ETERNA FINANCIAL GROUP

QUARTERLY REVIEW - MARCH 2024

ASSET SUMMARY AND ALLOCATION

The first quarter of 2024 saw global stock markets build on their upward momentum from November 2023. While the strong gains in 2023 were concentrated in U.S. technology stocks, the year-to-date gains are more widespread, with new records set for the S&P TSX (Canada), S&P 500 and Dow Jones (U.S.), Stoxx 600 (Europe) and Nikkei (Japan) indices.

The best performer for the first three months of 2024 was the Japanese Nikkei index, which returned 20% in local currency. This is the first time since the late 1980s that the Japanese stock market index has reached these levels. The U.S. stock market remained buoyant, with the Dow Jones, S&P 500 and NASDAQ indices recording gains of 5.6%, 10.6% and 9.1% respectively in local currency. Moreover, quarterly returns were equally positive for the leading European stock market indices: 2.8% for the FTSE 100 (UK), 8.8% for the CAC 40 (France), and 10.4% for the DAX 30 (Germany). Meanwhile, in China, the government's numerous easing measures are starting to pay off on the Chinese stock market, with the Shanghai SE index posting a 1.2% gain. Finally, in Canada, the S&P TSX returned 6.6%, largely due to the energy and industrial sectors, which rose by 11.7% and 10.8% respectively. In contrast, the high-dividend-paying sectors (Communications, Utilities and Real Estate) were the only three sectors to record declines.

U.S. large-cap equities are historically highly valued. Maintaining such generous returns will depend on continued earnings growth and investor confidence in the U.S. stock market and in the U.S. technology sector.

Although risky assets performed well, bonds registered negative returns as interest rates edged higher at the start of the year. The FTSE Canada Universe Bond Index returned -1.2%, with only the corporate bond segment delivering positive returns due to a lower risk premium. Even with the high volatility of the bond market and generous rates offered on GICs, buying a bond at a discount and holding it to maturity is still more attractive than having to lock up an amount in a GIC for a fixed period.

- Several stock market indices set **new records**: S&P TSX (Canada), S&P 500 and Dow Jones (U.S.), Stoxx 600 (Europe) and Nikkei (Japan).
- It is hard to fathom that the **economies of many countries have deteriorated** while the stock markets are offering generous returns. Two G7 countries - Great Britain and Germany - are in technical recession, four countries - France, Italy, Japan and Canada - are in economic stagnation, and the United States continues to stand apart with strong economic growth.
- In Canada, **weak domestic demand and productivity** may hamper long-term economic growth and corporate profits.
- The **Bank of Canada** is likely to announce **rate cuts this year**; the economy remains sluggish, inflation continues to fall, wages are showing signs of slowing.
- The **Fed** can afford to be **more patient**; the economy is resilient and inflation has accelerated slightly.

ECONOMY AND FIXED INCOME SECURITIES

If stock market performance is any indication, it is difficult to believe that the economies of many countries have been deteriorating for some time. Two of the G7 countries are in technical recession: Great Britain and Germany. Four other countries are in economic stagnation: France, Italy, Japan and Canada. Finally, the United States stands apart, with strong economic growth.

The improved outlook for the U.S. economy and continued decline in global inflation have triggered a wave of optimism among investors that dwarfs any other bad news. Consequently, while financial markets at the start of the year expected major interest rate cuts by central banks (six in the U.S., five in Canada and six in Europe), forecasters had to revise the number of anticipated cuts to three for these same central banks.

In Canada, we were pleasantly surprised as economic growth for Q4 2023 came in at 1%, which was higher than the consensus of economists and the Bank of Canada. However, on a per capita basis, real GDP declined for the sixth consecutive quarter. Domestic demand also remains a cause for concern, despite having been more or less stable since mid-2022. Normally, weak domestic demand would undermine earnings growth expectations. It is worth remembering that currently, high immigration is underpinning domestic demand, while Canadian households have one of the highest debt service ratios. The household debt service ratio represents the share of disposable income devoted to debt repayment. At 15% at the end of 2023, this figure remains close to the highest level recorded since records began in 1990. High debt levels are no coincidence, then, with the sharp rise in both personal and corporate insolvencies. The lack of productivity in Canada is another timely factor that should have an adverse effect on corporate profits. Although Canada's population is among the best-educated in the world, under-investment in machinery and equipment is a drag on productivity. The good news: inflation is still declining. Year-on-year inflation in February stood at 2.8%. In summary, the sluggish Canadian economy, the continued decline in inflation and indications that wage growth is beginning to slow are all positive factors that increasingly point to a cut in Canada's key interest rate in the near future.

The American economy is probably the most resilient so far. As we've repeatedly pointed out, excess savings accumulated during the pandemic and the recorded fiscal deficit have strongly spurred the economy in 2023. This economic vigour may partly explain why U.S. inflation seems more entrenched than in Canada and Europe. Total year-on-year inflation picked up slightly in February to 3.2%. Service-related inflation remains problematic, while year-on-year inflation in services excluding energy stands at 5.2%. Job creation also remains strong south of the border, but most new jobs created are part-time. Full-time employment is declining year-on-year, a trend usually seen during a recession. It would seem that, with the labour shortage of recent years, companies are reluctant to lay off employees, preferring part-time work to retain talent. Finally, at the latest meeting of the U.S. Federal Reserve, decision-makers continued to predict three rate cuts in 2024. The Fed is under less pressure than the Bank of Canada and the European Central Bank to cut rates, given the healthy state of the world's leading economy; this should also benefit the U.S. dollar.

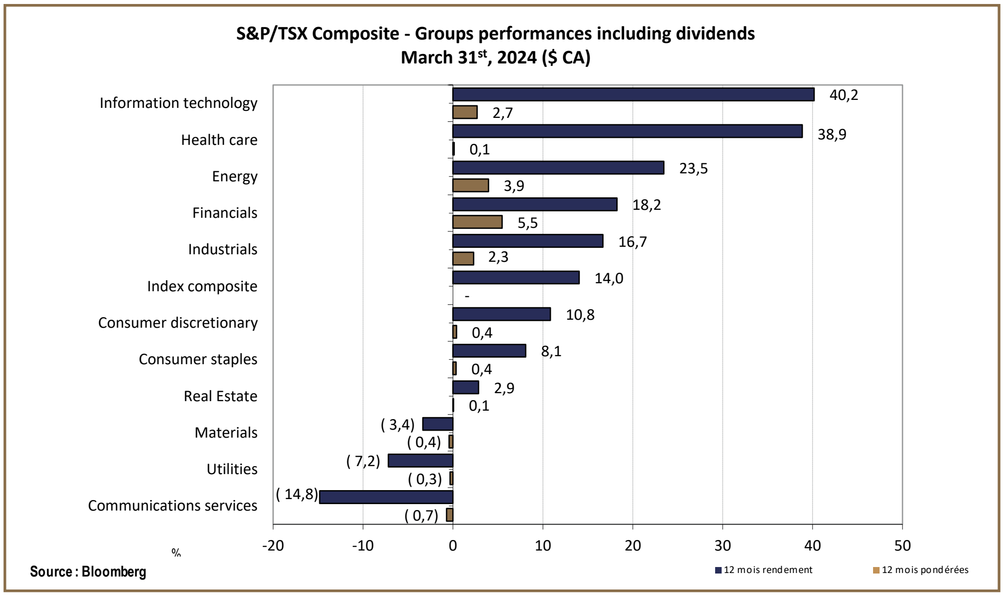
Some European countries are already teetering on the brink of a technical recession, although it is more appropriate to describe it as economic stagnation for now. The European Central Bank mentioned at its last meeting that discussions had begun on cutting rates over the course of the year. The Swiss National Bank was the first to begin cutting its key rate.

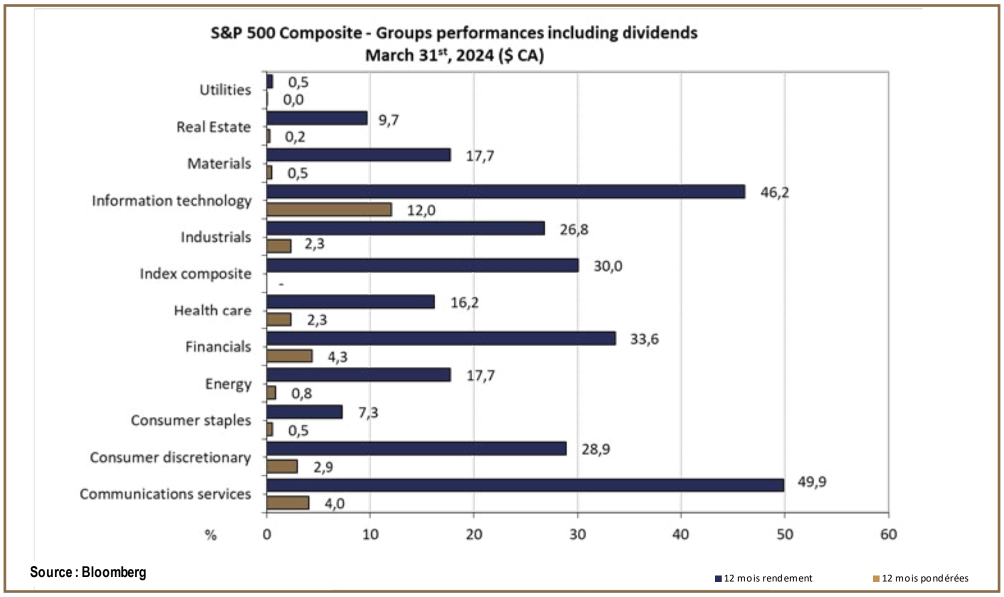
The Chinese government has set a growth target of 5% for this year, compared with 5.2% last year. Given China's current problems, especially with the real estate market, this target may prove difficult to achieve.

This economic analysis suggests that an easing of monetary policy will be announced in Canada this year. Interest-rate levels also offer good protection during periods of high volatility on the stock markets. It is increasingly worthwhile to hold bonds as part of a balanced portfolio. However, we remain cautious about corporate credit. As previously mentioned, corporate earnings may come under pressure in the near future, and we do not think we are being sufficiently rewarded at current levels.

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

CANADIAN EQUITIES





Energy (+11.8%) and Industrials (+11.2%) were the main sectors driving the performance of our Canadian equities strategy earlier this year. On a comparative basis, our underweight position in oil and gas producers, which account for virtually all of the energy sector's outperformance in the S&P/TSX index, is responsible for a difference of more than 1% in our performance compared to the Canadian index. However, past performance is largely due to investment discipline, which steers us away from volatile, hard-to-predict commodity stocks.

Our stock selection in financial services negatively affected our relative performance during the quarter, while our position in iA Financial Group (-6%) underperformed the life insurance sector. Our Canadian insurance division's earnings were weaker than expected, due mainly to activity in employee group plans, as well as further signs of weakness in the U.S. dealer vehicle warranty division. The banking sector, where we are slightly underweight, experienced a number of setbacks in the early part of the year, as loan-loss trends gradually turn negative.

During the quarter, we continued to build our positions in stocks trading at reasonable valuations in a rising stock market, while offering an attractive growth profile. The CGI Group, for example, is still at the forefront of its customers' strategic IT decisions and has demonstrated its capacity to acquire companies at competitive prices and integrate them efficiently. We also expanded our existing position in Andlauer Healthcare, a specialized healthcare carrier, with the potential to capitalize on new medical advances that increasingly require reliable, rapid and temperature-controlled product transport. Andlauer, the Canadian leader in this type of specialized transport, is also expanding in the United States. We initiated new positions in Trisura, a specialist insurer, and Cameco, the world's 2nd largest uranium producer. We also modified our positions in real estate. Given the onset of weakness in industrial sector data, we eliminated our position in Dream Industrial REIT, to initiate a new position in Canadian Apartment REIT (CAR), Canada's largest apartment owner, experiencing a chronic housing shortage. CAR owns a real estate portfolio of approximately 64,300 apartments, townhouses and communities in Canada and the Netherlands.

On the sell side, we sold our position in BCE at the beginning of the year, in view of the highly competitive telecommunications environment and the financial risk of its dividend coverage ratio. We took a similar step with CAE, after the management team readjusted its views on future losses resulting from bad defence sector contracts. In both cases, we had better, lower-risk investment alternatives.

Powered by industrial stocks, our Quebec equity strategy continues its strong performance, exceeding both the Quebec benchmark and the Canadian index. The industrial sector, strongly represented in our portfolio with a weighting of around 36% at the end of March, returned 12.3% during the quarter. Our low weighting in-communication services also contributed to our positive relative spread. On the Canadian market, the portfolio's performance offset the vibrant energy sector during the quarter, with stronger contributions from Industrials, Information Technology and Consumer Discretionary. This strategy once again proved to be an excellent complement to Canadian equities.

Philippe Côté, M.Sc., CFA
Vice-President and Senior Equity Manager Canadian and Québec equities

GLOBAL, INTERNATIONAL AND U.S. EQUITIES

Boosted by an economic recovery in most developed countries following the slump of 2023, global equities have continued to grow at a healthy pace of between 8% and 11% in the first quarter of 2024. One exception was the United States, which experienced more rapid growth. The craze for artificial intelligence and overweight drugs continued after the banner year of 2023.

Our U.S., global and international equity strategies delivered positive returns in the first quarter. However, tracking a lack of index exposure to technology and healthcare leaders, we bridged part of the gap to these segments with substantial increases in Microsoft, Advanced Micro Devices, Applied Materials, ASML, Novo Nordisk and Eli Lilly.

In the last quarter, major positive contributions mainly stemmed from Japan (Bridgestone, Kubota, Komatsu, Marubeni, Oji) and our new position in Sho-Bond. The latter is active in infrastructure repair. Other industrial companies like Comfort Systems, Graphic Packaging and Alstom, as well as grocers like Kroger and Sprouts Farmers, also contributed to the performance. We also eliminated Algonquin Power, Biogen, Humana and Johnson & Johnson to make way for artificial intelligence and healthcare stocks.

We added investments in base metals, notably Freeport Mcmorran and Aurubis, which benefit from the global recovery in industrial sectors.

We are confident that our portfolio will be well positioned to respond effectively to market fluctuations for the balance of 2024, while capitalizing on the expected upturn in the industrial economy.

Nordis Capital
Manager of Eterna global, U.S. and international funds

INTRODUCTION OF OUR NEW ETERNA U.S. DIVIDEND FUND

Dear distinguished clients,

As part of our ongoing efforts to optimize our product range to meet your needs and align with current financial market dynamics, we are delighted to introduce our new **Eterna U.S. Dividend Fund**.

This fund is designed primarily to balance performance and associated risk. We have applied this strategy for a number of years to specific client requests, and its long-term success has been proven, delivering a ten-year annualized return of almost 14% as of December 31, 2023.

This new fund has been available to all private banking clients since February, helping us to further diversify your portfolios. We aim to deliver added value, while considering the associated risk. We focus on risk by concentrating on the financial sheet, business model stability, and the difference between intrinsic value and market value; more precisely known as economic performance. This last indicator is an excellent indication of the capital efficiency of our companies. Overall, our fund's strategy targets attractive returns with lower volatility than typical U.S. market indices.

The fund is managed by Jean Duguay, Co-Chief Investment Officer and Senior Manager, in partnership with analysts Maxime Bertrand-Gilbert and Mickaël Carrier.

For more information or questions about this new investment product, feel free to contact your private manager.

Yours sincerely,

Eterna Investment Management

STATISTICS ON MARCH 31ST, 2024

CANADA		
Unemploy. rate (February)	5,8 %	↑
C.P.I. (February)	2,8 %	↓
3 months treasury bills	4,98 %	↓
Bonds 5 years	3,53 %	↓
Bonds 10 years	3,47 %	↓
S&P/TSX	22 167	↑

UNITED STATES		
Unemploy. rate (February)	3,9 %	↑
C.P.I. (February)	3,2 %	↑
3 months treasury bills	5,36 %	↓
Bonds 5 years	4,21 %	↓
Bonds 10 years	4,20 %	↓
Dow Jones - Industrial	39 807	↑
S&P 500	5 254	↑

CURRENCIES		
$ USA / $ CAN	0,74	↓
$ USA / € Euro	1,08	↑
¥ Yen / $ USA	151,35	↓

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 MARCH 31ST, 2024

	3 months	6 months	1 year	3 years*	5 years*
FTSE Canada 91 Day TBill Index	1,24 %	2,54 %	4,84 %	2,63 %	2,00 %
BONDS					
FTSE Canada Universe Bond Index	-1,22 %	6,94 %	2,10 %	-1,52 %	0,28 %
FTSE Canada Short Term Overall Bond Index	0,32 %	4,45 %	3,48 %	0,25 %	1,34 %
Indice adapté gestion privée Eterna [1]	-0,25 %	5,49 %	2,53 %	-0,37 %	1,04 %
FTSE Canada Mid Term Overall Bond Index	-1,12 %	7,05 %	1,05 %	-1,37 %	0,55 %
FTSE Canada Long Term Overall Bond Index	-3,61 %	10,68 %	0,81 %	-4,06 %	-1,44 %
NORTH AMERICA STOCK MARKETS $ CAN					
Canada - S&P/TSX	6,62 %	15,26 %	13,96 %	9,11 %	9,96 %
United States - Standard & Poor's 500	13,32 %	23,41 %	30,02 %	14,27 %	15,34 %
United States - Dow Jones	8,79 %	19,96 %	22,30 %	11,36 %	11,59 %
INTERNATIONAL STOCK MARKETS $ CAN					
United Kingdom - FTSE-100	5,43 %	9,97 %	10,93 %	9,31 %	5,36 %
France - CAC-40	8,80 %	17,31 %	11,43 %	10,19 %	8,36 %
Germany - DAX	10,41 %	22,59 %	17,65 %	6,82 %	9,35 %
Japan - Nikkei-225	15,13 %	25,09 %	26,49 %	2,89 %	7,14 %
Hong Kong - Hang Seng	-0,74 %	-7,13 %	-18,59 %	-14,57 %	-10,37 %
Australia - S&P/ASX 200	1,69 %	13,31 %	7,16 %	2,33 %	3,51 %
CURRENCY					
USD versus CAD	2,24 %	-0,27 %	0,18 %	2,53 %	0,28 %

* 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

ETERNA FINANCIAL GROUP

MONTRÉAL
2000 McGill College Ave, Suite 2210
Montréal (Quebec) H3A 3H3

Tel.: 514 908-6000
Fax: 514 908-6001

QUÉBEC
801 Grande Allée Ouest, Suite 210
Québec (Quebec) G1S 1C1

Tel.: 418 692-9292
Fax: 418 266-1002