



Quarterly Investment Review

September 23, 2021

NEXUS

Agenda

1. Inside Nexus
2. Current Environment
3. Portfolio Overview
4. Investment Performance

Inside Nexus

We continue to build our capability to support our clients and our vision



⁽¹⁾ Calculated as the average annual retention rate from December 31, 2010 to December 31, 2020.

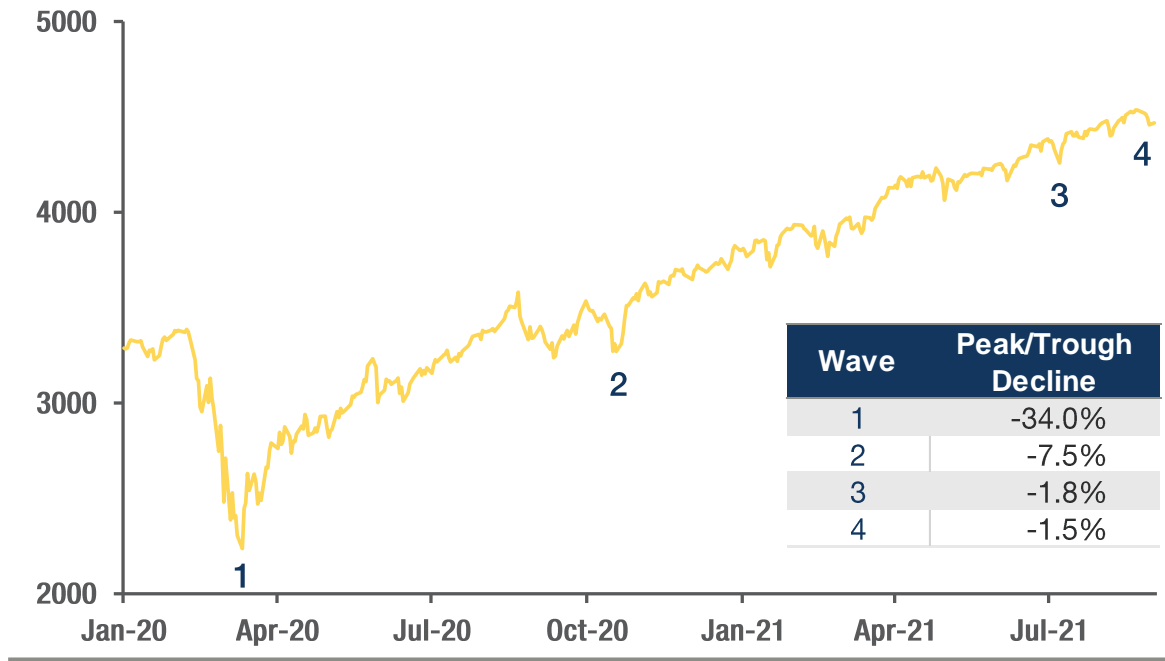
Current Environment

COVID's effects on the markets and economy are waning

- COVID-19 remains a serious problem, but markets and economies are strong
- Economic expansion is well positioned to continue
- Inflationary pressures are building; some worry Central Banks are overconfident about transitory nature
- Investment risks of accelerating inflation will be felt most in bond markets

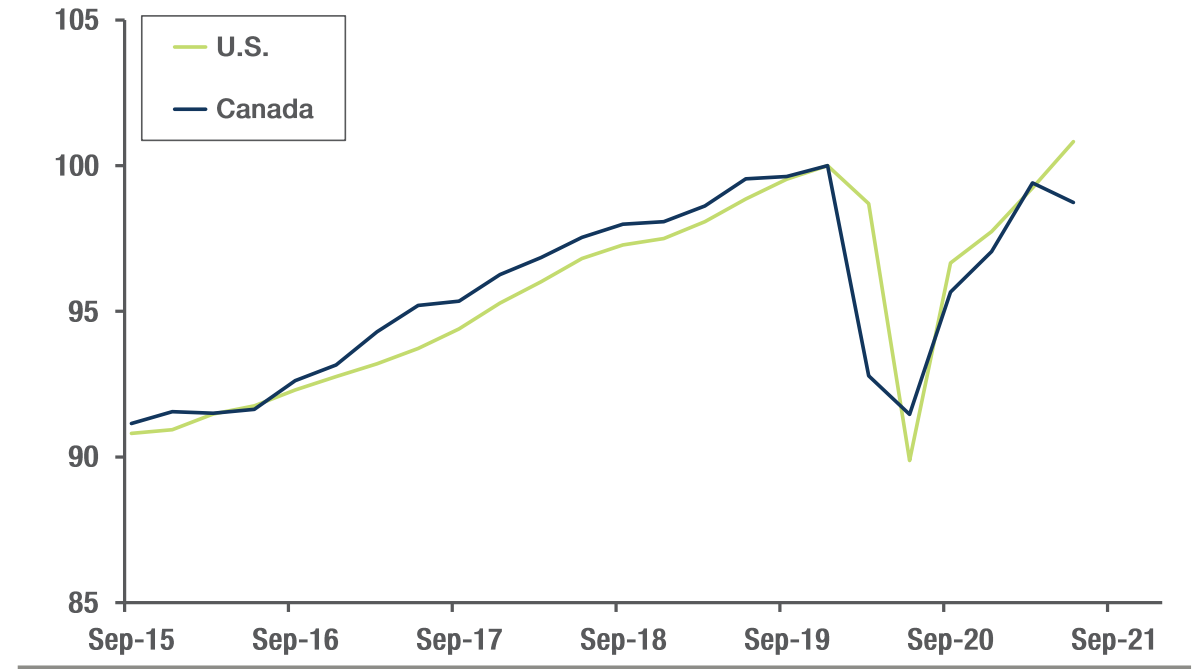
Current Environment

COVID-19 remains a problem but markets and economies are strong



S&P 500 Index

- All major North American stock markets are at or close to highs
- Stock market declines that coincide with new waves of COVID-19 cases are smaller with each wave

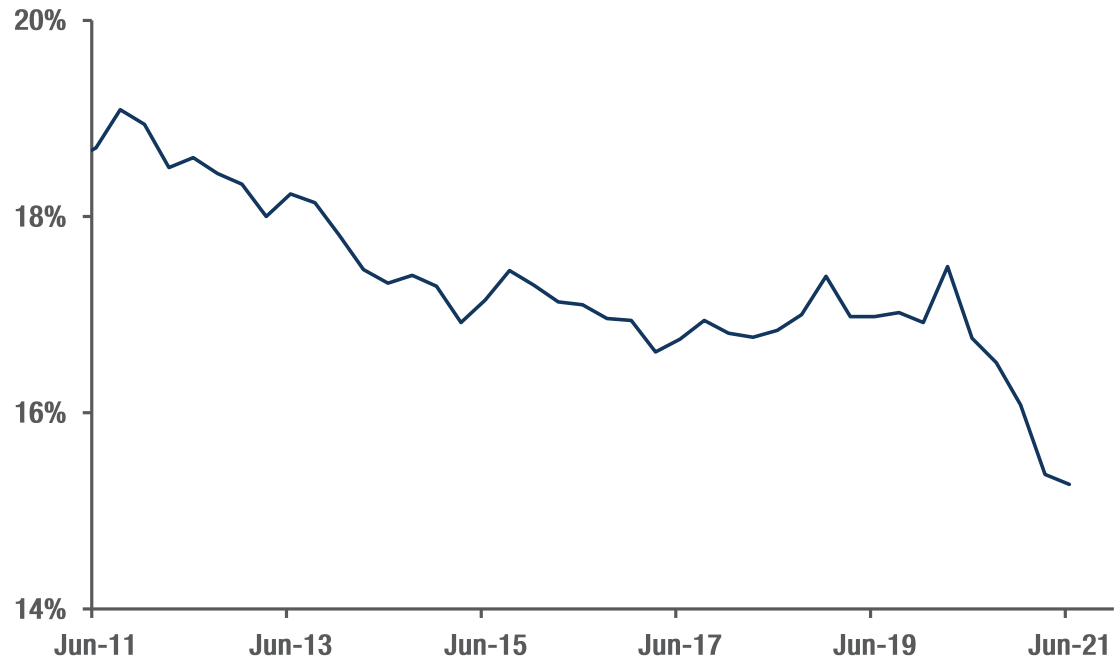


Canadian and U.S. GDP⁽¹⁾

- The goods economy is strong and services are catching up

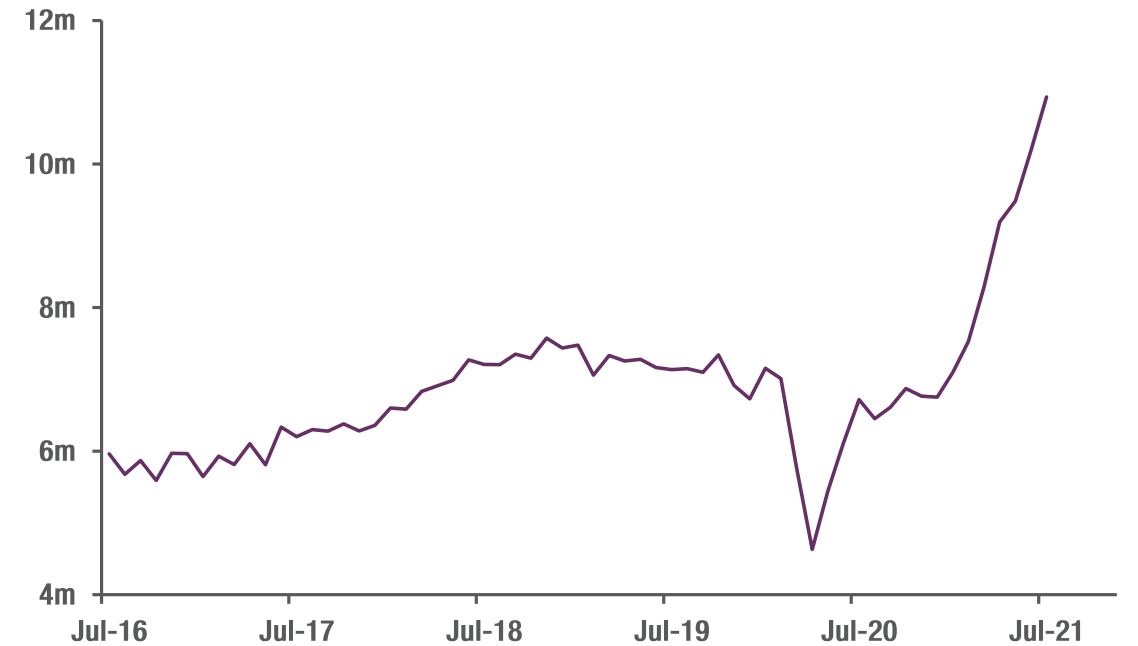
Current Environment

Strong consumer balance sheets and job availability are supportive of economic growth



Canadian Household Debt to Total Assets

- Canadian debt to total assets currently sits at a two-decade low

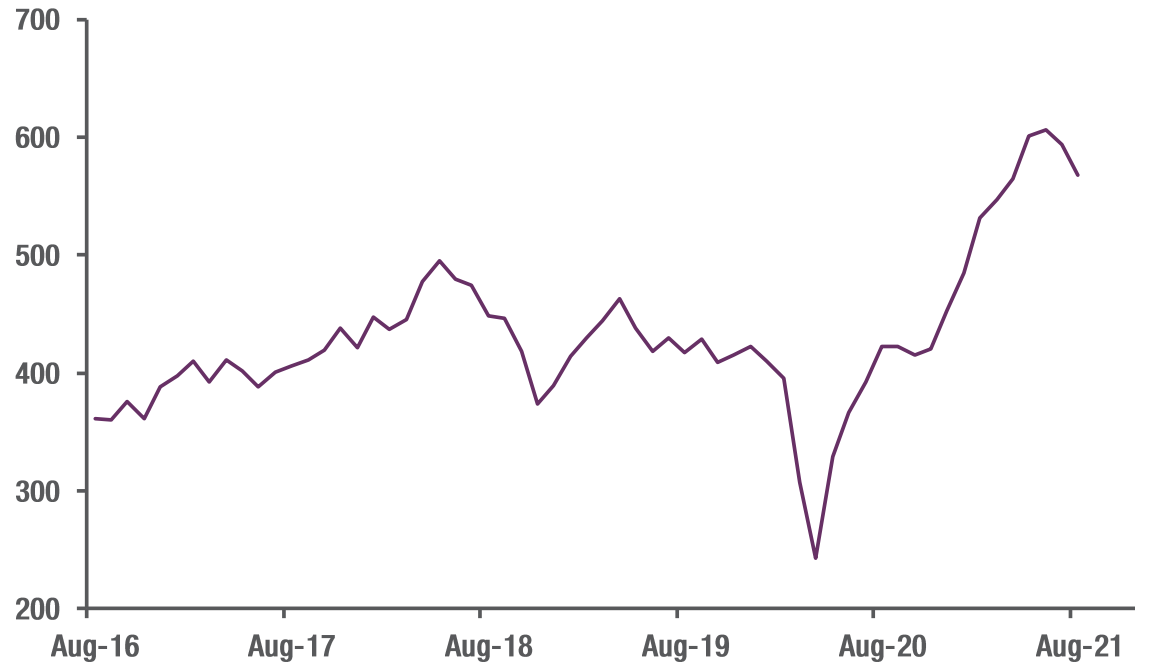


U.S. Job Openings

- Skill mismatch means that the strength of the labour market could be overstated

Current Environment

Economic strength is pushing commodity prices and shipping costs higher



Bank of Canada Commodity Price Index



Shanghai Containerized Freight Index (SCFI) ⁽¹⁾

- The cost of shipping a 40-foot container from Asia to the U.S. has jumped from US\$2,000 two years ago to ~US\$12,000 today ⁽²⁾

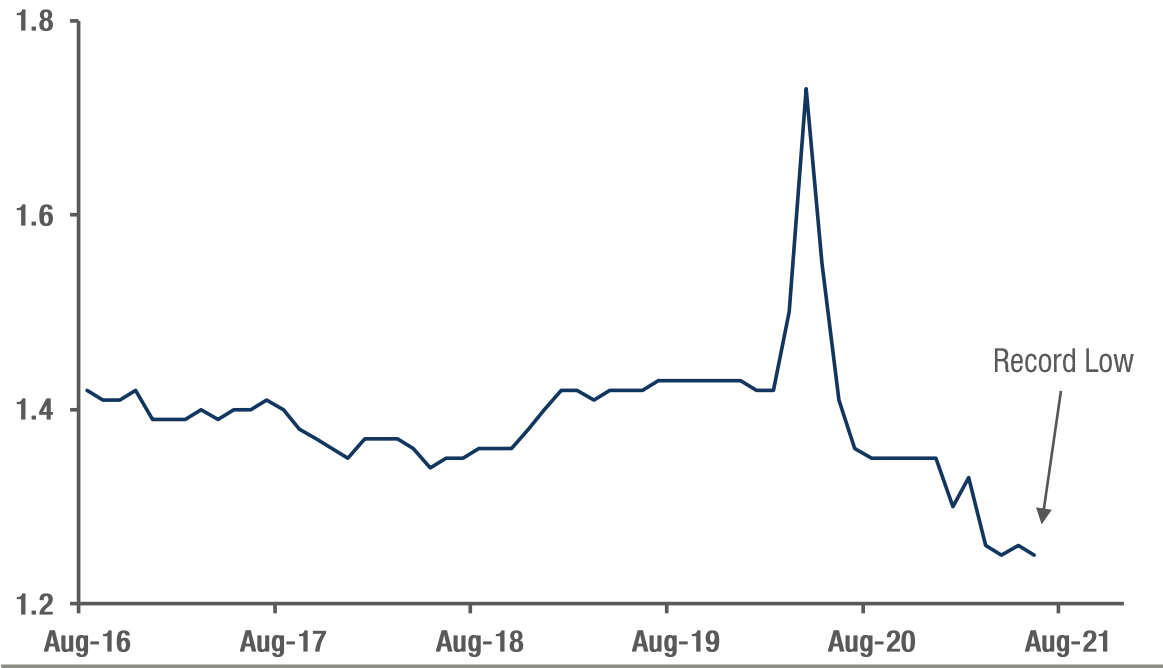
Source: Bloomberg.

⁽¹⁾ The SCFI is an index that reflects the freight rates of 15 individual shipping routes.

⁽²⁾ RBC Capital Markets.

Current Environment

Rebuilding depleted inventories will continue to support economic expansion

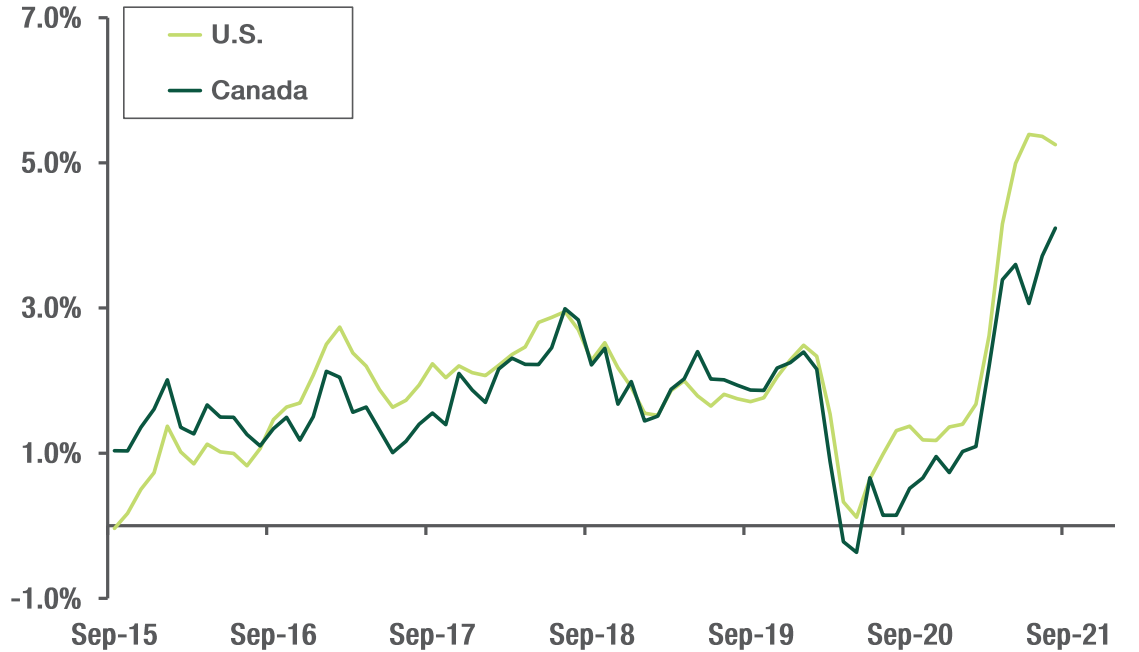


U.S. Inventory: Sales Ratio

- Supply chain backlogs caused by many factors
 - Scarcity of inputs/materials
 - Shipping delays and fulfillment backlogs
 - On-land delays causing inability to receive and move goods
 - Many factories still not operating at 100%
- Consumers continue to demand goods despite recent elevated consumption

Current Environment

Strong economic growth and strained supply chains fuel inflationary pressures



Consumer Price Index (CPI) for U.S. and Canada (YoY)

- Additionally, stimulative policies from central banks and governments will continue to support spending and growth
- The combination of strong economic fundamentals and macroeconomic policies makes us uneasy that inflation will be transitory.
 - Inflation may not stay at current levels, but we believe the chance that it remains elevated (above 2%) is significant

Portfolio Overview

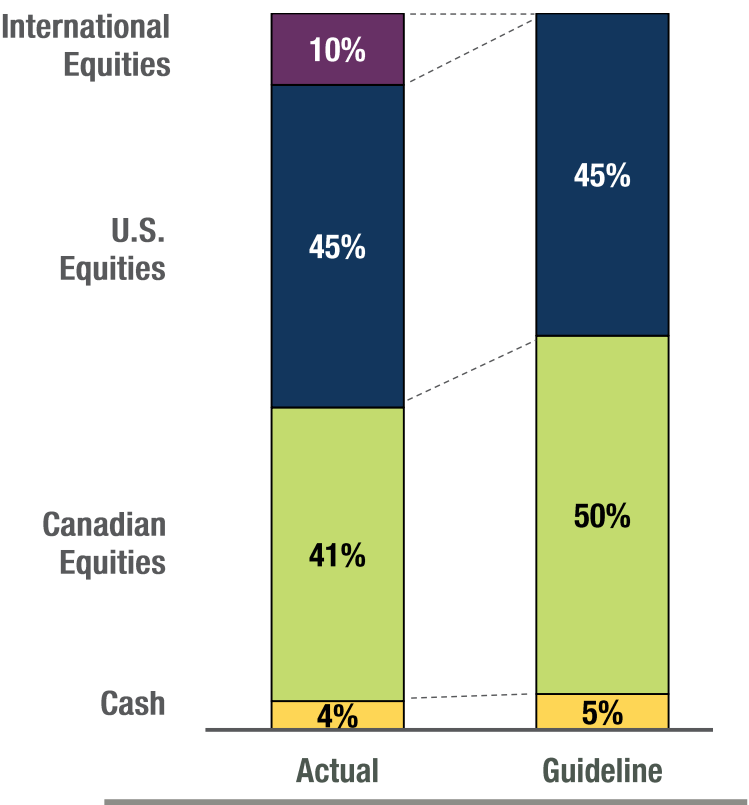
As the recovery has progressed, our portfolio has performed well and we expect this to continue

- Our full allocations to equities have helped the portfolios during the market recovery
- Conditions in the bond market are great for borrowers, but not for investors
- Our equities performed well during the recovery, with no excessive trading required
- The Canadian energy sector remains under a cloud, which has created investment opportunity
- We anticipate good returns from our diversified portfolio as the world gradually returns to normal

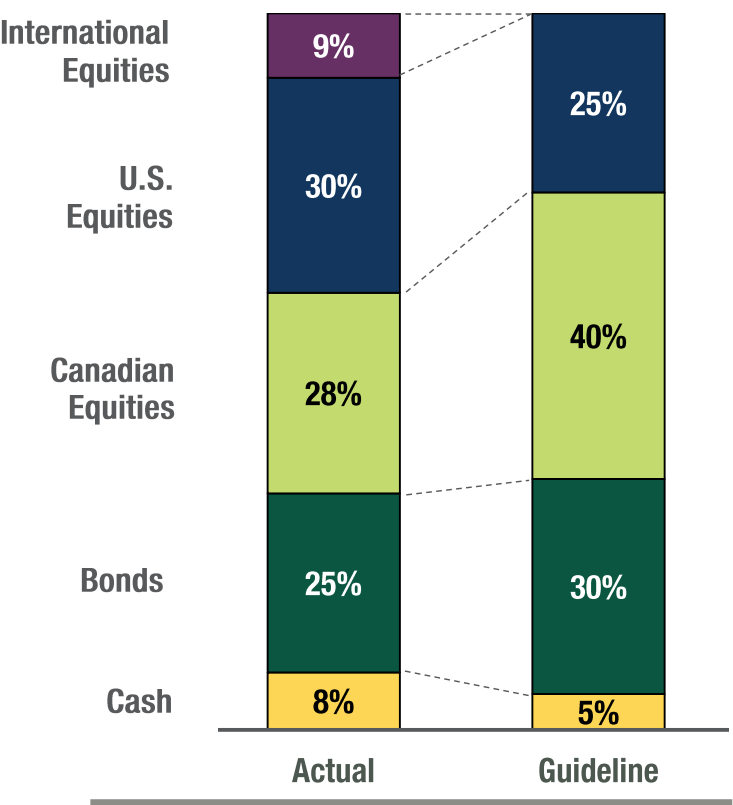
Portfolio Overview

Asset Allocation

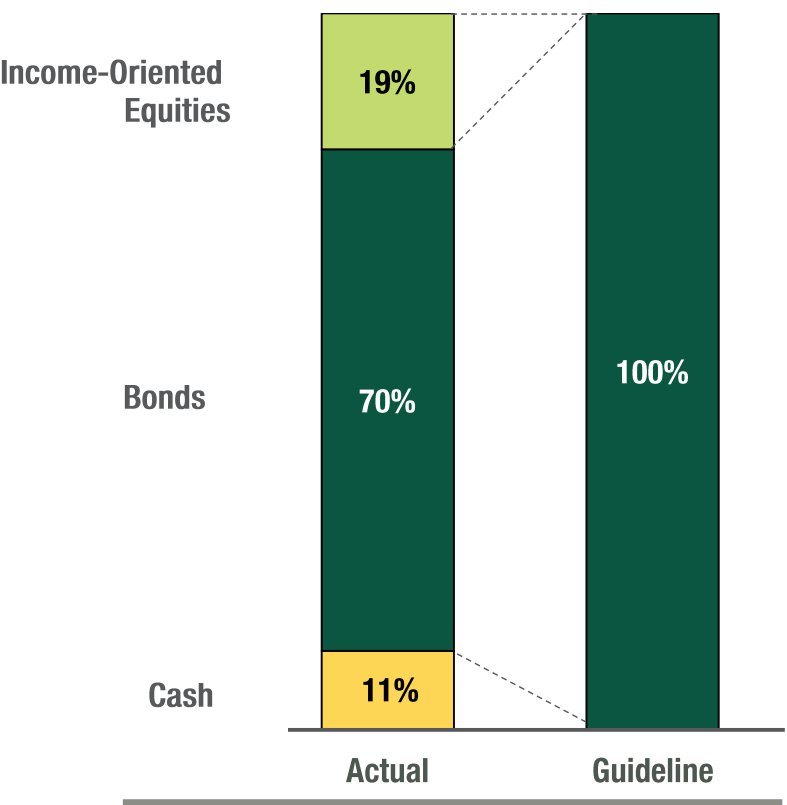
We remain fully invested in equities – this has helped during the market recovery



Nexus Equity Fund



Nexus Balanced Fund



Nexus Income Fund

As at August 31, 2021

Portfolio Overview

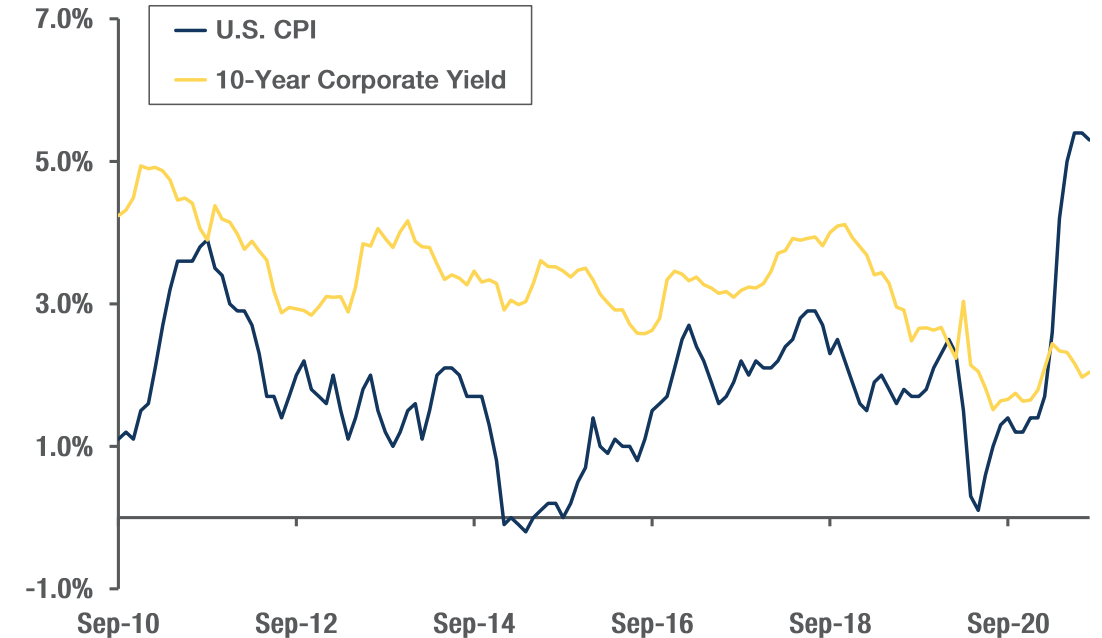
Fixed Income

Current conditions are great for fixed income borrowers, but not for investors



Historical Spread ⁽¹⁾ on U.S. Corporate Bonds ⁽²⁾

- Corporate bond spreads are tight
- Businesses are taking advantage: 2021 is on track to be a record year for corporate borrowing



U.S. CPI & 10-Year Corporate Bond Yield

- Most corporate bond yields are well below current inflation rates. This is true in both Canada and the U.S.

Source: Bloomberg.

⁽¹⁾ Spread is the incremental cost of debt for a corporate bond issuer compared to a Government of Canada bond of the same term.

⁽²⁾ Represented by an index of 10-year maturity, A-rated corporate bonds.

Portfolio Overview

Equity Portfolio Changes

Our portfolio has performed well during the recovery, with limited trading required

Buy	Sell
ARC Resources	—
Add	Trim
Suncor	—

Canadian Equities

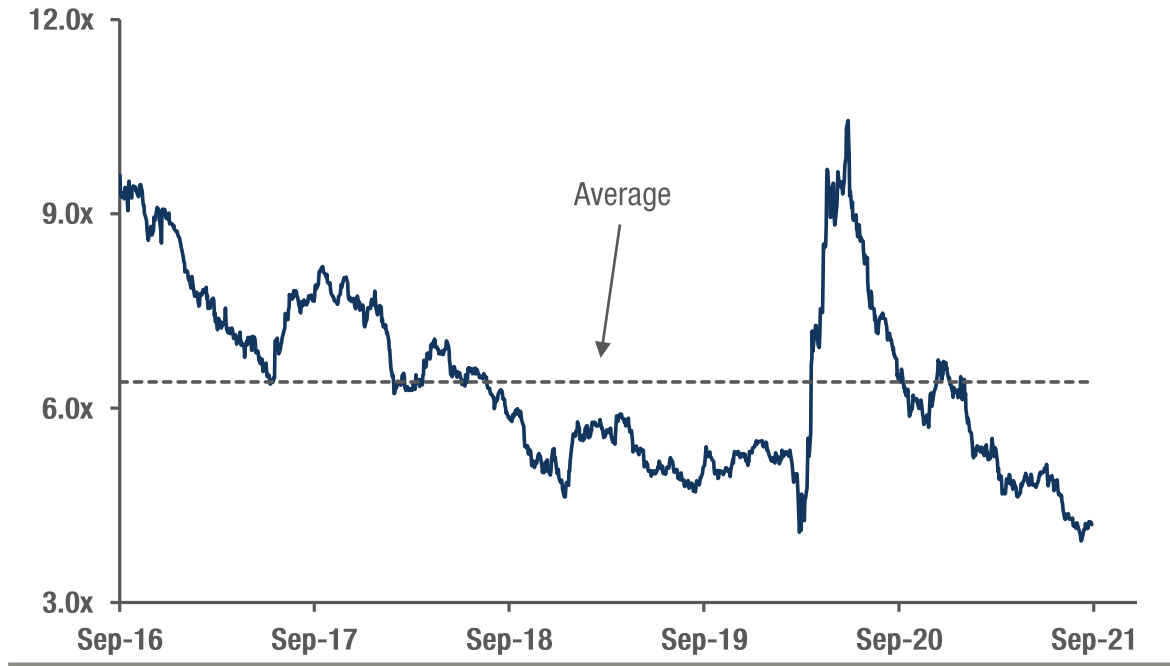
Buy	Sell
CVS Health Medtronic Boston Scientific	Apple Ovintiv
Add	Trim
—	—

Foreign Equities

12 months ended August 31, 2021

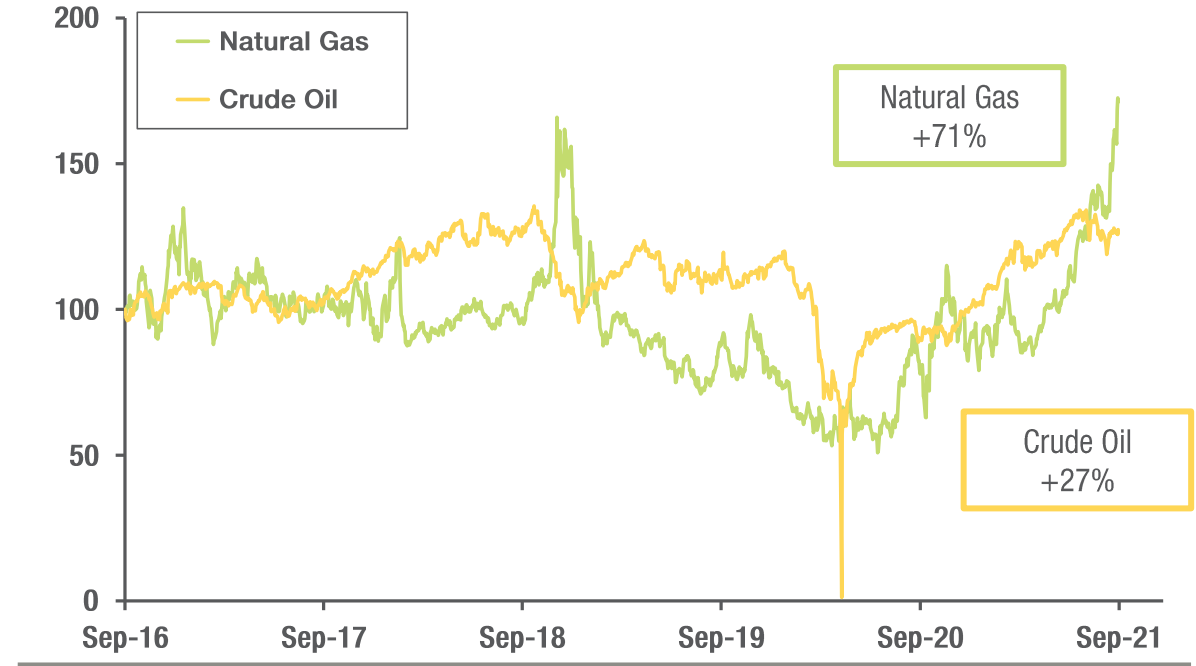
Portfolio Overview

The Canadian energy sector remains under a cloud, yet the rebound in energy prices tells a different story



EV/EBITDA of TSX Energy Sector

- Energy sector valuation multiples at their lows



Natural Gas and Crude Oil Prices, Indexed

- Energy prices at multi-year highs

Portfolio Overview

We recently purchased a new position in ARC Resources

- A Canadian energy company with a focus on natural gas and liquids production
- Poised to benefit from a post-COVID recovery in energy demand
- Conservative balance sheet
- Purchased at a discounted valuation
- Positive ESG profile:
 - Natural gas will play an important role in the energy transition
 - Optionality around its proximity to LNG development on the west coast of Canada
 - Effective management of ESG risks ⁽¹⁾

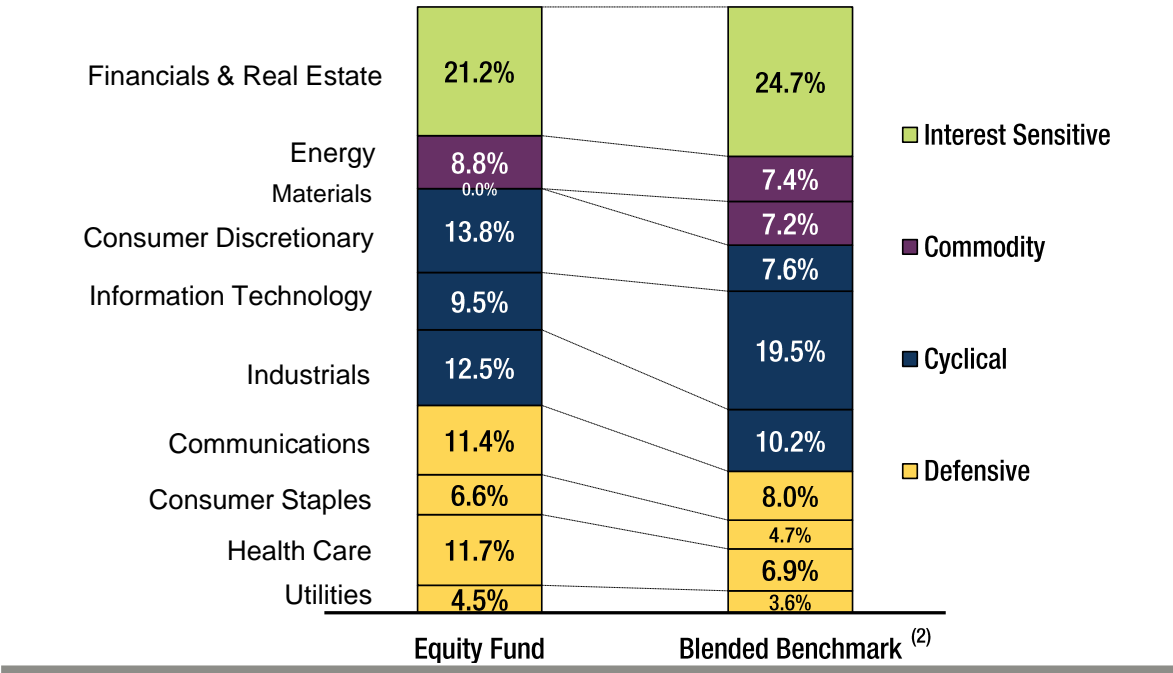


ARC Resources Operations Map

⁽¹⁾ The company earns a “strong” rating from Sustainalytics for its overall management of material ESG issues.

Portfolio Overview

Our high-quality portfolio is diversified, different from the benchmark, and reasonably valued



Nexus Equity Sector Allocation ⁽¹⁾

	S&P 500	TSX	Nexus Equity Fund
Forward Price / Earnings	22.0x	16.5x	16.8x
Price / Book	4.7x	2.2x	3.6x
Dividend Yield	1.3%	2.5%	2.1%

Comparable Valuation Metrics ⁽³⁾

Source: Bloomberg.

⁽¹⁾ Includes Canadian and U.S. equities; as at August 31, 2021.

⁽²⁾ The blended benchmark is a combination of the TSX and S&P 500 at their relative weights in the Fund's benchmark.

⁽³⁾ The "forward" year is the current fiscal year estimate; Nexus Equity Fund figures exclude data points that are not meaningful; as at September 17, 2021.

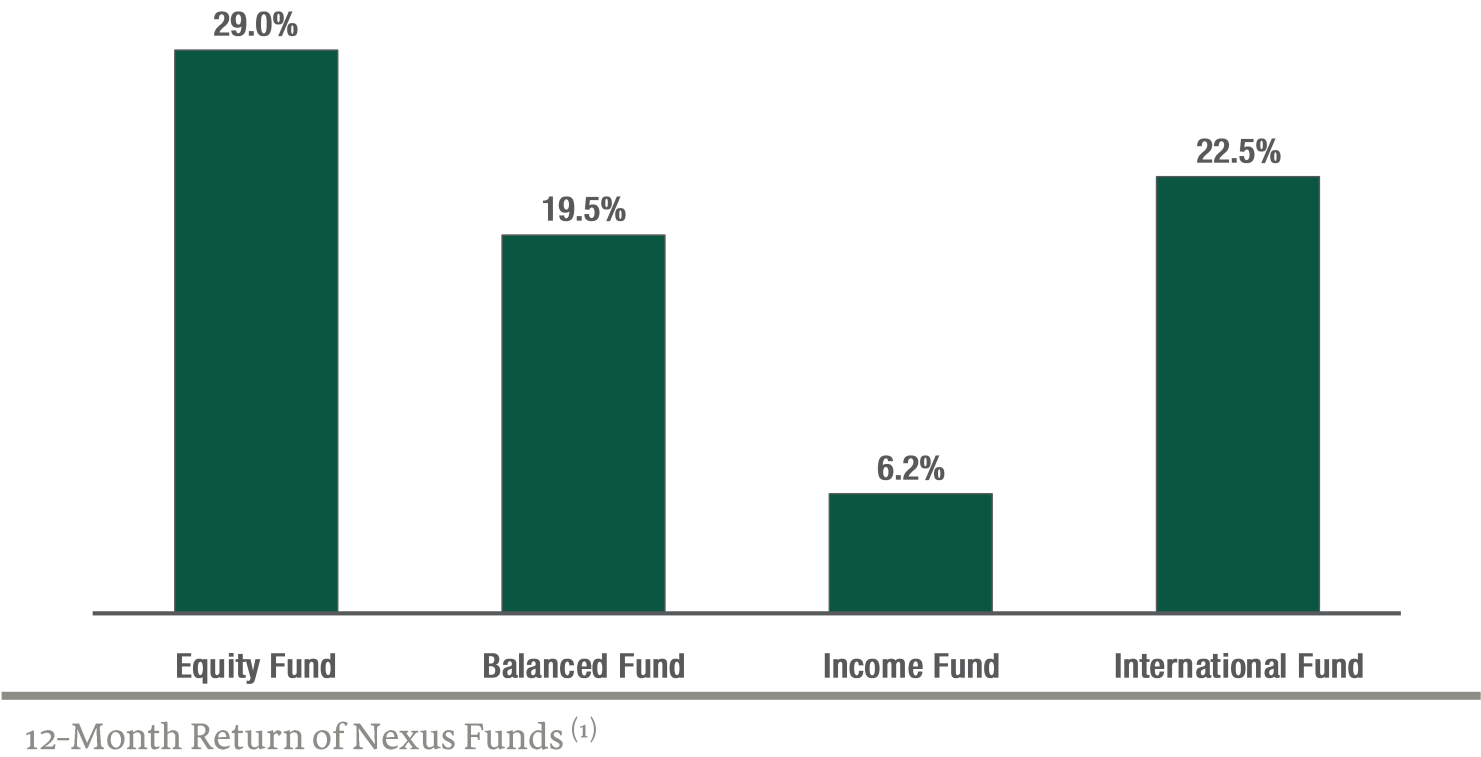
Investment Performance

Ongoing recovery has propelled markets to new highs

- 12-month equity returns are extraordinary
 - All our asset classes performed well
- Stock market leadership has alternated between growth and value stocks
 - Reasonably-valued stocks enjoyed a big recovery early in the year; growth favoured more recently
- Longer-term risk / return characteristics are attractive
 - Our approach differs from the indices – performance will inevitably diverge at times

Investment Performance

12-month returns are remarkable in all Nexus Funds

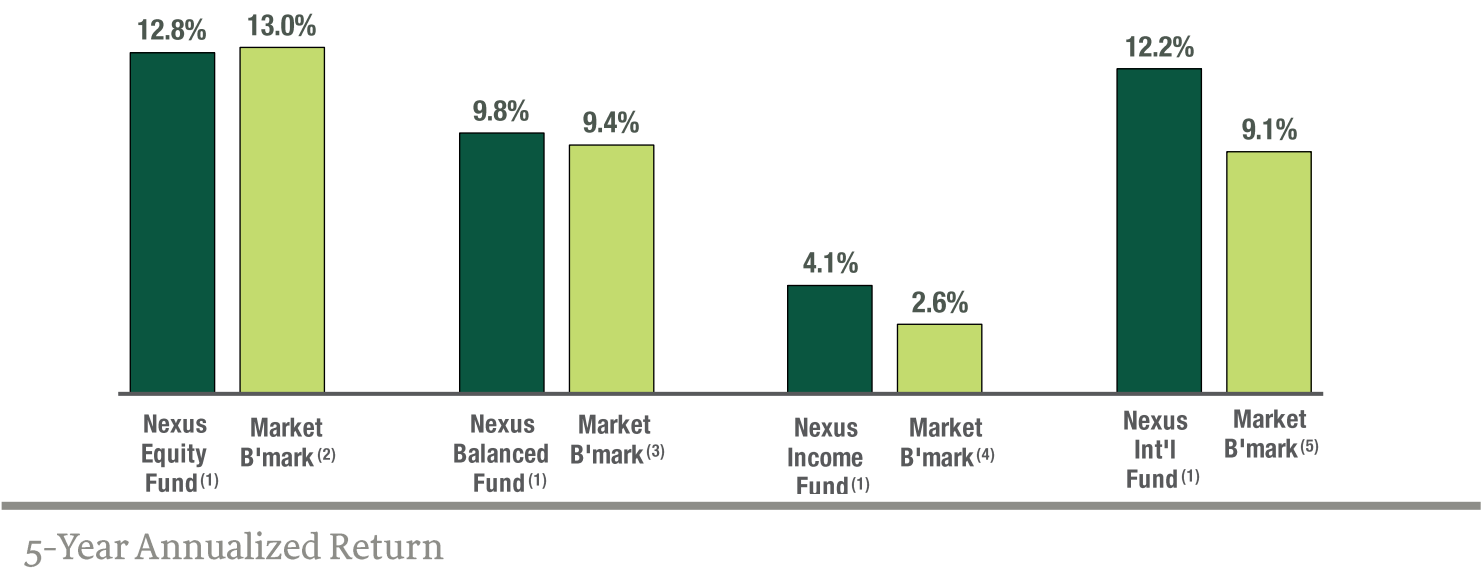


12 months ended August 31, 2021

⁽¹⁾ Nexus return is shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.

Investment Performance

5-Year returns are strong for each of the Funds



Five Years ended August 31, 2021

⁽¹⁾ Nexus return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.

⁽²⁾ Equity Fund market benchmark is 5% FTSE Canada 91 Day T-Bill Index, 50% TSX, and 45% S&P 500 (in C\$); rebalanced monthly.

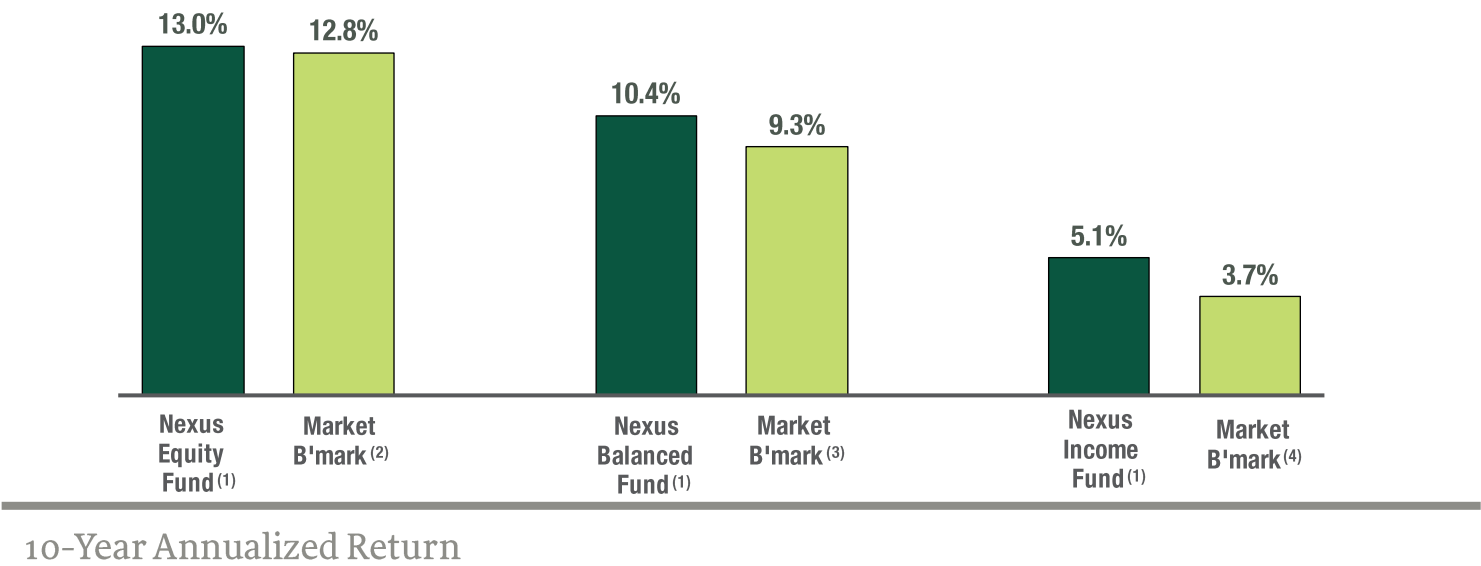
⁽³⁾ Balanced Fund market benchmark is 5% FTSE Canada 91 Day T-Bill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.

⁽⁴⁾ Income Fund market benchmark is the FTSE Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

⁽⁵⁾ International Equity Fund market benchmark is 75% MSCI EAFE and 25% MSCI Emerging Markets indices (both in C\$); rebalanced monthly.

Investment Performance

Fund and benchmark returns over the last decade remain better than long-term averages



Ten Years ended August 31, 2021

⁽¹⁾ Nexus return is the compound average annual return shown *prior* to the deduction of management fees, but *after* deduction of all other expenses. Past performance is not indicative of future results.

⁽²⁾ Equity Fund market benchmark is 5% FTSE Canada 91 Day T-Bill Index, 50% TSX, and 45% S&P 500 (in C\$); rebalanced monthly.

⁽³⁾ Balanced Fund market benchmark is 5% FTSE Canada 91 Day T-Bill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.

⁽⁴⁾ Income Fund market benchmark is the FTSE Canada Universe Bond Index. Note that in addition to bonds, up to 20% of the Income Fund portfolio may be invested in equity securities.

Investment Performance

Our outlook remains cautiously optimistic

- Bond portfolio is constructed to emphasize quality and reduce price risk
 - Income-oriented equities in the Income Fund should add value over time
 - Dividend yield exceeds bond yield, with superior long-term growth and inflation protection
- North American equity portfolio is comprised of quality stocks with attractive prices
 - Established, dividend-oriented stocks
 - Reasonable valuations add margin of safety
 - Well-positioned for the post-COVID world
- International equities continue to add diversification

NEXUS

www.nexusinvestments.com

Guiding investors
with *thoughtful*
wealth planning.