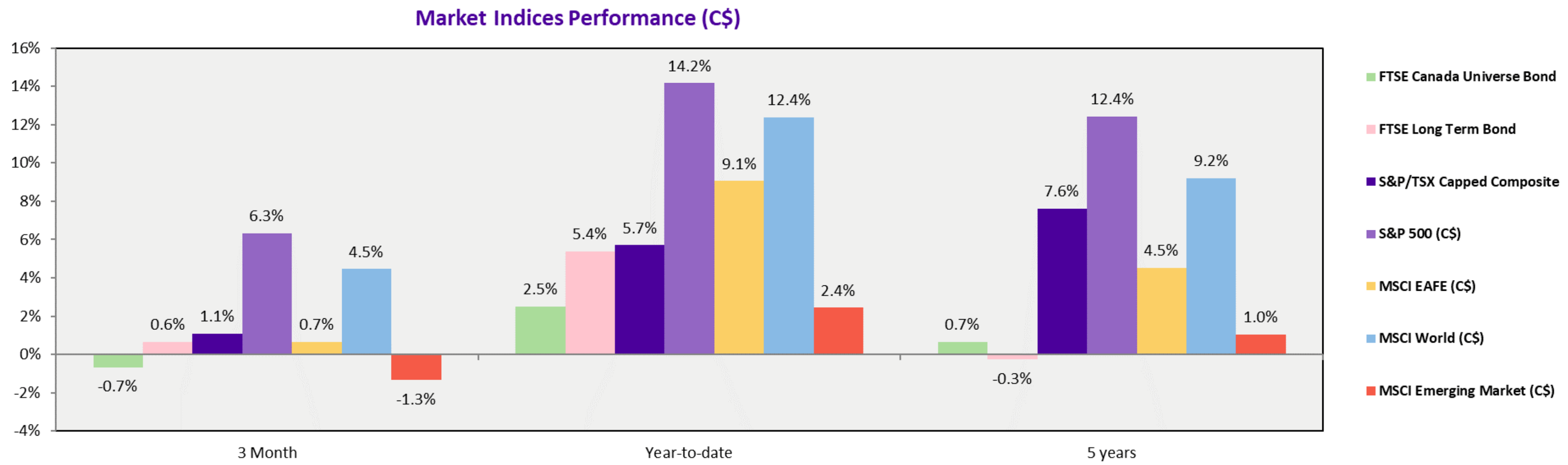
Commentary as at June 30, 2023



The rally continues

The second quarter of 2023 was marked by persistent inflation, a tightening interest rate cycle and a price crisis. The loss of confidence in the US banking sector noted in the first quarter has subsided. However, a general tightening of credit and monetary policies has taken place. The fight against inflation continues, suggesting a rate hike in the months to come. Although there seems to be a general consensus on a possible economic slowdown, the coming months remain a source of uncertainty.

The US market delivered the strongest performance, with the S&P 500 index posting a return of 6.3%. Global markets closed with a return of 4.5% for the MSCI World Index and -1.3% for the MSCI Emerging Markets Index. The Canadian market turned in a lacklustre performance with a positive return of 1.1%. Finally, the bond market also experienced a more difficult quarter, recording a performance of 0.6% for long-term bonds and -0.7% for the FTSE Canada Universe.

The US market was marked by two consecutive rate hikes at the start of the quarter. These increases were made by the Fed in response to sustained inflation. On the European side, markets continued the positive momentum that began in 2022 with a strong performance.

Gold closed the quarter down -3.41% to US$1,912.25 an ounce (spot price). In the oil patch, a barrel of Brent crude was down -5.61%, closing at US$75.41. West Texas Intermediate (WTI) and Western Canada Select (WCS) were down -6.65% and -9.24%, closing the quarter at US$70.64 and US$49.39 respectively.

In employment news, the US economy added 732,000 jobs during the second quarter and gained 3,559,000 over the past 12 months. North of the border, 24,000 jobs were created in the quarter, while 403,700 were added in the past 12 months. Unemployment rates in Canada and the US were up from the previous quarter, at 5.4% and 3.6% respectively.

In the US residential real estate market, the most recent S&P CoreLogic Case-Shiller data (April 2023) showed a 12-month variation of -1.70%, while the Teranet-National Bank Home Price index (May 2023), which tracks Canadian residential property, showed a variation of -7.63% for the same period.

	Canada	United States
GDP Growth (y/y)	2.2%	1.8%
Inflation (y/y growth)	2.8%	3,0%
Job Creation (QTD)	24 000	732 000
Job Creation (y/y growth)	403 700	3 559 000
Unemployment Rate	5.4%	3.6%

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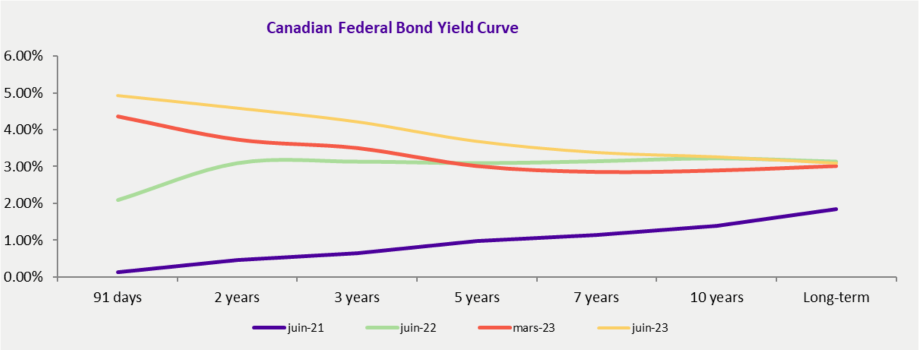
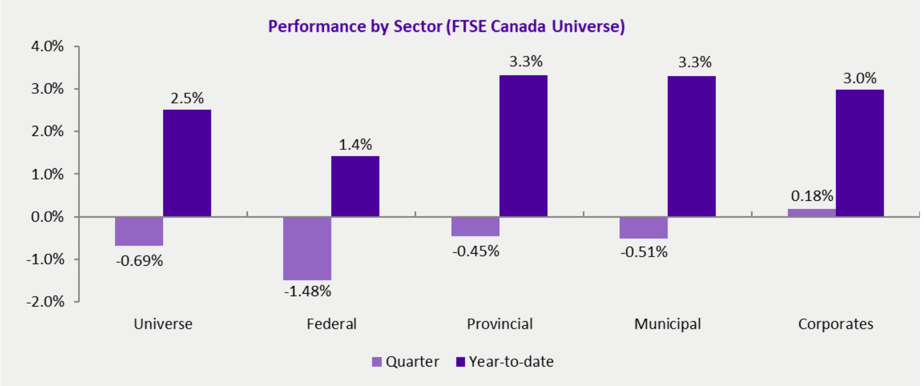
Canadian bond market

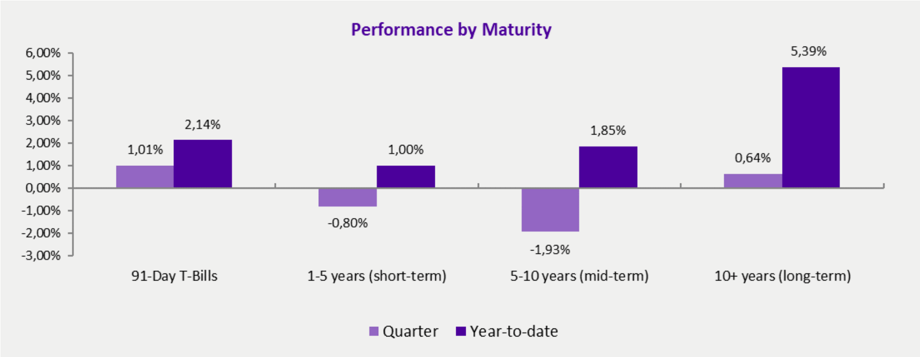
In the second quarter of 2023, bond yields were lower than in the previous quarter.



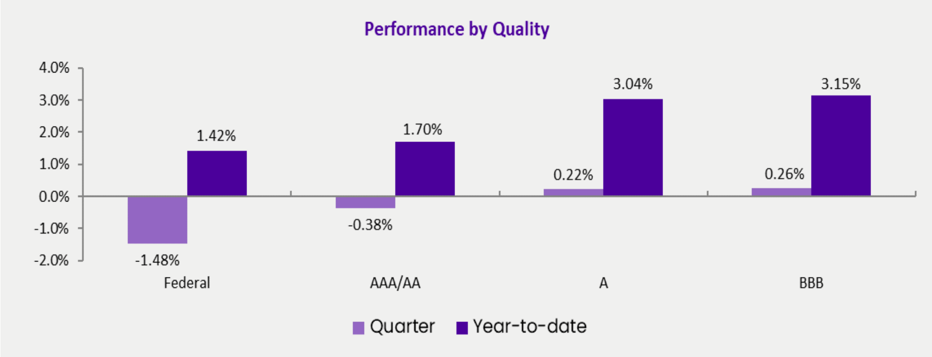
The FTSE Canada Universe index posted a return of -0.69% this quarter. Federal bonds recorded the weakest performance, with a -1.48% return. They were followed by municipal bonds, which lost value with a return of -0.51%.



Finally, corporate bonds closed the quarter in positive territory with a 0.18% return. The yield for Canada 10-year bonds rose from 2.90% to 3.22% in the second quarter.



Long-term bonds delivered the best performance with a 0.64% return. Short and medium term bonds also deviated negatively from the start of 2023, with yields of -0.80% and -1.93% respectively. Finally, the yield to maturity for 91-day Treasury bills delivered the best performers (1.01%), while 2-year, 10-year and 30-year federal bonds finished the quarter with yields to maturity of 4.58%, 3.26% and 3.02%, respectively. As for 91-day Treasury bills posted a yield of 4.92%.



In terms of quality, federal bonds posted the weakest performance, with a return of -1.48%. In contrast, BBB and A bonds contributed positively with respective returns of 0.22% and 0.26%.

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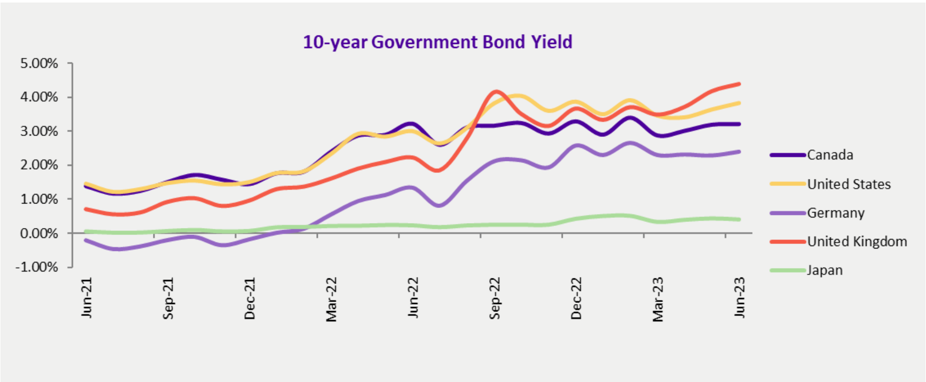
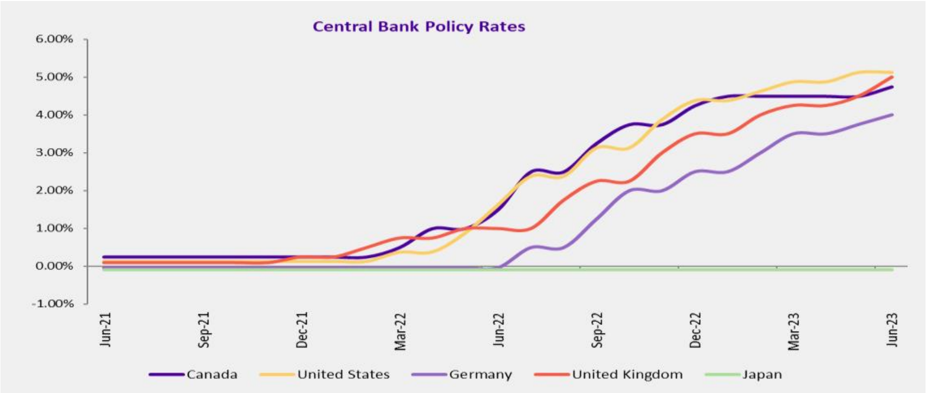
Global bond markets

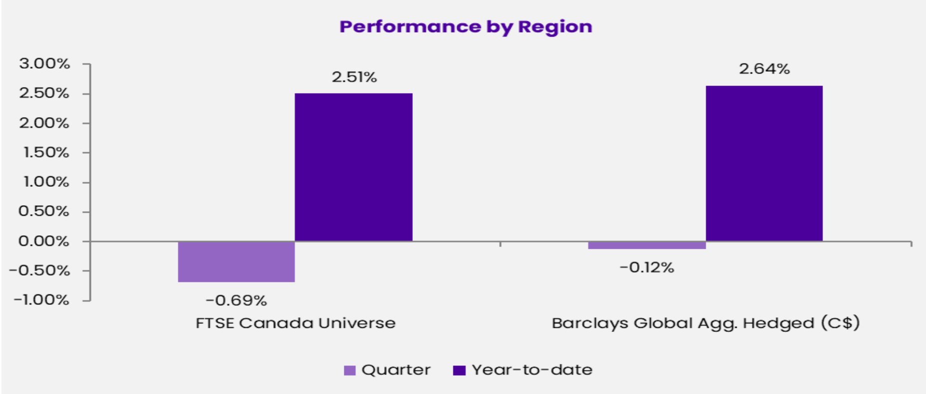
Yields to maturity for 10-year government bonds remained relatively stable, but there was a slight increase over the quarter for all the countries listed in the chart below.



The Bank of Canada raised its key rate to 4.75% this quarter, representing a 0.25% increase. In the United States, the Federal Reserve also raised its key rate from 5.00% to 5.25%. The ECB and Bank of England followed suit, raising their key rates to 4.00% and 5.00% respectively. All four central banks continued their policy-rate debate from Q1 2023, which points to a continued fight against inflation.



This quarter, Canadian bonds, as measured by the FTSE Canada Universe index, recorded a return of -0.69%, as opposed to -0.12% for global bonds (Barclays Global Aggregate, currency-hedged (CA$)).



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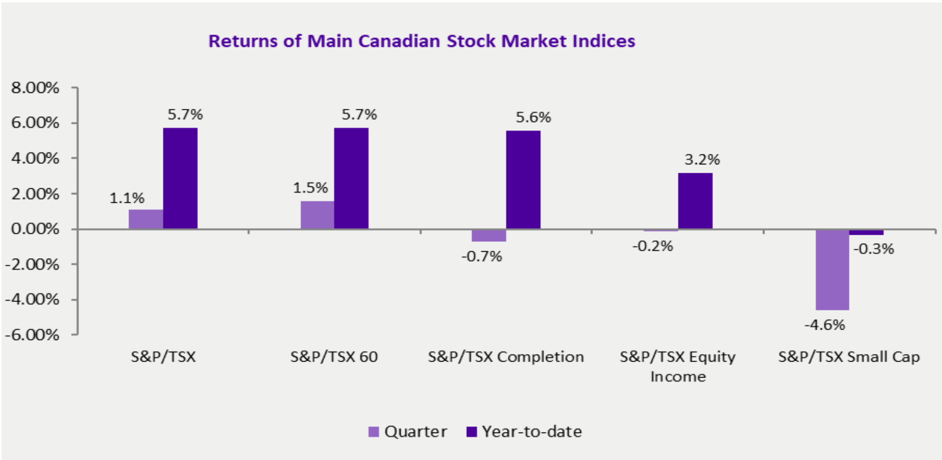
Canadian stock market

The Canadian stock market, as measured by the S&P/TSX index, finished the quarter with a return of 1.1%. All the main Canadian indexes posted more modest returns than the previous quarter, ranging from -4.6% to 1.5%. The best-performing index was the S&P/TSX 60 Completion, which notched a 1.5% return. In contrast, the S&P/TSX Small Cap Index posted the lowest return, at -4.6%.



Secteur d'activité S&P/TSX	Poids (%)	Rendements		
		Trimestre	Année à date	3 ans
Énergie	16,6	-0,06%	-2,36%	25,87%
Matériaux	11,7	-6,88%	0,68%	3,84%
Produits industriels	13,7	2,11%	8,71%	15,94%
Consommation discrétionnaire	3,9	6,36%	11,30%	17,56%
Consommation de base	4,2	-2,65%	5,03%	13,36%
Soins de santé	0,3	0,45%	1,35%	-29,58%
Services financiers	30,7	2,00%	3,69%	15,89%
Technologies de l'information	7,9	16,60%	47,63%	-1,68%
Service des communications	4,2	-1,09%	2,08%	9,46%
Services publics	4,5	-1,46%	5,19%	7,12%
Immobilier	2,4	-2,92%	3,01%	8,04%

Five of the 11 S&P/TSX sectors posted positive returns in the second quarter. The top performer was IT with a return of 16.60%; Hut 8 Mining Corp. was the biggest contributor in this regard (78.9%). The company operates mainly in high performance computing and digital asset mining. The second best-performing sector was Consumer Discretionary with a 6.4% return, supported by Sleep Country Canada Holdings Inc (22.9%), a Canadian mattress retailer with over 250 stores.

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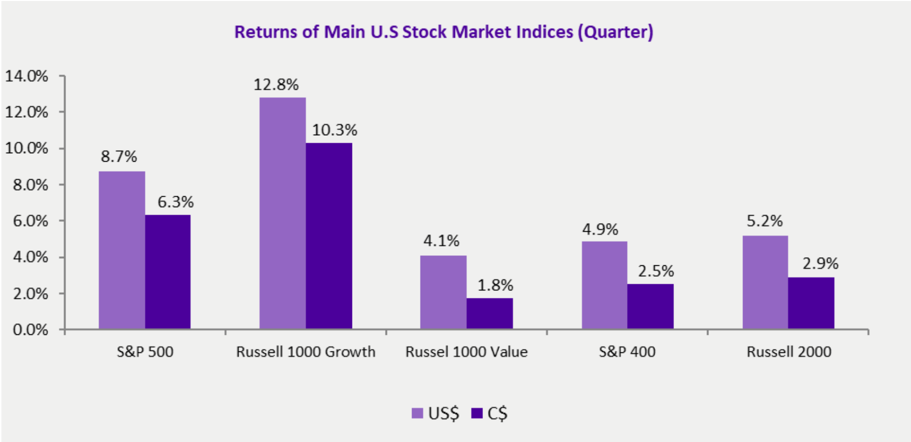
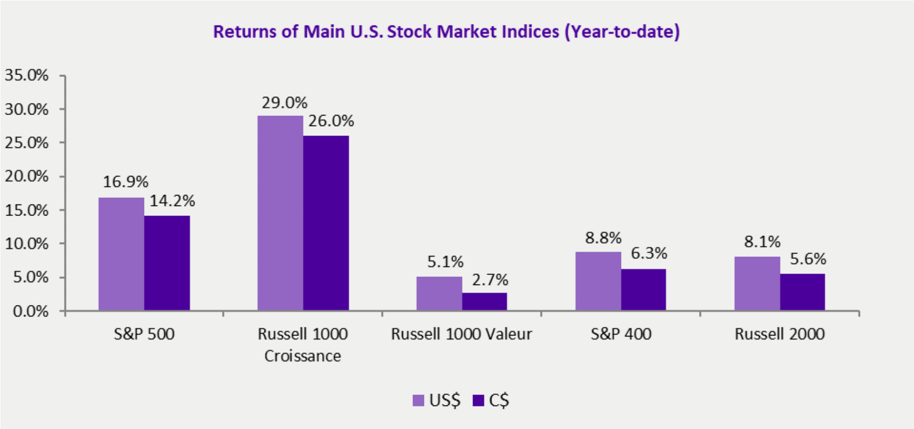
US stock market

During the quarter, the S&P 500 was up 8.7% in US currency. The Canadian dollar's performance in relation to the US dollar had an impact on quarterly returns as the loonie appreciated. The Canadian-dollar return was 6.3% for investors.

Growth-style stocks outperformed value-style. The Russell 1000 Growth index posted a return of 12.8%, outperforming the Russell 1000 Value index at 4.1%. As regards market capitalization, large caps (S&P 500) outperformed small caps (Russell 2000) as well as medium caps (S&P 400).





S&P 500 Sector	Weight (%)	Returns (in CA$)		
		Quarter	Year-to-date	3 years
Energy	4.1	-3.09%	-7.73%	34.12%
Materials	2.5	1.01%	5.22%	14.88%
Industrials	8.5	4.12%	7.61%	16.83%
Consumer Discretionary	10.7	12.03%	29.95%	7.99%
Consumer Staples	6.7	-1.78%	-1.09%	10.84%
Health Care	13.4	0.66%	-3.79%	10.62%
Financials	12.4	2.99%	-2.85%	14.54%
Information Technology	28.3	14.60%	39.43%	18.81%
Communications Services	8.4	10.55%	33.06%	6.25%
Utilities	2.6	-4.69%	-7.89%	7.38%
Real Estate	2.5	-0.46%	1.36%	5.16%

Seven of the 11 US market sectors generated positive returns in Canadian dollars. IT and Consumer Discretionary finished the quarter with positive returns of 14.60% and 12.03% respectively, making them the top contributors. In IT, Microsoft Corp posted a return of 18.4%, making it the best performer in its sector. As for Consumer Discretionary, the main contributor to the sector was Amazon with a return of 26.2%.

On the other hand, the main detractors were Utilities, which finished with a performance of -4.69%, and Energy, with a negative return of -3.09%, repeating last quarter's scenario.

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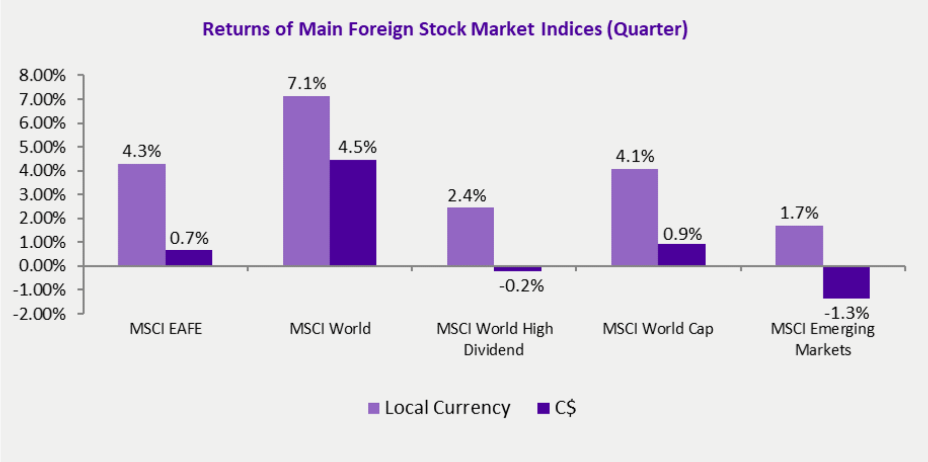
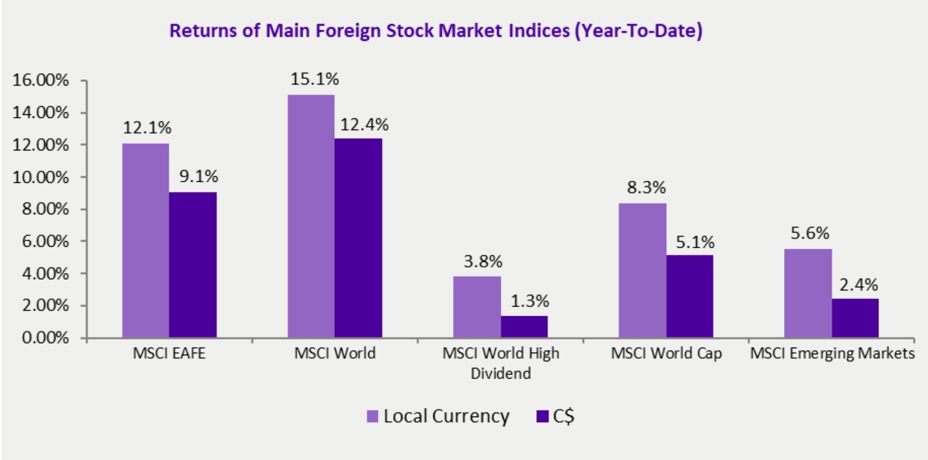
Foreign stock markets

All global stock markets generated positive returns in the second quarter in local currencies. Among the indexes listed below, MSCI World was the top performer with a return of 7.1% in local currencies. In contrast, the MSCI Emerging Markets was the worst performer, posting a return of 1.7%.

In local currencies, 11 of the 24 EAFE index countries generated positive second quarter returns. Finland posted the lowest return (-7.26%), while the best performing country was the Netherlands (+11.07%).





MSCI EAFE	Weight	Returns (in CA$)		
Sector	(%)	Quarter	Year-to-date	3 years
Energy	4.21	-2.14%	-1.84%	20.30%
Materials	7.43	-3.89%	3.28%	10.65%
Industrials	16.22	3.83%	15.99%	9.97%
Consumer Discretionary	12.59	2.69%	20.03%	11.25%
Consumer Staples	10.08	-2.85%	4.38%	2.66%
Health Care	13.16	-0.28%	4.95%	2.58%
Financials	18.25	2.28%	4.73%	12.81%
Real Estate	2.26	-4.16%	-6.27%	-3.17%
Information Technology	8.21	3.50%	3.50%	8.13%
Communications Services	4.13	-4.79%	5.03%	-0.25%
Utilities	3.47	1.73%	9.92%	3.84%

The MSCI EAFE index was positive for five of the eleven sectors in Canadian currency. Industrials and IT were particularly positive for the index, notching returns of 3.83% and 3.50% respectively. The main contributors to the IT sector were ASML Holding NV and SAP SE. Mitsubishi Corp. is primarily responsible for adding value in the Industrials sector.

On the other hand, the worst performing sectors were Communication Services (-4.79%) and Real Estate (-4.16%).

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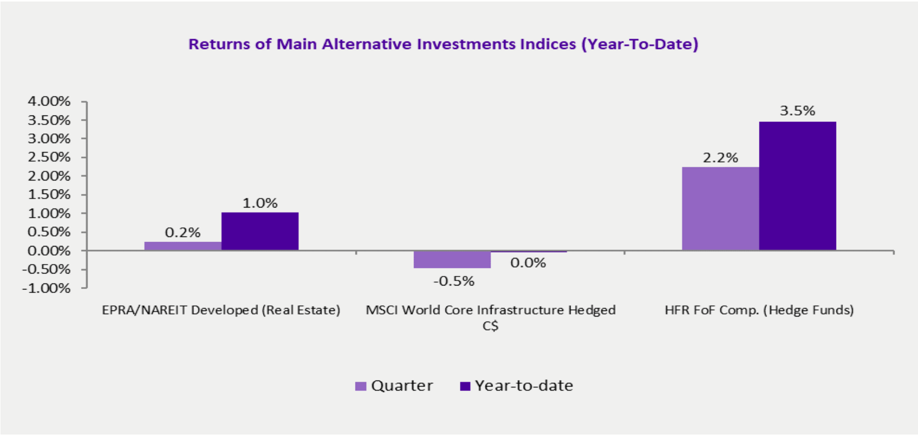
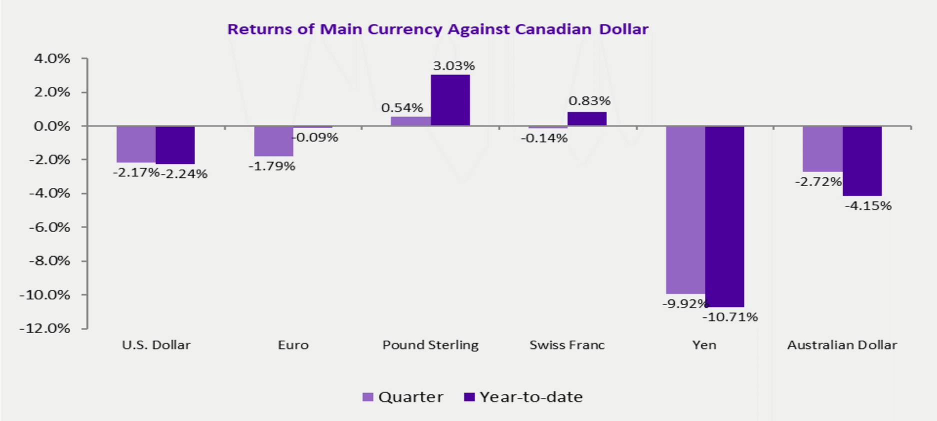
Alternative investments and currencies



Returns in C$			
Quarter	-2.0%	-0.5%	0.0%
YTD	-1.3%	0.0%	1.0%

The three alternative investment indices turned in a weaker performance than in the previous quarter. EPRA/NAREIT and HFR FoF Comp had a positive quarter in US dollars, but the conversion into Canadian dollars was unfavourable. The EPRA/NAREIT Developed index posted a 0.2% return in US currency, while the HFR FoF Comp closed the quarter at 2.2%. Meanwhile, the MSCI World Core Infrastructure index performed below par, closing the quarter with a return of -0.5%.



During the quarter, the Canadian dollar gained against the US dollar, the euro, the Swiss franc, the yen and the Australian dollar. It depreciated slightly against the British pound.