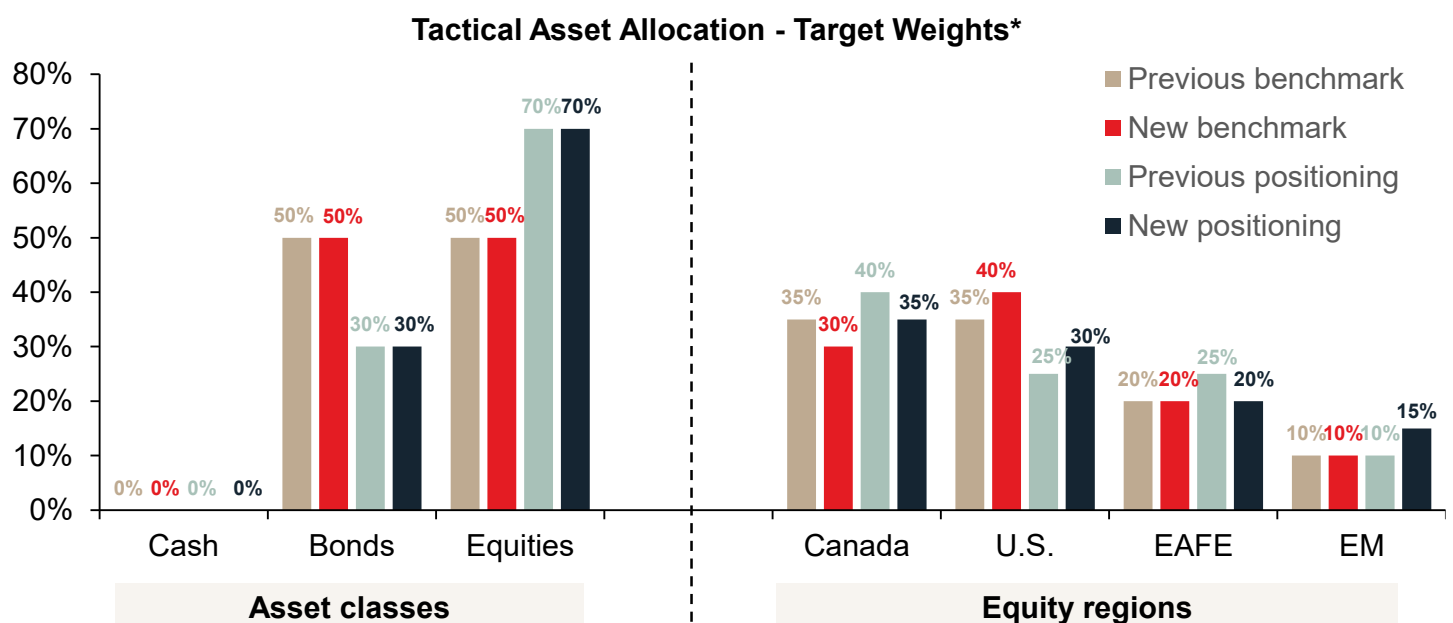


After a quarter characterized by significant gains in the stock market, we made a minor adjustment to our equity strategy by reducing to neutral our tactical allocation to the EAFE region in favour of an overweight position in Emerging Markets.

In recent months, EAFE's relative performance has rapidly lost momentum, hampered in part by slower earnings growth and political instability in France. Conversely, our momentum model indicates that a more favourable trend for Emerging Markets appears to be holding. Furthermore, a weak U.S. dollar, more accommodative central banks, and relatively broad-based global growth typically bode well for EM leadership.

For more details on the strategy, be sure to check out our next monthly report, which will be released on Thursday, October 2nd.

In addition, a review of the benchmark for investment solutions under the National Bank Investments umbrella has resulted in adjustments to the Canadian and U.S. equity allocations, which were implemented today (see the next page for more details).



* These target weights are based on the Tactical Asset Portfolio (TAA), an overlay strategy. As such, the ultimate deviations within an overall portfolio are only a fraction (e.g., 1/10) of the TAA deviations. To obtain the TAA weights within equity regions, apply the equity weight to the weights of each equity index (e.g., 20% * 45% = 9% for Canada).

Changes to the equity benchmark

Within equities, the benchmark geographic exposure has been adjusted from 35% to 30% for Canadian equities, and from 35% to 40% for U.S. equities. The benchmark weights for the EAFE region (20%) and Emerging Markets (10%) remain unchanged. Three main factors are driving this adjustment.

First, better alignment with industry standards. While our Canadian equity benchmark threshold remains higher than the average of our peers, we are reducing this gap, which represented a significant source of relative risk.

Second, a reflection of the changes in the stock market universe over the past 15 years. In 2010, U.S. equities accounted for nearly 40% of the world's large-cap equity universe; today, they account for nearly 65%. Although we believe that such a weighting would entail too much concentration risk, this significant trend nevertheless called for an upward revision of the benchmark weight of U.S. equities within our investment solutions.

Finally, a reduction in home bias. Determining the benchmark allocation to the domestic stock market is a delicate exercise, as it is necessary to consider its weight within the global equity universe—which is only 3% for Canada—but also its specific properties and the currency risk implicit in foreign equities. Overall, our analysis suggests that a 30% allocation to Canadian equities is more optimal from a portfolio construction perspective.

More details will be presented in a Strategic Report, to be released in October.

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