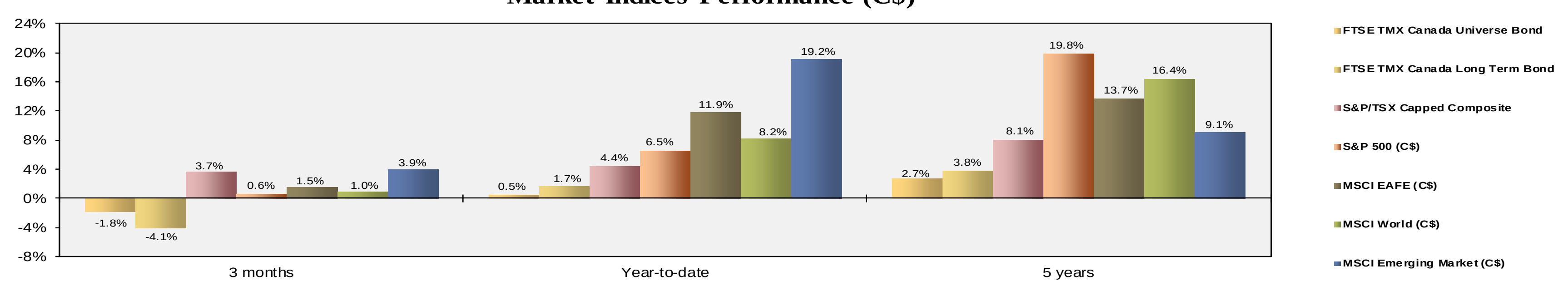
COMMENTARY AS AT SEPTEMBER 30, 2017

SSQ Groupe financier
Les valeurs à la bonne place



Synchronized global economic cycle

Stock markets continued to perform well in the third quarter. Growth was maintained in all the main global stock markets, including in Canada, where the main index (S&P/TSX Capped Composite) finished with a gain of 3.7%. The loonie's strong performance continued to weigh on most foreign stock index returns (in Canadian dollars), particularly the S&P 500, which posted a return of 4.5% in US dollars but only 0.6% when converted into Canadian dollars.

Driven by increasingly synchronized global economic growth, stock indexes continued their strong performance worldwide, building on their second-quarter momentum. The favourable cyclical context in which we find ourselves had a greater impact on the market than did geopolitical tensions in North Korea, where the situation with the US remains unstable. For that reason, investors continued to focus on companies in the cyclical sectors and moved away from the more defensive ones. That accounts for the Energy sector's fine performance in all markets, while Consumer Staples and Health Care had a more difficult time this quarter. The third quarter was also marked by upswings in the prices of crude oil and precious metals, which positively affected their respective sectors worldwide, which in turn accounts for the S&P/TSX's return.

Although we are in a period of strong economic growth, global inflation remains curiously low. That did not stop the Bank of Canada from hiking its key rate twice during the quarter. Subsequently, Canadian government bond rates (10 years and less) rose, as did the Canadian dollar. South of the border, the US economy also continued to grow, as the Dow Jones and the S&P 500 both hit record highs. The Fed is expected to raise its rates for the third time by the end of the year.

Meanwhile, the European Central Bank may well be more prudent when it comes to raising its key rate as inflation and economic growth remain low.

In the Canadian bond market, interest rates were up, which explains the negative quarterly return (-1.8%) of the FTSE TMX Canada Universe index. During the third quarter, gold (spot price) rose by 3.29% to finish at US$1,283.10 an ounce. Meanwhile, a barrel of Brent crude rose by 20.08% to finish the quarter at US$57.54. West Texas Intermediate (WTI) and Western Canada Select (WCS) were up 12.23% and 11.53% to finish the quarter at US$51.67 and US$40.42 respectively.

As regards to employment, the US economy created 274,000 jobs during the quarter and nearly 1.9 million over the past 12 months. The quarterly figures were also affected by the series of hurricanes that battered the US in recent weeks. North of the border, 43,000 jobs were added during the quarter and 146,000 over the past six months. Unemployment dropped from 4.4% to 4.2% in the US and from 6.5% to 6.2% in Canada.

In the US residential real estate market, the most recent data from the S&P CoreLogic Case-Shiller index (July 2017) show an increase of +5.81% over the past 12 months, while the Teranet-National Bank house price index, which focuses on Canadian residential real estate, showed a variation of +14.17% for the same period.

	Canada	United States
GDP Growth (y/y)	3.8%	2.2%
Inflation (y/y growth)	1.4%	2.2%
Core Inflation (y/y)*	1.5%	1.7%
Job Creation (QTD)	43,100	274,000
Job Creation (y/y growth)	319,700	1,883,000
Unemployment Rate	6.2%	4.2%

Core inflation, excluding food and energy

Most recent data as of August 31st, 2017

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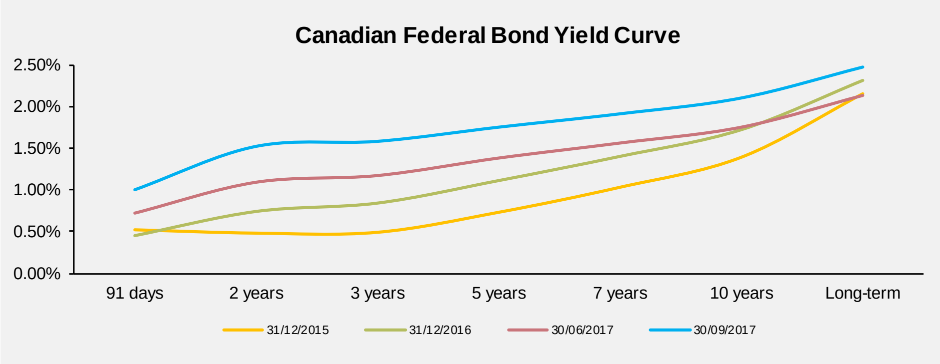
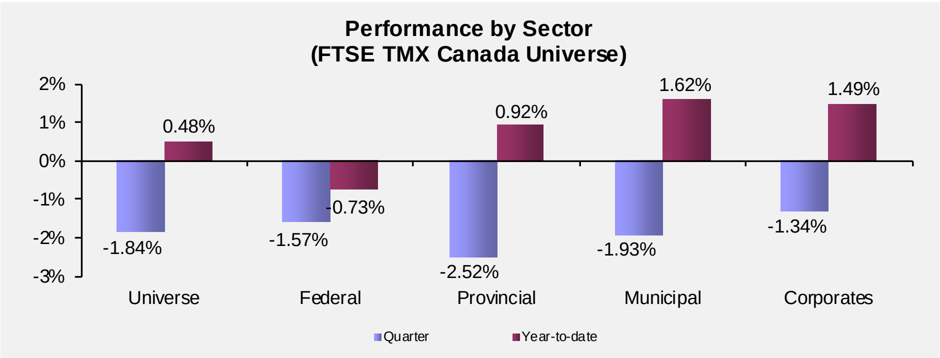
Canadian bond market

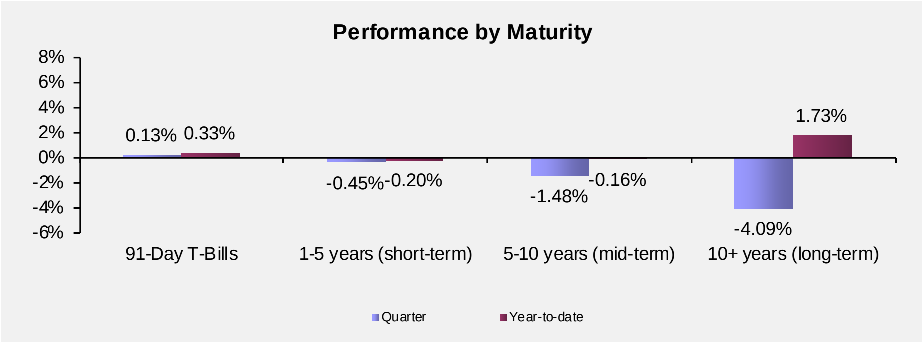
In the third quarter of 2017, yields to maturity for Canada bonds were up on the entire curve due to monetary policy tightening and the improved economic outlook. The rate curve remained relatively flat for all maturities.



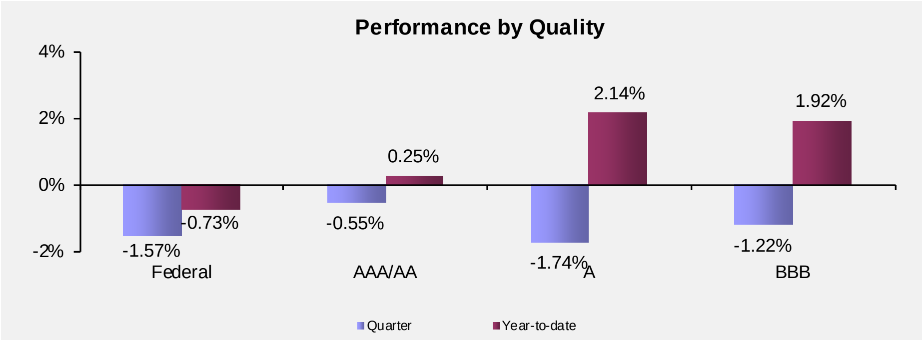
During the period, the FTSE TMX Canada Universe index posted a negative return of -1.84% due to the interest rate increase. Credit spreads in all sectors were slightly compressed during the quarter. The sectors least affected by higher interest rates were corporate and federal bonds, while the worst performers were provincial bonds, which have a longer duration.



The 91-Day T-Bills showed the best returns this quarter with gains of 0.13% which were due to their shorter duration versus their peers. The worst quarterly performer was long-term bonds, with a negative return of -4.09%. Federal bonds (2 years, 10 years and 30 years) closed the quarter with yields to maturity of 1.52%, 2.10% and 2.47% respectively, while 91-day Treasury Bills posted a yield of 1%.



Bonds in all credit rating categories were affected by the increased interest rates. High-quality bonds (AAA/AA) outperformed A and BBB bonds, primarily due to their shorter duration in a context of higher rates.



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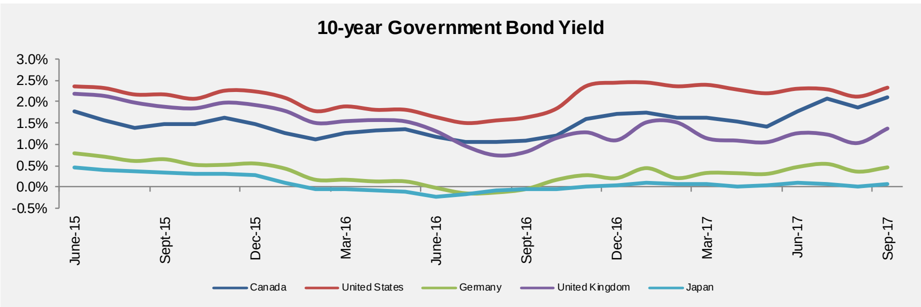
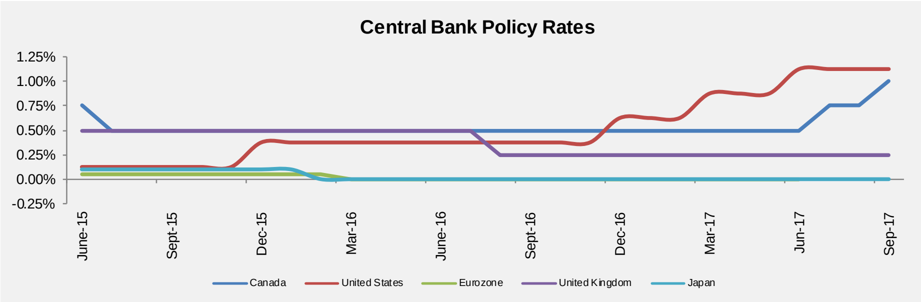
Global bond markets

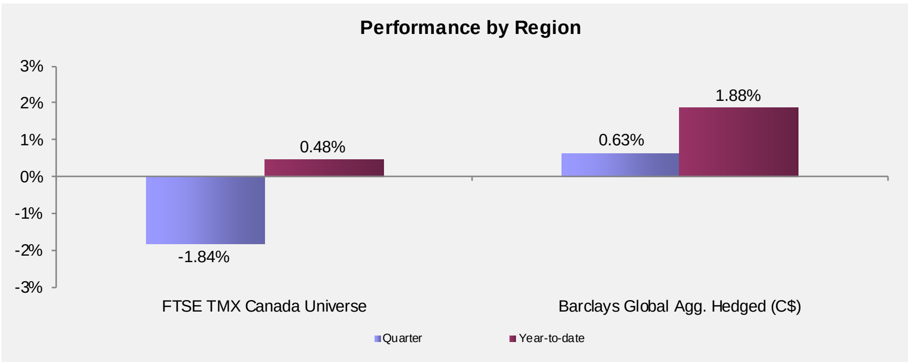
During the quarter, the yield to maturity of 10-year government bonds fluctuated slightly and finally closed the period up in Canada, the US and the UK. The synchronized trend of various central banks in tightening their monetary policies continued to be the main reason underlying this increase.



The Bank of Canada raised its key rate twice, hitting 1.00% at the end of the third quarter. Additional rate increases are expected in the next few quarters. South of the border, the US Federal Reserve is likely to raise rates for the third and final time by the end of the year, although Fed chair Janet Yellen was cautious in her remarks. In contrast, the other central banks stuck with the status quo during the quarter.



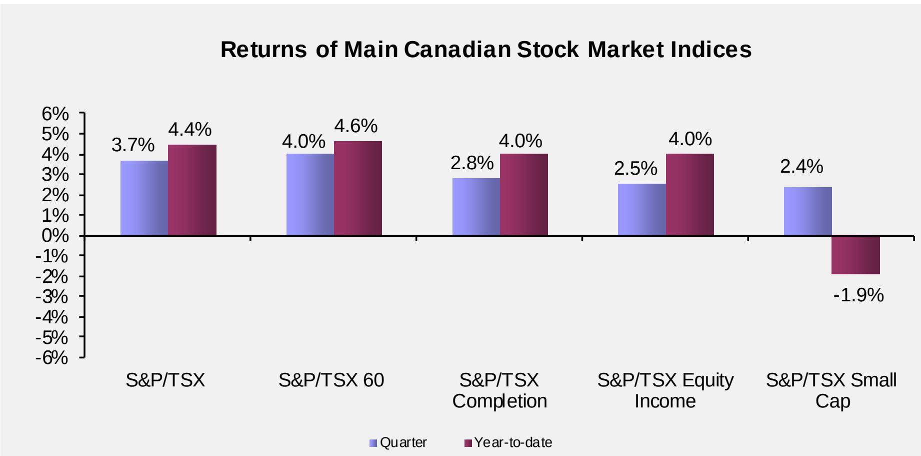
Canadian bonds, as measured by the index FTSE TMX Canada Universe, posted a negative return of -1.84%, as opposed to 0.63% for global bonds (Barclays Global Aggregate index, currency hedged (C$)). Higher interest rates in Canada were responsible for the Canadian bonds' sub-par performance.



Canadian stock market

The Canadian stock market, as measured by the S&P/TSX, closed the quarter with a return of 3.7%. This was primarily due to excellent showings by Energy and Financials, which are the two largest sectors of the index. Energy benefited from higher oil prices, following a cut in output by OPEC, while Financials benefited from higher interest rates.

All the main Canadian indexes posted positive returns in the third quarter, ranging from 2.5% to 4.0%. Large caps were the best performers in Canada, particularly the S&P/TSX 60 (4.0%). The Canadian small cap index finished the quarter with a return of 2.4%, also helped by the Energy sector's strong performance.



S&P/TSX Sector	Weight (%)	Returns		
		Quarter	Year-to-date	3 years
Energy	20.4	6.60%	-7.61%	-6.24%
Materials	11.5	3.25%	2.52%	2.05%
Industrials	9.5	2.67%	14.71%	7.59%
Consumer Discretionary	5.4	4.67%	17.39%	13.28%
Consumer Staples	3.6	-2.73%	1.50%	13.86%
Health Care	0.6	-10.27%	-8.51%	-43.87%
Financials	34.4	4.51%	7.17%	10.35%
Real Estate	2.8	-1.00%	4.91%	s.o.
Information Technology	3.3	3.24%	12.94%	16.77%
Telecommunications Services	4.8	2.34%	10.09%	13.45%
Utilities	3.8	-1.94%	7.94%	8.83%

During the quarter, seven out of the eleven S&P/TSX sectors had positive returns. Energy was the best performer with a return of 6.60%, with the biggest contributor being Suncor Energy (16.4%). The second best performer was Consumer Discretionary (4.67%), helped along by Magna International (11.5%).

After a good second quarter, Health Care, which accounts for only 0.6% of the S&P/TSX, slipped into last place (-10.27%), with Valeant being the biggest detractor as the company's stock price fell by 20% during the third quarter. Even though the company is making progress on trimming down its debt, its overall debt level remains very high and the divestment under way is forcing it to reduce its forecasts. Consumer Staples finished the quarter in 10th place (-2.73%) due to investors' interest in cyclical sectors rather than more defensive sectors such as Consumer Staples. Alimentation Couche-Tard (-8.2%) was the sector's worst detractor.

Financials, the index's biggest sector, closed the quarter in third place with a return of 4.51%. This was primarily due to higher interest rates and Canada's robust economy. The biggest contributors to sector performance were TD Bank (8.5%) and Royal Bank (3.5%). The best performer was Canadian Western Bank (24.1%), which gained market shares in Ontario and BC as it took advantage of the problems Home Capital Group is facing.

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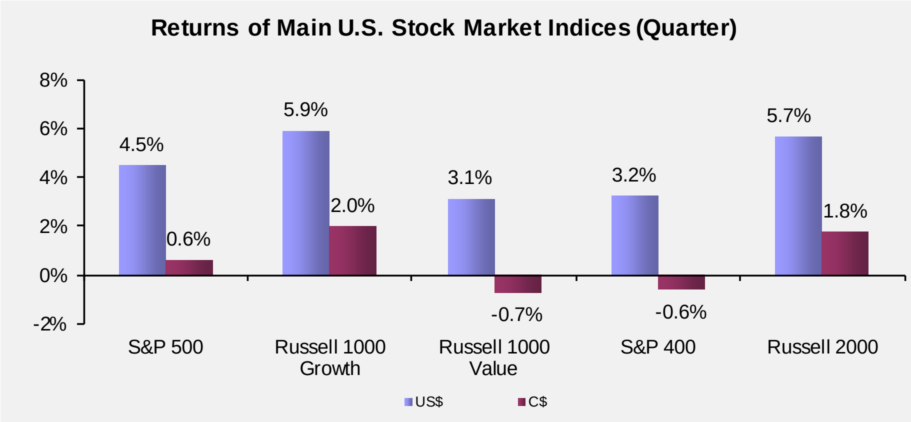
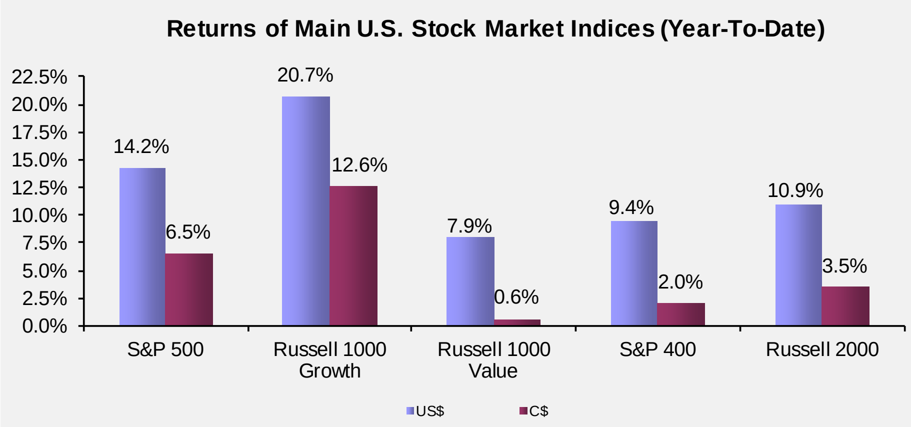
US stock market

During the quarter, the S&P 500 posted a return of 4.5% in US dollars. Once again, however, the loonie's appreciation against the US dollar had a negative impact for Canadian investors, which accounts for the Canadian-dollar return of only 0.6%.

Growth-style stocks were once again popular this quarter in comparison to value-style. The Russell 1000 Growth index generated a return of 5.9%, outperforming the Russell 1000 Value index, which posted a return of 3.1%. As regards market capitalization, small caps (Russell 2000) closed ahead of larger caps, which are represented by the S&P 400 (mid-cap) and the S&P 500 (large cap).





S&P 500 Sector	Weight (%)	Returns (in US$)		
		Quarter	Year-to-date	3 years
Energy	6.1	6.84%	-6.63%	-5.73%
Materials	3.0	6.05%	15.82%	6.73%
Industrials	10.2	4.22%	14.13%	12.18%
Consumer Discretionary	11.8	0.84%	11.93%	12.43%
Consumer Staples	8.2	-1.35%	6.57%	8.99%
Health Care	14.5	3.65%	20.31%	10.38%
Financials	14.6	5.24%	12.48%	13.41%
Real Estate	3.0	0.93%	7.39%	s.o.
Information Technology	23.2	8.65%	27.36%	17.36%
Telecommunications Services	2.2	6.78%	-4.69%	5.26%
Utilities	3.1	2.87%	11.87%	11.90%

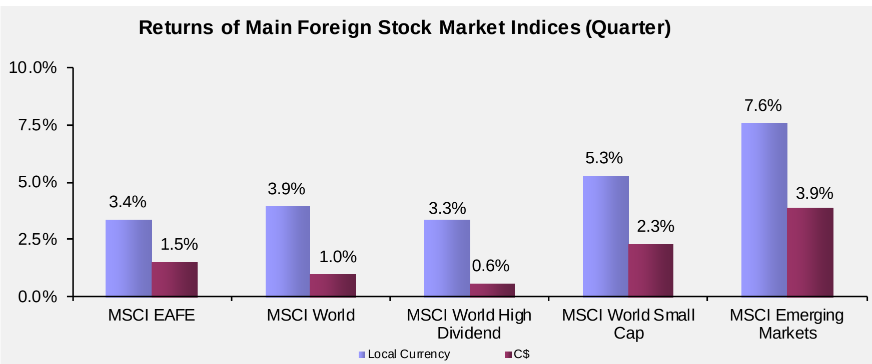
All but one of the eleven US stock market sectors generated positive return in US dollars. In first place was Information Technology with a return of 8.65%, with the main contributor being Facebook (9%). Energy came in second with a return of 6.84%, benefiting in particular from oil companies' excellent returns, as it did in the Canadian market. The biggest contributors were Chevron and Baker Hughes.

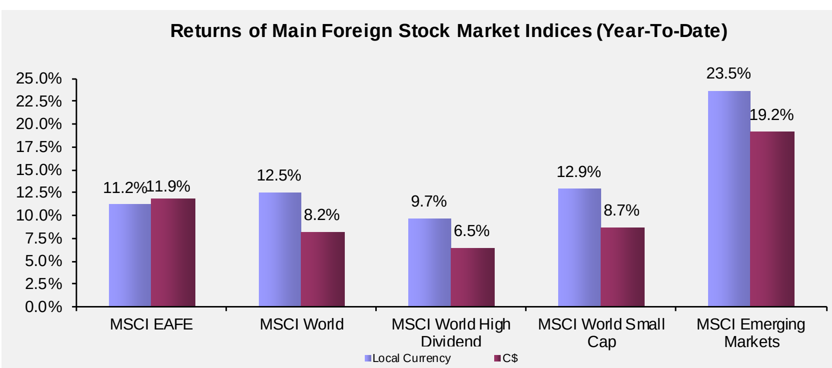
On the negative side of the ledger, the two worst performers were Consumer Staples and Consumer Discretionary, although the latter did post a positive return. In the Consumer Staples sector, the biggest detractor was Altria, with a negative return of -17.1% due to lower-than-expected second-quarter results. In the Consumer Discretionary sector, companies having a difficult time included Amazon (-4.4%), which fell back after several positive quarters in a row, and Walt Disney (-10%), whose results did not meet expectations.

Foreign stock markets

During the third quarter, all the main foreign stock indexes posted positive returns in local currencies, as well as in Canadian dollars. These indexes continued to benefit from reduced political risks in the euro zone following the election of French president Emmanuel Macron and the re-election of Germany's Angela Merkel. The situation in Spain will need to be monitored, although optimism with respect to global growth means that Europe is still an attractive market under the current circumstances.

Of the indexes listed below, MSCI Emerging Markets turned in the best quarterly performance in local currencies, as it did at the beginning of the year, with a return of 7.6%. Attractive valuations and corporate earnings growth continue to draw investors to the emerging countries. The other indexes also posted positive returns, ranging from 3.3% to 5.3% in local currencies.





MSCI EAFE	Weight	Returns (in local currency)		
Region	(%)	Quarter	Year-to-date	3 years
United Kingdom	17.8%	1.82%	6.54%	7.32%
Europe ex-UK	47.5%	4.07%	13.67%	8.05%
Japan	23.0%	4.16%	10.30%	8.68%
Pacific ex-Japan	11.7%	2.16%	11.52%	7.22%

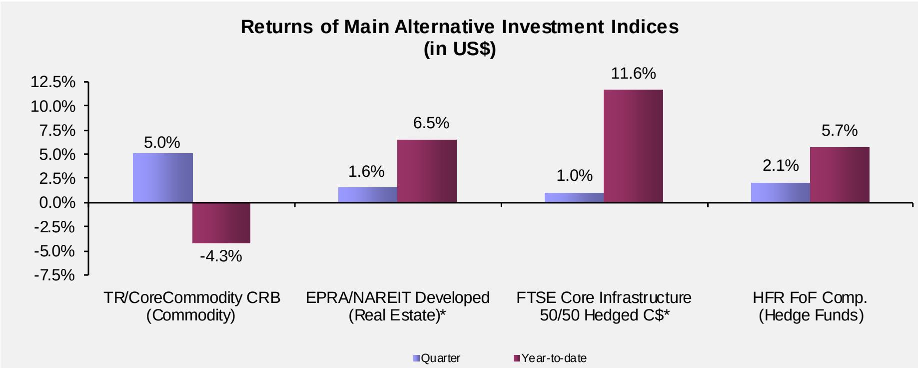
In local currencies, 19 of the 21 MSCI EAFE countries posted positive returns during the quarter, with the best performers being Norway and Italy, while Finland and Israel were the worst.

MSCI EAFE	Weight	Returns (in local currency)		
Sector	(%)	Quarter	Year-to-date	3 years
Energy	5.1	9.86%	1.00%	1.97%
Materials	7.9	8.51%	13.54%	9.34%
Industrials	14.4	4.39%	15.11%	11.05%
Consumer Discretionary	12.2	5.57%	10.05%	9.58%
Consumer Staples	11.2	-1.18%	9.38%	10.57%
Health Care	10.6	-0.79%	8.65%	3.96%
Financials	21.5	2.96%	11.79%	7.55%
Real Estate	3.5	1.97%	8.78%	s.o.
Information Technology	6.3	6.90%	24.00%	15.16%
Telecommunications Services	4.1	-0.31%	3.81%	5.53%
Utilities	3.3	1.79%	11.19%	4.05%

Eight of the eleven MSCI EAFE sectors turned in positive performances in local currencies. The best performer was Energy, driven by Royal Dutch Shell, which had an excellent quarter after selling off some of its liquefied petroleum gas operations (it eventually wants to get out of this sector altogether). Next up was Materials, helped by Swiss-based Glencore (+19.4%).

Consumer Staples was the worst performing sector, with the biggest detractor being Nestle (-7.4%), which underwent a correction in the wake of its excellent returns earlier this year. In next-to-last place was Health Care, dragged down by Teva Pharmaceutical (-48.7%), whose stock price tumbled following the company's second-quarter results and an announcement that it would be slashing its dividend by 75%.

Alternative investments and currencies

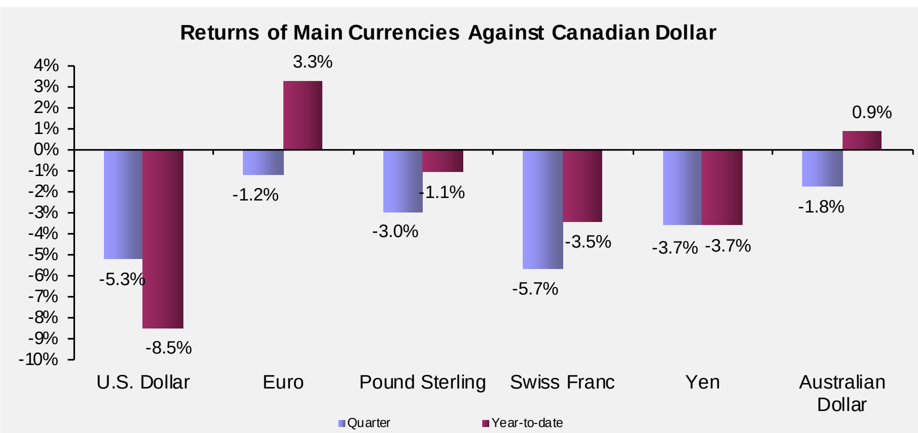


Returns in C$**				
Quarter	5.0%	-2.1%	1.0%	-1.3%
YTD	-4.3%	-0.7%	11.6%	-0.7%

* FTSE in local currency hedged to C$, others in US$.

** Return of FTSE in local currency hedged to C$, TR/CoreCommodity CRB in US$ and the other two in C$.

In the third quarter, commodities came in first place among the alternative investment indexes, with a gain of 5.0% (hedged against the US$). After coming in first place in the second quarter, infrastructure had the worst quarterly return (1.0% in C$). The global real estate index posted a quarterly performance of 1.6% in US$.



During the quarter, the Canadian dollar gained against all other major currencies. Since the beginning of the year, it has appreciated in relation to all currencies except the euro and the Australian dollar. The US dollar had another difficult quarter, losing value in relation to the main currencies. The euro rose by more than 3% against the US dollar.

Commodity TR/CoreCommodity CRB	Weight (%)	Returns (in US$)	
		Quarter	Year-to-date
Energy	40.4	10.9%	-11.9%
Agriculture	40.5	-1.8%	-7.5%
Base Metals	6.7	8.6%	17.3%
Precious Metals	12.5	2.4%	9.0%

The TR/CoreCommodity CRB index rebounded with an excellent quarterly performance. The best sector was Energy with a return of 10.9%, while Agriculture was the worst (-1.8%).