ivari Portfolio Commentary

First Quarter – 2022

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Market performance

Equity markets initially rallied to new highs in January but then declined as central banks changed their tone on interest rates and inflation. Markets are now pricing for nine rate hikes. If fulfilled, this would be one of the sharpest rate hike cycles in recent memory. Rate hikes, unfortunately, were not the only concern. Investor confidence sank as Russia invaded Ukraine. This put further pressure on commodity supply as both nations are major exporters of oil, natural gas, aluminum, wheat and nickel. Equities managed to rebound in March as Russia and Ukraine began negotiating. Bond yields continued to rise as inflation and rate expectations got aggressively repriced. Overall, equities outperformed bonds during the quarter even though both had negative returns. The S&P/TSX Composite Index outperformed due to a larger energy weight compared to global counterparts amid higher commodity prices.

Benchmark returns in % at March 31, 2022	1 year	3 years	5 years	10 years
S&P/TSX Composite Index	20.19%	14.13%	10.35%	9.08%
S&P 500 Index (C$)	15.04%	16.30%	14.58%	17.26%
MSCI World Index (C$)	9.55%	12.44%	11.05%	13.42%
FTSE Canada Universe Bond Index	-4.52%	0.45%	1.58%	2.55%

Source: Bloomberg Finance L.P., FTSE

Portfolio performance

Fixed income and equity markets fell during the first quarter as strong growth and stubborn inflation resulted in central banks ramping up their hawkish rhetoric. The Fed in particular signaled for markets to expect a fast-tightening cycle this year. Additionally, Russia's invasion of Ukraine put more pressure on commodity prices, further constraining energy and foodstuff supplies.

The ivari Balanced Portfolio fell 4.5% in Q1, slightly underperforming its composite benchmark. Asset allocation was generally favourable as an overweight position in Canadian equities, which was one of the bright spots for equities, actually rose while other bourses decreased. Also, our duration positioning within fixed income was less than the benchmark and as interest rates jumped these portfolios lost less value. Canadian equity strategies underperformed their benchmarks owing to an underweight to energy and off benchmark exposure to US equities which underperformed during the period.

Segregated fund net total returns in % at March 31, 2022	1 year	3 years	5 years	10 years	MER[1]	Since Inception Standard Deviation[2]
ivari CI Conservative Portfolio GIP	-1.84%	2.22%	1.85%	3.74%	3.37%	**5.5%**
ivari CI Canadian Balanced Portfolio GIP	0.19%	3.21%	2.41%	3.78%	3.68%	**6.1%**
ivari CI Balanced Portfolio GIP	0.08%	3.98%	3.14%	5.09%	3.40%	**7.0%**
ivari CI Growth Portfolio GIP	1.84%	5.57%	4.16%	6.26%	3.41%	**8.5%**
ivari CI Maximum Growth Portfolio GIP	3.63%	7.23%	5.02%	6.99%	3.71%	**10.3%**

Inception date: September 1, 2012; [1]MER: Management expense ratio.

[2]Standard deviation: A measure of risk in terms of the volatility of returns. It represents the historical level of volatility in returns over set periods. A lower standard deviation means the returns have historically been less volatile and vice-versa. Historical volatility may not be indicative of future volatility. Standard Deviation calculated on Series Institutional Class. Source: Bloomberg Finance L.P., FTSE Source: CI GAM | Multi-Asset Management, Bloomberg Finance L.P. and FTSE as at March 31, 2022.

MER: annual audited financial statements as of December 31, 2020 (imaxx GIF 75/100 Class).

Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value. Past results should not be construed as indicative of future performance. Actual fund performance is expected to vary.

ivari CI Portfolios are available as Guaranteed Investment Portfolios within select ivari segregated funds contracts and as Managed Portfolio Index Interest Options within select ivari Universal Life Products. Segregated Fund Net Returns are for the imaxx Guaranteed Investment Funds product (imaxxGIF-75/100). Returns are after the management expense ratio (MER) has been deducted. The MER includes the management fee, the insurance cost for segregated fund guarantees, operating expenses and the applicable taxes of the fund. Policyholders do not pay for these expenses directly. The MER reduces the return of the investment. The Manager, at its discretion, may waive or absorb a portion of the operating expenses otherwise payable by a Fund class. These waivers may be terminated at any time by the Manager. MER and MER before waiver can be found in the ivari Segregated Fund Financial Statement under the section "Financial Highlights." For details please refer to the Information Folder and contract, and to www.ivari.ca for the returns on other products

Outlook and positioning

Even though the Fed funds rate and Bank of Canada overnight rate only increased 25bps in Q1, long term bond yields and borrowing costs have increased dramatically to reflect future expectations. Take 5-year government of Canada bonds for example. The yield has risen 112 bps this year (from 1.29% to 2.41%). This is an important benchmark as it is widely used to set loan costs including 5-year mortgages.

Higher interest rates will no doubt cool inflation, economic growth and corporate earnings. The question is by how much? The good news is even though rates have increased, real interest rates after considering inflation remain negative. This means monetary policy is still accommodating, and that is unlikely to change in the near term. Historically, economies rarely head into a recession with negative real interest rates. However, we believe investors will trim their equity exposure as its relative value versus bonds has decreased. They may also reallocate to sectors more resilient to higher costs and potentially lower demand. We like the energy sector, and in particular Canadian energy companies, as the world seeks new oil suppliers to replace Russia.

We expect portfolios to be positioned closer to neutral, hence cutting our equity overweight and adding bonds to close our bond underweight. The previous positioning has ran its course as the investment landscape is changing with central banks starting to hike interest rates. This hike cycle will likely be aggressive but short, and finish at 2.5% to 3% for the Fed funds rate and Bank of Canada overnight rate in the first half of 2023. While inflation remains very high driven by domestic factors (wage growth, capacity) and external factors (global commodity prices), it should cool next year as commodity prices stabilize. 2022 is a consolidation year with higher volatility, but with rising opportunities as investments are being repriced based on short term outlook and not long-term fundamentals.

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