.9 job openings to 1 job seeker, and unemployment rate at 3.4%). This again lends support to consumer spending.
  - Unlike 2007/08, banks are well capitalized; corporate and household balance sheets are overall in reasonably healthy shape (no excess leverage).

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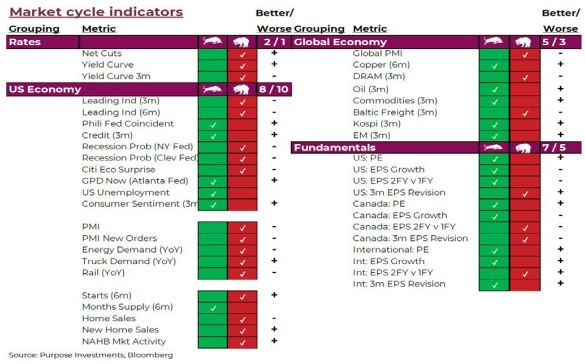
- Ultimately, this is a self-induced recession by the FED to control inflation. If they are convinced that inflation is under control (we think it will), there is plenty room for the FED to loosen its monetary policies down the road to revive the economy.
- In addition, China's reopening may also provide a tailwind to the global economy.

- The FED, in its most recent economic projections in December, expected 0.5% GDP growth in 2023 (down from 1.2% in its September projection). Current consensus expects a 0.3% growth in real GDP in 2023 with wide variability. The Conference Board also expected a 0.3% GDP growth in 2023 with modest growth in H1 offset by contractions in Q3 and Q4 (technical definition of a recession: 2 consecutive quarters of negative GDP growth).
- In terms of market impact, we think market has to some extent priced in a mild recession. However, similar to inflation, investors need more clarity (e.g., timing, length, degree) before they can look past the weakness.



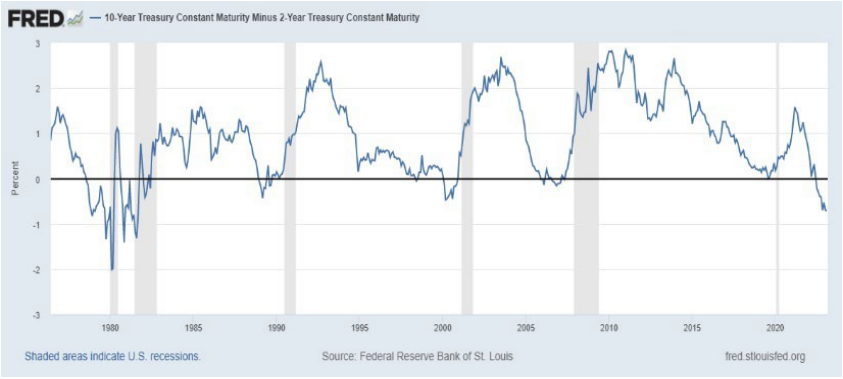
Blue Chip Survey of Professional Forecasters

	Real GDP growth	CPI inflation rate	Unemployment rate	10-Year Treasury yield
2023				
Consensus (average)	0.3	4.0	4.4	3.8
Average of top 10	1.3	4.6	4.9	4.3
Average of bottom 10	–0.5	3.4	3.9	3.1
Historical performance (1993-2022)				
Accuracy (% of years in range)	46.7	50.0	40.0	36.7
Accuracy (MAFE, consensus)	1.0	0.7	0.5	0.6
Bias (MFE, consensus)	–0.1	0.0	–0.2	–0.5

NOTE: Real GDP and CPI inflation are percent change from 2022 to 2023. Unemployment rate and 10-year Treasury yield are the averages for 2023. The 2022 observed values were calculated with data through 2022:Q3. Mean absolute forecast error (MAFE) and mean forecast error (MFE) were calculated using the consensus forecast.

Source: Federal Reserve Bank of St. Louis

Yield Curve (10-year minus 2-year)



FED Policy

- After aggressive hikes since March 2022 (four consecutive 75bps increases), FED decided to scale back recently (50bps in December and 25bps in January). Given the lagging effect of monetary tightening and inflation trending down, FED probably wants to slow down to assess the impact of its policies.
- FED's messages have been mixed lately though. During his December news conference, Powell maintained a relative hawkish stance, indicating that inflation remained a big threat and FED wouldn't stop until its job was done. During his January news conference, however, Powell sounded a bit more dovish (e.g., "we've seen some signs of disinflation"). Later on, several FED officials adopted a more hawkish tone again to balance out Powell's comments.
- Those messages, along with volatile economic data (including January strong non-farm payroll, retail sales and higher than expected inflation) have resulted in wide swings in market expectations. For example, 2-year treasury yield declined rapidly from 4.73% in early November 2022 (highest level since 2007) to 4.08% on Jan. 18 but went back up quickly to 4.73% as of February 21, 2023.

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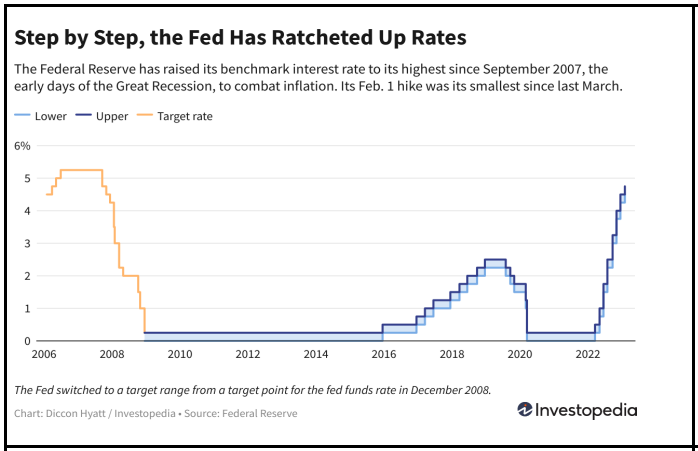
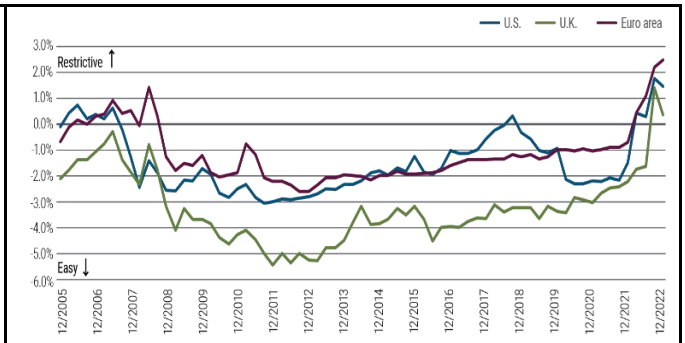
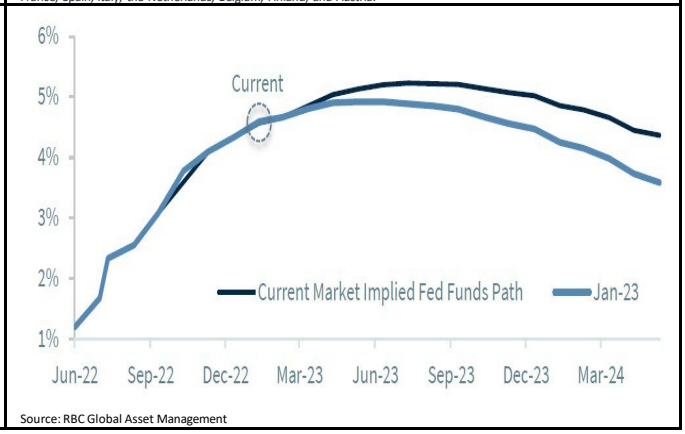
- Given our expectation of moderating inflation and weakening economy, we believe we are closer to the end of current rate hiking cycle. Our base case is that FED will hike 2-3 times (50-75pbs) in H1, 2023 and then hold the rate for the remainder of 2023. We don't expect a rate cut probably very late in 2023 or in early 2024 as inflation will remain above FED's target well into 2024. FED had misjudged the inflation earlier on (called it "transitory" and kept rates low for too long) so it can't afford to make another mistake to lose its credibility. The unpredictable nature of inflation in the post-pandemic era suggests it may be difficult for the FED to claim victory until inflation actually starts falling decidedly toward the 2% target.
- While we expect monetary policy to remain restrictive, it will be less a headwind for the market in 2023 as we are near the end of the tunnel. Again, market needs more clarity (peak rate, timing of rate cuts, which are still highly dependent on economic data), before it can embark on a sustainable rally.
- In its December projections, FED expected peak FED fund rate around 5.1% in 2023 (i.e., another 50bps increase) before settling lower towards 4.1% in 2024. Market currently expects rate at ~5.25% by the end of 2023 (moved up 50bps from a month ago).





Source: Bloomberg, Haver Analytics, and PIMCO calculations as of December 2022. A level above 0% indicates monetary policy in that region is likely restrictive, and a level below 0% indicates monetary policy is likely easy (accommodative). For each region, data shown is calculated as the 1-year, 1-year-forward real rate (proxied by interest rate swap data minus survey-based long-run inflation expectations) minus PIMCO's estimate of the neutral real rate (r*), based on our internal model. Euro area r* estimate is a GDP-weighted sum of individual estimates for Germany, France, Spain, Italy, the Netherlands, Belgium, Finland, and Austria.

Source: CME Group



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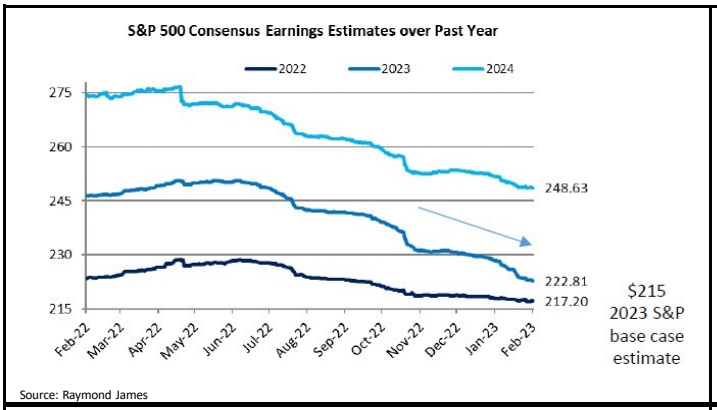
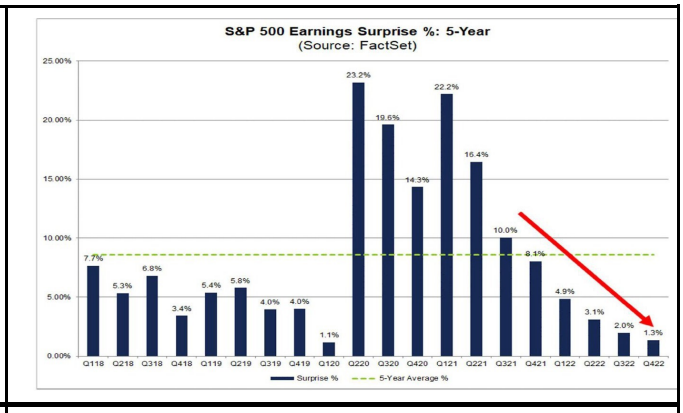
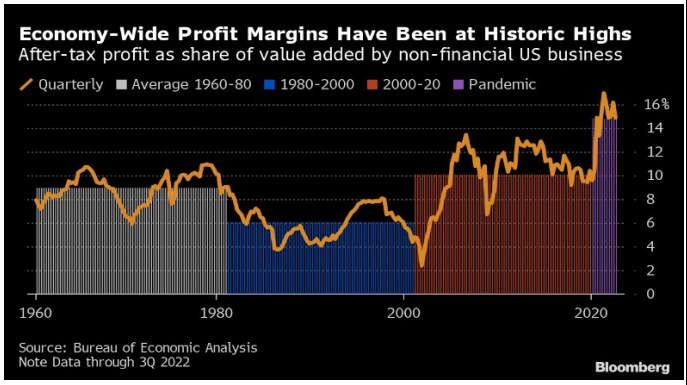
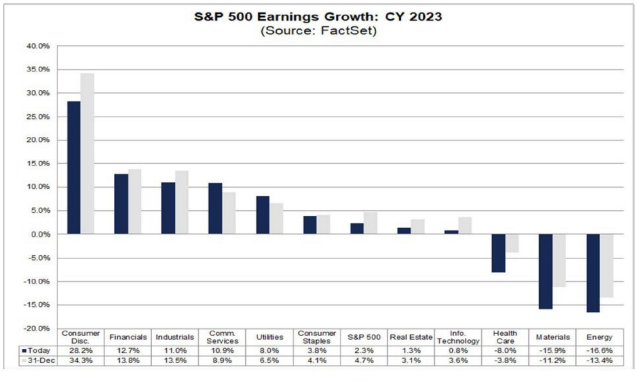
Earnings growth:

- 2022 market decline was almost entirely driven by valuation compression. With valuation now back to more reasonable levels, investors will turn their focus to earnings growth. Market return will be dependent on how resilient corporate earnings are.
- Consensus earnings estimates for 2023 have come down considerably (from $250/share in mid 2022 to $223/share currently). However, at this level, it still implies a 2.6% growth over 2022, which may not happen if a recession were to materialize.
- Corporate margin was at high levels in 2022. Therefore, it will be difficult to see it expand further amid weakening demand and continued cost pressures companies are facing. During the Q4 earning season, earnings barely beat the already reduced expectations (beat rate and magnitude below historical average) and management in most cases provided cautious outlook.
- Overall, we expect moderate earnings decline in 2023 (2-3%) with nominal revenue growth (high level of inflation) offset by margin pressure. However, as we may continue to see downward adjustments in earnings estimates, it may be difficult to see sustainable rally at least in H1. As we go into H2 of 2023, investors will look forward to 2024 earnings, which could provide support to the market (we expect earnings to recover in 2024 if our assumption of a mild and quick recession is right; market currently expects 10%+ earnings growth in 2024).









	Consumer Disc.	Financials	Industrials	Comm. Services	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	28.2%	12.7%	11.0%	10.9%	8.0%	3.8%	2.3%	1.3%	0.8%	-8.0%	-15.9%	-16.6%
31-Dec	34.3%	13.8%	13.6%	8.9%	6.5%	4.1%	4.7%	3.1%	3.6%	-3.8%	-11.2%	-13.4%

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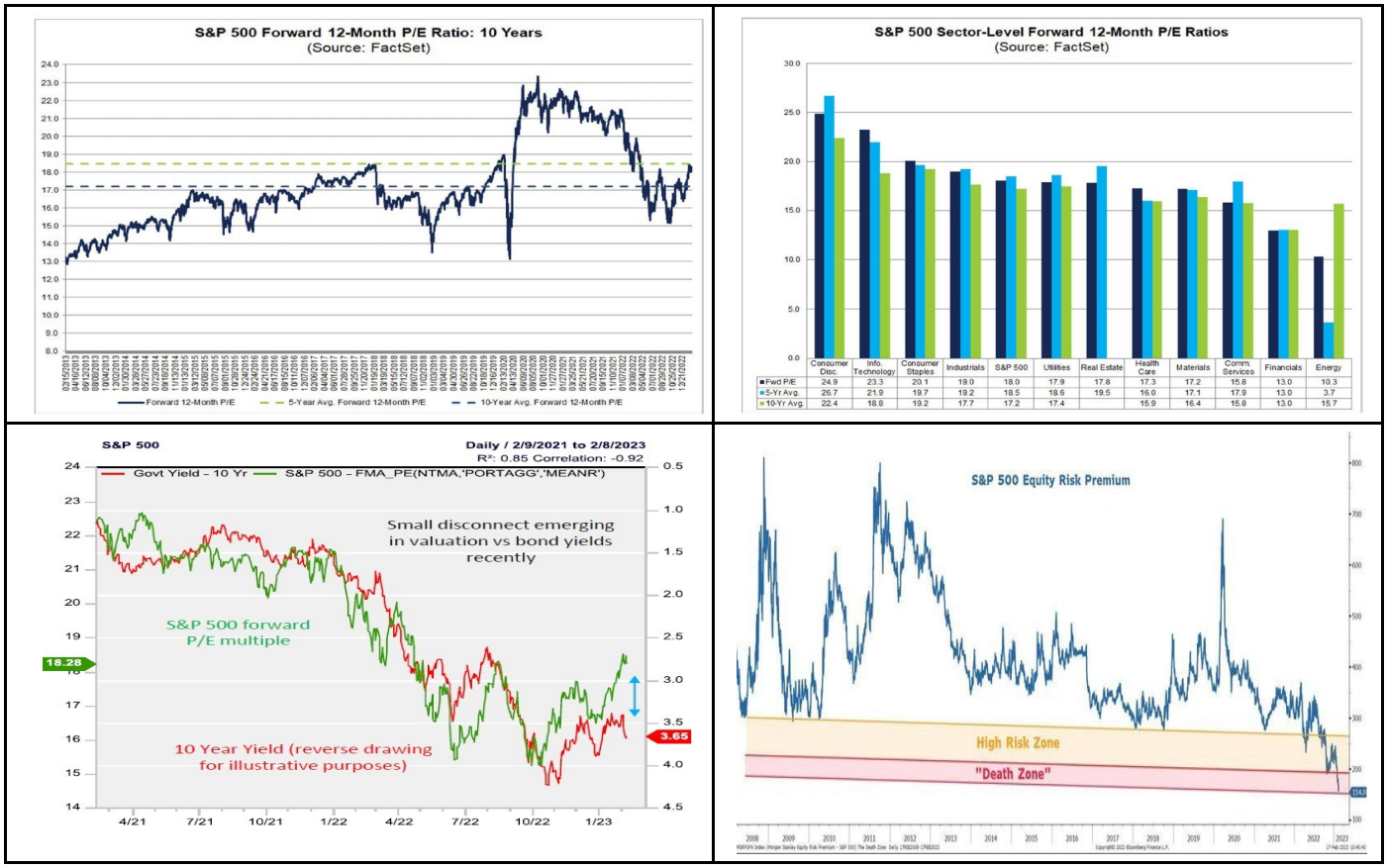
PART II: Market Outlook

Valuation: 估值

- With market pullback in 2022, valuation has come down meaningfully. S&P500 12- month forward P/E is now around 18x (down from over 25x at the peak in 2021), below 5-year average (18.5x), but above 10-year average (17.2x). Therefore, from P/E point of view, valuation is at reasonable level (not super cheap though).
- In the last 10 years, severe market drawdowns bottomed around 14-16x P/E (consistent with recent market low in early October at 15x)。
- P/E multiple expanded since October low, along with yield compression (10-year treasury yield declined from 4.23% in October to 3.39% on Jan. 18). However, bond yield has risen again since then (from 3.39% in January to 3.95% currently), but P/E multiple has-n't responded yet.
- As a result, Equity Risk Premium (ERP; earnings yield minus real bond yield) has declined (equity becomes relatively more expensive than bond). Current ERP of 155bps is low vs. historical range (2.5-3%). Clearly, there are some disconnections between bond and equity markets. Therefore, without a clear path of lower bond yield, it is difficult to see P/E multiple to embark on sustainable expansion, given where we stand currently.



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PART II: Market Outlook

View on the Market

- Since the current rally started in early October, we've seen some meaningful swings along the way. Such swings suggest that the inflection points in inflation, monetary policy, and growth probably have not yet been reached.
- As we mentioned above, there are some disconnections between bond and equity markets recently as bond market points to a recession while equity markets still focus mostly on inflation and rates (or maybe equity investors are too optimistic on the economy).
- As we discussed above, there are uncertainties in economic conditions, corporate earnings as well as lingering concerns on inflation and rates, and as a result, we expect market remain volatile, reacting to the fluctuation of key economic data.
- We will likely see a rangebound market in H1, 2023 with S&P500's possible trading range of 3,800-4,200. As we go into H2, 2023, however, market could potentially stabilize and charge higher with more clarity on monetary policies (rate hikes behind us and potential rate cuts by the end of 2023 or in early 2024), inflation (probably down to low single digit instead of mid-single digit currently), economy (anticipation of recovery in 2024 after a mild recession in 2023), and earnings (investors will be looking forward to 2024 earnings, which could have reasonable growth after a decline in 2023).
- Overall, it is likely that we've seen the bear market bottom (~3,500 for S&P 500), but a sustainable rally needs more clarity, which could happen later in 2023. On full year basis, we expect a positive return (vs. 2022 year-end prices) as two key variables that drove the market in 2022 are improving in 2023 (inflation has been moderating and the FED is closer to end its tightening cycle). We just need to see stabilization in rates, an ERP reflective of recession, and lower earnings expectations.
- Historically (from 1926 to 2022), consecutive negative yearly return only happened 4 times (1929 to 1932: Great Depression; 1940-1942: Second World War; 1974-1975: hyper-inflation; and 2000-2002: Internet bubble). In those 96 years, market rose 66 times and declined 30 times.

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PART III: Recommendations

As mentioned above, market will continue to be volatile in the short term. In order for us to be more aggressive, we need to see stabilization in rates, an ERP reflective of recession, and lower earnings expectations.

As a result, we recommend taking a moderately defensive stance at this junction. We recommend increasing Fixed Income allocation slightly and maintain a small tilt to defensive and value in Equities. As the year progresses, we will gradually increase our risk exposure (e.g., longer duration bonds, more equity weightings, more weightings to cyclical sectors, etc.).

Our detailed recommendations are as follows:

Asset Mix:

- We recommend increasing Fixed Income allocation slightly (by reducing cash; cash weighting still higher than target as we want to be flexible and nimble to capture potential market opportunities). We maintain our concentration in short duration bonds (higher yield with inverted yield curve) but could gradually shift to longer duration bonds as we go deeper into the economic cycle. We maintain our focus on quality vs. yield. We keep the inflation protected bonds (TIPS) to hedge a potential volatile/ sticky inflation scenario.
- We continue to recommend an overweight in Equities, as we believe equity offers superior long-term growth and return.

Sector:

- We recommend taking a more balanced approach on sector allocation. We continue to overweight healthcare (defensive and secular growth). We increase weighting in Technology slightly (still underweight) as valuation becomes more reasonable. We move Energy to equal weight (from overweight) as we believe oil/gas prices largely ran its course (but still relatively constructive with ongoing geopolitical issues and China re-opening). We maintain a small overweight in Financials (valuation). We maintain healthy allocation to Materials (gold and agriculture).
- We reduce weightings in Consumer Staples and Utilities (those two sectors performed well in 2022 but are a bit expensive now).
- Overall, we maintain a moderate bias towards defensive (Healthcare) and value (Financials) that should perform well in a high-inflation, slowing-growth environment. We also have selected cyclicals that should outperform as and when markets start to anticipate the inflections.

Stock selection:

- We continue to focus on companies with strong pricing power, visible earnings growth, reasonable valuation and robust balance sheet. As mentioned above, market will be driven entirely by earnings growth to offset valuation contraction. High valuation stocks with limited earnings will be under more pressure.

Markets:

- We maintain our US/Canada weightings as we believe risk/return profiles are relatively balanced. We increase weightings to International Markets (developed and emerging) for the High Growth mandate as we expect US dollar and global economy to stabilize (China re-open).
- Diversification (across asset classes and sectors) is the key to build strong and resilient portfolios, especially in times like this. We also need to be nimble to capture potential opportunities from high market volatility. To borrow a phrase from the FED, during this transition period, our strategy is “data dependent”.

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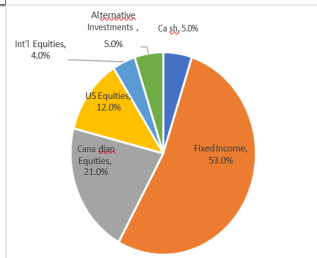
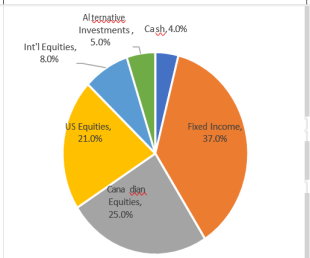
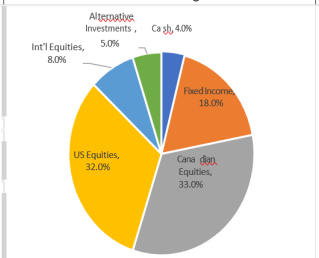
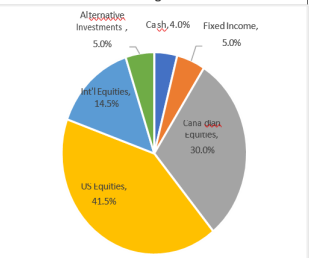
Managed Account Mandates - Asset Allocation

Based on our view of the economy, interest rates, and equity market outlook, we reduce cash weighting and increase our allocation to Fixed Income moderately to provide some income and stability amid market uncertainties. We continue to have an overweight in Equities, as we believe equity offers better long-term return. Within Equities, we maintain relative weightings in US and Canadian equities, and increase allocation to International Equities for the High Growth mandate.

Recommended Asset Allocation								
	Income Focus		Balanced		Growth		High Growth	
	Target Asset Allocation	*Tactical Asset Allocation*	*Target Asset Allocation*	*Tactical Asset Allocation*	*Target Asset Allocation*	*Tactical Asset Allocation*	*Target Asset Allocation*	*Tactical Asset Allocation*
Asset Allocation Mix (Bonds/Equities)	65%/35%	58%/42%	45%/55%	41%/59%	25%/75%	22%/78%	10%/90%	9%/91%
Risk Profile	Low to Medium		Medium		Medium to High		High	
Tactical Asset Allocation Pie Chart								
Description	For investors with intermediate-term time horizons who are sensitive to short-term losses yet want to participate in the long-term growth of financial markets. The portfolio, which fixed-income securities tend to make up the largest proportion of holdings, seeks to keep investors well ahead of the effects of inflation while maintaining some principal stability. The portfolio has characteristics that may deliver returns lower than that of the broader market with lower levels of risk and volatility.		For investors seeking a balance between capital preservation and capital growth. This portfolio, which is a split between fixed-income securities and equities, seeks to keep investors well ahead of the effects of inflation while maintaining some principal stability. With slightly over half of the portfolio invested in a diversified mix of Canadian and international equities, investors should be comfortable with moderate fluctuations in the portfolios.		For investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which has a higher weighting in equities, seeks to keep investors well ahead of the effects of inflation with principal stability as a secondary consideration.		For investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which is primarily invested in equities, seeks to keep investors well ahead of the effects of inflation with little regard for maintaining principal stability. The portfolio may deliver returns comparable to those of the broader equity market with similar levels of risk and volatility.	

	Income Focus					Balanced					Growth					High Growth				
	Target	Apr	July	Oct	Jan	Target	Apr	July	Oct	Jan	Target	Apr	July	Oct	Jan	Target	Apr	July	Oct	Jan
Cash	5.0%	5.0%	9.0%	6.0%	5.0%	0.0%	2.0%	6.0%	5.0%	4.0%	0.0%	2.0%	6.0%	5.0%	4.0%	0.0%	2.0%	6.0%	5.0%	4.0%
Fixed Income	60.0%	55.0%	50.0%	52.0%	53.0%	45.0%	38.0%	34.0%	36.0%	37.0%	25.0%	18.0%	16.0%	17.0%	18.0%	10.0%	8.0%	4.0%	5.0%	5.0%
Canadian Equities	20.0%	24.0%	20.0%	21.0%	21.0%	25.0%	28.0%	25.0%	25.0%	25.0%	35.0%	37.0%	31.0%	33.0%	33.0%	30.0%	33.0%	29.0%	30.0%	30.0%
US Equities	10.0%	12.0%	12.0%	12.0%	12.0%	20.0%	25.0%	22.0%	21.0%	21.0%	30.0%	32.0%	33.0%	32.0%	32.0%	40.0%	42.0%	42.0%	41.0%	41.5%
Int'l Equities	5.0%	4.0%	4.0%	4.0%	4.0%	10.0%	7.0%	8.0%	8.0%	8.0%	10.0%	11.0%	9.0%	8.0%	8.0%	20.0%	15.0%	14.0%	14.0%	14.5%
Alternative Investments	0.0%	0.0%	5.0%	5.0%	5.0%	0.0%	0.0%	5.0%	5.0%	5.0%	0.0%	0.0%	5.0%	5.0%	5.0%	0.0%	0.0%	5.0%	5.0%	5.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Performance of Portfolio Mandates

- **Summary**

Portfolio Name （投资组合）	As of Date	1 Month （1个月）	3 Month （三个月；四季度）	6 Month （六个月）	1 Year （1年）	Since Inception (Sept. 1, 2021) 自建立起
Income Focus (收入型)**	12/31/2022	-2.36%	2.39%	3.28%	-4.18%	-2.24%
Benchmark (对标基准)*	12/31/2022	-2.35%	2.66%	2.66%	-9.38%	-8.40%
Outperformance - 超额回报		**-0.01%**	**-0.27%**	**0.62%**	**5.20%**	**6.16%**
* 5% cash, 20% S&P TSX Capped Composite TR, 10% S&P500 TR CAD, 5% MSCI EAFE GR CAD, 60% ICE BoA CA Broad Market TR LOC						
Balanced (均衡型)**	12/31/2022	-2.98%	3.96%	4.48%	-4.93%	-2.12%
Benchmark (对标基准)*	12/31/2022	-3.00%	4.30%	4.08%	-9.59%	-7.90%
Outperformance - 超额回报		**0.02%**	**-0.34%**	**0.40%**	**4.66%**	**5.78%**
* 0% cash, 25% S&P TSX Capped Composite TR, 20% S&P500 TR CAD, 10% MSCI EAFE GR CAD, 45% ICE BofA CA Broad Market TR LOC						
Growth (增长型)**	12/31/2022	-3.85%	5.17%	5.48%	-5.08%	-1.66%
Benchmark (对标基准)*	12/31/2022	-3.81%	5.50%	5.16%	-9.13%	-6.51%
Outperformance - 超额回报		**-0.04%**	**-0.33%**	**0.32%**	**4.05%**	**4.85%**
* 0% cash, 35% S&P TSX Capped Composite TR, 30% S&P500 TR CAD, 10% MSCI EAFE GR CAD, 25% ICE BofA CA Broad Market TR LOC						
High Growth (高增长型)**	12/31/2022	-4.16%	6.41%	6.50%	-5.65%	-2.28%
Benchmark (对标基准)*	12/31/2022	-3.91%	7.37%	6.81%	-9.13%	-6.17%
Outperformance - 超额回报		**-0.25%**	**-0.96%**	**-0.31%**	**3.48%**	**3.90%**
* 0% cash, 30% S&P TSX Capped Composite TR, 40% S&P500 TR CAD, 20% MSCI EAFE GR CAD, 10% ICE BofA CA Broad Market TR LOC						
Source: Morningstar Direct; ** All returns stated in this document are gross returns reflective of an investment's return before expenses or any deductions						

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Income Focus

Description: this mandate is for investors with intermediate-term time horizons who are sensitive to short-term losses yet want to participate in the long-term growth of financial markets. The portfolio, which fixed-income securities tend to make up the largest proportion of holdings, seeks to keep investors well ahead of the effects of inflation while maintaining some principal stability. The portfolio has characteristics that may deliver returns lower than that of the broader market with lower levels of risk and volatility.

Performance :

Portfolio Name （投资组合）	As of Date	1 Month （1个月）	3 Month （三个月；四季度）	6 Month （六个月）	1 Year （1年）	Since Inception (Sept. 1, 2021) 自建立起
Income Focus (收入型)**	12/31/2022	-2.36%	2.39%	3.28%	-4.18%	-2.24%
Benchmark (对标基准)*	12/31/2022	-2.35%	2.66%	2.66%	-9.38%	-8.40%
Outperformance - 超额回报		**-0.01%**	**-0.27%**	**0.62%**	**5.20%**	**6.16%**

* 5% cash, 20% S&P TSX Capped Composite TR, 10% S&P500 TR CAD, 5% MSCI EAFE GR CAD, 60% ICE BoA CA Broad Market TR LOC;
**All returns stated in this document are gross returns reflective of an investment's return before expenses or any deductions.

- The Income Focus mandate managed to achieve positive return in Q4, thanks to market rebound, dividend and interest incomes from our equity, fixed income, and alternative investments holdings. In Q4, our US equity holdings performed better than the benchmark (10.1% vs. 7.6% of the S&P 500 Index) while our Canadian equity holdings underperformed the benchmark (3.8% vs. 5.96% of the TSX Index). For 2022, our Income Focus mandate outperformed the benchmark by 5.2 percentage points. On full year basis, both our Canadian and US equity holdings outperformed relevant indices.

Asset Mix and Top Holdings :

Current Asset Allocation

Portfolio Date: 12/31/2022

	%
Canadian Equity	19.7
U.S. Equity	14.3
International Equity	4.4
Fixed Income	43.3
Cash	6.7
Other	11.5
Total	**100.0**

Portfolio Statistics	
P/E Ratio	13.41
P/C Ratio	9.15
P/B Ratio	2.05
Avg Mkt Cap (mil)	45,376.39

Portfolio Statistics	
Avg Eff Duration	4.64
Avg Eff Maturity	5.98
Avg Credit Quality	A
Avg Coupon	2.34

Sector Current Allocation	
Basic Materials %	8.91
Consumer Cyclical %	6.03
Financial Services %	23.74
Real Estate %	2.13
Consumer Defensive %	6.70
Healthcare %	6.79
Utilities %	3.57
Communication Services %	6.02
Energy %	12.25
Industrials %	11.65
Technology %	12.22

Top 15 Holdings

	Shares	Portfolio Weighting %
iShares Core US Aggregate Bond ETF		11.74
BMO Aggregate Bond ETF		9.82
Vanguard Short-Term Corporate Bond ETF		8.85
iShares Core Canadian Short Term Bd ETF		7.88
BMO Laddered Preferred Share ETF		6.55
iShares 0-5 Year TIPS Bond ETF		5.85
Centurion Apartment Real Estate Inv F		5.02
iShares Core MSCI EAFE IMI ETF		4.49
Royal Bank of Canada		1.70
The Toronto-Dominion Bank		1.50
Canadian Natural Resources Ltd		1.33
Enbridge Inc		1.29
Intact Financial Corp		1.23
TC Energy Corp		1.21
Barrick Gold Corp		1.12

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Balanced

Description: this mandate is for investors seeking a balance between capital preservation and capital growth. This portfolio, which is a split between fixed-income securities and equities, seeks to keep investors well ahead of the effects of inflation while maintaining some principal stability. With slightly over half of the portfolio invested in a diversified mix of Canadian and international equities, investors should be comfortable with moderate fluctuations in the portfolios.

Performance:

Portfolio Name	As of Date	1 Month （1个月）	3 Month （三个月；四季度）	6 Month （六个月）	1 Year （1年）	Since Inception (Sept. 1, 2021) 自建立起
Balanced (均衡型)**	12/31/2022	-2.98%	3.96%	4.48%	-4.93%	-2.12%
Benchmark (对标基准)*	12/31/2022	-3.00%	4.30%	4.08%	-9.59%	-7.90%
Outperformance - 超额回报		**0.02%**	**-0.34%**	**0.40%**	**4.66%**	**5.78%**

* 0% cash, 25% S&P TSX Capped Composite TR, 20% S&P500 TR CAD, 10% MSCI EAFE GR CAD, 45% ICE BofA CA Broad Market TR LOC;
** All returns stated in this document are gross returns reflective of an investment's return before expenses or any deductions.

- The Balanced mandate achieved a strong positive return in Q4 (+3.96%), thanks to market rebound, dividend and interest incomes from our equity, fixed income, and alternative investments holdings. In Q4, our US equity holdings performed better than the benchmark (10.1% vs. 7.6% of the S&P 500 Index) while our Canadian equity holdings underperformed the benchmark (3.8% vs. 5.96% of the TSX Index). For 2022, our Balanced mandate outperformed the benchmark by 4.66 percentage points. On full year basis, both our Canadian and US equity holdings outperformed relevant indices.

Asset Mix and Top Holdings:

Current Asset Allocation

Portfolio Date: 12/31/2022

	%
Canadian Equity	23.1
U.S. Equity	23.9
International Equity	8.7
Fixed Income	29.4
Cash	5.3
Other	9.5
Total	**100.0**

Portfolio Statistics	
P/E Ratio	13.71
P/C Ratio	9.40
P/B Ratio	2.07
Avg Mkt Cap (mil)	50,486.84

Portfolio Statistics	
Avg Eff Duration	4.66
Avg Eff Maturity	6.00
Avg Credit Quality	A
Avg Coupon	2.35

Sector Current Allocation

Basic Materials %	8.19
Consumer Cyclical %	6.42
Financial Services %	22.17
Real Estate %	1.97
Consumer Defensive %	7.35
Healthcare %	8.34
Utilities %	3.46
Communication Services %	6.28
Energy %	10.89
Industrials %	11.67
Technology %	13.25

Top 15 Holdings

	Shares	Portfolio Weighting %
iShares Core MSCI EAFE IMI ETF		8.85
BMO Aggregate Bond ETF		7.73
iShares Core US Aggregate Bond ETF		6.74
iShares Core Canadian Short Term Bd ETF		5.82
Vanguard Short-Term Corporate Bond ETF		5.81
Centurion Apartment Real Estate Inv F		4.95
BMO Laddered Preferred Share ETF		4.61
iShares 0-5 Year TIPS Bond ETF		3.84
Royal Bank of Canada		1.99
The Toronto-Dominion Bank		1.76
Canadian Natural Resources Ltd		1.56
Enbridge Inc		1.51
Intact Financial Corp		1.45
Microsoft Corp		1.44
TC Energy Corp		1.42

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Growth

Description: this mandate is for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which has a higher weighting in equities, seeks to keep investors well ahead of the effects of inflation with principal stability as a secondary consideration.

Performance:

Portfolio Name	As of Date	1 Month （1个月）	3 Month （三个月；四季度）	6 Month （六个月）	1 Year （1年）	Since Inception (Sept. 1, 2021) 自建立起
Growth (增长型)**	12/31/2022	-3.85%	5.17%	5.48%	-5.08%	-1.66%
Benchmark (对标基准)*	12/31/2022	-3.81%	5.50%	5.16%	-9.13%	-6.51%
Outperformance - 超额回报		**-0.04%**	**-0.33%**	**0.32%**	**4.05%**	**4.85%**

* 0% cash, 35% S&P TSX Capped Composite TR, 30% S&P500 TR CAD, 10% MSCI EAFE GR CAD, 25% ICE BofA CA Broad Market TR LOC;
** All returns stated in this document are gross returns reflective of an investment's return before expenses or any deductions.

- The Growth mandate was up 5.17% in Q4, thanks to market rebounds, dividend and interest incomes from our equity, fixed income, and alternative investments holdings. In Q4, our US equity holdings performed better than the benchmark (10.1% vs. 7.6% of the S&P 500 Index) while our Canadian equity holdings underperformed the benchmark (3.8% vs. 5.96% of the TSX Index). For 2022, our Growth mandate outperformed the benchmark by 4.05 percentage points. On full year basis, both our Canadian and US equity holdings outperformed relevant indices.

Asset Mix and Top Holdings:

Current Asset Allocation

Portfolio Date: 12/31/2022

	%
Canadian Equity	30.2
U.S. Equity	35.5
International Equity	8.5
Fixed Income	14.0
Cash	5.0
Other	6.7
Total	**100.0**

Portfolio Statistics	
P/E Ratio	13.88
P/C Ratio	9.51
P/B Ratio	2.13
Avg Mkt Cap (mil)	54,478.55

Portfolio Statistics	
Avg Eff Duration	4.69
Avg Eff Maturity	6.06
Avg Credit Quality	A
Avg Coupon	2.34

Sector Current Allocation

Basic Materials %	7.95
Consumer Cyclical %	6.29
Financial Services %	21.92
Real Estate %	1.77
Consumer Defensive %	7.40
Healthcare %	8.52
Utilities %	3.44
Communication Services %	6.54
Energy %	10.80
Industrials %	11.27
Technology %	14.10

Top 15 Holdings

	Shares	Portfolio Weighting %
iShares Core MSCI EAFE IMI ETF		7.66
Centurion Apartment Real Estate Inv F		4.89
iShares Core US Aggregate Bond ETF		3.81
BMO Aggregate Bond ETF		3.35
Vanguard Short-Term Corporate Bond ETF		2.87
Royal Bank of Canada		2.60
iShares Core Canadian Short Term Bd ETF		2.40
The Toronto-Dominion Bank		2.30
Microsoft Corp		2.17
Canadian Natural Resources Ltd		2.04
Enbridge Inc		1.98
Merck & Co Inc		1.95
iShares 0-5 Year TIPS Bond ETF		1.90
Intact Financial Corp		1.89
TC Energy Corp		1.86

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High Growth

Description: This mandate is for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which is primarily invested in equities, seeks to keep investors well ahead of the effects of inflation with little regard for maintaining principal stability. The portfolio may deliver returns comparable to those of the broader equity market with similar levels of risk and volatility.

Performance :

Portfolio Name	As of Date	1 Month （1个月）	3 Month （三个月；四季度）	6 Month （六个月）	1 Year （1年）	Since Inception (Sept. 1, 2021) 自建立起
High Growth (高增长型)**	12/31/2022	-4.16%	6.41%	6.50%	-5.65%	-2.28%
Benchmark (对标基准)*	12/31/2022	-3.91%	7.37%	6.81%	-9.13%	-6.17%
Outperformance - 超额回报		**-0.25%**	**-0.96%**	**-0.31%**	**3.48%**	**3.90%**

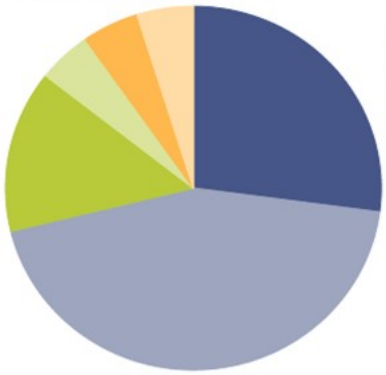
* 0% cash, 30% S&P TSX Capped Composite TR, 40% S&P500 TR CAD, 20% MSCI EAFE GR CAD, 10% ICE BofA CA Broad Mark.et TR LOC;
** All returns stated in this document are gross returns reflective of an investment's return before expenses or any deductions

- The High Growth mandate was up 6.41%, below relevant benchmark by 0.96%, partly due to our weighting in the alternative investments (flat vs. high single digit return of equity indices). However, the addition of alternative investments reduced volatility of the portfolio and those investments outperformed equity indices on full year basis. For 2022, our High Growth mandate outperformed the benchmark by 3.48 percentage points. On full year basis, both our Canadian and US equity holdings outperformed relevant indices.

Asset Mix and Top Holdings:

Current Asset Allocation

Portfolio Date: 12/31/2022



	%
Canadian Equity	27.1
U.S. Equity	44.1
International Equity	14.4
Fixed Income	4.7
Cash	4.9
Other	4.9
Total	**100.0**

Portfolio Statistics	
P/E Ratio	14.02
P/C Ratio	9.67
P/B Ratio	2.14
Avg Mkt Cap (mil)	57,867.38

Portfolio Statistics	
Avg Eff Duration	6.85
Avg Eff Maturity	9.39
Avg Credit Quality	A
Avg Coupon	2.80

Sector Current Allocation

Basic Materials %	7.41
Consumer Cyclical %	6.82
Financial Services %	20.67
Real Estate %	1.65
Consumer Defensive %	7.86
Healthcare %	9.55
Utilities %	3.37
Communication Services %	6.91
Energy %	9.56
Industrials %	11.02
Technology %	15.18

Top 15 Holdings

	Shares	Portfolio Weighting %
iShares Core MSCI EAFE IMI ETF		9.73
Vanguard FTSE Emerging Mkts All Cap ETF		4.99
Centurion Apartment Real Estate Inv F		4.83
Microsoft Corp		2.75
Merck & Co Inc		2.46
BMO Aggregate Bond ETF		2.36
iShares Core US Aggregate Bond ETF		2.35
Royal Bank of Canada		2.33
Adobe Inc		2.32
Exxon Mobil Corp		2.18
The Toronto-Dominion Bank		2.06
JPMorgan Chase & Co		1.97
Raytheon Technologies Corp		1.88
CVS Health Corp		1.87
Mondelez International Inc Class A		1.86

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