



Quarterly Investment Review

May 19, 2022

NEXUS

Agenda

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

Inside Nexus

We have two new additions to our Nexus team



Julie Crothers, MBA, CIM, CFP

- Vice President, Client Service & Business Development



Ashleigh Oucharek

- Portfolio Administrator

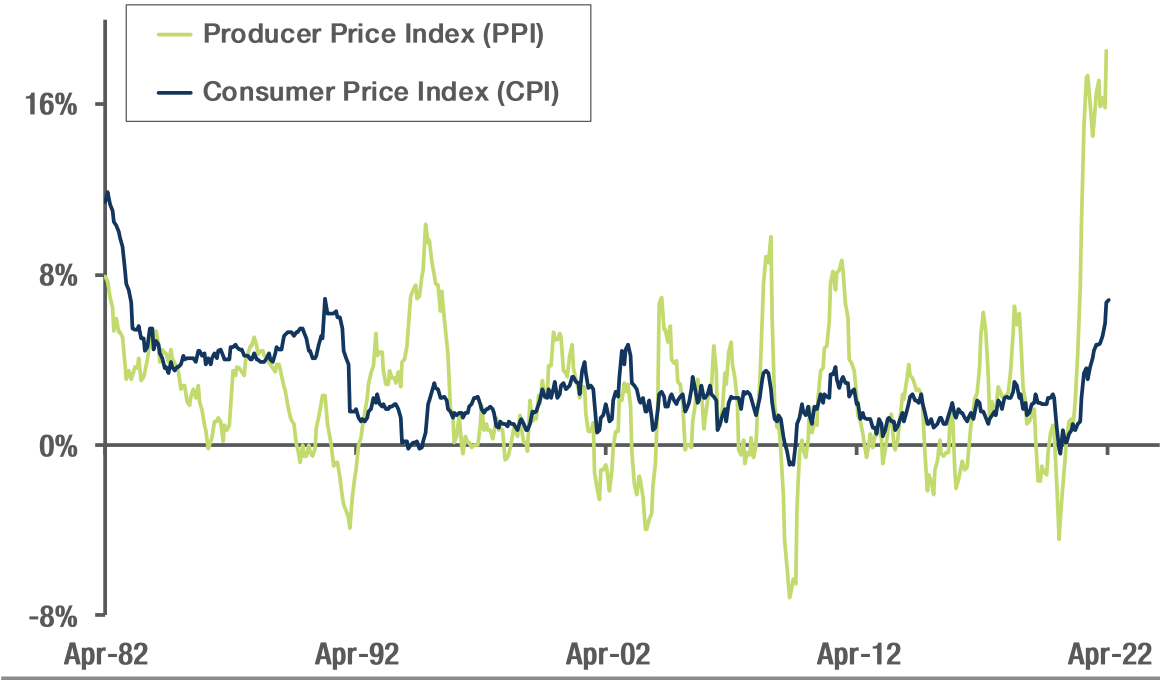
Current Environment

In a challenging environment, economic re-opening continues

- Economic growth has been resilient, despite challenges
 - Rapidly rising inflation
 - Ongoing supply-chain issues
 - Geopolitics
 - Russia/Ukraine war will keep volatility high
 - China's path forward uncertain (lockdowns, real estate, Taiwan)
- Tight labour markets reflect and support economic strength
- For now, higher rates will challenge, not overwhelm, consumer activity

Current Environment

Prices are increasing at a pace not seen in decades

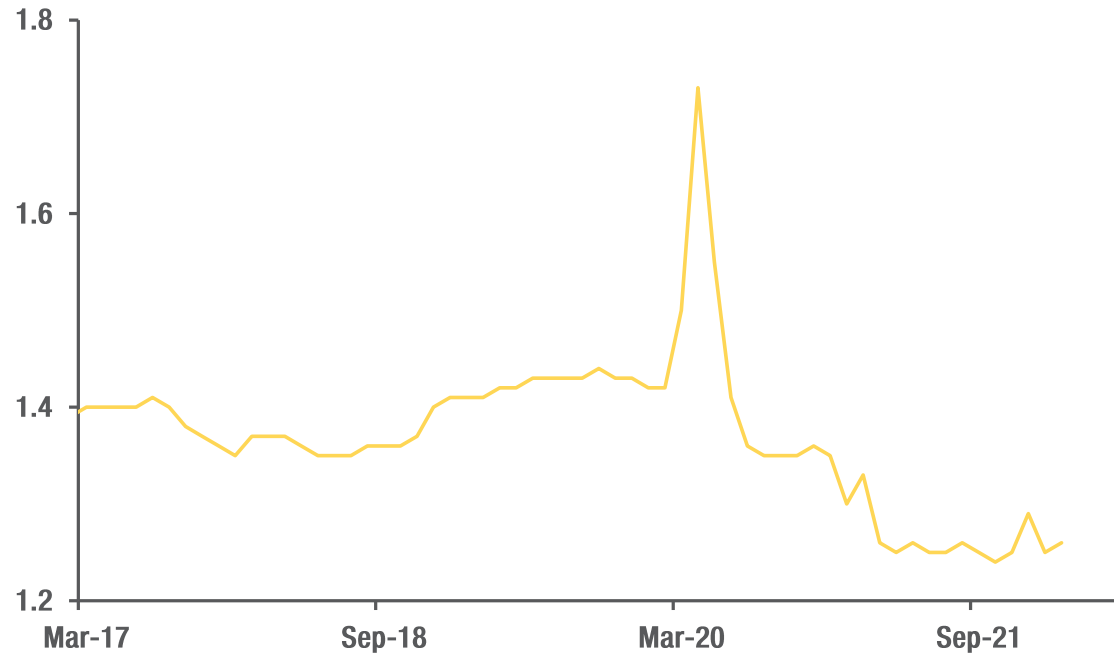


Annual Increase in Canadian CPI & PPI

- Inflation has exceeded expectations in both breadth and strength
 - Current headline inflation at levels not seen since 1991
 - Gasoline +36.3% YoY
 - Food +8.8% YoY
- “Where to from here” depends on several factors
 - Central bank actions
 - Global supply-chain developments
 - Persistence of wage gains
 - Consumer and business expectations

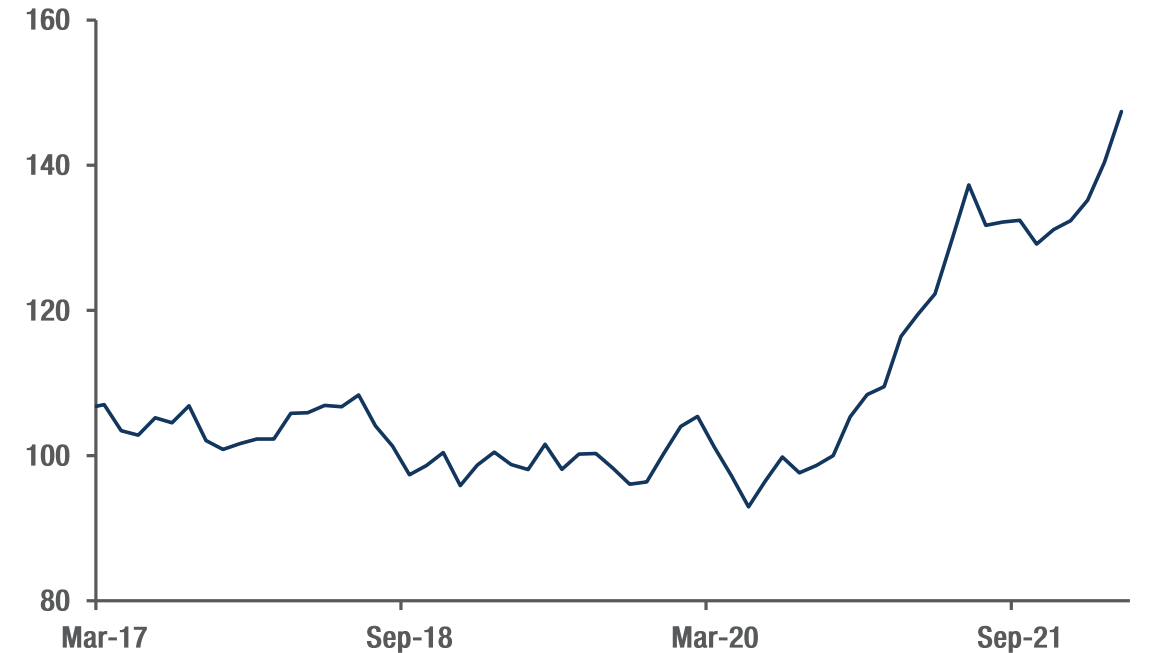
Current Environment

Supply chain issues have persisted and are driving up prices



Inventory-to-Sales Ratio

- Depleted inventories need to be rebuilt
- Long delivery times for certain items (e.g. autos) means return to “normal” will take time



IMF Food Commodity Price Index ⁽¹⁾

- Russia and Ukraine are major exporters of agricultural products and other commodities

Current Environment

Geopolitical issues are problematic



War in Ukraine

- Risk of food security becoming a humanitarian and political problem

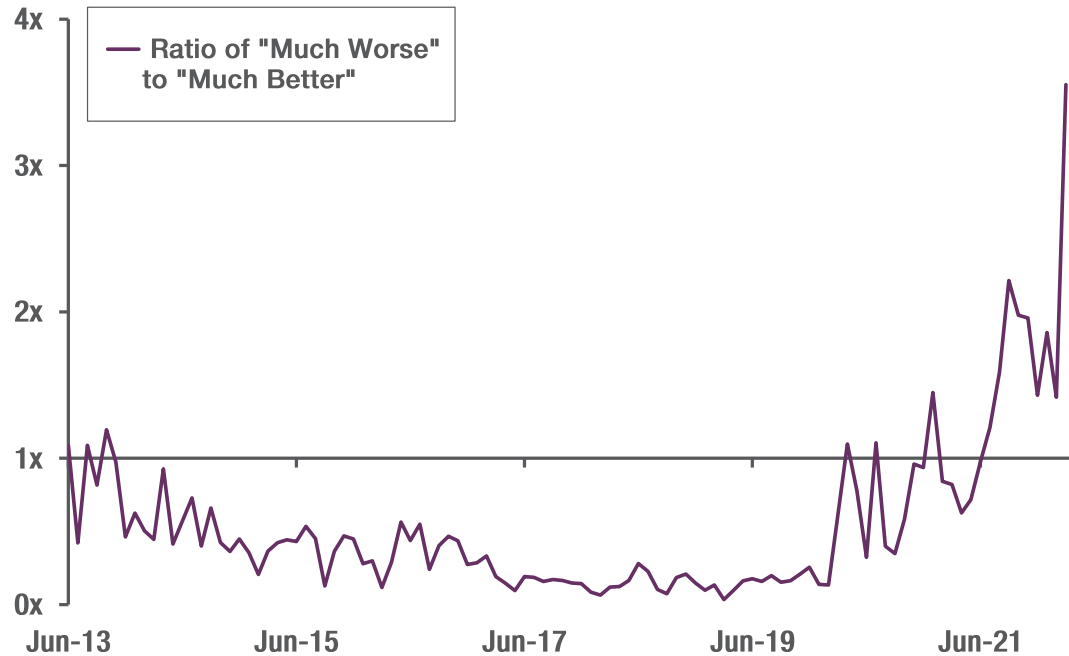


China

- Zero-COVID policy generating supply chain issues and slowing the economy
- Real estate weakness and Taiwan tensions create further complications

Current Environment

Consumers are resilient for now, but pressures are mounting



Financial Situation Expectations, One Year Out

Asian stocks follow US lower as inflation fears and Ukraine tensions hit sentiment

No More Steak? American Consumers Try to Beat Inflation

When prices on food and other basic goods go up, people adapt their spending.

With Inflation Not Letting Up, Shoppers Cut Back on Staples

Consumers are buying detergent, diapers in smaller quantities and switching to store brands; 'It doesn't smell as nice'

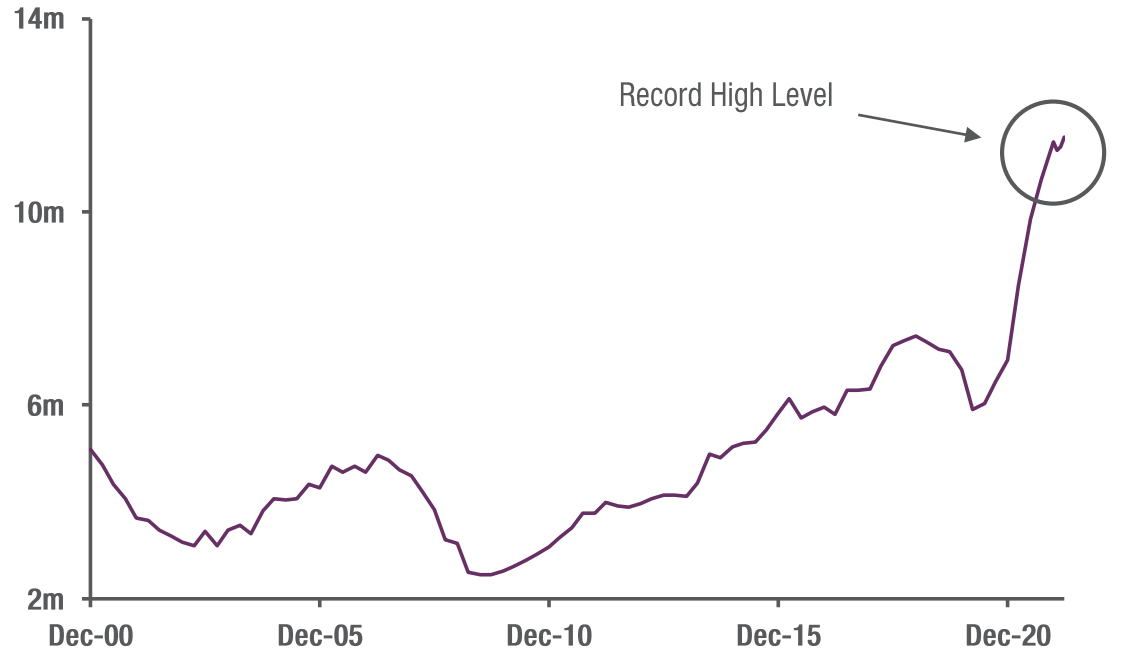
The World Is Piling on Debt as It Battles Inflation

Government handouts can help keep fuel and food price protests in check, but may be too much to bear for financially fragile countries

Recent Headlines Demonstrate Behavioural Shifts

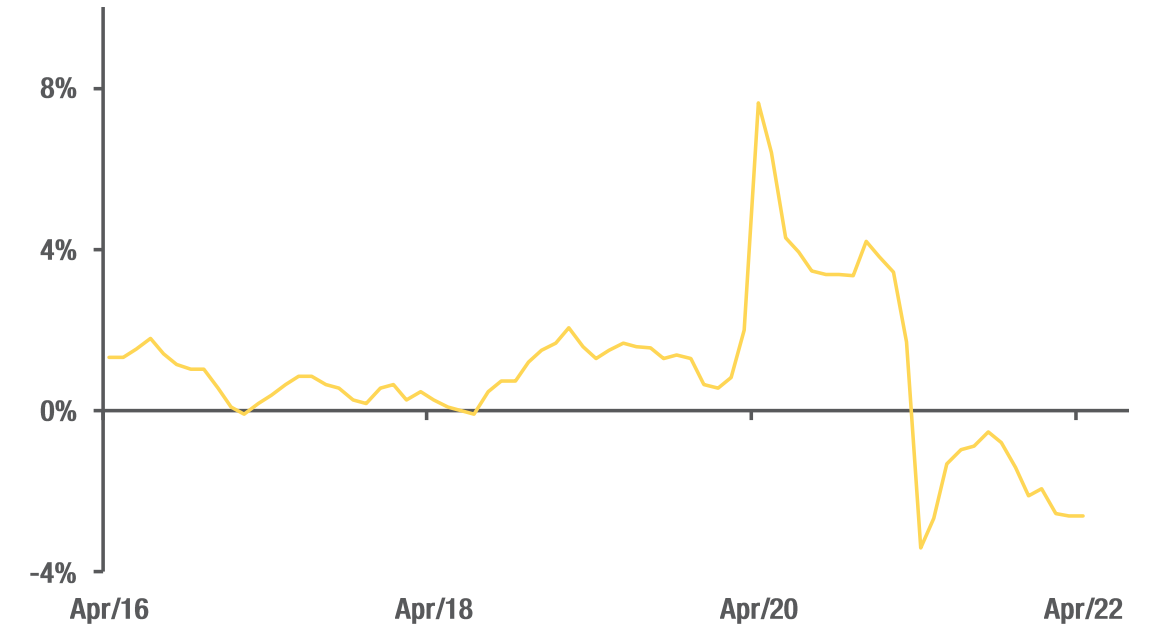
Current Environment

Tight labour markets have been good for workers, negative real wage growth unlikely to last



Job Openings (U.S.)

- As of April 2022
 - U.S. unemployment rate 3.6%, Canada, 5.2%
 - U.S. Nominal Avg. Hourly Earnings +5.5%, Canada +3.4%
 - U.S. Jobless claims at historical lows

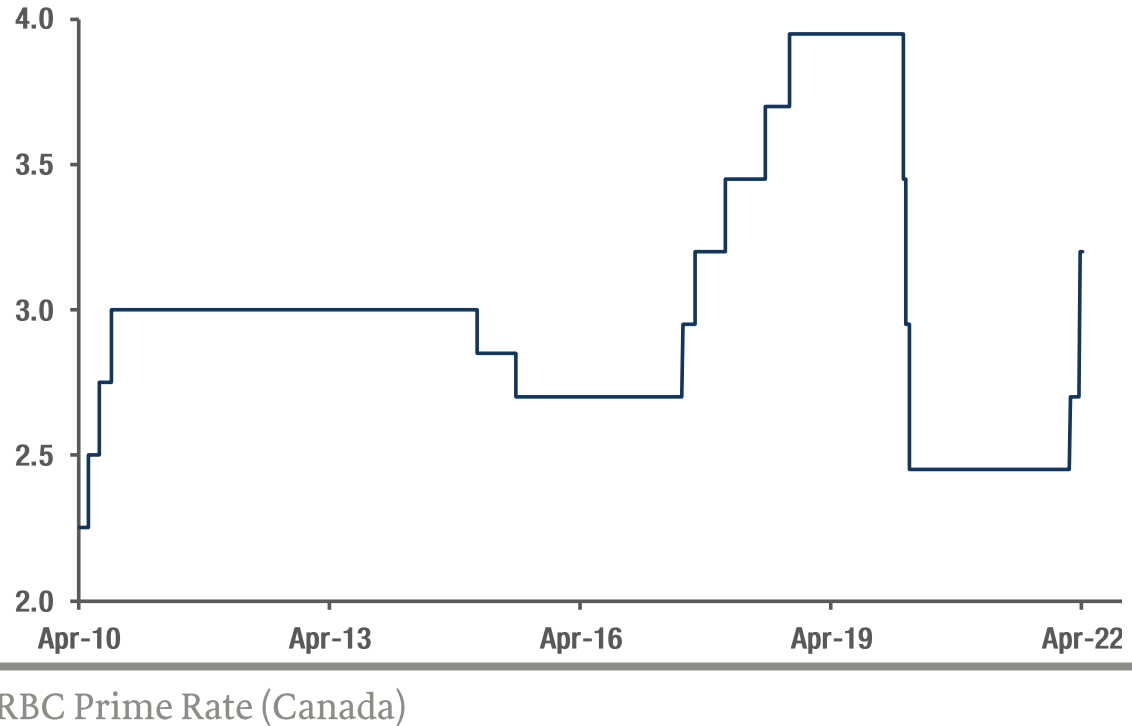


Real Average Hourly Earnings Growth (U.S.) ⁽¹⁾

- Wage increases have lagged inflation and Central Banks fear a wage price spiral

Current Environment

Rates are moving higher, but indebted consumers still have some capacity to absorb rate increases



- Borrowing costs have increased and have further to go
 - At present, rates are still within recent ranges
- Mitigating factors will extend the transition period
 - Borrowers with locked-in rates will see a move higher, but it will be delayed
 - Inflation and higher wages should help debt affordability
- Over time, higher rates will limit debt appetite and slow the housing market

Current Environment

Uncertainty looms in a rapidly changing environment

- Rising cost of living will be challenging for consumers
- Inflation will depend on demand and supply developments
 - Improvement in both is required
 - After years of declining rates, the world is changing
- Energy prices are likely to settle at higher levels vs. recent history
 - Embargoes on Russian energy
 - Years of under-investment
 - Continued tension in the Middle East
- For now, corporate profitability has been resilient

Portfolio Overview

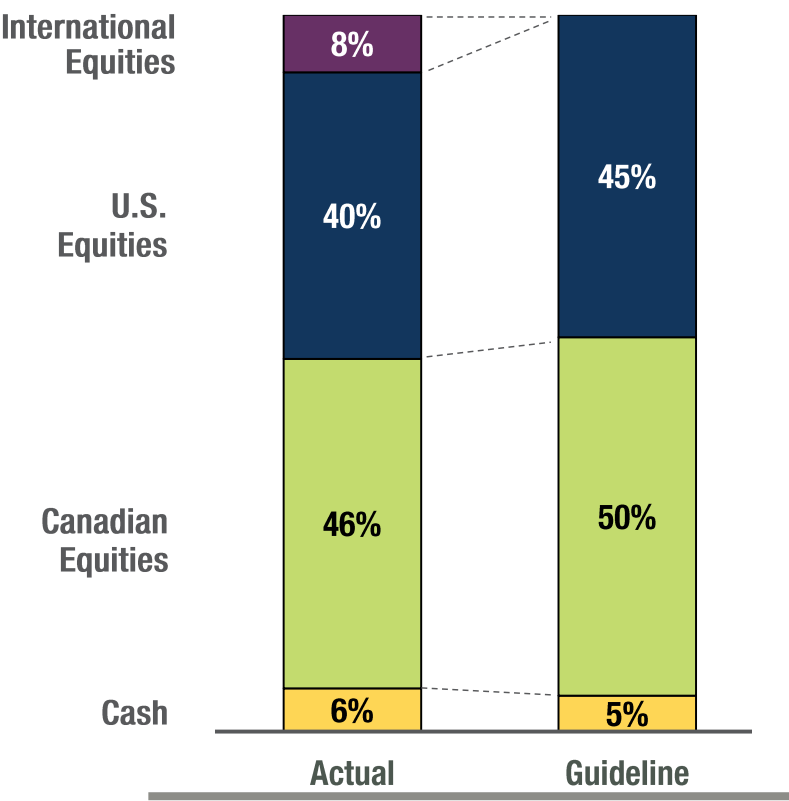
Portfolios are positioned to balance continued economic re-opening against these uncertainties

- Overall equity allocations are close to long-term guidelines
- Our defensive fixed income positioning has worked well as bond yields have risen quickly
- We have increased our Energy holdings and made other opportunistic changes
- We are in a period of turbulence – these periods are inevitable
 - The long-term orientation of the Nexus portfolios will help navigate this

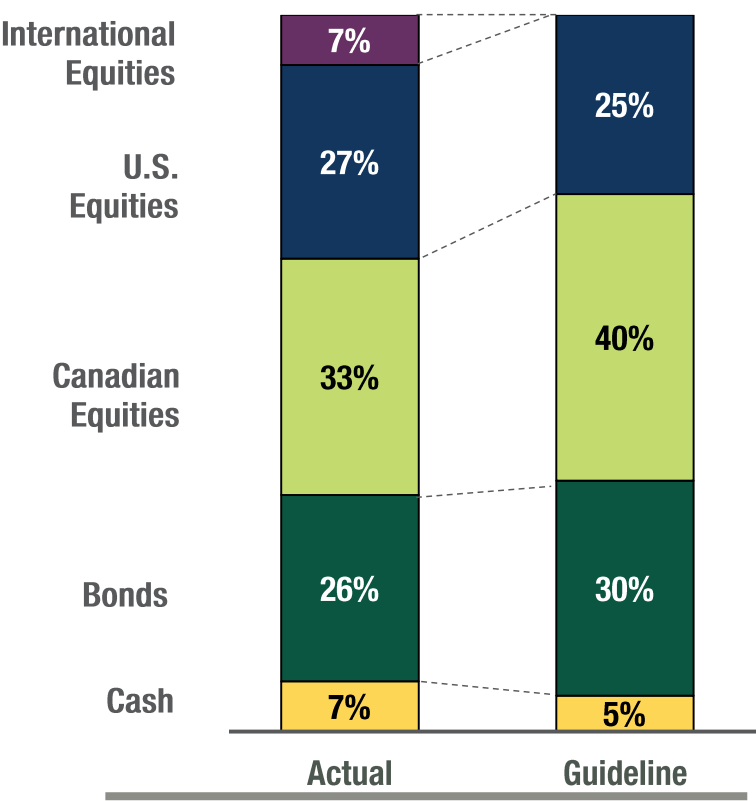
Portfolio Overview

Asset Allocation

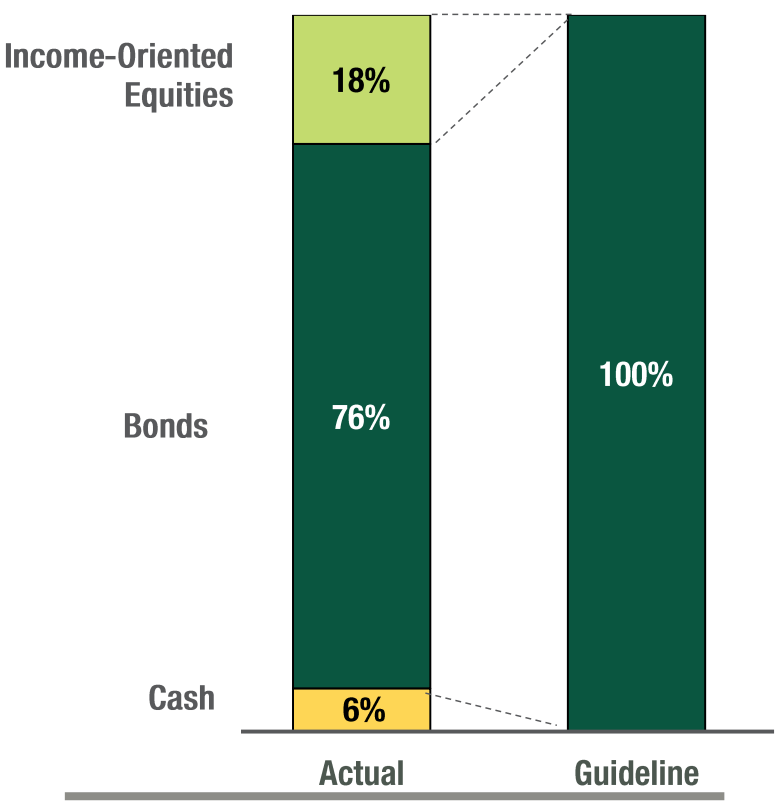
Overall equity allocations are close to long-term guidelines



Nexus Equity Fund



Nexus Balanced Fund



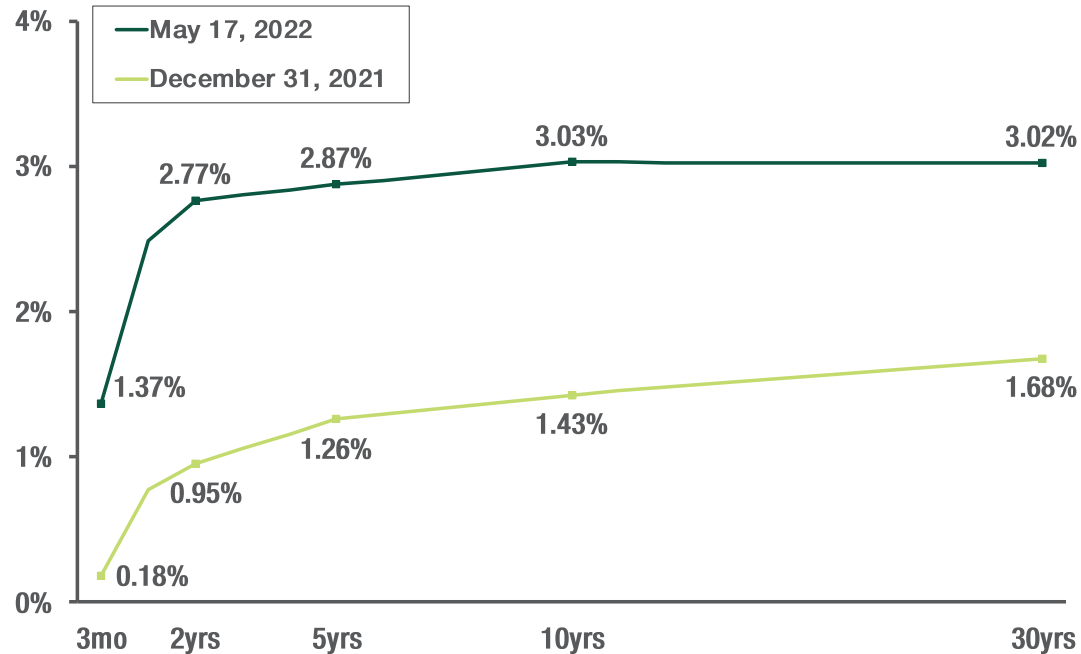
Nexus Income Fund

As at April 30, 2022

Portfolio Overview

Fixed Income

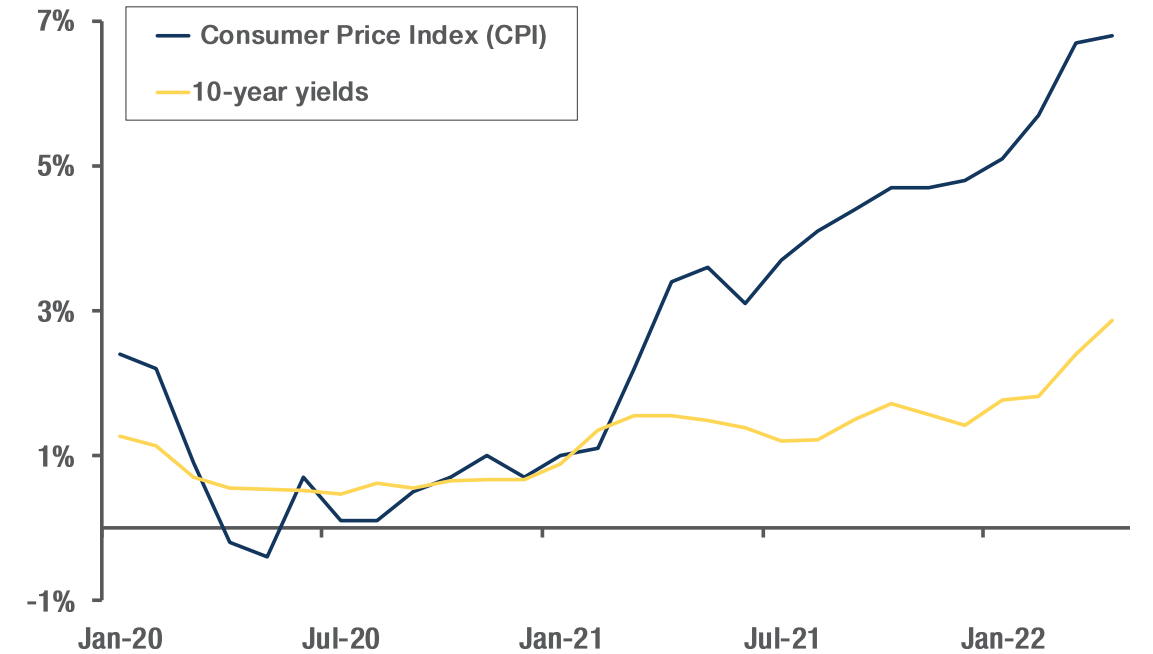
Yields have risen quickly ...



Canadian Yield Curve – December 31, 2021 and May 17, 2022

- Q1 2022 was the worst quarter in history for Canadian bond market performance

... but have been outpaced by inflationary pressures



Canadian CPI & 10-Year Government Bond Yield

- Inflation is not likely to persist at current levels

Portfolio Overview

Equity Portfolio Changes

We have increased our Energy holdings and made other opportunistic changes

Buy	Sell
ARC Resources	ATCO
Add	Trim
Primaris REIT ARC Resources Suncor Cenovus	—

Canadian Equities

Buy	Sell
EOG Resources BMW CVS Health	—
Add	Trim
Meta Platforms	PRA Group

Foreign Equities

12 months ended April 30, 2022

Portfolio Overview

International Equities

International equities have been under pressure, but the long-term outlook remains constructive

- Provides important diversification benefits
- Potential for growth
 - Positive demographic trends
 - Growth of the middle class
 - Increasing urbanization
 - GDP expansion as economies mature
- Attractive valuation relative to North America

	International Developed Markets	Emerging Markets	United States
Index	MSCI EAFE	MSCI EM	S&P 500
Forward Price / Earnings	13.1x	11.6x	17.5x
Price / Book	1.7x	1.7x	4.2x
Dividend Yield	3.0%	2.7%	1.5%

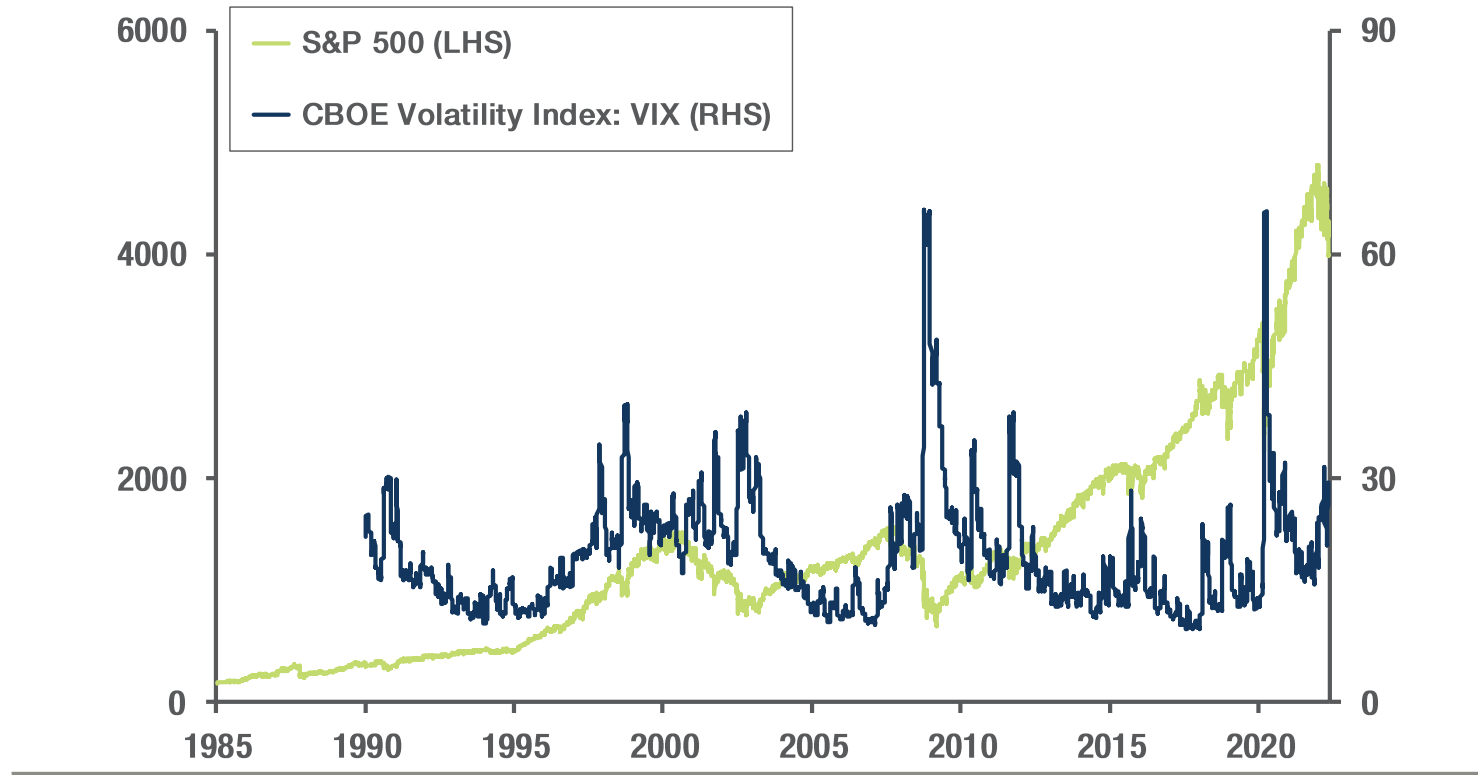
Comparable Valuation Metrics

As at April 30, 2022

Portfolio Overview

Equities Deliver Over Time

Periods of high volatility are common

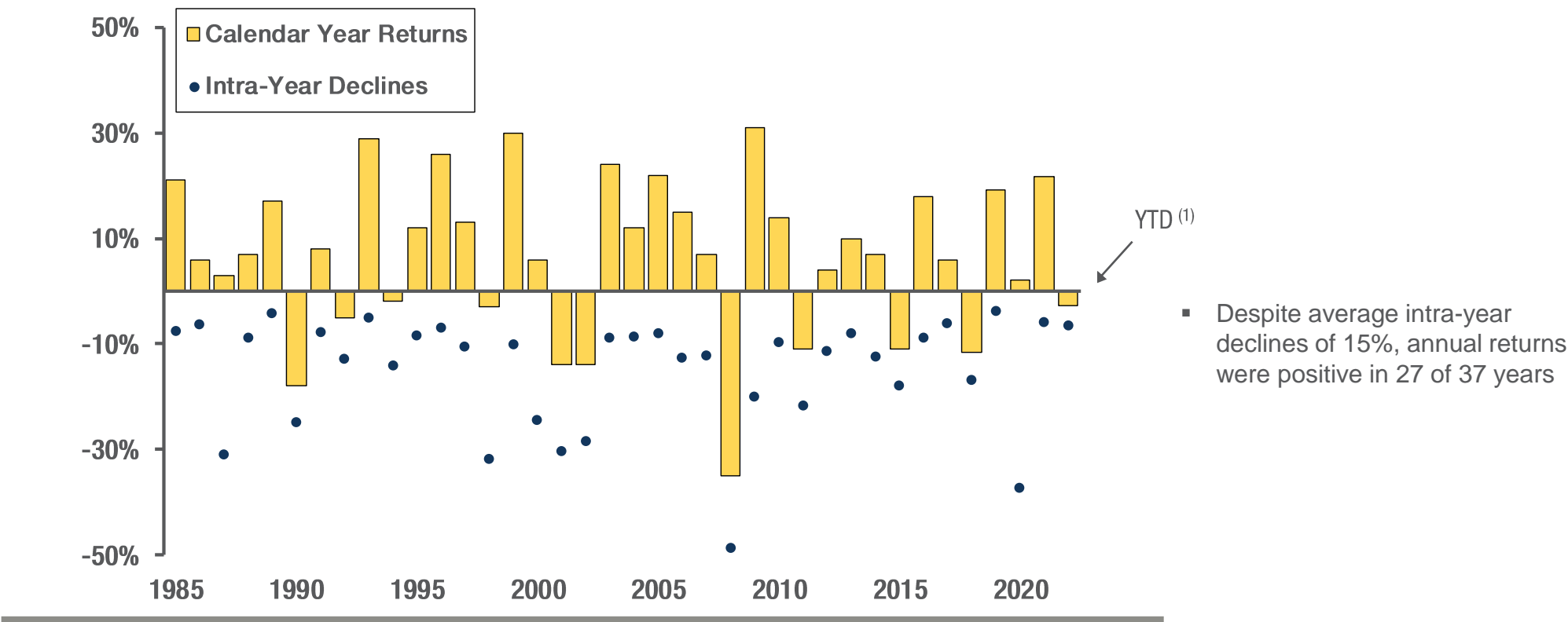


S&P 500 vs. CBOE Volatility Index⁽¹⁾

Portfolio Overview

Equities Deliver Over Time

Intra-year drawdowns are the norm



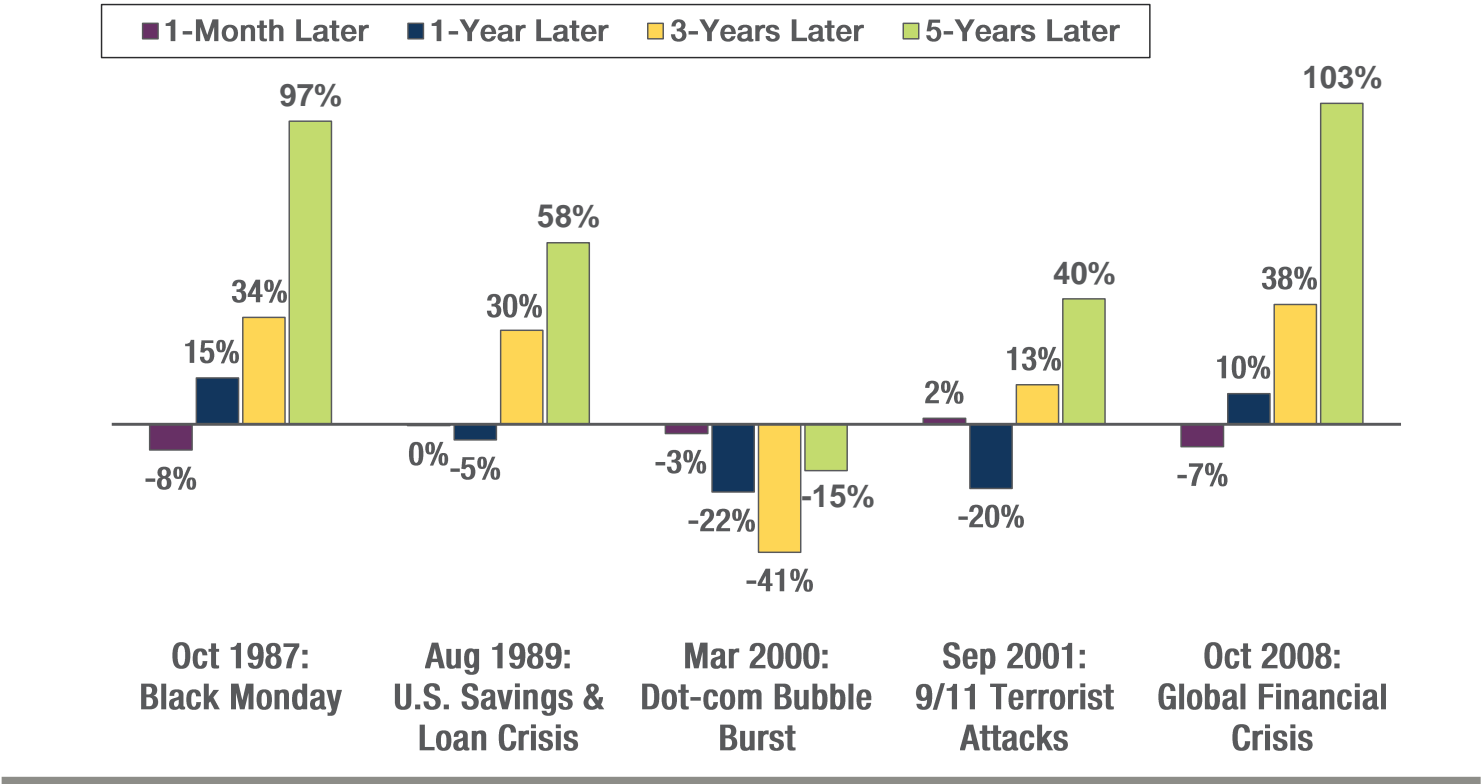
S&P/TSX Composite Intra-Year Declines vs. Calendar Year Returns

Source: Bloomberg.
⁽¹⁾ Year-to-date as of May 6, 2022.

Portfolio Overview

Equities Deliver Over Time

Staying invested through crises has usually been rewarded



Cumulative Total Returns of the S&P 500 After Crises ⁽¹⁾

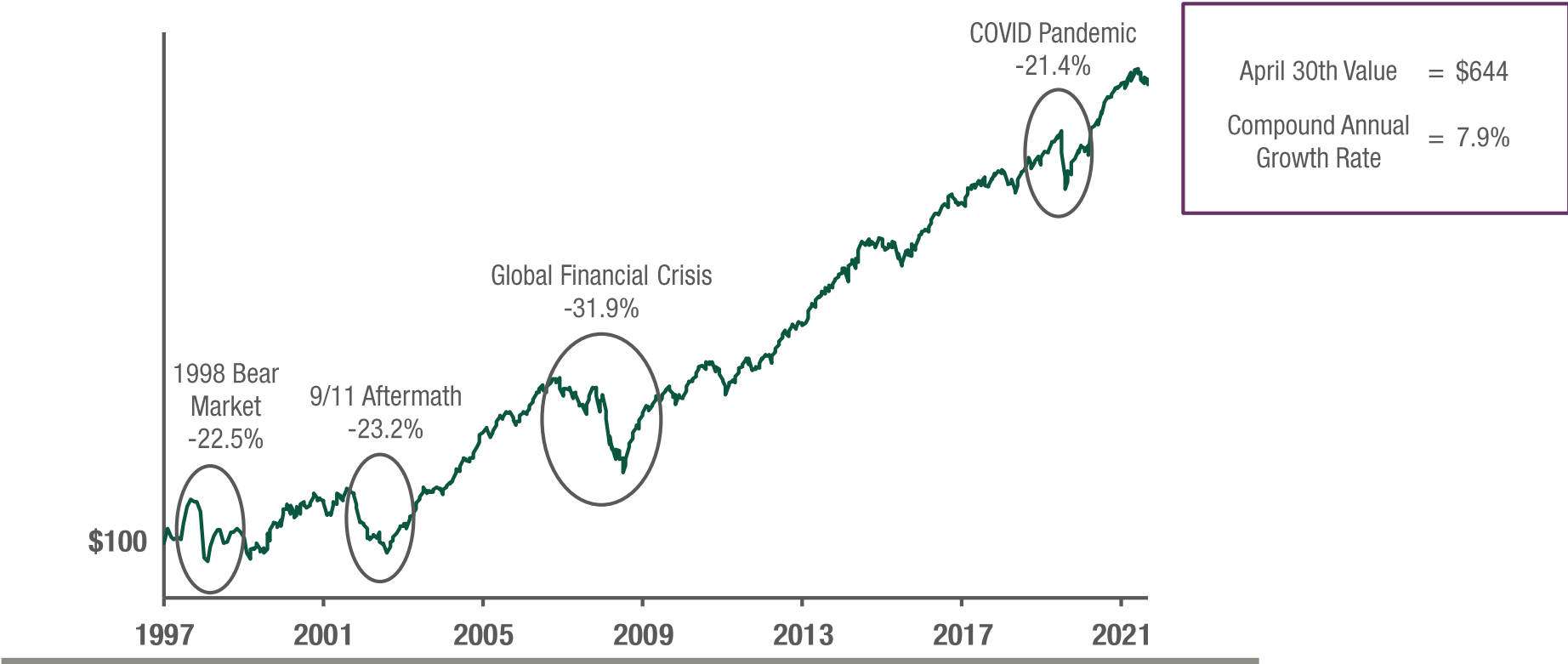
Source: Bloomberg, Morningstar

⁽¹⁾ Calculated as the cumulative total returns from the end of the month in which the crisis began.

Portfolio Overview

Equities Deliver Over Time

Achieving long-term success requires perseverance



Nexus Equity Fund Value, Starting at \$100 ⁽¹⁾

As at April 30, 2022

⁽¹⁾ Value of \$100 invested in the Nexus North American Equity Fund at inception on August 31, 1997, presented on a logarithmic scale. Returns used for calculation are *before* deduction of investment management fees and *after* custody fees and fund expenses. Past performance is not indicative of future results.

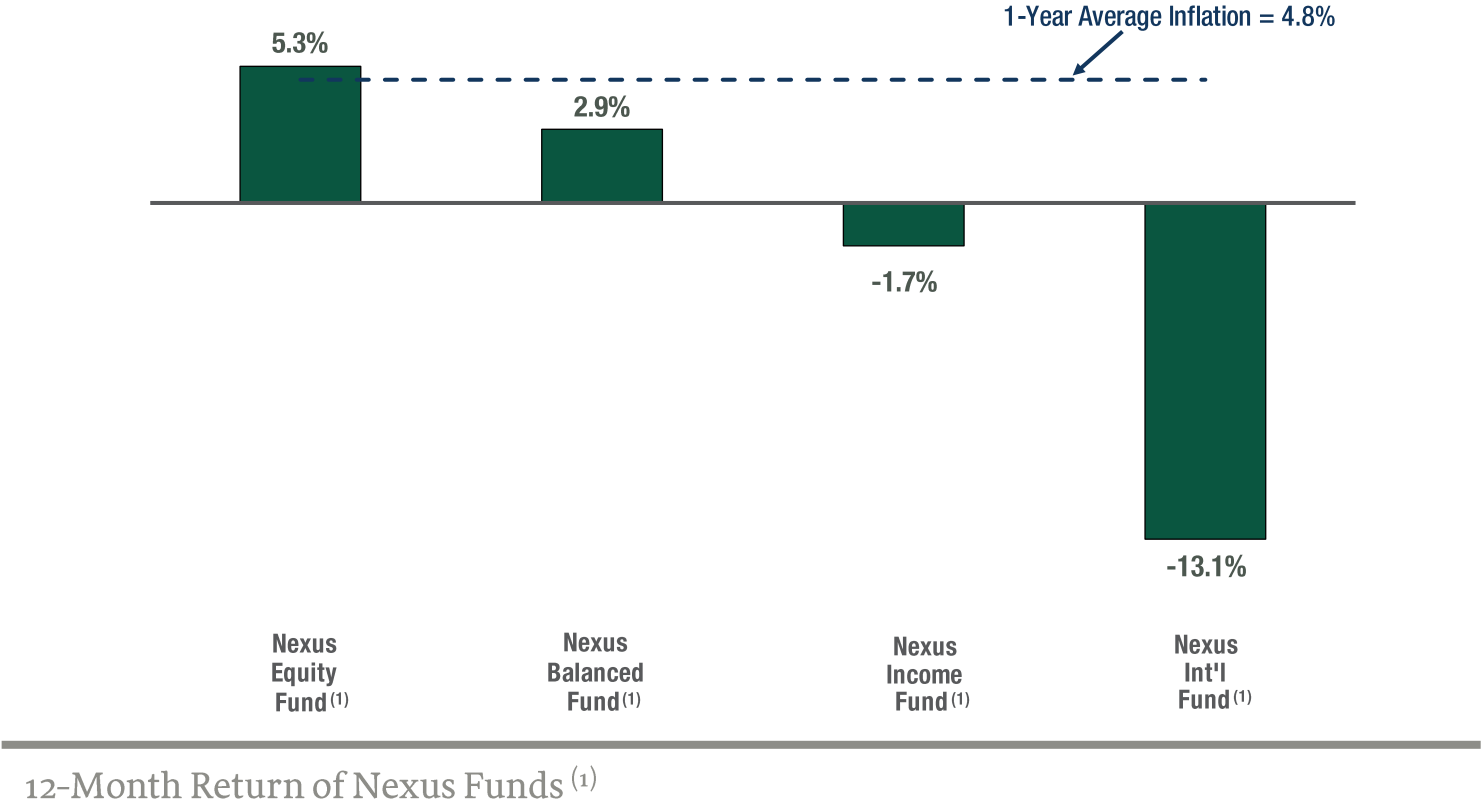
Investment Performance

The start of 2022 has been tumultuous in financial markets

- 12-month returns in both the Balanced Fund and Equity Fund remain positive
 - The Income Fund has suffered only a small decline
 - The International Fund suffered a more significant decline
- The Canadian stock market has been relatively resilient in 2022
 - U.S. and International stock markets have had the worst start to the year in decades
- Rising interest rates have sent bond prices sharply lower
 - Nexus's shorter-maturity positioning resulted in good relative performance
- Longer-term risk / return characteristics are attractive
 - Our approach differs from the indices – performance will inevitably diverge at times

Investment Performance

Outstanding Canadian equity returns have been the one bright spot in the last year

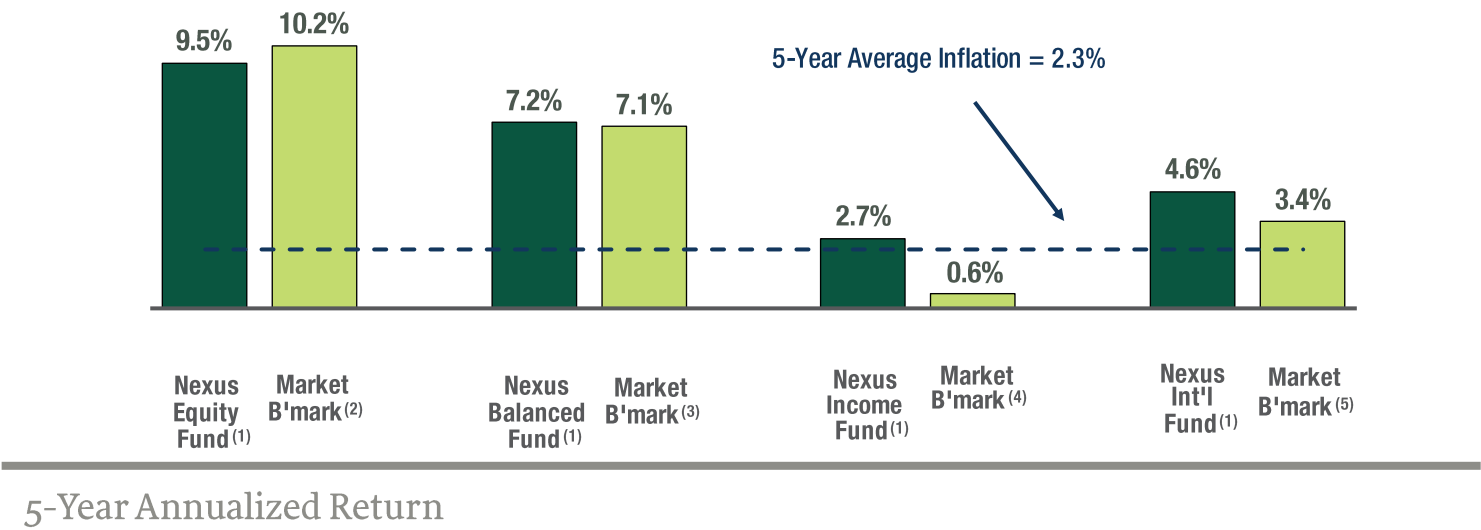


12 months ended April 30, 2022

⁽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 have moderated but remain strong



Five Years ended April 30, 2022

⁽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.

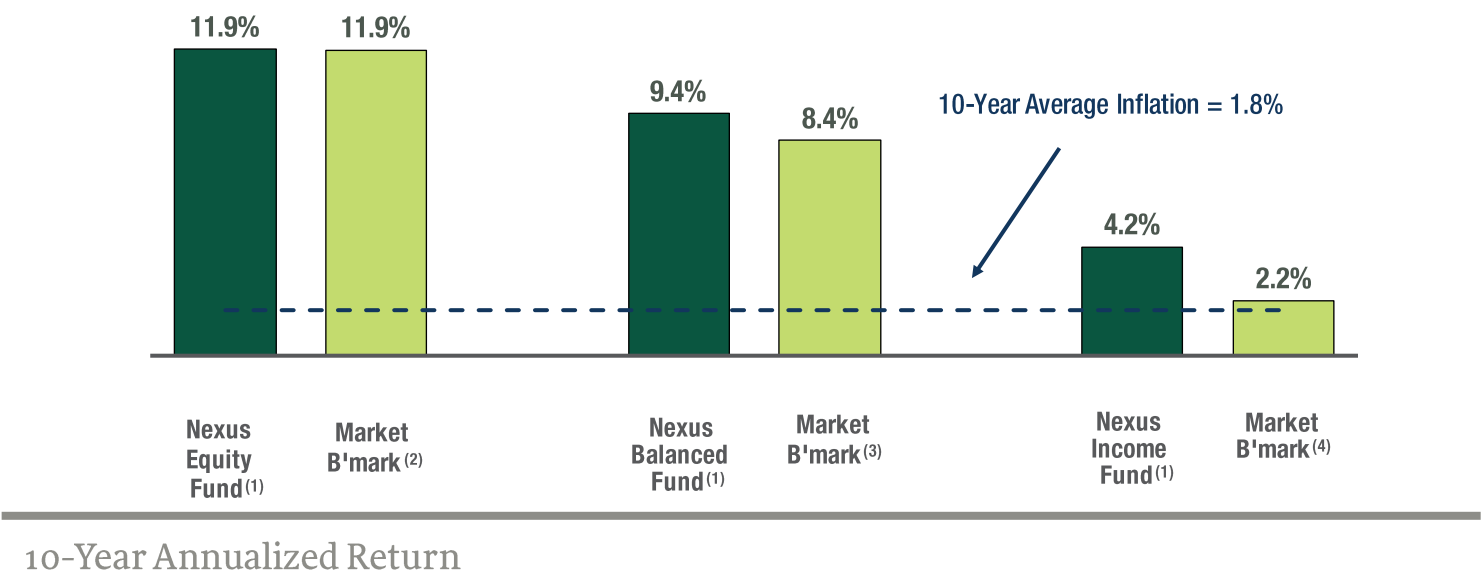
⁽³⁾ Balanced Fund market benchmark is 5% FTSE Canada 91 Day T-Bill Index, 30% FTSE Canada Universe Bond Index, 40% TSX, and 25% S&P 500 (in C\$); rebalanced monthly.

⁽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 April 30, 2022

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Outlook

We are cautiously optimistic

- Nexus Income Fund is constructed to emphasize quality and reduce price risk
 - Credit quality is high, average bond maturities are short
 - Higher interest rates will benefit bond investors over time
 - Income-oriented equities add 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 and for a higher inflation environment
- International equities continue to add diversification
 - Higher dividend yields and lower valuations than North America

NEXUS

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with *thoughtful*
wealth planning.