

Portfolio Valuation Fixed Income

As at settlement date December 31, 2022

3845046915 - EQUITY CREDIT UNION INC. (Investment Account)

EQUITY CREDIT UNION INC.

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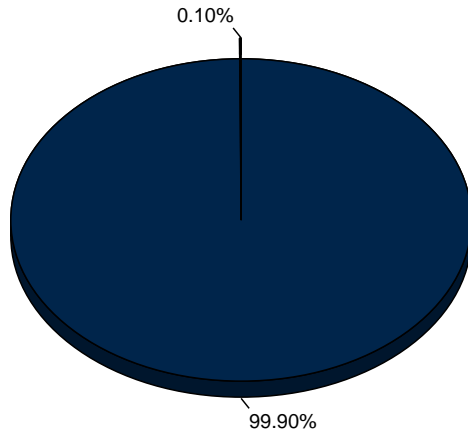
Asset Allocation

3845046915 - EQUITY CREDIT UNION INC. (Investment Account)

By Asset Class and Geography

As at December 31, 2022

Allocation by Asset Class and Geography



Geography	Market Value	%
Fixed Income - Canada	20,345,540	99.90
Total Fixed Income	20,345,540	99.90
Cash and Cash Equivalents - Canada	20,010	0.10
Total Cash and Cash Equivalents	20,010	0.10
Total Canada	20,365,551	100.00
Total Portfolio	20,365,551	100.00

Accrued income included with Market Value.

Portfolio Valuation

3845046915 - EQUITY CREDIT UNION INC. (Investment Account)

Portfolio Valuation Fixed Income

As at December 31, 2022

Quantity	Security Description	Book Value in CAD	Unrealized Gain % in CAD	Market Value	Yield to Maturity	Yield on Cost (%)	Est. Annual Distrib'n	% of Portfolio	
CASH AND CASH EQUIVALENTS									
20,010.16	CAD	20,010.16	-	20,010.16	-			0.10	
TOTAL - CASH AND CASH EQUIVALENTS		20,010.16	0.00	20,010.16			0.00	0.10	
FIXED INCOME									
950,000.00	PROVINCE OF QUEBEC PKG BND DUE 01/16/2023 3.30000%	1,005,448.94	(5.57)	963,675.76	4.48	3.12	31,350.00	4.73	
1,409,000.00	GOVERNMENT OF CANADA DUE 05/01/2023 0.25000%	1,378,156.29	0.84	1,390,364.72	4.39	0.26	3,522.50	6.83	
843,000.00	PROVINCE OF MANITOBA DUE 06/02/2023 2.55000%	838,258.80	(0.29)	837,500.40	4.59	2.56	21,496.50	4.11	
1,568,000.00	PROVINCE OF ALBERTA UNSECURED DUE 09/01/2023 2.65000%	1,563,881.49	(1.02)	1,561,637.57	4.61	2.66	41,552.00	7.67	
1,031,000.00	PROVINCE OF QUEBEC DUE 09/01/2023 3.00000%	1,021,751.31	(0.15)	1,030,374.19	4.60	3.03	30,930.00	5.06	
1,000,000.00	PROVINCE OF ONTARIO SERIES DMTN237 BONDS DUE 09/08/2023 2.60000%	1,059,986.90	(6.93)	994,549.32	4.61	2.45	26,000.00	4.88	
2,029,000.00	CANADA HOUSING TRUST DUE 09/15/2023 2.35000%	2,017,697.09	(0.99)	2,011,560.06	4.59	2.36	47,681.50	9.88	
1,206,000.00	GOVERNMENT OF CANADA DUE 06/01/2024 2.50000%	1,293,237.56	(8.87)	1,180,922.80	4.17	2.33	30,150.00	5.80	
500,000.00	PROVINCE OF ONTARIO	524,531.70	(7.93)	483,727.78	4.49	1.91	10,000.00	2.38	

Chris Durward, CIM, CFP

RBC Dominion Securities

Reported in CAD

Quantity	Security Description	Book Value in CAD	Unrealized Gain % in CAD	Market Value	Yield to Maturity	Yield on Cost (%)	Est. Annual Distrib'n	% of Portfolio
	PKG 2.0% SA 6/2/2019 6/2/2024 DUE 06/02/2024 2.00000%							
1,126,000.00	GOVERNMENT OF CANADA DUE 09/01/2024 1.50000%	1,092,127.67	(1.11)	1,085,612.08	4.05	1.55	16,890.00	5.33
1,663,000.00	CANADA HOUSING TRUST 2ND LIEN DUE 12/15/2024 1.80000%	1,616,915.96	(1.62)	1,591,906.30	4.13	1.85	29,934.00	7.82
753,000.00	PROVINCE OF BRITISH COLUMBIA DUE 06/18/2025 2.85000%	746,655.67	(1.98)	732,614.02	4.05	2.87	21,460.50	3.60
1,000,000.00	PROVINCE OF SASKATCHEWAN UNSECURED DUE 09/02/2025 0.80000%	1,005,000.00	(8.59)	921,248.22	4.04	0.80	8,000.00	4.52
1,000,000.00	CANADA HOUSING TRUST NO 1 MTG BD SERIES 67 DUE 12/15/2025 1.95000%	1,065,083.20	(11.22)	946,331.37	3.92	1.83	19,500.00	4.65
1,762,000.00	GOVERNMENT OF CANADA UNSECURED DUE 03/01/2026 0.25000%	1,727,080.86	(8.42)	1,583,178.00	3.70	0.26	4,405.00	7.77
474,000.00	GOVERNMENT OF CANADA REAL RETURN BOND DUE 12/01/2026 4.25000%	1,073,244.08	(14.81)	915,914.80	-	1.88	20,145.00	4.50
500,000.00	PROVINCE OF ONTARIO DUE 06/02/2027 2.60000%	487,766.35	(2.57)	476,217.26	3.83	2.67	13,000.00	2.34
800,000.00	PROVINCE OF BRITISH COLUMBIA DUE 06/18/2027 2.55000%	881,682.56	(13.90)	759,838.69	3.80	2.31	20,400.00	3.73
992,000.00	PROVINCE OF ONTARIO DEBENTURES DUE 09/08/2027 1.05000%	995,368.14	(12.08)	878,367.07	3.82	1.05	10,416.00	4.31
TOTAL - FIXED INCOME		21,393,874.57	(5.29)	20,345,540.41		1.90	406,833.00	99.90

Chris Durward, CIM, CFP

RBC Dominion Securities

Reported in CAD

Quantity	Security Description	Book Value in CAD	Unrealized Gain % in CAD	Market Value	Yield to Maturity	Yield on Cost (%)	Est. Annual Distrib'n	% of Portfolio	
Total Portfolio		21,413,884.73	(5.29)	20,365,550.57		1.90	406,833.00	100.00	

Yield on Cost cannot be calculated for discount instruments at this time. YOC values at the total level exclude discount Instruments.
 Book Values are reported in account currency unless otherwise stated.
 Market values include accrued income.

FALL 2022 - MARKET COMMENTARY

Jim Allworth, Vice-President & Director, RBC Dominion Securities

Equities

Markets have been deeply oversold but could become more so. That said, it is worth putting this market retreat of the last nine months into perspective. From the pandemic low in March of 2020 to the market peak in early January of this year - a stretch of 21 months - the S&P 500 gained about 2,600 points or 118%. Over the past nine months it has given back not quite half of the points gained in that advance. Canada's TSX over the same period rose by a more subdued 99% (if one can call it that) but has given back just over a third of the points gained. Japanese, European, and U.K. markets all look to be variations on this theme.

So far, in the case of the North American markets, leaving aside the strident headlines, it looks very much like a strong bull market up-leg followed by a pretty normal period of correction and consolidation of those gains.

A sustained equity rally, one with the potential to reach or exceed the old highs would require a powerful catalyst from here. The only one conceivably strong enough in our view would be a decisive weakening of inflation on a broad front, putting an early 2023 end to Fed and Bank of Canada tightening back on the table and pushing bond yields lower in the process.

Such a development is not entirely wishful thinking: U.S. gasoline futures have fallen from \$4.50 per gallon back down to 2021 levels around \$2.30; some agricultural commodities including wheat and corn have come off the boil; shipping rates have retreated as have the cost of containers; as new car production builds used car prices have weakened and should fall further; air fares and hotel room rates have softened.

But the Fed and the Bank of Canada will need more than "softening." They will need to see unequivocal signs the inflation tide has turned. Such signs are unlikely to materialise before Q2 next year.

For the U.S. the probabilities of a broad-based economic contraction arriving in the coming months have risen sharply. Two of our most consistently reliable predictors of U.S. recession - the shape of the yield curve and the Conference board's Leading Economic Index - have each crossed their respective thresholds. Their histories suggest the U.S. economy will enter recession in the first half of next year. Some other useful indicators are heading in the same direction. The Canadian economy is likely headed for a similar outcome.

This is potentially not good news for equities. U.S. recessions have always been accompanied by equity bear markets, which typically get underway some months before the recession begins.

Fixed Income

Government bond yields moved higher on repriced Federal Reserve rate hike expectations. The 10-year Treasury yield approached 4.0% in Q3, but held just shy of that key level. Comparable Canadian yields peaked well short of that mark at 3.30% and failed to reach their June peak of 3.60%. Yield curves remain deeply inverted as markets price in further Fed rate hikes, lower long-term inflation expectations, and heightened recession risks, both in the U.S., globally and in Canada. The big question for investors is whether Q3 will finally mark the peak for U.S. sovereign yields after a relentless rise thus far in 2022. Our view is yes. We believe there is scope for the Fed and Bank of Canada to begin the process of slowing the pace of rate hikes at upcoming policy meetings.

Currencies

U.S. dollar: Moderate gains ahead

The U.S. dollar index (DXY) has rallied by about 15% since the start of 2022, driven by aggressive Federal Reserve (Fed) interest rates hikes and "safe-haven" flows from weaker equities. The outlook for the greenback in Q4 lies in the timing of peak Fed funds rate, which continues to shift higher due to stubborn U.S. inflation data. RBC Economics sees DXY peaking in early 2023, with yields stabilizing and ultimately pulling back.

Euro: Headwinds from reliance on energy

The EUR/USD breached parity despite the European Central Bank (ECB) hiking interest rates by 1.25% so far in 2022. The key driver for euro's weakness has been the surge in energy prices and Eurozone countries' reliance on energy imports. While there are proposed measures to address the region's energy crisis, the severity of winter will affect the euro's performance in Q4.

Canadian dollar: Further tightening required

The Bank of Canada (BoC) has taken the overnight rate to 3.25% in September, above the Bank's neutral 2-3% rate. The retreat in crude oil prices to \$80 per barrel and a generally weaker risk sentiment in equities have weighed on the loonie in Q3. We look at the USD/CAD pair to trade in the low 1.30s, with RBC Economics expecting the BoC to be as aggressive as the Fed in hiking interest rates, with both central banks' interest rate at 4% in Q4.

British pound: All-time lows against U.S. dollar

The GBP/USD crashed to a low near 1.0350 following the announcement of the biggest tax cuts in the UK since 1972. The sharp drop reflected a loss of fiscal credibility, with investors worried about Britain's already sizable debt burden. RBC Economics feels UK's gaping imbalances are set to get worse and see further weakness on the GBP/USD in the longer term. In the near term, however, they look at some consolidation in a wide range of around 1.04 - 1.11.

Asset Allocation

Equities - In our view equity markets have become so deeply oversold over the course of the last nine months that some near-term relief is probably not far off. However, more market turmoil could be expected next year if further Fed tightening were to push the U.S. economy into recession, as now seems likely. But some portion of any future economic weakness looks to have been priced in over the course of this year's decline. Taking a 12-to-18 month forward view, we regard an equity exposure of 'market-weight' as appropriate for a global balanced portfolio.

Fixed Income - We maintain our Market Weight in global fixed income, with a Market Weight allocation to corporate credit via investment-grade corporate bonds and select preferred shares, and Underweights to high-yield corporate and international bonds.

Statement of Terms

3845046915 - EQUITY CREDIT UNION INC. (Investment Account)

As at December 31, 2022

Legal Disclaimers

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General Disclaimers

- Generated on January 5, 2023
- This portfolio is composed of the following accounts, your discretionary accounts are bolded:
EQUITY CREDIT UNION INC. - 3845046915000
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- For position not held in CAD, all values were converted using the following exchange rates:
CAD converted to USD at CAD\$1 - USD\$0.73869
USD converted to CAD at USD\$1 - CAD\$1.35375

- Accrued income is included in market values except when accrued income is displayed in a separate column.
- Book Values are reported in account currency unless otherwise stated.

Section Specific Disclaimers

Portfolio Valuation

- Yield % indicates yield to maturity based on current market value for debt products. In general, CDN and US Bonds and Debentures indicate semi-annual yield. All other debt products indicate annual yield. Equity Products indicate current yield.
- Distribution information may not be available for certain mutual funds.
- Distributions may vary widely from year to year.

