

MONTHLY LETTER - MAY 2023

In our April review, we noted that technology companies had reported generally positive quarterly results, and that investors were returning to this sector, which was also reflected in May's technology stocks. The disparate returns listed below can be partly explained by two mega-cap outperformers, Meta Platforms (Facebook) and Nvidia, both are up over 100% since the beginning of the year. Indeed, the NASDAQ Technology Index returned 5.8% in May and is up 23.6% year-to-date. This strong performance also extended to the S&P 500 Index, where market capitalization is once again heavily concentrated in the technology sector; the index is up 0.4% this month in U.S. currency. Aside from these two indices, the monthly performances in local currency were more negative for the world's main stock market indices: -5.4% for the FTSE 100 (UK), -5.2% for the CAC 40 (France), -1.6% for the DAX 30 (Germany) and -3.6% for the Chinese stock market. The Canadian stock market also fell by -4.9%; the only sector to record growth was the technology sector.

May was also difficult for the bond market, with the FTSE Canada Universe Bond Index returning -1.7%. Interest rates are up sharply this month, as the economy demonstrates resilience in the face of rising rates and lingering inflationary pressures. For example, the 2-year interest rate increased by 56 bps, reaching the highs of March 2023 and October 2022 at 4.22%. Forecasters no longer anticipate a 0.25% cut in the key rate this year, but instead another rise. This change in course follows the release of April's inflation figures, which will be discussed in our section on economic figures.

The United States avoided the worst with the debt ceiling crisis. Both Democrats and Republicans reached common ground

to prevent default. The bill proposes a two-year budget cut that would hold spending steady for 2024 and a 1% increase for 2025, deferring the debt ceiling issue to the next presidential election.

Earlier this month, the U.S. Federal Reserve raised its key interest rate by 0.25% to between 5% and 5.25%. Despite this increase, investor attention was directed toward the Fed's announcement on whether it would ultimately opt for a pause in its rate hike. The Fed's statement was not quite as clear-cut as the Bank of Canada, which stated that it would pause rate hikes. In the U.S., the message "that further rate hikes are appropriate to return inflation to target" was replaced by "that the Fed will judge the possibility of a further increase in light of economic and financial conditions." This is a subtle way of announcing a pause, while maintaining the possibility of further rate hikes if the situation does not progress in line with expectations.

In Canada, the latest inflation figure sent shockwaves across the markets, leaving investors in doubt that the Bank of Canada may not have raised interest rates enough to bring inflation back to the target range of 1% to 3%. Forecasts quickly shifted from a rate cut in 2023 to another rate hike. This minor panic began when the April consumer price index rose by 4.4% year-on-year, compared with total inflation of 4.3% in March. Despite this small upturn, we think it's too soon to worry about another interest rate hike. Firstly, it takes an average of 18 months for interest rate rises to be reflected in the economy as a whole, and in March we marked the first anniversary. So, the brunt of the impact is probably to come in the next 6 months. Secondly, it is unrealistic to expect inflation to fall steadily back to 2% without a hitch. We can point to October 2022, when we saw a mini

upturn in inflation (0.02%). Finally, inflation is usually higher in the first six months of the year than in the last six.

As mentioned earlier, there are opposing forces at work on inflation. On one hand, inflation may prove persistent due to a strong labour market, immigration and wage growth. On the other hand, there are some encouraging factors in support of lower inflation: input prices are coming down, transport costs are falling, inventories are building up, fertilizer prices are declining (which correlate with food prices) and the real estate market has corrected. Having said that, we expect to see inflation decline over the next two months, as we wipe out two months of high inflation in 2022; 1.4% in May and 0.6% in June.

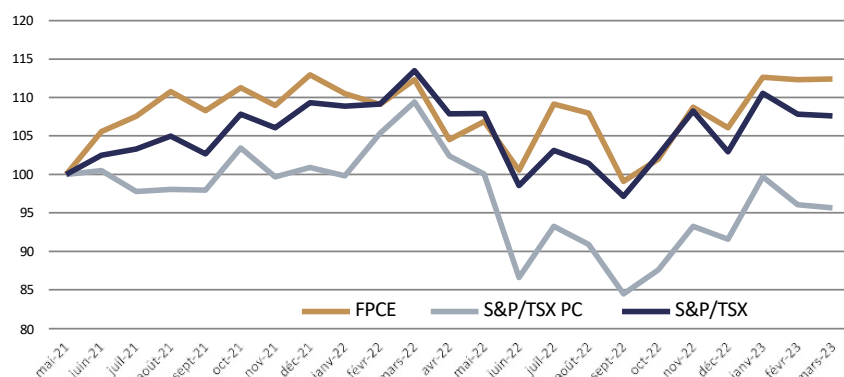
Finally, the Canadian economy kicked off the year with an impressive 3.1% annualized growth rate, well ahead of the forecasts of economists and the Bank of Canada. With cumulative interest rate hikes, household consumption remains impressive, with first-quarter growth of 5.7%. This increase was partly helped by robust growth in durable goods; an easing of supply chain issues meant that previously ordered automobiles could finally be delivered. However, a first-quarter dip in the household savings rate suggests that there may not be much room left to increase spending; indeed, consumer demand has been waning since the very strong month of January.

Bobby Bureau, MBA, CIM[®]
Senior Manager, Fixed Income
Portfolio Manager

SMALL-CAP SECURITIES (PRIVATE MANAGEMENT) AS OF 31 MARCH 2023

Eterna Small-Cap Fund

Performance since launch (Base 100)



Fund Manager:
Philippe Côté

Management Fees:
1.50%

Benchmark:
S&P/TSX Small-Cap Index

Investment Objective

Generate long-term capital appreciation by investing primarily in shares of small- and medium-sized Canadian and U.S. issuers listed on a recognized Canadian or U.S. stock market.

Investment Process

The funds are diversified across small and mid-sized Canadian and U.S.-based issuers listed on a recognized Canadian or U.S. stock market. The portfolio focuses on fundamental analysis and follows a rigorous investment and risk management approach.

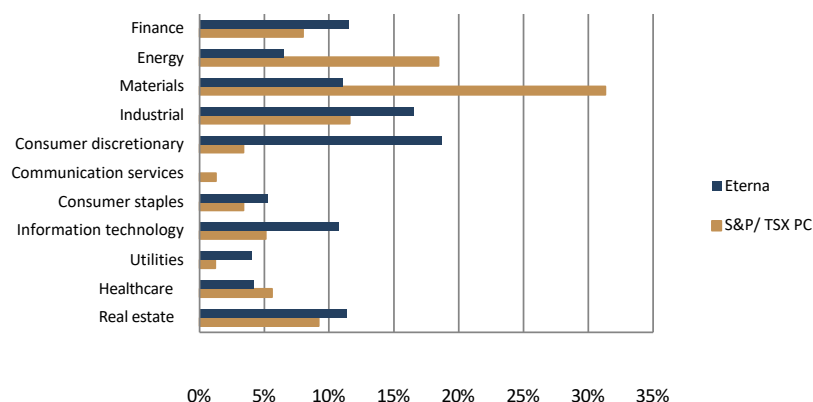
Eterna's small-cap portfolio typically holds 30 to 60 securities, with no single security representing more than 8% of the Fund's assets. No securities with a market capitalization of less than \$20 million are eligible for purchase. Similarly, no more than 20% of the Fund's assets may be invested in securities with a market capitalization of less than \$200 million.

Annual composite	1 year	2 years	3 years	4 years	5 years	10 years
Eterna*	0.05%	N/A	N/A	N/A	N/A	N/A
S&P/TSX PC	-12.56%	1.93%	27.64%	7.72%	5.74%	4.62%
Value added	12.61%					

Performances	YTD	2022	2021	2020	2019	2018	2017	2016
Eterna*	5.92%	-6.06%	N/A	N/A	N/A	N/A	N/A	N/A
S&P/TSX PC	4.50%	-9.29%	20.27%	12.87%	15.84%	-18.17%	2.75%	38.48%
Value added	1.42%	3.23%						

* Performance net of fees

Sector Breakdown (Source: Bloomberg)



Features	Nbr of shares	Average capital	P/E (est. 12 m)	Dividend yield
Eterna	37	\$2.93 G	16.5	2.10%
S&P/TSX PC	257	\$1.37 G	13.9	3.58%

Statistics	Beta	Standard deviation	Tracking error	Information ratio
Eterna	0.61	15.2	12.7	1.1
S&P/TSX PC	1.00	25.0	-	-

Top 10 holdings (weight)

ATS Corp	5,8%
Park Lawn Corp	5,2%
Kinaxis inc.	4,9%
Colliers International	4,3%
Pollard Banknote LTD	4,0%
Boralex inc.	3,9%
Stella-Jones inc.	3,3%
GDI Integrated Facility Services	3,2%
Element Fleet Management Corp	3,2%
Spin Master Corp	3,1%

SMALL-CAP SECURITIES (PRIVATE MANAGEMENT) AS OF 31 MARCH 2023

Eterna Small-Cap Fund

Attribution (source: Bloomberg)

Value added vs. index (YTD)			Source of added value (YTD)*		
Eterna return	S&P/TSX PC return	Value added	Sector allocation	Security selection	Currency
5.92%	4.50%	1.42%	N/A	N/A	N/A

* Source of added value based on gross yield estimated by the Bloomberg system.

Top 10 positive contributions (YTD)		Top 10 negative contributions (YTD)	
ATS Corp	1,56%	Trisura Group LTD	-0,60%
Kinaxis inc.	0,92%	Vermilion Energy inc.	-0,47%
Pollard Banknote LTD	0,87%	Topaz Energy Corp	-0,27%
Capstone Copper Corp	0,75%	Definity Financial Corp	-0,22%
Dream Industrial REIT	0,69%	Birchcliff Energy LTD	-0,13%
Colliers International	0,55%	Neighbourly Pharmacy inc.	-0,12%
Park Lawn Corp	0,41%	Element Fleet Management Corp	-0,11%
Magnet Forensics inc.	0,40%	Jamieson Wellness inc.	-0,11%
Spin Master Corp	0,37%	GDI Integrated Facility Services	-0,10%
Martinrea International inc.	0,30%	Pet Valu LTD	-0,10%

Best-performing positions (YTD)		Least performing positions (YTD)	
ATS Corp	34,45%	Trisura Group LTD	-26,94%
Pollard Banknote LTD	29,40%	Vermilion Energy inc.	-26,44%
Dream Industrial REIT	27,30%	Topaz Energy Corp	-8,12%
Capstone Copper Corp	23,48%	Definity Financial Corp	-7,97%
Kinaxis inc.	22,15%	Birchcliff Energy LTD	-7,42%

* Performance may vary from actual YTD performance on the holding period of the security during the year.

The Eterna Small-Cap Fund has continued to perform well in early 2023, with a return of 5.9%. Since launching in May 2021, the Fund has outperformed Canadian indices by more than 9% on the S&P/TSX and 21% on the Canadian Small-Cap Index. These returns are driven primarily by outperformance over the period for all sectors except Energy, and the privatization of four companies since the Fund's launch. We added a new position in Triple Flag Precious Metals, a company specializing in royalties mainly in the gold sector, giving us a presence in this sector.

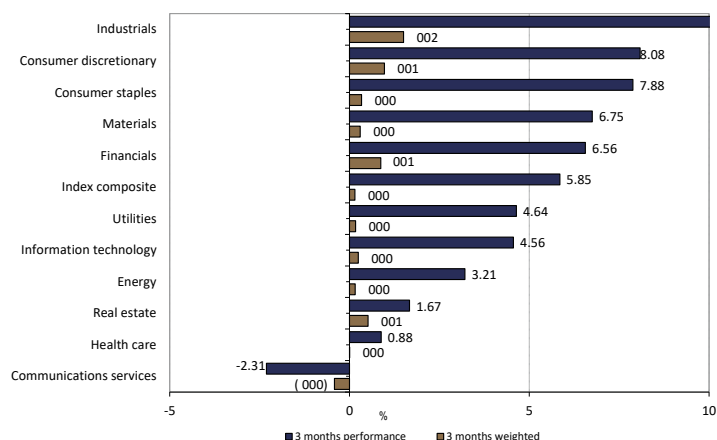
ATS Corp, which provides automated production systems for the food, healthcare and battery industries, was among the quarter's best contributors with a return of +34%, boosted by the announcement of several new agreements and a significant increase in the order book. Pollard Banknote, which we acquired at the end of 2022 and which provides logistics and printing services to lottery agencies, recovered sharply following publication of results indicating an improvement in its margin in the wake of gradual price increases to counter inflation.

As for negative factors, the top five detractors are concentrated in two sectors: Energy and Financial Services.

Trisura, a reinsurance and specialty insurance company, experienced an extraordinary loss in a unique program with a U.S. partner, which undermined strong operating results. For energy sector stocks, after a strong 2022 with exceedingly high oil and natural gas prices, milder-than-normal winter weather in North America and Europe pushed down commodity prices and sector-related securities.

SECTORS PERFORMANCES

S&P/TSX Composite - Sectors performances including dividends
March 31st, 2023 (\$ CA)



Source : Bloomberg

Performance is calculated net of management, operating, transaction and administrative fees. Data for the "sources of value added" and the fund's principal positive and negative contributions are sourced from the Bloomberg system. Returns calculated by the Bloomberg system are an estimate and may vary from the actual performance due to the updating of information, performance calculation methods and fund fees. The list of best- and worst-performing positions represents the performance of securities held since the beginning of the year or since the position was added to the strategy, whichever is more recent. Past performance is not necessarily indicative of future returns. This document is intended for personal use only. The information and opinions expressed herein are subject to change, depending on market conditions or trends. The views expressed are for informational purposes and should not be used for investment decisions. This document shall in no way be considered or used for an offer to purchase fund units or other securities in any jurisdiction. This document may not be reproduced in whole or in part without prior written permission of Eterna Investment Management. Mutual funds from Eterna Investment Management are intended solely for "qualified investors," as defined in National Instrument 45-106 titled Prospectus and Registration Exemptions. Mutual fund investments are not covered by the Canada Deposit Insurance Corporation or by any other public insurer and are not guaranteed by Eterna Investment Management or by any of its affiliates.

STATISTICS ON MAY 31ST, 2023

CANADA			UNITED STATES			CURRENCIES		
Unemploy. rate (April)	5.0 %	-	Unemploy. rate (April)	3.4 %	↓	\$ USA / \$ CAN	0.74	↑
C.P.I. (April)	4.4 %	↑	C.P.I. (April)	4.9 %	↓	\$ USA / € Euro	1.07	↑
3 months treasury bills	4.66 %	↑	3 months treasury bills	5.39 %	↑	¥ Yen / \$ USA	139.34	↓
Bonds 5 years	3.45 %	↑	Bonds 5 years	3.75 %	↑			
Bonds 10 years	3.19 %	↓	Bonds 10 years	3.64 %	↑			
S&P/TSX	19 572	↓	Dow Jones - Industrial	32 908	↓			
			S&P 500	4 180	↑			

The arrow indicates the trend since the publication of the last monthly data or end of the month.

MARKET INDICES IN CANADIAN DOLLARS AS OF MAY 31ST, 2023

	YTD	3 months	6 months	1 year	3 years*	5 years*
FTSE Canada 91 Day TBill Index	1.80 %	1.09 %	2.14 %	3.41 %	1.29 %	1.44 %
BONDS						
FTSE Canada Universe Bond Index	2.47 %	1.42 %	0.78 %	0.86 %	-3.22 %	0.76 %
FTSE Canada Short Term Overall Bond Index	1.35 %	0.75 %	1.19 %	0.92 %	-0.67 %	1.22 %
Indice adapté gestion privée Eterna ¹	1.76 %	1.12 %	0.90 %	1.21 %	-1.51 %	1.25 %
FTSE Canada Mid Term Overall Bond Index	2.34 %	1.66 %	0.42 %	1.54 %	-2.82 %	1.25 %
FTSE Canada Long Term Overall Bond Index	4.26 %	2.16 %	0.47 %	0.21 %	-6.77 %	-0.28 %
NORTH AMERICA STOCK MARKETS \$ CAN						
Canada - S&P/TSX	2.27 %	-2.40 %	-2.74 %	-2.46 %	12.10 %	7.27 %
United States - Standard & Poor's 500	10.25 %	5.65 %	3.87 %	10.83 %	12.36 %	12.10 %
United States - Dow Jones	0.80 %	1.30 %	-3.36 %	9.80 %	10.72 %	9.55 %
INTERNATIONAL STOCK MARKETS \$ CAN						
United Kingdom - FTSE-100	4.81 %	-1.93 %	4.56 %	7.49 %	10.61 %	2.80 %
France - CAC-40	9.50 %	-2.13 %	9.21 %	17.14 %	12.61 %	4.71 %
Germany - DAX	12.34 %	2.16 %	12.79 %	16.21 %	8.49 %	3.53 %
Japan - Nikkei-225	11.59 %	9.28 %	10.73 %	12.17 %	2.39 %	2.60 %
Hong Kong - Hang Seng	-7.66 %	-7.71 %	-1.74 %	-8.12 %	-8.16 %	-8.84 %
Australia - S&P/ASX 200	-3.96 %	-6.54 %	-5.73 %	-4.74 %	5.72 %	1.14 %
CURRENCY						
USD versus CAD	0.15 %	-0.53 %	1.21 %	7.33 %	-0.50 %	0.93 %

* Annual compounded total return.

¹ The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.ada..

Source : Bloomberg