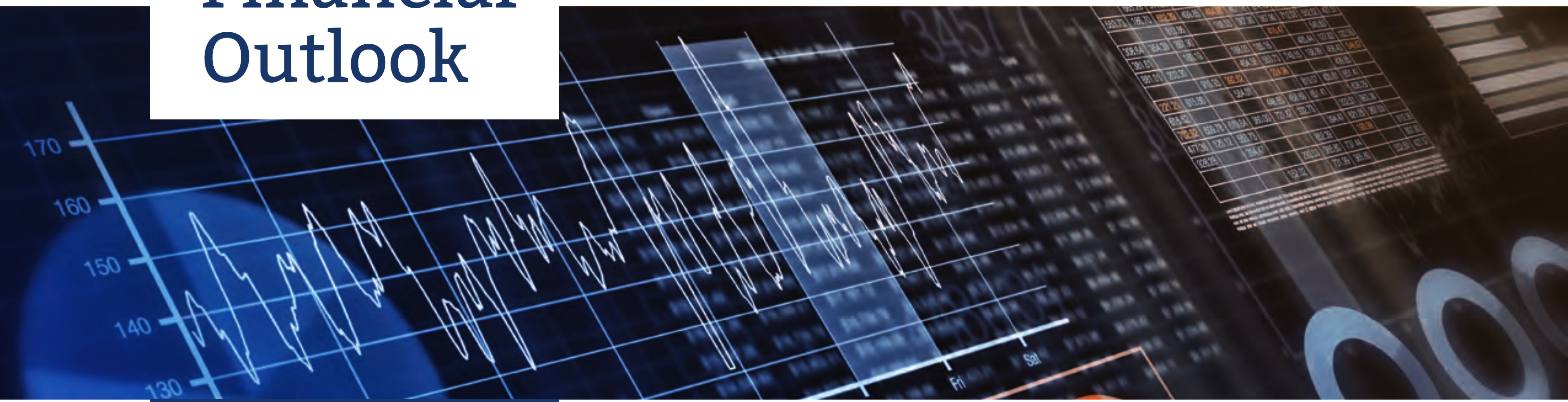
OPTIMUM®
Asset Management

Financial Outlook



January 2022

Summary

At a Glance

- Canada continued to add jobs in the fourth quarter, with employment at -0.2% in relation to the pre-pandemic level in February 2020. The unemployment rate now stands at 5.9%, which is once again the lowest rate since the start of the pandemic.
- Energy prices continued to fluctuate significantly during the quarter. The price of Brent crude oil ranged from US$69 to US$86 a barrel.
- The Canadian dollar was stable but fluctuated from 1.23 and 1.30, ending the year at 1.26, very close to 1.27, its level on September 30.
- The FTSE Canada Universe Bond Index had a positive return of 1.47% in the fourth quarter after a negative return of 0.51% in the third quarter.
- In Canada, the S&P/TSX Index ended the quarter up 6.50% from the previous quarter. The gains for the full year were 25.15%.
- In the United States, the S&P 500 Index also had an excellent quarter, advancing 11.03% and bringing its annual gains to 28.71%.

The *Financial Outlook* is available on line at www.optimumasset.com

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We would be pleased to send it to you personally.

PRI Principles for Responsible Investment

Message from the President

Claude Lamonde, President

Like Bill Murray, trapped in a time loop in the movie *Groundhog Day*, in 2021 we seemed to relive the roller coaster events of 2020!

We were all hoping for something different and a more normal environment. But the arrival of the Omicron variant as we retreated indoors for winter means that it was not to be.

Despite the waves of Covid-19, the global economy turned in an exceptional performance in 2021 after emerging quickly from crisis in 2020. The continuation of a number of support measures put in place by governments and central banks helped re-establish and accelerate economic growth.

The stock markets anticipated and reflected this red-hot economy, generating returns far above their historical averages in each of the past 3 years. U.S. equities have given us more than 20% a year for the past 3 years, and Canadian and European equities have done so in 2 of the past 3 years. The lower interest rates of recent years contributed to higher multiples, but corporate earnings also drove the markets higher.

Will these returns continue in 2022 and subsequent years? Probably not. But equities are still the best asset class, considering the low yields offered by bonds.

In recent years, the processes in place at Optimum Asset Management have enabled us to generate capital gains on our portfolios while assuming less risk and have allowed our clients to get through periods of volatility in an optimal way. That is why, for 2022, our objective remains the same: to generate value for our clients, regardless of the markets' ups and downs. We are confident that our teams and technology are equal to the challenges in the financial markets.

As higher interest rates in 2021 led to negative bond returns, our managers demonstrated their expertise by outperforming the benchmarks. During the year, each of our fixed income strategies surpassed their benchmarks once again.

The Private Market and Public Market strategies introduced in recent years have also helped reduce the impact of less attractive returns on bonds.

We are proud to say that our management approach, focused on capital preservation, has allowed us to maneuver skillfully in this type of environment. The typical portfolio of our Private Wealth clients, generally consisting of 50% fixed income and 50% equities, generated an average annualized return, before management fees, of almost 9% a year over the past 3 years.

I sincerely thank our longstanding clients for the trust they have placed in us year after year as well as our many new clients who are experiencing this confidence-building process day by day.

May you all enjoy health, happiness and prosperity throughout 2022!

Claude Lamonde

Economy

By Pierre-Philippe Ste-Marie, Co-Chief Investment Officer

and by Martin Delage, Co-Chief Investment Officer

Canada

From the economic standpoint, 2021 was affected by successive waves of COVID-19, bottlenecks in the global supply chain and an upsurge in geopolitical tensions, mainly between Russia and NATO. Despite these events, the Canadian economy is expected to have ended the year with growth of 4.6%.

It is also important to note that this growth does not come without a significant increase in inflation, which is expected to be nearly 3.4% for 2021 and could reach 3.5% in 2022.

According to our analyses, sustained inflation and wage pressure go hand in hand; therefore, we are paying special attention to employment-related data. Because the level of employment in Canada is already close to the pre-pandemic level, continuing wage pressure could keep inflation high in 2022.

The Canadian dollar ended the year close to its purchasing power parity but was subject to increased volatility. The volatility is expected to continue in 2022, given the fluctuations in commodity prices. Expectations of a change in central bank policies could also increase the currency's volatility.

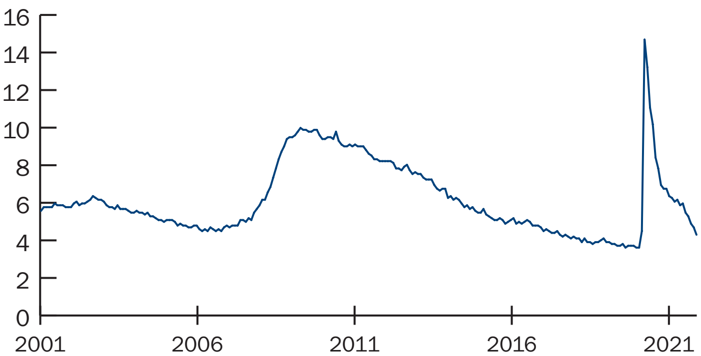
United States

Third-quarter data from the Bureau of Economic Analysis indicates that the U.S. economy continued to expand at an annual pace of 2.3%, down from the impressive 6.7% growth recorded in the second quarter. This decline in the growth rate is due mainly to lower growth of consumer spending. According to the Bureau of Economic Analysis, the main contributors to growth are sectors related to professional, scientific and technical services, financial services and local government spending.

For 2021 as a whole, the Federal Reserve is calling for growth of 5.9%, a number that has been revised downward from previous forecasts.

The U.S. job market continues to grow, with the December data showing an unemployment rate of 4.1%, which is above the pre-pandemic level of 3.5% (see graph).

American Unemployment Rate



Source: U.S. Bureau of Labor Statistics

Bond Markets

By Hugues Sauvé, Vice President, Investments

FTSE Russell Index Performance/Fourth Quarter 2021 (%)

	Federal	Provincial	Municipal	Corporate	Total
Short	-0.50	-0.59	-0.64	-0.41	-0.49
Mid	0.48	0.35	0.23	0.12	0.33
Long	5.26	4.83	3.75	4.24	3.65
Universe	0.76	2.40	1.64	1.08	1.47

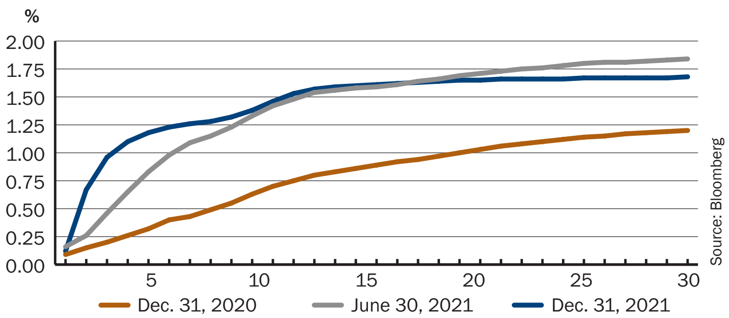
Source: FTSE Russell

The fourth quarter was favourable for long-term bonds, which returned 3.65%. Even so, this strong performance did not erase the losses incurred in the first half of the year, with the annual return on long-term bonds remaining in negative territory (-4.52%). This is also true of the Universe index, which, despite a positive quarter (1.47%), posted a negative return of -2.54% on the year.

Federal Yield Curve in Canada

The steepening of the Canadian federal bond curve decreased significantly in the fourth quarter. As seen from the following chart, the change in the curve is due to the decline in the long-term segment as well as an increase in the short-term segment in response to new expectations of rate hikes, but also insecurity about the longer-term growth outlook.

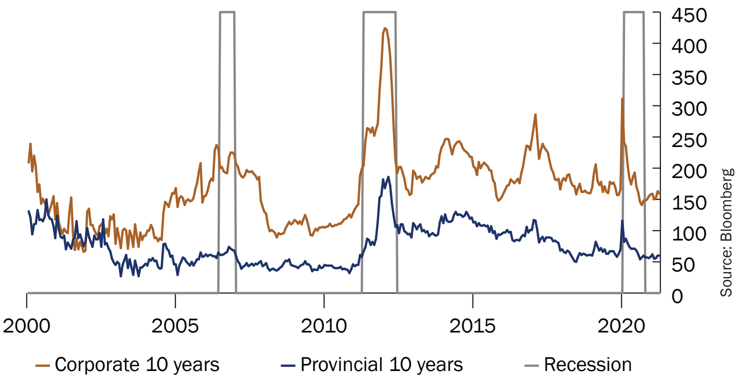
Canada Yield Curves



Credit

As can be seen from the following chart, even though credit spreads widened slightly in November, they remained at historically narrow levels. Thus, opportunities essentially continued to depend on sector and security selection. This confirms the relevance of active management in order to generate value-added, especially in this type of market.

Corporate Credit Spread



STRATEGY

With economic growth that is strong but fading and inflation that is still rising, our baseline scenario is less constructive for financial assets. In this context, a defensive positioning and active yield, credit and curve management seem to be profitable approaches.

All our bond strategies exceeded their target returns in 2021. As the year gets under way, our positioning involves a slightly short-term bias in anticipation of upward pressure on interest rates. We remain moderately centred on the curve with a focus on the five-year sector because we think the number of rate hikes expected by the market in the short term is excessive. We are also conservatively positioned in credit, favouring higher-quality securities, which are generally less affected by volatility.

Our Public Market Income and Private Market Income strategies both performed exceptionally well last year. We took profits on our risk positioning in Public Market Income and are working to increase the proportion of private debt in our Private Market Income strategy.

The stars of 2021 were our high-conviction investments, namely Preferred Shares and Real Return Bonds. For 2022, our convictions concerning both strategies are still strong. We think our preferred share capital appreciation strategy offers effective protection in the event of rate hikes. As for our Real Return Bonds strategy, it does especially well in a context of rising inflation.

Equities

By Nicolas Poirier, Director, Equities

In Canada, the stock market had an excellent quarter, advancing 6.50% after treading water in the third quarter. This solid performance brought the return to 25.2% for 2021 as a whole and was the best annual performance since 2009.

For 2021, Energy, Real Estate and Financials stood out, with returns of 49%, 38% and 37%, respectively. More specifically, the Energy sector and the Canadian banking sector had their best annual performances since 2005 and 2009, respectively. In contrast, Health Care and Materials underperformed in 2021, with returns of -20% and 4%, respectively.

S&P TSX	Sector Returns	
	4^{th} quarter	YTD
Communication Services	4.8%	24.7%
Consumer Discretionary	7.8%	18.5%
Consumer Staples	7.8%	22.4%
Energy	5.7%	49.0%
Financials	9.5%	36.7%
Health Care	-18.3%	-19.6%
Industrials	5.0%	16.5%
Information Technology	-1.4%	18.5%
Materials	10.7%	4.1%
Real Estate	8.8%	37.5%
Utilities	5.4%	11.7%
S&P/TSX Index	6.5%	25.2%

Source: Bloomberg

Global markets were also up during the quarter, with the major global indexes advancing. For 2021 as a whole, only the MSCI Emerging Markets Index lost ground, with a return of -3.4%.

As at December 31, 2021		
Returns by Country (in CAD)	Quarter	YTD
France	7.1%	18.7%
Germany	1.2%	4.5%
Italy	6.0%	14.1%
Spain	-1.0%	1.1%
Switzerland	13.4%	18.9%
Great Britain	5.3%	17.5%
Hong Kong	-3.8%	-4.8%
Japan	-4.2%	0.8%

As at December 31, 2021		
Market	Quarter	YTD
S&P 500 (US$)	11.0%	28.8%
NASDAQ (US$)	8.5%	22.2%
MSCI EAFE (CAD$)	2.4%	10.3%
MSCI WORLD (CAD$)	7.5%	20.8%
MSCI EMERGING (CAD$)	-1.6%	-3.4%

Source: MSCI, Bloomberg

Emerging markets had a challenging year. Economic difficulties affected the stock markets in China, Brazil and Turkey; ripple effects kept the MSCI Emerging Markets Index in negative territory for the year.

STRATEGY

In terms of Canadian Equity strategies, namely active management and low volatility, the lack of exposure to Canada's energy sector caused our portfolios to lag the benchmark. That being said, our decision to limit exposure to this sector stems from our desire to offer equity strategies with a low carbon footprint.

Moreover, we think the energy sector will not allow us to create value in our clients' portfolios in a sustained manner over long periods.

As for global equities, as in the previous quarter, we think the decline in emerging markets will create buying opportunities. We still plan to increase our allocation to these markets as conditions become more favourable.

Turning to the United States and Europe, we are still convinced that the best way to create long-term value is to hold a portfolio of high-quality companies that are more profitable, less indebted and less cyclical than the rest of the investment universe. This style performs especially well in down markets.

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WHO WE ARE?

Combined, our asset management subsidiaries manage $8.4 billion Canadian dollars globally for an institutional and private wealth clientele. These subsidiaries are held by Optimum Group, which employs more than 615 employees across Canada, the United States and in France.

Each strategy's performance derives from a composition of mandates which regroup the returns of several client portfolios with similar mandates and investment strategies. The performance is shown in Canadian dollars, before management fees and is annualized for all periods over one year.
The information contained in the present document is provided for information purposes only and should not be construed as investment advice pertaining to your financial situation nor as specific advice relating to finance, legal, accounting, tax or investments. We assume no responsibility for any losses incurred due to the use of this data. It should not be considered as a solicitation to buy nor an offer to sell a security. It does not take into account an investor's specific investment objectives, tax situation nor investment horizon. There is no representation, warranty nor liability regarding the accuracy of decisions based on this data. All performance-based data factor in the reinvestment of all distributions or dividends and do not take into account management fees and other fees payable by investors which result in reduced returns.
The indexes used in the present document are indexes which are widely recognized benchmarks used to measure investment performance for their respective asset classes and were chosen based on their degree of comparability and similarity with the investment strategies presented.
Optimum Asset Management Inc. cannot guarantee future performance of strategies. Values fluctuate frequently and past performance is not indicative of future performance.

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