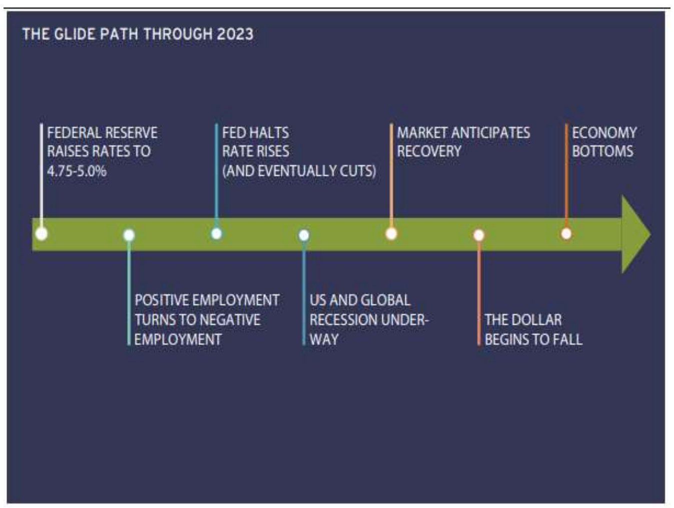
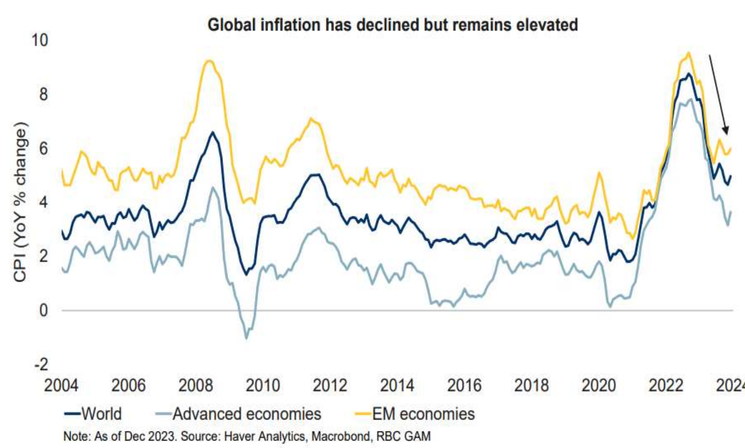
Greetings Northlake Wealth Management investors!

We received a lot of positive feedback from you this month as many of you were pleasantly surprised by your year-end performance figures. During 2023 we observed high inflation, a weaker labour market, dysfunction in Washington, higher interest rates, recessionary concerns, and three geopolitical conflicts – all running simultaneously. Who would have thought the stock and bond markets would have posted such strong results with that economic backdrop? Another great lesson for those attempting to *time* the market.

While a recession has been avoided thus far, we expect the economy to slow in the first half of 2024 but improve as rates decrease in the second half. We believe the worst is now behind us as it relates to high interest rates and inflation. The glide path of this perceived "soft-landing" has been slow, but helpful from a positioning and allocation standpoint.

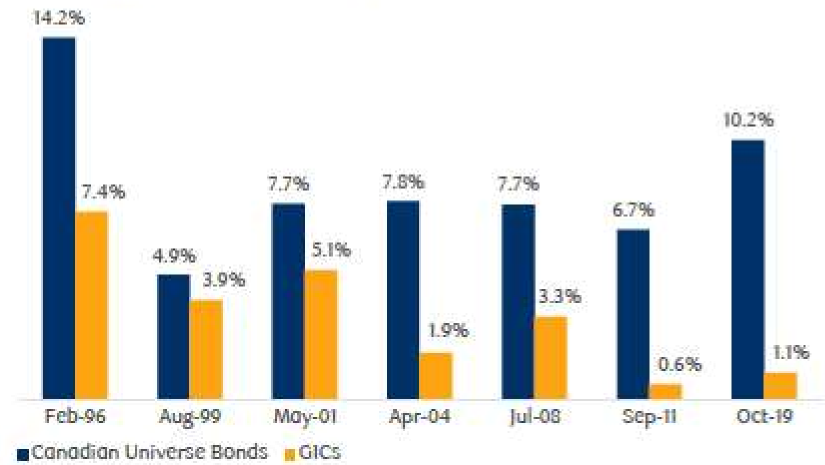


Source: CGWI Office of the Chief Investment Strategist, as of October 11, 2022. All forecasts are expressions of opinion, are subject to change without notice, and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index.

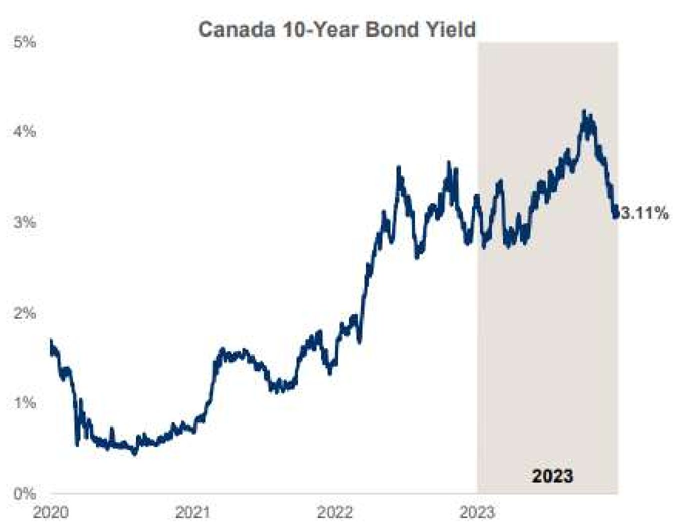


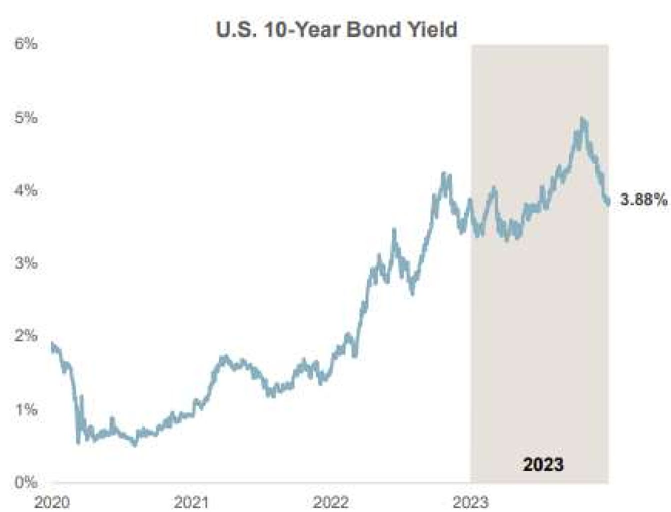
Equity valuations are now higher, which unfortunately, makes entry points trickier. Opportunities outside the U.S. remain interesting to us, specifically in Canada and Europe. Apart from the "Magnificent 7", there are pockets inside the U.S. market that are not overvalued. We continue to hedge the mild recession narrative with a deeper recession narrative, by owning both growth and value -- albeit with a tilt towards value. Bond yields have risen for over 24+ months now, making fixed income attractive from a risk/reward perspective. We will be more selective in the equities we own this year as bonds are a compelling alternative, with less risk. We are bullish on the fixed income funds we own, due to their attractive coupons and potential for capital appreciation should interest rates fall later this year. It's also interesting to note that bonds tend to perform well following a peak in interest rates.

Exhibit 1: One-year returns show bonds outperform following the last hike by Bank of Canada



Note: Dates represent one year after peak Bank of Canada rate. "Canadian Universe Bonds" : FTSE Canada Universe Bond Index. "GICs" : the rate for a 1-year GIC when the Bank of Canada reaches peak rates. The graph does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results. An investment cannot be made directly into an index. Source: Morningstar Direct, Bank of Canada.





Source: Bloomberg, as of December 31, 2023.

RBC Global Asset Management

We acknowledge all the uncertainty as higher interest rates continue to feed through the broad economies. Our base case is for some type of recession and economic downturn. As such, in the short term, we see fixed income adequately compensating investors relative to equities. We continue to expect stocks to outperform bonds over the long-run and will adjust should a positive pathway be evident.

Below are some of our key considerations and risks we will be watching throughout the year. Essentially these themes will help us determine the appropriate amount of risk in portfolios at any given time.

1. Corporate outlook/guidance
    - Paying close attention to CEO sentiment and earnings guidance, provides insights into near-term outlook for a company, especially during an economic slowdown.
    - Continue to focus on companies with low leverage and consistent dividend growth.
    - Assess companies' strategy should their margins compress. Will they pass input costs on to the consumer or trim their labour costs?

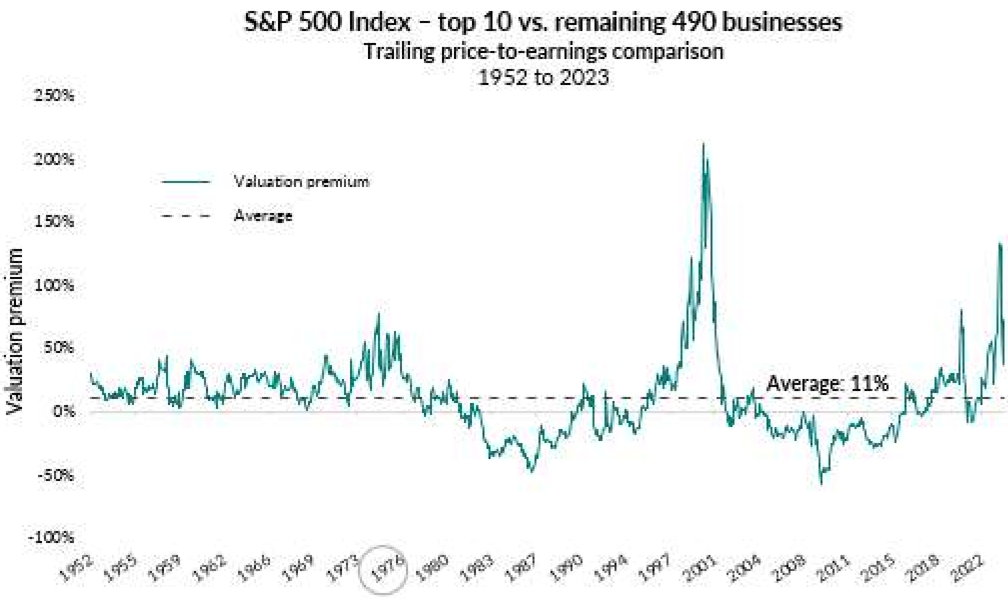
2. Innovation (Cloud/cyber security/artificial intelligence)
    - Huge growth opportunities expected over the next decade. No clear sightlines into outright winners, currently being dominated by U.S. mega-cap companies.
    - Opportunities in the next growth phase within this industry could be in smaller/tertiary businesses.
    - Generally, we like these sectors. However, recent crowding has resulted in a large valuation discrepancy leading to better alternatives with more margin for error.

3. Interest rates
    - Possibility that central banks cuts rates and 5-year and 10-year yields does not fall.
    - Rates are cut too much, or too soon, and inflation flares up again forcing central banks to raise rates.
    - Interest rates remain at current levels for extended period of time. Investors forced to accept negative real returns.

4. Politics & Geopolitics
    - Rising tension in the Middle East historically leads to jumps in oil prices.
    - War in Ukraine and Palestine could put further pressure on commodities.
    - Heightened volatility during election year as uncertainty increases. We believe the volatility could provide great entry points.
    - Political spending programs already in place favour infrastructure, construction, transportation, defense, microchip manufacturing and materials.

VALUATIONS AT ELEVATED LEVELS

S&P 500 TOP 10 VS. REMAINING 490 BUSINESSES



Source: Empirical Research. As at October 31, 2023. All figures in US$. The valuation premium is the ratio of trailing price-to-earnings ratios of the top 10 companies by market capitalization in the S&P 500 Index versus the remaining companies in the index. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks. The index is not investible.

The beginning of the year is always a busy time with TFSA and RRSP contributions. From an investment solutions standpoint, we are actively working on a ***new*** dividend portfolio that is currently being back-tested by our research group. We expect to launch this model in late March, so please let us know if you are interested in hearing more about this strategy.

We will reiterate that investing is a marathon not a sprint. Seek to sustain the best rate of return for the longest period of time possible. We believe that our advice, insights, research, and breadth of experience will serve you well in 2024 and help you reach your goals sooner. We are grateful for your continued trust and support and will work hard each day to keep it. Please call the office should you have any questions or concerns.

Best regards,

Northlake Wealth Management

Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the fund facts and prospectus, which contain detailed investment information, before investing. Mutual funds are not guaranteed or insured, their values change frequently, and past performance may not be repeated.

Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index.

Northlake Wealth Management is part of TD Wealth Private Investment Advice, a division of TD Waterhouse Canada Inc. which is a subsidiary of The Toronto-Dominion Bank.