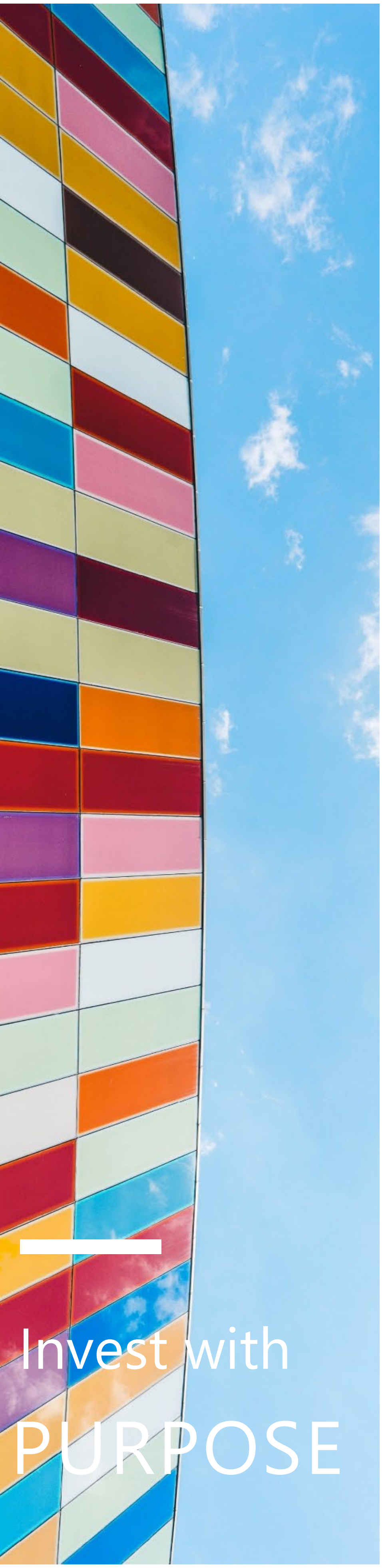
CrossPoint Financial | iA Private Wealth

PORTFOLIO COMMENTARY



August 2023

Challenging Credit Environment

Recent research from the Federal Reserve Bank of San Francisco revealed that central bank interest rate increases can have a significant, long-lasting impact on a nation's economic output. The study found that rate hikes can decrease potential economic output for at least 12 years, primarily due to diminished productivity and altered investment decisions. The study also suggests that lower interest rates may not necessarily counteract these long-term effects, emphasizing the difficulty central banks face when setting monetary policy.

Birmingham, the UK's second largest city, has declared effective bankruptcy due to severe financial challenges. The city council faces a significant budget shortfall of £87 million in the current financial year and a potential liability of up to £760. Birmingham City Council cites a range of financial challenges, including inflation, rising demand for adult social care, and reduced income from business taxes. This situation has raised concerns about the financial stability of local authorities around the world.

China Evergrande Group, the real estate giant whose default played a pivotal role in China's property debt crisis, has filed for Chapter 15 bankruptcy protection in New York to shield itself from creditors in the U.S. Evergrande's immense liabilities, exceeding US$300 billion, make this restructuring process a lengthy and complex one, with significant implications for China's financial system and millions of homeowners. The filing comes amid deepening concerns over China's property debt crisis, with several developers facing defaults.

Private credit lenders are increasingly encroaching on a market traditionally dominated by banks: debt refinancing. Companies with leveraged loans and junk bonds nearing maturity are turning to private credit lenders to refinance their obligations. Private credit lenders, armed with a substantial dry powder of $443 billion globally as of September, are seeking opportunities beyond leveraged buyouts due to lighter deal volumes this year. While refinancing with private credit often incurs higher interest costs for companies, it provides a more dependable financing option during times when traditional leveraged finance markets can be challenging to access.

Private equity firm Roark Capital Group is in advanced negotiations to acquire Subway, the sandwich chain, for approximately US$9.6 billion. Subway, boasting 37,000 franchise-run locations in over 100 countries, faces profit constraints due to store renovations and rising competition from rivals and emerging sandwich chains. The move signifies a significant milestone in Subway's ongoing transformation efforts, combining its global presence and brand strength with Roark's expertise in restaurant and franchise models. Roark Capital is known for backing restaurant chains like Arby's, Dunkin' Donuts, Carvel, and Carl's Jr.

The diamond industry is experiencing a significant shift as lab-grown diamonds gain ground. This trend is affecting the pricing and demand for natural diamonds, with De Beers, a leading player in the industry, aggressively cutting prices for select rough diamonds between 2 and 4 carats used for bridal rings. These lab-grown diamonds, physically identical to natural ones, offer a cheaper alternative without the environmental or social concerns associated with mining. While natural diamond prices have dropped, lab-grown diamond prices have fallen even more steeply, creating a substantial price gap between the two.

Portfolio Contributors

- Shares of **iShares Energy Index ETF (XEG)** added 7.1% as a result of crude oil production cuts by Saudi Arabia and Russia.
- **Berkshire Hathaway (BRK.B)** gained 4.8% after significantly outperforming both revenue and earnings consensus targets.

Portfolio Detractors

- Shares of **Canadian Tire (CTC.A)** were down 11.5% after management revised their performance targets downwards through to 2025 citing macroeconomic challenges.
- **Bank of Montreal (BMO)** ended down 5.0% after reporting reduced profitability and increasing credit loss provisions by 260% over the past year.

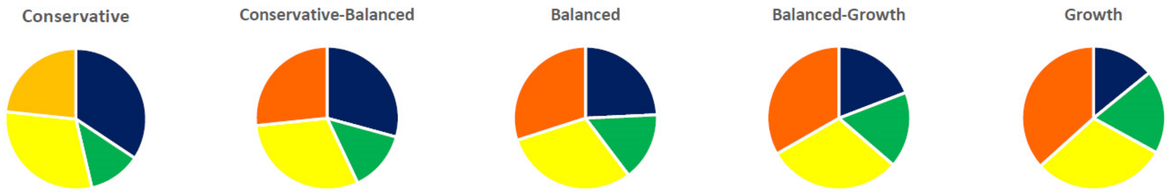
All returns are for the reported month and in local currency.
All data sourced from SIACharts and FACTSET.

Investment and Benchmark Performance

as of August 31st, 2023

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2023	2022	2021	2020	2019
CPF Fixed Income Model	-0.6%	-0.5%	1.0%	1.6%	-2.1%	0.7%	2.0%	-8.3%	-1.8%	4.5%	8.3%
Canadian Universe Bond Index	-0.1%	-1.3%	-1.2%	0.8%	-4.3%	0.4%	1.0%	-11.7%	-2.8%	8.6%	7.3%
CPF Equity Model	-2.2%	4.1%	2.4%	8.1%	3.4%	3.0%	7.2%	-19.8%	6.9%	15.0%	19.2%
MSCI World Index (CAD)	0.3%	5.9%	10.2%	19.0%	10.0%	9.0%	15.6%	-12.2%	21.9%	11.4%	21.5%
CPF Alternative Model	-0.6%	-0.1%	1.6%	4.2%	6.6%	6.7%	2.3%	7.1%	6.9%	10.3%	7.8%
Absolute Return of 5% Per Year	0.4%	1.3%	2.5%	5.0%	5.0%	5.0%	3.3%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	-1.4%	4.3%	7.6%	10.6%	14.5%	10.1%	11.4%	-9.1%	33.8%	12.2%	25.1%
50% S&P/TSX60 + 50% S&P500	-1.4%	5.9%	7.6%	9.9%	8.1%	7.6%	11.4%	-14.5%	24.7%	10.0%	25.5%

All performance data tracked in SIACharts. All returns are gross of advisor fees.



CPF Portfolios

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2023	2022	2021	2020	2019
Conservative Portfolio	-1.0%	1.4%	3.0%	5.5%	3.6%	4.1%	5.0%	-5.4%	5.4%	8.7%	10.3%
Conservative-Balanced Portfolio	-1.1%	1.6%	3.2%	5.9%	4.6%	4.5%	5.4%	-5.7%	6.1%	9.5%	11.3%
Balanced Portfolio	-1.1%	1.9%	3.4%	6.3%	5.5%	4.8%	5.7%	-6.0%	7.3%	10.3%	12.5%
Balanced-Growth Portfolio	-1.2%	2.1%	3.7%	6.7%	6.5%	5.4%	6.1%	-6.2%	8.4%	11.2%	12.8%
Growth Portfolio	-1.2%	2.3%	3.9%	7.0%	7.0%	5.6%	6.5%	-6.5%	9.1%	11.4%	13.4%
SRI-ESG Enhanced Portfolio	0.8%	4.4%	12.9%	19.4%	10.2%	10.7%	19.0%	-8.8%	13.5%	21.0%	18.1%

All performance data tracked in SIACharts. All returns are gross of advisor fees.

Proxy funds used for benchmark indexes:

- Canadian Universe Bond Index: iShares Canadian Universe Bond Index EFT (XBB.TO)
- MSCI World Index (CAD): iShares MSCI World Index EFT (XWD.TO)

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