CIBC PRIVATE WEALTH

INVESTMENT STRATEGY GROUP

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When The River Runs Dry: The Banking Sector Predicament

“Banking is very good business if you don’t do anything dumb.” - Warren Buffett

The Demise Of Silicon Valley Bank (SVB) and Signature Bank

With the recent collapse of Silicon Valley Bank (SVB), investors may have started to feel the post-traumatic stress disorder of the Global Financial Crisis (GFS) of 2008-2009. While the SVB situation does raise some concerns, it is for the most part in our opinion, a unique situation rather than a broad systemic issue.

SVB had a narrow client base of mostly technology entrepreneurs and venture capitalists. Due to poor risk management and a lack of diversification, it became a casualty of one of the fastest rate hiking cycles in history. SVB put itself into a corner because it opted to invest in long-dated securities that are classified as either held-to-maturity (HTM) or available-for-sale (AFS) rather than provide shorter-term loans to generate investment income.

Once funding in the technology space became difficult to obtain, clients began to withdraw funds to pay the operating expenses of their businesses. For SVB, liquidating its AFS securities was likely the only option for them to fund those withdrawals. Given the rise in interest rates over the past year, the AFS securities (which are marked-to-market) had unrealized losses that were crystalized once sold. This sale of SVB’s AFS securities affected capital ratios and resulted in a loss of US$1.8 billion. To help improve its capital ratios, SVB tried to raise equity but was unable to do so. That’s when the U.S. Federal Deposit Insurance Corporation (FDIC) stepped in and took over the failed bank.

With the failure of SVB and the failure of Signature Bank (SBNY) shortly afterward, which had significant amounts of uninsured deposits and cryptocurrency-related exposure, the U.S. Federal Reserve (Fed), Treasury and the FDIC came together and announced that all insured and uninsured depositors of both failed banks would be protected and made whole. To prevent any spillover effects to other financial institutions, the Fed created a new credit facility, the Bank Term Funding Program (BTFP) – which serves as an additional source of liquidity for U.S. banks.

Through the BTFP, banks, credit unions and other depository institutions are able to get loans for up to one year by using U.S. Treasuries, agency debt, mortgage-backed securities and other qualified assets as collateral. The intention is to eliminate the need to sell assets quickly at a loss to fund withdrawals by depositors when liquidity issues arise.

While many areas, such as U.S. regional banks, have been impacted in the short term due to the SVB collapse, we currently see a low probability that developments will turn into the next GFS because the current business models and underlying regulations, capital and liquidity requirements are not the same across the industry and are more stringent than they were in 2008 and 2009. Since the initial events, the quick actions taken by regulators and the Fed appear to have helped stem any further spread.

What Happened At Credit Suisse?

Credit Suisse (CS), a European bank with a 167-year history, has added fuel to investor concerns. The bank recently found itself in a situation that resulted in it having to be saved by one of its closest rivals, UBS. While the situation at CS was not connected to SVB or the same type of situation (CS didn’t take losses on securities), it did a similar effect. Similar to SVB, CS experienced a run on the bank due to fear and a loss of confidence.

The CS saga began with comments from its largest investor who noted it would not be putting more capital to work in the bank. This spooked the market and pressured equity and fixed-income prices. It was later noted that the decision by CS' largest investor not to invest more capital in the bank was due to a regulatory limit rather than a lack of confidence in the bank. With investors beginning to move funds out of CS and prices on its securities in freefall, the Swiss National Bank (SNB) stepped in to try and re-establish confidence by providing a loan of more than US$50 billion. However, at this point, the damage was already done. After more than a decade of scandals, mishaps and questionable management decisions and ethics, it was too late for CS to fully recover – the market already made up its mind. This became quickly apparent to the SNB who immediately orchestrated the sale of CS to UBS over the course of a weekend for roughly US$3.25 billion, a heavily discounted price. The sale resulted in the writing down of approximately US$17 billion worth of CS' Alternative Tier 1 (AT1) securities to zero and an inevitable drop in its share price because of the implied valuation. The swift actions of Swiss regulators seem to have stabilized the situation, but there is still some contagion risk for the less well-capitalized financial institutions. Sentiment will likely remain negative in the European financial space as liquidity continues to be a general concern in the minds of investors.

What Investors Should Consider When Investing In The Banks?

U.S. Large-Cap Banks

U.S. large-cap bank stocks were not immune to the SVB fallout. One thing investors should understand is that regulatory requirements for U.S. large-cap banks are quite different from the requirements for regional banks.

Large-cap banks typically hold fewer uninsured deposits, compared with SVB and Signature Bank, both of which had uninsured levels above 89%[1]. In SVB's case, this was also supported by a very narrow customer base. Large-cap banks also tend to have a large share of their deposits in the stable retail category and the operational corporate category which tends to be stickier because it is used in day-to-day corporate operations.

Large U.S. banks are seemingly being painted with a similar brush as the smaller regional banks – despite the differences in size, liquidity, capital, diversification of businesses and more rigorous regulatory requirements. As an example, losses on AFS securities are included in the calculation of reported capital ratios for large financial institutions. This is not the case for regional banks.

While a major fallout for these banks is unlikely, the financial system is interrelated and small liquidity issues could filter into the broader market. Additionally, as noted by CIBC's Equity Research team, deposit levels in the U.S. were decreasing, even prior to the SVB situation. This could have a further impact on net interest margins and loan growth, which could pressure economic activity. One potential positive in the long run for larger banks, aside from deposit flows from regional bank clients, is that there may be an opportunity to acquire new clients within the technology space as start-ups and venture capitalists migrate to the larger diversified financial institutions.

U.S. Regional Banks

U.S. regional banks have been most exposed to the aftermath of SVB's collapse, specifically smaller regional banks that hold large amounts of uninsured deposits. This segment will likely remain volatile for the foreseeable future as negative sentiment remains. A likely outcome of this situation is the introduction of more stringent regulations on liquidity and capital requirements for regional banks.

Additional regulations would bring oversight more closely aligned with regulatory oversight of larger cap banks. This is something that could weigh on regional banks for some time as investors wait and react to the potential implications. A cautious approach should be taken for investors who are considering buying shares of regional banks because additional regulations for liquidity requirements could mean less cash available for loans and lower profits in the future.

Canadian Large-Cap Banks

Canadian banks were not immune to the negative sentiment felt throughout the financial sector. For Canadian banks, there is little expectation of any major spillover from the issues in the U.S. One key difference is the Canadian banking system is significantly more regulated than that of its U.S. peers. Other differences are the types of deposits and recent deposit growth trends. Unlike the U.S. banks which saw negative trending deposits even before the recent problems, Canadian banks have seen deposit growth. In addition, dominant market positions within Canada and the inability to flow through deposits to U.S. subsidiaries also give Canadian banks a solid base of domestic deposits.

Generally, Canadian banks still look attractive from a historical valuation perspective. Even though they were already facing a somewhat difficult environment before the recent events. Liquidity for Canadian banks remains strong, but there will be a deeper focus on liquidity positions from management teams and investors.

[1] https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/svb-signature-racked-up-some-high-rates-of-uninsured-deposits-74747639

This means less capital may be available for loans and could result in slower loan growth with potentially negative implications on earnings.

Canadian banks with more U.S. banking and deposit exposure could have a bit more of an overhang than their peers in the near term. Net interest margins (NIMs) were already considered to have peaked before the recent events. Now, downside risks to NIM estimates have become more prominent with the current situation as liquidity costs for banks increase and the economic environment remains somewhat challenging in the near term. The situation at Credit Suisse is not expected to have a major impact on Canadian banks given their relatively high levels of profitability and strong capital positions.

Final Thoughts

The official rules of the game of Monopoly state that:

"The Bank never "goes broke". If the Bank runs out of money it may issue as much more as may be needed by merely writing on any ordinary paper."

Unfortunately for the recently failed banks, the rules of Monopoly do not apply in real life – unless you're a central bank. Overall, the financial space is now top of mind for investors and the sector as a whole will likely experience higher-than-normal levels of volatility in the coming months.

Restoring confidence in the U.S. banking system is likely a top priority for regulators and may take some time to play out. For most investors with average risk tolerance and a longer time horizon, the best course of action may be to avoid investing in the names that have seen substantial drops in value. A better approach is to look at the longer term and invest in more stable financial institutions that have fallen alongside the sector without any real justification for the decrease. While the near-term environment could prove to be slightly challenging for the banks, over the long term many of the large-high-quality financial institutions remain excellent options for most investors.

BRAD BROWN, MBA, CFA

Covered Call ETF Strategies in a Nutshell

The first covered call ETF strategy was launched over a decade ago in 2011 by BMO Global Asset Management. Their popularity increased a few years later following the Global Financial Crisis (GFC) in 2008 when overnight rates in the U.S. and Canada were near zero percent. This drove bond yields to record lows and covered call ETF strategies catered to investors searching for yield.

Today, bond yields are much higher, but so is inflation. This implies that real returns after inflation remain very low. In this new environment, it's possible inflation may continue to be structurally elevated for a long period of time. There are currently a total of 10 ETF providers that offer covered call options including nearly 100 ETFs to choose from.

This report will focus on the basics of the covered call strategy, highlight the key benefits and drawbacks, and examine the different covered call mechanics employed by three ETF providers: BMO Global Asset Management, CI Global Asset Management and Harvest Portfolios Group.

An Overview of Covered Call Mechanics

The covered call (also known as a buy-write) is a popular options trading strategy that involves an investor who owns a stock and intends to generate income while holding shares of the same stock. As an example, let's say an investor owns 100 shares of ABC Company. This investor will sell a call option on ABC Company's stock which gives the option buyer the right (not the obligation) to buy the same 100 ABC Company shares from the investor at a specified price (the strike price) within a specified period of time (the expiration date). In exchange for selling the call option on ABC Company's stock, the investor receives a premium payment from the option buyer for the right to buy the stock at the strike price. For this example, let's assume ABC Company's stock is trading at $10 per share and there is an active call option at the strike price of $12 per share. Below are two potential outcomes:

Scenario 1: The price of ABC Company's stock rises above $12, the price at which the call goes in-the-money (ITM), the call seller is obligated to sell the stock to the call buyer at $12 (the strike price). In this case, the call seller keeps the option premium. However, they no longer hold the shares and is thereby missing out on the upside growth opportunity.

Scenario 2: The price of ABC Company's stock drops below $12, the price at which the option buyer will let the option expire worthlessly. The call seller keeps the option premium and the shares of ABC Company (albeit at a lower price).

In a covered call strategy, the seller of the option is bullish in the long-term because they hold the stock in question. However, they are bearish or neutral in the short to medium-term, hoping the stock price will trade lower than the strike price before the pre-specified expiration date. Conversely, the option buyer has a more immediate bullish view on the stock and is willing to pay a premium, anticipating the stock price will rise above the strike price. If this happens, the option buyer can reap the benefit of owning a stock worth a higher price than they paid for it. This example ignores the breakeven point (the stock price minus the call premium) and does not include trade commissions.

Three Different Approaches and Methodologies

An important factor that is indirectly linked to the cost of managing a covered call strategy is the liquidity of the underlying basket and the liquidity of the call options available on the market. While in theory the covered call strategy can seem simple to execute, in reality it can be time consuming and costly for an individual to manage.

ETF providers have the scale and resources to manage covered calls effectively for investors. Each ETF provider will employ different nuanced approaches (described below).

<u>BMO Asset Management</u>

All BMO covered call ETFs use a similar dynamic implementation strategy. The strategy includes selecting out-of-the-money (OTM) calls to allow for some price return potential. BMO writes options on about 50% of the portfolios and selects short dated calls to capitalize on time decay close to maturity. The strategy is dynamically adjusted to market conditions. It writes further OTM in volatile markets to capture a similar level of premiums while giving the portfolio room to recover. BMO has a proprietary management approach designed to optimize a rules-based portfolio construction strategy. It looks to avoid deteriorating companies based on quality and fundamental screening. Distributions are paid monthly.

CI Global Asset Management

CI covered call strategies generally consist of an equally weighted portfolio of companies targeting a sector or segment of the market while writing monthly in-the-money (ITM) call options on approximately 25% of each specific company in the portfolio. These strategies allow investors to participate in most of the capital appreciation potential of a basket of securities while receiving a regular income stream. from the option premiums earned and any dividend income from the underlying stocks. It also provides a degree of downside protection. CI's security selection process is a rules-based passive strategy. However, the portfolio manager has some discretion in managing the options. No specific yield is targeted and the distributions are based on the yield received from the premiums. Distributions are paid quarterly.

Harvest Portfolios Group

Similar to BMO, Harvest sells OTM call options –but only on 33% of the underlying stocks. Harvest's strategy lands somewhere in between BMO and CI by generating decent yields while offering the potential to capture some of the upside in a bull market. The process is dynamic and allows the portfolio managers to have flexibility to be reactive in a volatile market and fully active on the security selection. Harvest's approach to covered calls is unique because it begins by targeting a monthly yield (net of fees and taxes) and uses reverse engineering to lay out the strategy in order to meet this target. Harvest recently launched leveraged covered call strategies employing leverage to maximize gains (which can also magnify the losses in a down market). These enhanced ETFs are considered liquid alternative funds and are expected to exhibit higher volatility. Therefore, the risk rating will be relatively higher (see table below). Distributions are paid monthly.

Benefits of Covered Call ETFs

1. Income generation

This is the biggest attraction for investors. Covered call ETFs generate income through the premiums received from selling call options. This ultimate search for yield for investors started shortly after the GFC and corresponds with the eventual drop in key rates as well as the subsequent general drop in bond yields. This benefit is not as strong today because bond yields have gone up. However, real yields (after inflation) remain low.

2. **Downside protection**

The income generated from selling call options can help cushion any losses.

3. Potential for higher returns

While covered call ETFs limit potential gains, they can still provide higher returns than traditional bond investments. This is more evident in a low interest rate environment which has not been the case recently. The emphasis should be on the total return (yield and capital appreciation) versus sole focus on the yield.

4. Diversification

Covered call ETFs typically hold a diversified basket of underlying ETF holdings, providing investors with exposure to multiple sectors and asset classes. Not all covered call strategies are built the same. Some ETFs focus on a specific sector or sub-industry and can be very concentrated in nature.

5. Tax efficiency

Premiums generated are usually treated as capital gains, which generally have more favourable tax advantages when compared to income distributions. Each case is unique. Always consult with your advisor or tax specialist before engaging in any transaction.

Drawbacks

1. Limited upside potential

By selling call options, investors limit their potential upside gains, which can be a disadvantage in a strong bull market.

2. Higher fees

Covered call ETFs typically have higher fees than traditional ETFs due to the additional costs associated with managing and executing options trades.

3. Increased complexity

Covered call ETFs can be more complex than traditional ETFs, requiring a greater level of understanding of options trading and market conditions. This can make them less suitable for novice investors.

4. Tax implications

Covered call ETFs can generate more taxable income than traditional ETFs, which may not be desirable for investors in high tax brackets or those looking to minimize their tax liabilities.

The Bottom Line for Investing in Covered Call ETFs

First and foremost, the covered call strategy was designed for investors seeking a regular stream of income. While these strategies tend to generate more income versus simply holding the same assets. Over the longer term, the total return of the non-covered call portfolio strategy (all other things being equal) should outperform its equivalent covered call portfolio.

It’s important to note there are risks involved with these strategies, including the potential for stock price to decline and the possibility of being assigned to sell the shares at the strike price. Which strategy works best? It depends on each unique circumstance and begins by finding the asset class most suited to complement an existing well diversified portfolio. It’s equally as important to determine the ideal balance between the required income needed versus growth and total growth of the investment. As with any investment strategy, it's important to do your own research and consult with your CIBC Wood Gundy advisor before making any investment decisions.

Covered Call ETFs in Canada (BMO GAM, CI GAM and Harvest Portfolios Group) in CAD only

BMO Global Asset Management	Ticker	Yield (%)*	Net Assets ($Mn)	Inc. Date	Mgt. Fee & MER (%)	CIBC Wood Gundy Risk Rating	Main Focus
BMO CA High Dividend Covered Call ETF	ZWC	7.47	1,632	2/3/2017	0.65/0.72	Medium	Canada Dividend
BMO Covered Call Canadian Banks ETF	ZWB	7.54	2,902	1/28/2011	0.65/0.72	Medium	Canadian Banks
BMO Covered Call DJIA Hedged to CAD ETF	ZWA	6.66	199	10/20/2011	0.65/0.72	Medium	US Equity
BMO Covered Call Energy ETF	ZWEN	8.80	6	1/23/2023	0.65/n.a.	High	Global Energy
BMO Covered Call Health Care ETF	ZWHC	6.65	7	1/23/2023	0.65/n.a	Medium	US Health Care
BMO Covered Call Technology ETF	ZWT	5.57	59	1/26/2021	0.65/0.73	Medium to High	US Technology
BMO Covered Call US Banks ETF	ZWK	7.60	240	2/12/2019	0.65/0.72	High	US Banks
BMO Covered Call Utilities ETF	ZWU	8.63	1,804	10/20/2011	0.65/0.71	Low to Medium	North American Utilities
BMO Euro Hi Div Cov Call Hdgd to CAD ETF	ZWE	7.37	672	9/2/2015	0.65/0.71	Medium	Europe Dividend
BMO Europe High Dividend Cov Call ETF	ZWP	7.48	784	3/1/2018	0.65/0.71	Medium	Europe Dividend
BMO Global High Dividend Cvrd Call ETF	ZWG	7.70	189	1/15/2020	0.65/0.72	Medium	Global Dividend
BMO US Hi Div Cov Call Hdgd to CAD ETF	ZWS	6.25	185	3/1/2018	0.65/0.71	Medium	US Dividend
BMO US High Dividend Covered Call ETF	ZWH	6.07	1,108	2/10/2014	0.65/0.72	Medium	US Dividend
CI Global Asset Management							
CI Canadian Banks Covered Call Income Class ETF	CIC	8.43	176	8/18/2010	0.65/0.81	Medium	Canadian Banks
CI Energy Giants Covered Call ETF CAD Hedged	NXF	14.20	557	2/4/2015	0.65/0.72	Medium to High	Global Energy
CI Energy Giants Covered Call ETF CAD Unhedged	NXF.B	14.20	557	2/4/2015	0.65/0.69	Medium to High	Global Energy

BMO Global Asset Management	Ticker	Yield (%)*	Net Assets ($Mn)	Inc. Date	Mgt. Fee & MER (%)	CIBC Wood Gundy Risk Rating	Main Focus
CI Gold+ Giants Covered Call ETF	CGXF	9.48	195	6/1/2011	0.65/0.71	High	Global Gold Equity
CI Health Care Giants Covered Call ETF CAD Hedged	FHI	8.63	147	6/7/2018	0.65/0.71	Medium	US Health Care
CI Health Care Giants Covered Call ETF CAD Unhedged	FHI.B	8.63	147	6/7/2018	0.65/0.73	Medium	US Health Care
CI Tech Giants Covered Call ETF CAD Hedged	TXF	12.89	570	10/24/2011	0.65/0.71	Medium to High	US Technology
CI Tech Giants Covered Call ETF CAD Unhedged	TXF.B	12.89	570	8/29/2017	065/0.70	Medium to High	US Technology
CI U.S. & Canada Lifeco Covered Call ETF CAD Hedged	FLI	8.88	99	8/22/2013	0.75/0.96	High	North American Lifecos
CI Utilities Giants Covered Call ETF CAD Hedged	CUTL	n.a.	-	2/15/2023	0.65/n.a	Medium	North American Utility
CI Utilities Giants Covered Call ETF CAD Unhedged	CUTL.B	n.a.	-	2/15/2023	0.65/n.a	Medium	North American Utility
Harvest Portfolios Group (* leveraged)							
Harvest Brand Leaders Enh Inc ETF*	HBFE	9.80	3	10/20/2022	n/a	Medium to High	US Blue Chip Cos
Harvest Brand Leaders Plus Inc ETF	HBF	7.83	455	7/24/2014	0.75/0.93	Medium	US Blue Chip Cos
Harvest Brand Leaders Plus Inc ETF (Unhedged)	HBF.B	7.05	455	7/24/2014	0.75/0.93	Medium	US Blue Chip Cos
Harvest Canadian Eq Enh Inc Ldrs ETF*	HLFE	9.21	5	10/20/2022	n/a	Medium	Canadian Dividend
Harvest Canadian Eq Inc Ldrs ETF	HLIF	7.61		6/8/2022	n/a/1.58%	Medium	Canadian Dividend
Harvest Diversified Monthly Inc ETF*	HDIF	10.80	286	2/11/2022	n/a	Medium	Global Large Cap
Harvest Energy Leaders Plus Income ETF	HPF	8.62	46	10/21/2014	0.85/1.29	High	Global Energy
Harvest Eq Wt Glbl Utlts Enh Inc ETF*	HUTE	9.73	3	10/20/2022	n/a	Medium	Global Utility
Harvest Equal Weight Glbl Utilts Inc ETF	HUTL	8.06	162	1/10/2019	0.50/0.73	Medium	Global Utility
Harvest ESG Equity Income ETF A	HESG	6.54	3	9/19/2022		Medium	US ESG
Harvest Global REIT Leaders Income ETF	HGR	8.43	13	6/21/2017	0.85/0.99	Medium	Global REIT
Harvest Healthcare Ldrs Enh Inc ETF*	HHLE	11.38	9	10/20/2022	n/a	Medium to High	Global Healthcare
Harvest Healthcare Leaders Inc ETF	HHL	9.15	1,281	12/18/2014	0.85/0.99	Medium	Global Healthcare
Harvest Healthcare Leaders Inc ETF (Unhedged)	HHL.B	8.29	1,281	12/18/2014	0.85/0.99	Medium	Global Healthcare
Harvest Tech Achievers Enh Inc ETF*	HTAE	11.75	17	10/20/2022	n/a	High	US Technology
Harvest Tech Achievers Gr&Inc ETF	HTA	9.38	427	5/26/2015	0.85/0.99	Medium	US Technology
Harvest Tech Achievers Gr&Inc ETF	HTA.B	9.01	427	5/26/2015	0.85/0.99	Medium	US Technology
Harvest US Bank Leaders Income ETF	HUBL	7.87	96	1/31/2018	0.75/0.99	High	US Banks

* BMO ETFs = annualized yield; CI ETFs = total yield and Harvest ETFs = current yield
Source: Fund Providers websites (most recent data available)

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Market Return Data

All data is sourced from Bloomberg unless otherwise noted. Data as of March 31, 2023.

North American indices – Price performance (% Change)

North America indices	Price	1 Month	3 Months	6 Months	YTD
S&P/TSX Composite	20,100	-0.6%	3.7%	9.0%	3.7%
S&P/TSX Composite – Total Return	78,625	-0.2%	4.6%	10.8%	4.6%
S&P 500 Index	4,109	3.5%	7.0%	14.6%	7.0%
S&P 500 Index – Total Return	8,791	3.7%	7.5%	15.6%	7.5%
Dow Jones Industrial Average	33,274	1.9%	0.4%	15.8%	0.4%
Dow Jones Industrial Average – Total Return	80,470	2.1%	0.9%	17.1%	0.9%
Nasdaq Composite Index	12,222	6.7%	16.8%	15.6%	16.8%

North American indices – Price performance (% Change - Annualized)

North America indices	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	-8.2%	3.7%	14.5%	5.5%	4.7%	2.8%	5.9%
S&P/TSX Composite – Total Return	-5.2%	6.8%	18.0%	8.8%	7.9%	5.9%	8.9%
S&P 500 Index	-9.3%	1.7%	16.7%	9.2%	10.1%	7.9%	8.2%
S&P 500 Index – Total Return	-7.7%	3.3%	18.6%	11.2%	12.2%	10.1%	10.4%
Dow Jones Industrial Average	-4.0%	0.4%	14.9%	6.7%	8.6%	6.9%	7.4%
Dow Jones Industrial Average – Total Return	-2.0%	2.5%	17.3%	9.0%	11.1%	9.6%	10.0%
Nasdaq Composite Index	-14.1%	-3.9%	16.6%	11.6%	14.1%	11.8%	11.7%

International indices – Price performance (% Change)

International indices	Price	1 Month	3 Months	6 Months	YTD
Bloomberg Euro 500	298	-0.3%	7.9%	17.8%	7.9%
FTSE Eurotop 100	3,586	0.4%	8.3%	18.6%	8.3%
FTSE 100 (England)	7,632	-3.1%	2.4%	10.7%	2.4%
Dax (Germany)	15,629	1.7%	12.2%	29.0%	12.2%
CAC 40 (France)	7,322	0.7%	13.1%	27.1%	13.1%
MSCI World	2,791	2.8%	7.3%	17.4%	7.3%
MSCI Emerging Markets	990	2.7%	3.5%	13.1%	3.5%
MSCI Emerging Markets – Total Return	2,491	3.1%	4.0%	14.2%	4.0%
MSCI EAFE	2,093	1.9%	7.6%	25.9%	7.6%
MSCI EAFE – Total Return	9,772	2.6%	8.6%	27.5%	8.6%
Nikkei 225 (Japan)	28,041	2.2%	7.5%	8.1%	7.5%
Hang Seng (Hong Kong)	20,400	3.1%	3.1%	18.4%	3.1%
ASX 200 (Australia)	7,178	-1.1%	2.0%	10.9%	2.0%
Taiwan Weighted	15,868	2.3%	12.2%	18.2%	12.2%
Sensex 30 (India)	58,992	0.0%	-3.0%	2.7%	-3.0%

International indices – Price performance (% Change - Annualized)

International indices	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Euro 500	0.1%	2.3%	12.0%	3.6%	4.0%	2.0%	4.2%
FTSE Eurotop 100	4.4%	7.3%	13.6%	5.1%	4.0%	2.1%	3.9%
FTSE 100 (England)	1.5%	6.6%	10.4%	1.6%	1.8%	2.0%	3.8%
Dax (Germany)	8.4%	2.0%	16.3%	5.3%	7.2%	6.0%	9.8%
CAC 40 (France)	9.9%	9.9%	18.5%	7.2%	7.0%	3.0%	5.3%
MSCI World	-8.6%	-0.4%	14.6%	6.2%	6.9%	4.5%	6.8%
MSCI Emerging Markets	-13.3%	-13.3%	5.3%	-3.3%	-0.4%	-0.7%	6.7%
MSCI Emerging Markets – Total Return	-10.3%	-10.7%	8.2%	-0.5%	2.4%	2.0%	9.6%
MSCI EAFE	-4.1%	-2.7%	10.3%	0.9%	2.3%	0.2%	4.5%
MSCI EAFE – Total Return	-0.9%	0.4%	13.5%	4.0%	5.5%	3.5%	7.8%
Nikkei 225 (Japan)	0.8%	-2.0%	14.0%	5.5%	8.5%	5.5%	6.5%
Hang Seng (Hong Kong)	-7.3%	-15.2%	-4.7%	-7.5%	-0.9%	-0.8%	4.4%
ASX 200 (Australia)	-4.3%	2.8%	12.2%	4.5%	3.8%	2.0%	4.7%
Taiwan Weighted	-10.3%	-1.7%	17.8%	7.8%	7.2%	4.2%	6.7%
Sensex 30 (India)	0.7%	9.2%	26.0%	12.3%	12.1%	9.3%	16.0%

Index returns in Canadian dollars – Price performance (% Change)

Index returns in Canadian dollars	Price	1 Month	3 Months	6 Months	YTD
S&P/TSX Composite	20,100	-0.6%	3.7%	9.0%	3.7%
S&P/TSX Composite - Total Return	78,625	-0.2%	4.6%	10.8%	4.6%
S&P 500 Index	5,557	2.8%	7.0%	12.4%	7.0%
S&P 500 Index - Total Return	11,888	3.0%	7.4%	13.4%	7.4%
Dow Jones Industrial Average	44,997	1.2%	0.3%	13.6%	0.3%
Dow Jones Industrial Average - Total Return	108,819	1.4%	0.9%	14.9%	0.9%
Russell 2000	2,437	-5.6%	2.3%	6.2%	2.3%
Nasdaq Composite Index	16,528	6.0%	16.7%	13.4%	16.7%
Bloomberg Euro 500	439	1.5%	9.4%	28.3%	9.4%
EURO STOXX 50	6,342	3.6%	15.4%	41.6%	15.4%
EURO STOXX 50 -Total Return	14,414	3.8%	15.8%	42.4%	15.8%
MSCI World	3,775	2.1%	7.2%	15.1%	7.2%
MSCI Emerging Markets	1,339	2.0%	3.5%	10.9%	3.5%
MSCI Emerging Markets -Total Return	3,369	2.4%	4.0%	12.0%	4.0%
MSCI EAFE	2,830	1.2%	7.6%	23.6%	7.6%
MSCI EAFE - Total Return	13,215	1.9%	8.6%	25.1%	8.6%
MSCI Far East	4,650	2.1%	4.2%	16.0%	4.2%

Index returns in Canadian dollars – Price performance (% Change - Annualized)

Index returns in Canadian dollars	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/TSX Composite	-8.2%	3.7%	14.5%	5.5%	4.7%	2.8%	5.9%
S&P/TSX Composite - Total Return	-5.2%	6.8%	18.0%	8.8%	7.9%	5.9%	8.9%
S&P 500 Index	-1.7%	5.5%	14.9%	10.3%	13.3%	9.8%	7.8%
S&P 500 Index - Total Return	0.0%	7.1%	16.7%	12.2%	15.5%	12.1%	9.9%
Dow Jones Industrial Average	4.0%	4.2%	13.1%	7.7%	11.7%	8.9%	6.9%
Dow Jones Industrial Average - Total Return	6.2%	6.3%	15.5%	10.0%	14.4%	11.6%	9.6%
Russell 2000	-5.7%	-6.6%	14.2%	4.3%	9.7%	8.6%	7.9%
Nasdaq Composite Index	-6.9%	-0.4%	14.8%	12.6%	17.4%	13.9%	11.2%
Bloomberg Euro 500	6.3%	2.1%	9.9%	2.0%	5.3%	1.4%	3.8%
EURO STOXX 50	17.5%	4.7%	13.5%	3.5%	6.4%	0.5%	3.4%
EURO STOXX 50 -Total Return	20.6%	7.0%	16.0%	6.0%	9.1%	3.4%	6.3%
MSCI World	-0.9%	3.3%	12.8%	7.2%	10.0%	6.5%	6.4%
MSCI Emerging Markets	-6.0%	-10.1%	3.6%	-2.4%	2.4%	1.1%	6.2%
MSCI Emerging Markets -Total Return	-2.8%	-7.4%	6.5%	0.4%	5.3%	3.9%	9.2%
MSCI EAFE	3.9%	1.0%	8.5%	1.8%	5.2%	2.0%	4.1%
MSCI EAFE - Total Return	7.4%	4.1%	11.7%	5.0%	8.5%	5.4%	7.4%
MSCI Far East	0.3%	-4.8%	3.1%	-0.3%	5.5%	2.9%	3.9%

Commodities – (% Change)

Commodities	Price	1 Month	3 Months	6 Months	1 Year	YTD
Gold Spot (US$/oz)	1,969.28	7.8%	8.0%	18.6%	1.6%	8.0%
Silver (US$/oz)	24.10	15.2%	0.6%	26.6%	-2.8%	0.6%
Brent Crude Oil	79.77	-4.9%	-7.1%	-9.3%	-26.1%	-7.1%
West Texas Intermediate Oil	75.67	-1.8%	-5.7%	-4.8%	-24.5%	-5.7%
NYMEX Natural Gas	2.22	-19.3%	-50.5%	-67.2%	-60.7%	-50.5%
Spot Nat. Gas (AECO Hub - USD)	1.99	-11.6%	-38.8%	-37.4%	-55.4%	-38.8%
Lumber	371.40	-7.8%	-0.6%	-12.1%	-61.5%	-0.6%
Copper 3-month	4.08	0.4%	7.4%	19.0%	-13.3%	7.4%
Nickel 3-month	10.81	-3.9%	-20.7%	12.9%	-25.8%	-20.7%
Aluminum 3-month	1.09	1.7%	1.5%	11.6%	-30.9%	1.5%
Zinc 3-month	1.33	-2.6%	-1.7%	-1.5%	-30.0%	-1.7%

Currencies – (% Change)

Currencies	Price	1 Month	3 Months	6 Months	1 Year	YTD
CAD/USD	0.7399	1.0%	0.3%	2.3%	-7.5%	0.3%
EURO/CAD	1.4656	1.5%	1.0%	8.1%	5.9%	1.0%
EURO/USD	1.0839	2.5%	1.3%	10.6%	-2.1%	1.3%
USD/YEN	132.8600	-2.4%	1.3%	-8.2%	9.2%	1.3%
Trade Weighted U.S. Dollar	102.5060	-2.3%	-1.0%	-8.6%	4.3%	-1.0%

Bond returns – Total return (% Change)

Bond Index	1 Month	3 Months	6 Months	1 Year	YTD
FTSE Canada Bond Universe Index	2.2%	3.2%	3.3%	-2.0%	3.2%
FTSE Canada Long Term Bond Index	2.6%	4.7%	3.7%	-7.2%	4.7%
FTSE Canada Mid Term Bond Index	3.2%	3.9%	4.2%	0.0%	3.9%
FTSE Canada Short Term Bond Index	1.2%	1.8%	2.5%	0.7%	1.8%

Government Yields

Government Notes	Yield	1 Month	3 Months	6 Months	1 Year
Canada 3-month T-Bills	4.34%	4.47%	4.23%	3.58%	0.60%
Canada 5yr Notes	3.02%	3.52%	3.41%	3.33%	2.41%
Canada 10yr Notes	2.90%	3.33%	3.30%	3.17%	2.41%
Canada 30yr Bonds	3.00%	3.20%	3.28%	3.10%	2.38%
U.S. 3-month T-Bills	4.69%	4.77%	4.34%	3.25%	0.48%
U.S. 5yr Notes	3.57%	4.18%	4.00%	4.09%	2.46%
U.S. 10yr Notes	3.47%	3.92%	3.87%	3.83%	2.34%
U.S. 30yr Bonds	3.65%	3.92%	3.96%	3.78%	2.45%

S&P/TSX GICS sectors – Price performance (% Change)

S&P/TSX GICS Sectors	1 Month	3 Months	6 Months	1 Year	YTD	Index Weight (%)
Consumer Discretionary	0.1%	4.0%	12.6%	4.2%	4.0%	3.7%
Consumer Staples	4.1%	7.5%	16.2%	11.1%	7.5%	4.3%
Energy	-3.0%	-3.6%	3.7%	-5.8%	-3.6%	16.8%
Energy - Integrated Oil & Gas	-6.7%	-4.3%	9.6%	6.4%	-4.3%	3.5%
Energy - Oil & Gas Exploration & Production	-2.3%	-5.1%	6.1%	-0.9%	-5.1%	5.8%
Energy - Pipeline	-1.0%	-2.9%	-0.7%	-14.7%	-2.9%	6.6%
Financials	-6.1%	0.6%	2.9%	-13.4%	0.6%	30.0%
Financials - Banks	-6.8%	-0.8%	0.7%	-15.5%	-0.8%	20.1%
Financials - Insurance	-6.0%	4.1%	15.0%	-6.9%	4.1%	4.2%
Real Estate	-5.0%	4.9%	11.2%	-16.0%	4.9%	2.5%
Health Care	-11.5%	0.4%	-11.0%	-58.4%	0.4%	0.3%
Industrials	1.8%	6.2%	13.7%	2.8%	6.2%	13.9%
Information Technology	11.1%	26.5%	42.3%	-6.2%	26.5%	6.7%
Materials	6.5%	7.5%	15.8%	-10.3%	7.5%	12.5%
Materials - Gold	14.1%	10.1%	25.5%	-6.3%	10.1%	7.0%
Materials - Base Metals	-5.1%	1.4%	16.2%	-5.8%	1.4%	1.2%
Materials - Fertilizers	-6.1%	1.0%	-13.4%	-22.8%	1.0%	1.8%
Communication Services	-0.5%	1.9%	6.8%	-12.0%	1.9%	4.8%
Utilities	5.0%	5.6%	-3.3%	-12.7%	5.6%	4.5%

Strategic asset allocation[2] (in C$) - Performance (% Change - Before Fees)

Strategic Asset Allocation (in C$)	1 Month	3 Months	6 Months	1 Year	YTD
Capital Preservation	1.4%	3.1%	4.9%	-1.5%	3.1%
Income	1.5%	3.6%	6.2%	-2.4%	3.6%
Income & Growth	1.5%	4.6%	9.2%	-3.6%	4.6%
Growth	1.8%	5.4%	11.6%	-4.5%	5.4%
Aggressive Growth	2.0%	6.4%	14.7%	-5.7%	6.4%

CIBC World Markets Interest Rate Outlook

Interest Rates (%) – End of Qtr	31-Mar-23	Jun-23	Sep-23
Canada 3-month T-Bill	4.40%	4.35%	4.25%
U.S. 3-month T-Bill	4.75%	5.10%	5.10%
Canada 10-year Gov't Bond Yield	2.89%	3.30%	3.25%
U.S. 10-year Gov't Bond Yield	3.48%	4.00%	3.80%
US$/C$	0.74	0.74	0.75

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic Outlook	2023F	2024F
Canada Real GDP Growth (% Chg)	0.90%	1.20%
U.S. Real GDP Growth (% Chg)	1.30%	1.00%
Canada Consumer Price Index (% Chg)	3.30%	2.10%
U.S. Consumer Price Index (% Chg)	4.20%	2.20%

Source: CIBC World Markets Inc.

[2] Refer to the Strategic asset allocation in Appendix 1

Appendix 1: Strategic Asset Allocation

Capital Preservation: 5% Global Equity, 15% Canadian Equity, 55% Bonds, 25% Cash

Income: 10% Global Equity, 20% Canadian Equity, 55% Bonds, 15% Cash

Income & Growth: 25% Global Equity, 30% Canadian Equity, 35% Bonds, 10% Cash

Growth: 40% Global Equity, 30% Canadian Equity, 25% Bonds, 5% Cash

Aggressive Growth: 60% Global Equity, 30% Canadian Equity, 10% Bonds, 0% Cash

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