

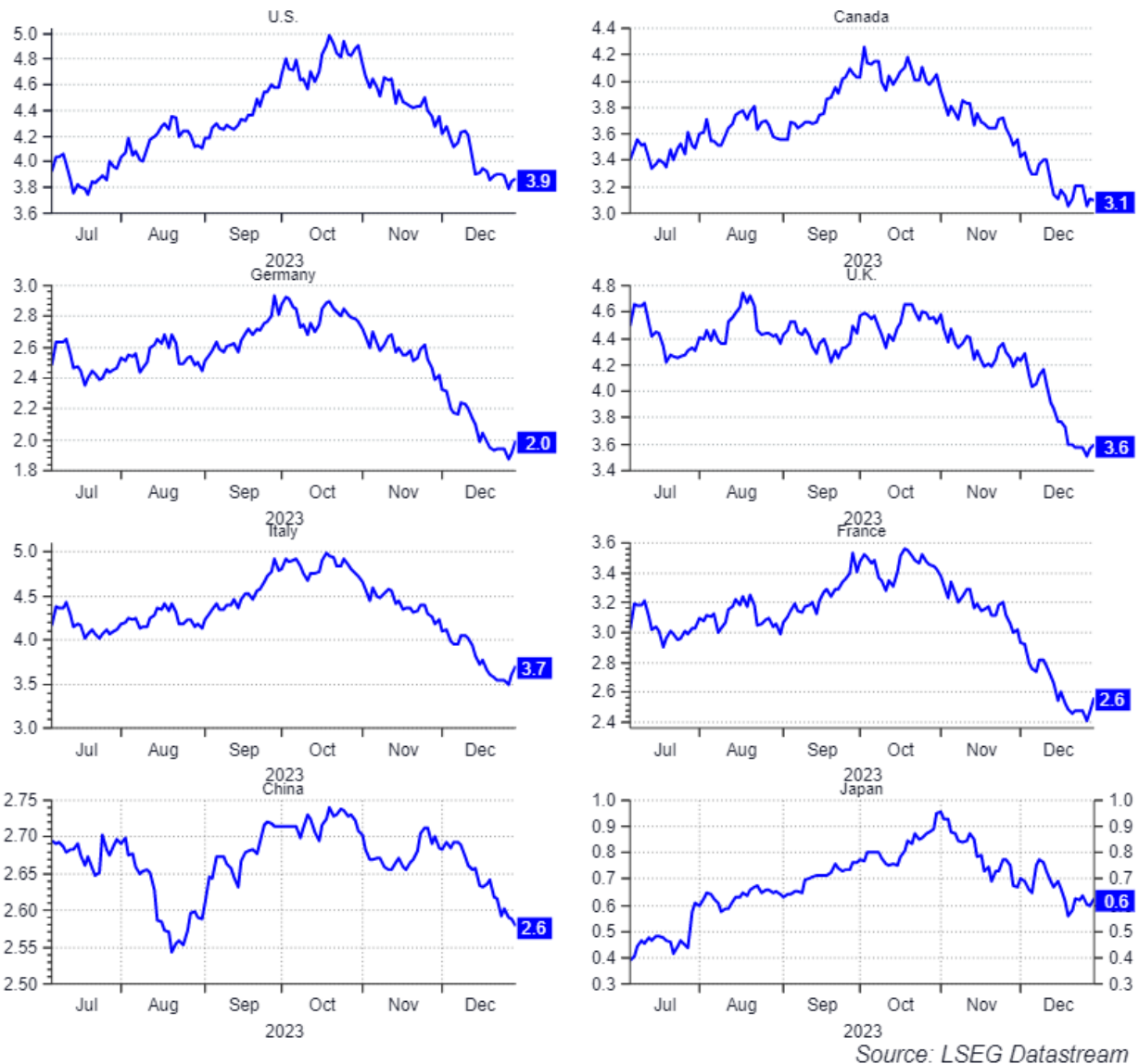


December 2023

Markets end 2023 higher on optimism of lower interest rates

Global financial market surged in the final quarter of 2023 to end the year on a surprisingly high note as global bond yields fell sharply on softer global inflation data. Investors have become increasingly convinced the US Fed, Bank of Canada and ECB will cut rates possibly as early as March 2024. The easing price pressures coupled with a resilient consumer, positive earnings, and upwardly revised 2024 US GDP forecasts, is boosting investor confidence that the US Fed may very well pull off a soft landing. This is an abrupt sentiment change from expectations of a 2024 recession just a couple of months ago.

10YR Global Bond Yields Fall Sharply in Q4



This narrative shift triggered an aggressive move back into stocks and bonds. Market breadth improved substantially and the belief that interest rates have peaked drove much needed capital back to the hard hit interest sensitive sectors, like real estate and financials .

Virtually every major equity market posted abnormally strong gains in 2023 with the biggest chunk added in the last 2 months. The Dow Jones hit a new all-time high, the Japanese 225 hit its highest level since 1990.

While US markets outperformed, Euro , Japanese and Latin American markets, many posted double digit gains.

Chinese/Hong Kong equities continued to suffer more sharp loses in 2023 hitting 5 year lows, reflecting weaker than expected economic growth, a slumping property market, softer good manufacturing, supply chain shifts and the ongoing geopolitical tensions.

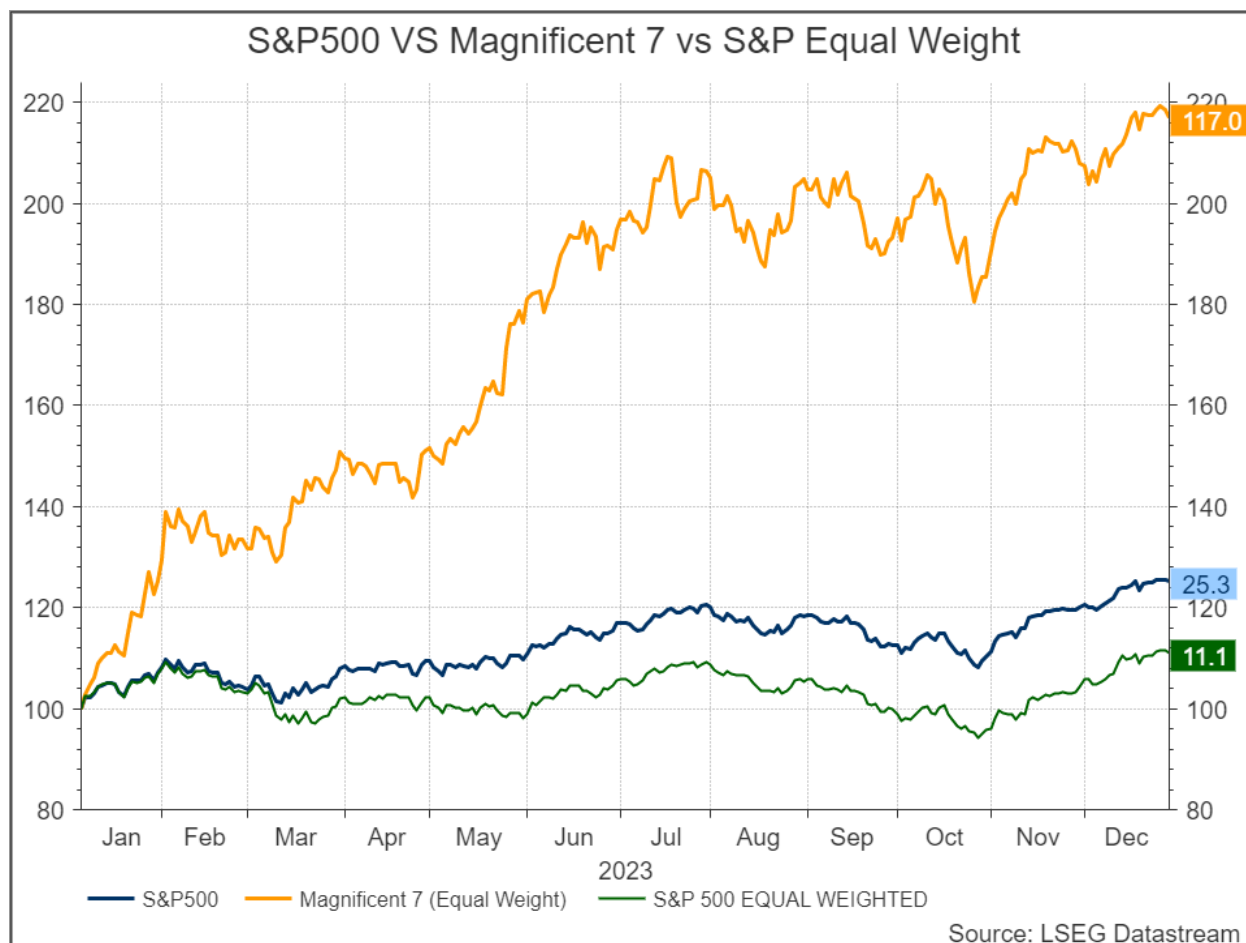
The TSX Venture index was the only other index listed below that had a losing year. Not surprising since over 55% of the index is made up of materials stocks and has a very tight correlation to the performance of the emerging markets – China having the largest weighting.



By far the best performing equity index in 2023 was the technology heavy Nasdaq, which saw a massive +53% gain, almost double the increase of second best Japan. Driving a big part of the gains in both the NASDAQ and S&P 500 were the so called 'magnificent 7' stocks (Apple, Amazon, Alphabet, Microsoft, Meta, Nvidia, Tesla). While lower interest rates and solid fundamentals drove some of their gains, the much can attributed to the massive growth and interest in artificial intelligence.

The chart below shows shows just how much better they outperformed the broader market. On a combined basis these seven companies rose +117% vs +25% for the capitalization weighted S&P 500 and a much more modest +11% gain for the equal cap-weighted S&P 500. These companies represent about 30% of market cap of the S&P 500, a very historically high level of concentrations. No wonder why more prudently diversified portfolios cannot beat the index.

While this year's gains were no doubt spectacular, it is important to remember that over a two year period the Nasdaq index is only just about breakeven with a gain of +.26% and the S&P 500 is -1.12% (price return).



PI Financial portfolios post solid gains in 2023

All PI Financial model portfolios recorded positive gains in December and in 2023.

Led by strong gains in our holdings of Blackstone, Netflix, Costco, and Apple, the PI US Growth portfolio posted the highest 2023 total return (before fees) of +17.7% and highest December gain of +4.8% among our 8 portfolios. We underperformed our benchmark, the S&P 500, primarily because of the massive outperformance, and index weight, of the magnificent seven (see above). The surprising underperformance of the healthcare care in 2023 (best performing sector however in the past month) and our higher cash position held back our relative performance.

Our second-best performing model in 2023 was the Canada Equity Plus model with a robust gain of +16.1%. This portfolio is globally diversified and benefitted from higher weight in large cap and technology. Our top holding includes the IShares Core S&P 500, Invesco Nasdaq QQQ, Constellation Software and Brookfield.

All 5 of our equity growth portfolios (Canada Equity, Dividend Growth, Focus 15, Canada Equity Plus) produced +10% or higher returns in 2023.

Our least performing model in 2023 was the High Yield Dividend Growth model with a more modest +4.1% total return. This portfolio's mandate is to hold less cyclical, higher yielding, consistently dividend growing companies. Unfortunately, companies which provide these attributes primarily reside in the more defensive sectors, such as financials, real estate, pipelines, utilities, and telecom. With rising rates these companies and industry sectors have underperformed.

On a positive note, the recent decline in interest rates of the last two months has seen a marked improvement these sectors. As we anticipated, our High Yield Dividend Growth model portfolio posted the second-best December returns with a gain of +4.2%. With Canadian interest rates expected to fall further in 2024 we see this portfolio's performance improving in 2024.

With still many important economic indicators still pointing to a 2024 economic slowdown all our portfolios stay more defensive and with a higher than target cash allocation. With the current yield on our cash equivalent Purpose High Interest ETF returning over 5% the drag on performance is mitigated.

Given the mixed macro-outlook, our portfolio strategy is to stay overweight large cap, higher quality, less cyclical companies with forecasted revenue and earnings growth. Our factor strategy is to hold

both growth and value companies with higher profitability rankings. We continue to underweight energy and materials given the modest 2024 economic growth and sluggish China economy.

In the very near term, we think equity and bond markets may have come a little too far and could see a pullback in the next few weeks as investors begin to reign in their expectations for rate cuts. This is already happening in the first week of 2024. However, with a backdrop of easing prices, falling interest rates, solid employment and moderate economic growth, we expect equities to perform well in 2024.

The narrative has shifted so dramatically, from recession to a soft landing, that US Fed Fund futures are showing a cut as early as this March and up to 6 cuts by the end of the year. Similarly in Canada, futures are pointing to 81% chance of the benchmark falling .25% in March, and 33% of -.75% by June.

Seems odd: investors are expecting both sharply lower interest rates and a solid if not improving economy (Atlanta Fed just raised Q4 US real GDP forecast +2.5% from 2.0%)?

We are not expecting the US Fed nor Bank of Canada to cut rates as sharply.

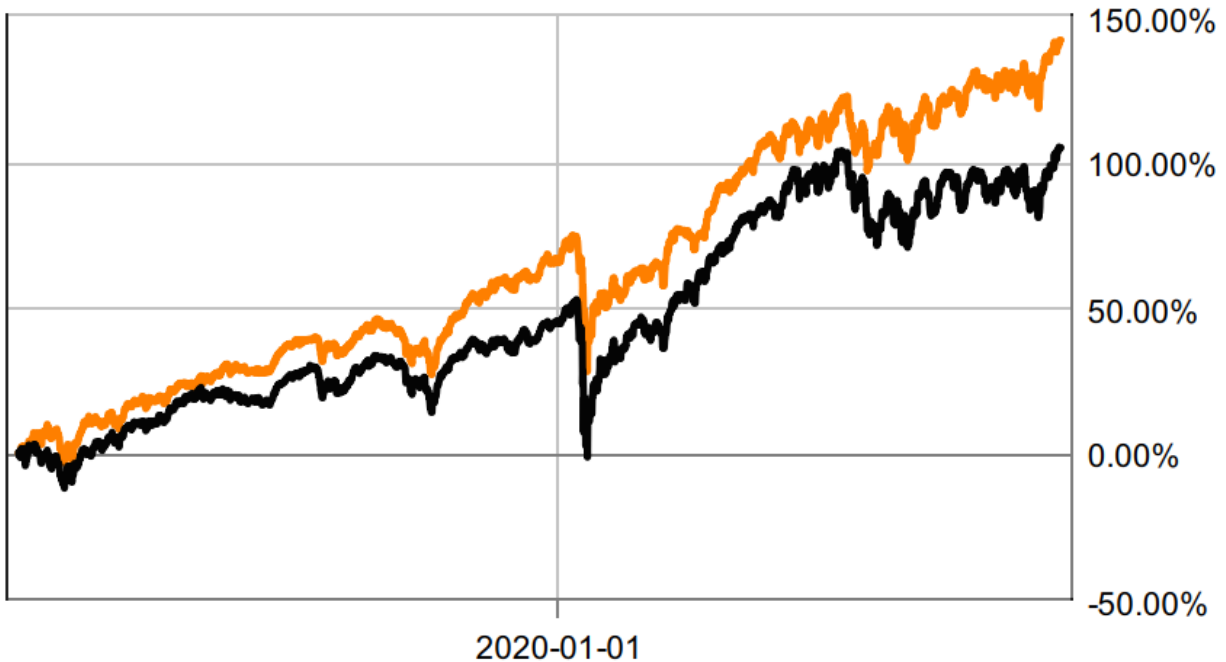
Yes, Canada should see more rate cuts in 2024, (although the recent jump in housing sales will surely make the BOC question the speed of their cuts) due to our more sluggish economic growth and heavily indebted consumer, but the US economy is simply in too good shape with raised forecasts, consumers that continue to spend, inflation and wages heading toward the Fed's target, net worths' rising thanks to higher asset prices, and unemployment near record low to expect the US Fed to need to cut this aggressively. We expect more like 2 or 3 cuts for -.50% decline starting in May.

Long term bond yields have already fallen by about 1% in the past couple of months - doing much of the work for Central Banks- and we don't see them going much lower.

MODEL PORTFOLIO	OVERVIEW	RISK RATING	1M	1 Year	% Total return before fees - ANNUALIZED			INCEPTION DATE
					3 Year	5 Year	Since Inception	
PI Canadian Equity	Core Canadian equity large-cap growth	Moderate Risk	2.8%	13.9%	11.2%	13.0%	11.2%	September 8, 2015
<i>Benchmark</i>	S&P TSX 60 Total Return Index		4.1%	12.0%	10.4%	11.6%	9.0%	
PI Canadian Dividend Growth	Core Canadian equity large-cap dividend growers	Moderate Risk	3.7%	10.0%	6.7%	9.9%	9.5%	September 8, 2015
<i>Benchmark</i>	S&P TSX Div Aristocrat Total Return		6.5%	9.9%	10.1%	10.5%	7.9%	
PI Focus 15	Canadian concentrated equity growth	Moderate / High Risk	3.0%	11.6%	10.7%	12.6%	8.7%	October 31, 2016
<i>Benchmark</i>	S&P TSX Composite Total Return Index		3.9%	11.7%	9.6%	11.3%	8.2%	
PI Canadian Equity PLUS	Equity growth with U.S. and international diversification	Moderate Risk	3.0%	16.1%	9.9%	11.9%	8.5%	June 4, 2018
<i>Benchmark</i>	65% S&P/TSX 60 Index / 35% MSCI All World ex. Canada		3.5%	14.3%	9.4%	11.4%	8.7%	
PI High Yield Dividend Growth	Canadian equity focused high dividend yield growers	Moderate Risk	4.2%	4.1%	6.2%	7.9%	7.0%	December 7, 2018
<i>Benchmark</i>	S&P/TSX High Dividend Index		3.9%	6.7%	13.5%	11.3%	10.3%	
PI Balanced	Multi-asset class (equity, fixed income, money market)	Low / Moderate Risk	3.4%	11.3%	6.2%	n/a	6.0%	August 21, 2019
<i>Benchmark</i>	40% Cdn Agg Bond Index, 30% S&P/TSX 60 Index, 30% S&P 500 Index		3.2%	13.3%	5.4%	n/a	6.8%	
PI US Growth	US equity large-cap growth	Moderate Risk	4.8%	17.7%	n/a	n/a	2.5%	June 29, 2021
<i>Benchmark</i>	S&P 500 Index		4.5%	26.3%	n/a	n/a	5.9%	
PI Sector ETF	Sector ETFs Cdn and US	Low / Moderate Risk	1.4%	8.4%	n/a	n/a	7.4%	July 21, 2022
<i>Benchmark</i>	50% S&P TSX Composite Total Return Index / 50% S&P 500 Index		2.7%	17.3%	n/a	n/a	13.5%	

Benchmark performance source: Refinitiv | Eikon

PI Canadian Equity Portfolio +2.77% in December



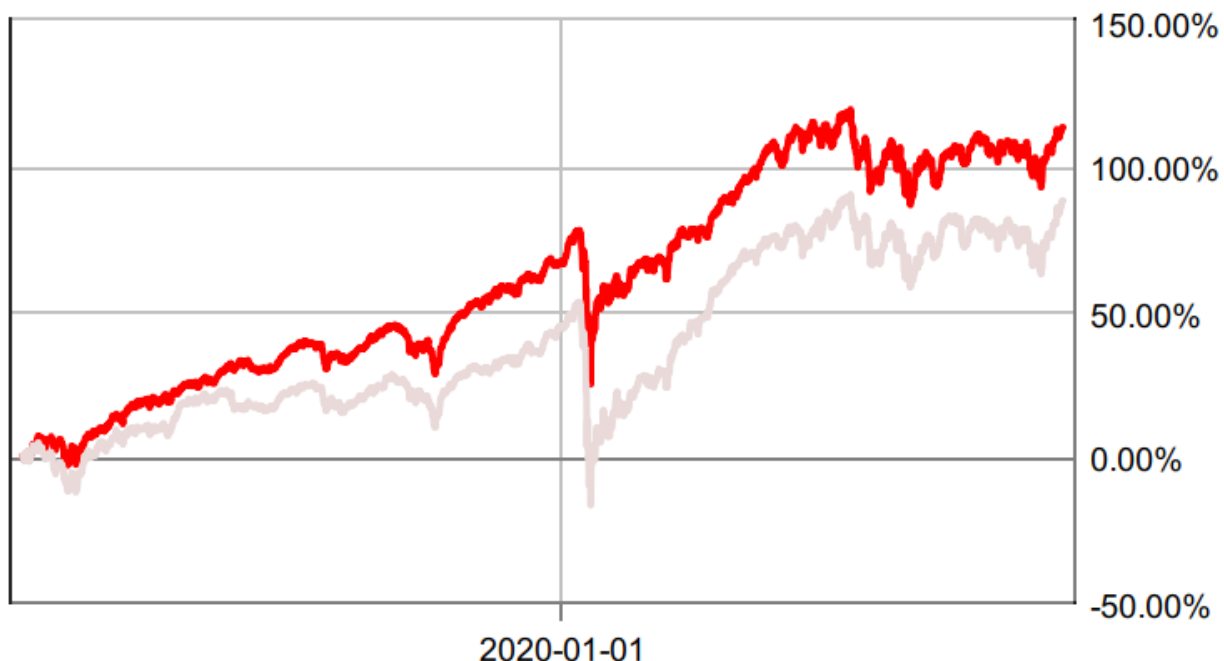
— PI Model Large Cap Cdn Equi...
 — iShares SP/TSX 60 Index Fund

The PI Canadian Equity Model ('PICEM') Portfolio increased by +2.77% for the month while its benchmark, the S&P | TSX 60 Total Return Index increased +4.06%. The S&P | TSX Composite Total Return index increased by +3.91%.

In 2023, the portfolio increased +13.86% vs +11.97% for the benchmark and +11.75% for the S&P TSX Composite (total return).

Since inception, September 8, 2015, the PI Canadian Equity Model portfolio has produced a total return of +141.58% vs +104.68% for the benchmark. Thus, a \$100,000 investment would now be worth \$241,580. [All returns are exclusive of any fees.](#)

PI Dividend Growth Portfolio +3.73% in December



— PI Dividend Growth Portfolio

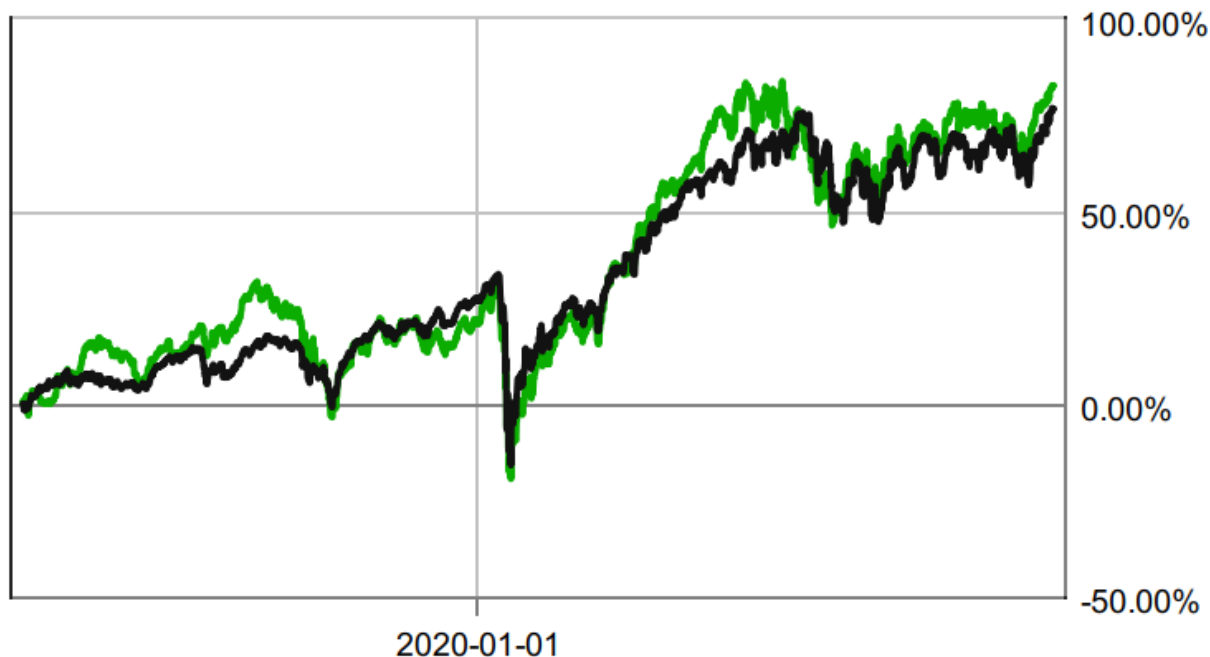
— iShares S&P TSX Canadian Dividend Aristocrats Index ETF

The PI Canadian Dividend Growth Model ('PICDGM') Portfolio increased +3.73% for the month compared to the portfolio's benchmark, the S&P | TSX Dividend Aristocrats Index which increased +6.54% in the month, while the S&P |TSX Composite index increased +3.91%.

In 2023, the portfolio increased +10.04% on a total return basis compared to an increase of +9.90% by the benchmark and +11.75% for the S&P | TSX Composite Total Return Index.

Since inception, September 8, 2015, the PI Canadian Dividend Growth Model portfolio has produced a total return of +112.92% vs +87.96% for the benchmark. Thus, a \$100,000 investment would now be worth \$212,920. All returns are exclusive of any fees.

PI Focus 15 Portfolio +3.01% in December



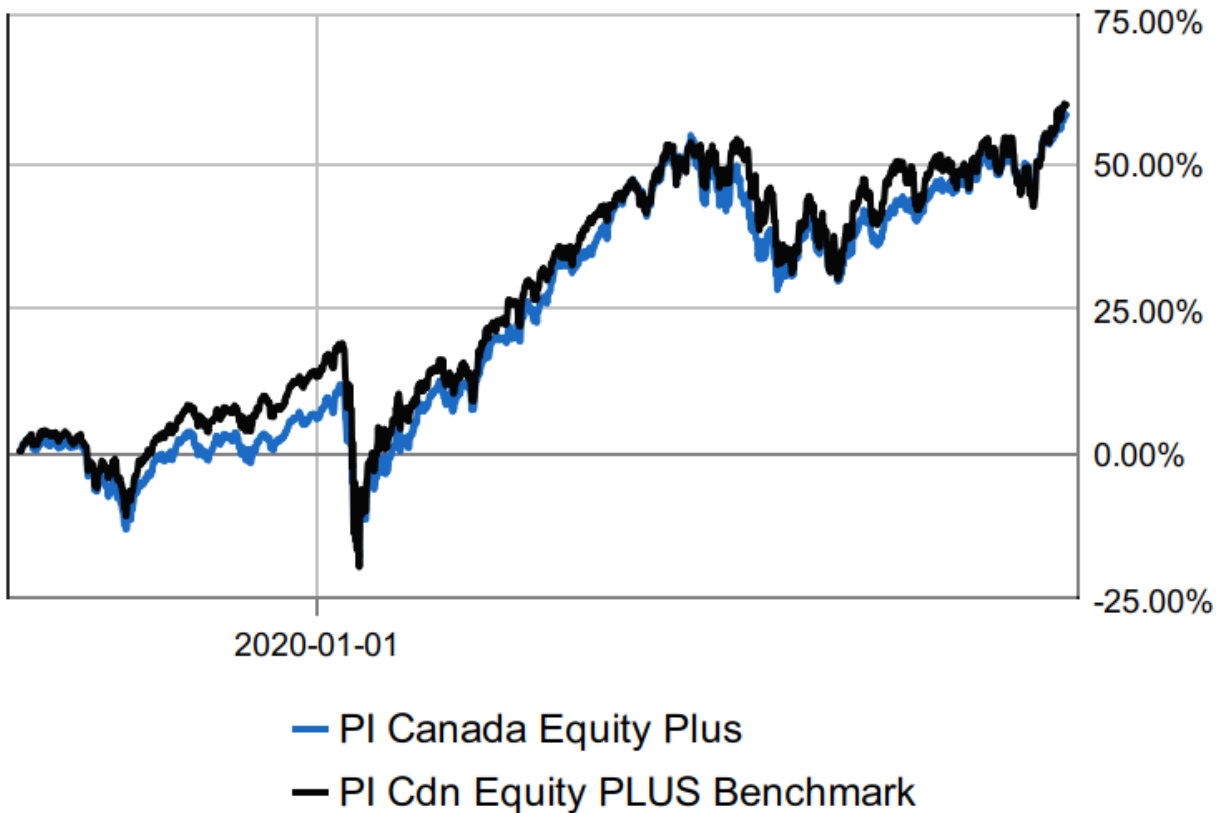
— PI Financial Focus 15 Growth Portfolio
 — iShares Composite Canadian Equity Index

Our most growth oriented portfolio, the PI Focus 15 ('PIFF') Growth Model Portfolio, increased +3.01% for the month compared to its benchmark, the S&P | TSX Composite Total Return Index which increased +3.91%.

In 2023, the portfolio increased +11.61%, while its benchmark increased +11.73% (total return).

Since inception, October 31, 2016, the PI Focus 15 Growth Model Portfolio has produced a total return of +82.49% vs +76.55% for the benchmark. Thus, a \$100,000 investment would now be worth \$182,490. All returns are exclusive of any fees.

[PI Canadian Equity Plus +2.98% in December](#)

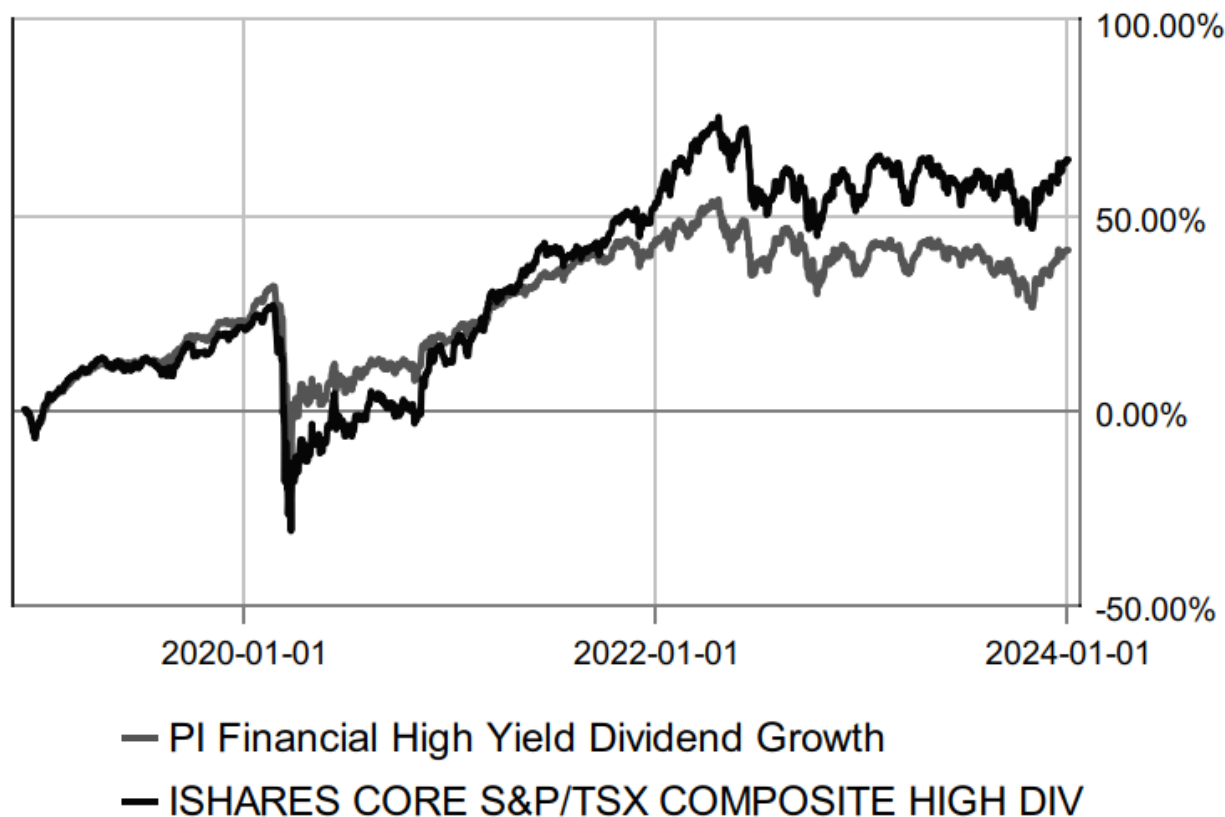


The PI Canadian Equity Plus Model ('PICEP') portfolio posted a total return of +2.98% in the month, while its benchmark, a blend of 65% weighting in S&P TSX 60 Index and 35% MSCI All Country World ex Canada Index increased by +3.47% and the S&P TSX Composite Total Return Index increased by +3.91%.

in 2023 the portfolio has produced a total return of +16.13% vs +14.27% for the blended benchmark; while the S&P TSX Composite increased +11.75% (total return) and the S&P 500 increased +26.29% (total return).

Since inception, June 4th, 2018 the PI Canadian Equity Plus Model portfolio has produced a total return of +57.86% vs +59.72% for the blended benchmark. Thus, a \$100,000 investment would now be worth \$157,860. [All returns are exclusive of any fees.](#)

PI High Yield Dividend Growth +4.16% in December

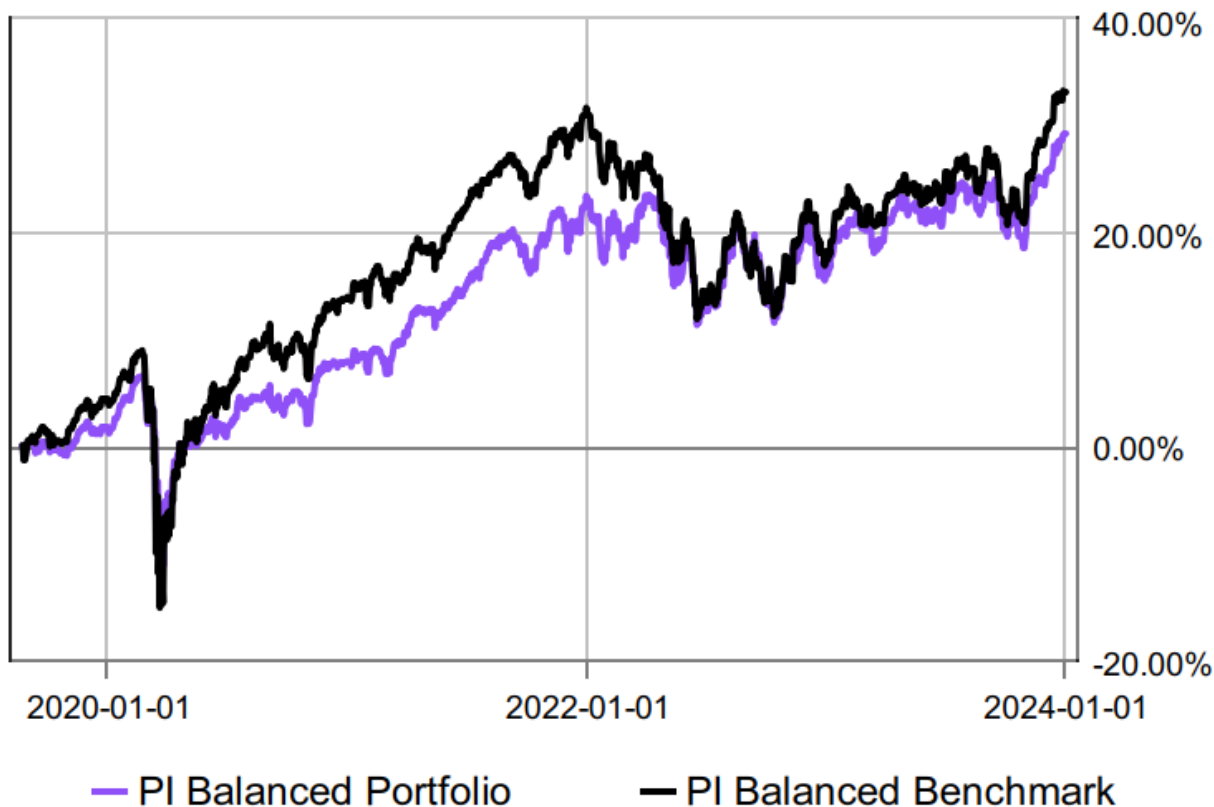


The PI High Yield Dividend Growth model (PIHYDG) portfolio Increased **+4.16%** in the month while its benchmark, the S&P TSX Composite High Dividend Index increased **+3.94%** and the S&P TSX Composite increased **+3.91%**.

In 2023, the portfolio increased **+4.08%** vs **+6.73%** for the S&P TSX High Dividend Index and an increase of **+11.75%** for the S&P TSX Composite (total return).

Since inception, December 7, 2018, the PI High Yield Dividend Growth Model portfolio has produced a total return of **+41.09%** vs **+60.04%** for the benchmark. Thus, a \$100,000 investment would now be worth \$141,090. All returns are exclusive of any fees.

PI Balanced +3.43% in December

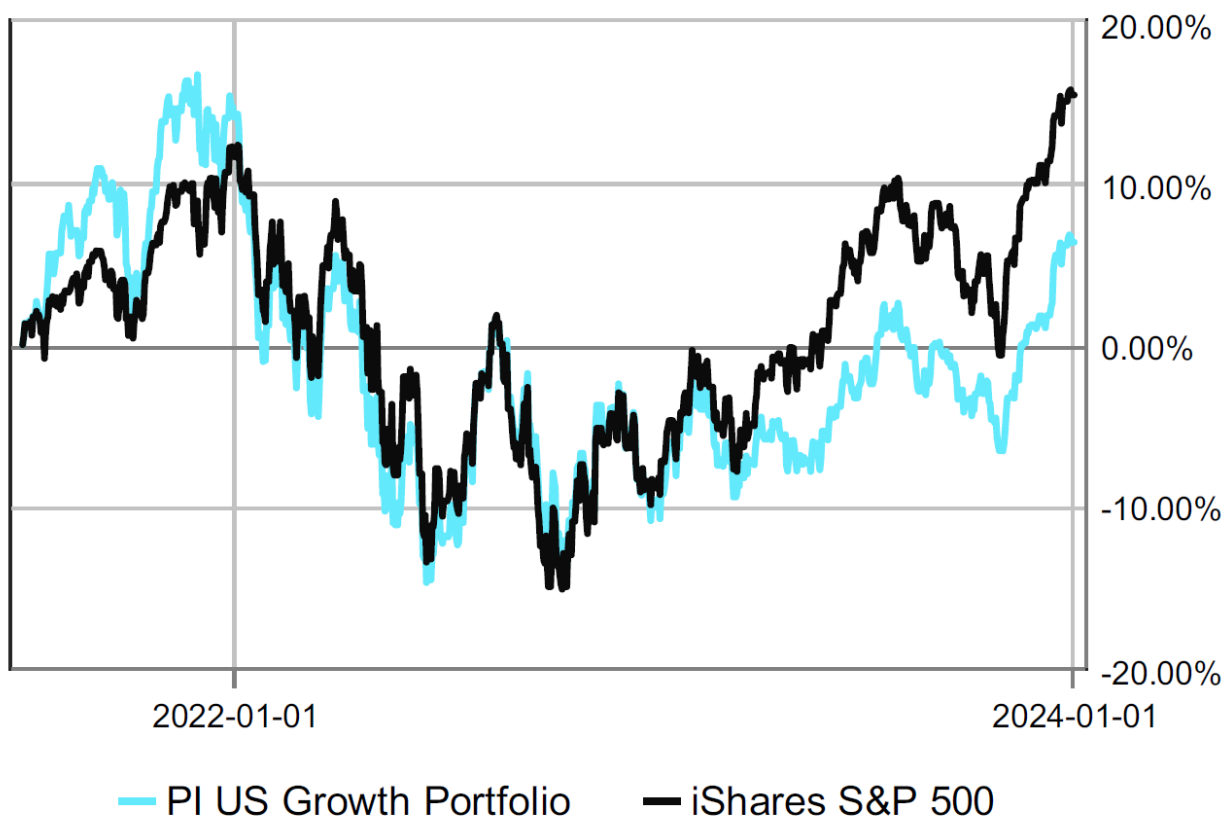


The PI Balanced Model ('PIBMP') Portfolio posted a total return of +3.43% in the month while its benchmark, a blend of 40% Canadian Aggregate Bond Index, 30% S&P/TSX 60 Index and 30% S&P 500 Index increased by +3.23%.

In 2023 the portfolio has increased +11.34% vs +13.30% for the blended benchmark (total return).

Since inception, August 21st 2019, the PI Balanced Model portfolio has produced a total return of +29.20% vs +33.10% for the blended benchmark. Thus, a \$100,000 investment would now be worth \$129,200. [All returns are exclusive of any fees.](#)

[PI US Growth +4.83% in December](#)

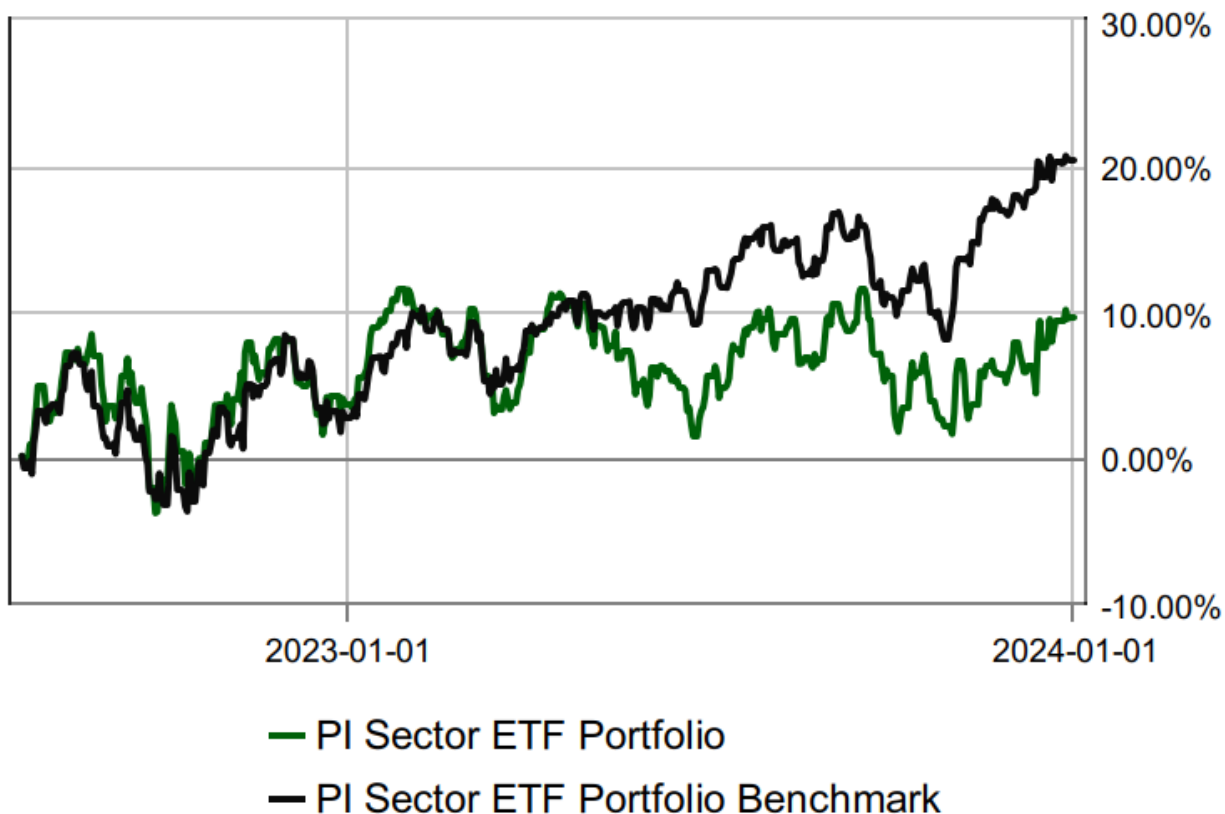


The PI US Growth Model ('PIUSG') Portfolio posted a total return of +4.83% for the month while its benchmark, the S&P 500 Total Return Index increased by +4.54%.

In 2023 the portfolio increased +17.73% vs +26.30% for the benchmark. The key reason for the variance was the outperformance and heavy concentration in a few mega cap companies in the S&P 500.

Since inception, June 29, 2021, the PI US Growth Model portfolio has produced a total return of +6.35% vs +15.48% for the benchmark. Thus, a \$100,000 investment would now be worth \$106,350. [All returns are exclusive of any fees.](#)

PI Sector ETF +1.42% in December



The PI ETF Model ('PIETF') portfolio increased by +1.42% in the month, while its benchmark, a blend of 50% weighting in S&P TSX Index and 50% S&P 500 Index increased +2.73%.

In 2023 the portfolio has returned +8.36% vs +17.29% for the blended benchmark. The variance is substantially due to our more defensive portfolio stance and the outperformance and concentration of few mega cap tech holdings within the S&P 500.

Since inception, July 21st, 2022, the PI ETF Model portfolio has produced a total return of +10.86% vs +20.18% for the blended benchmark. Thus, a \$100,000 investment would now be worth \$110,860. All returns are exclusive of any fees.

For more information about all of the PI Financial model portfolios please contact your PI Financial Portfolio Manager or Investment Advisor.

If you do not currently have a PI Financial professional assisting you and would like to learn more about our discretionary model portfolios please click here pifps@pifinancialcorp.com.

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