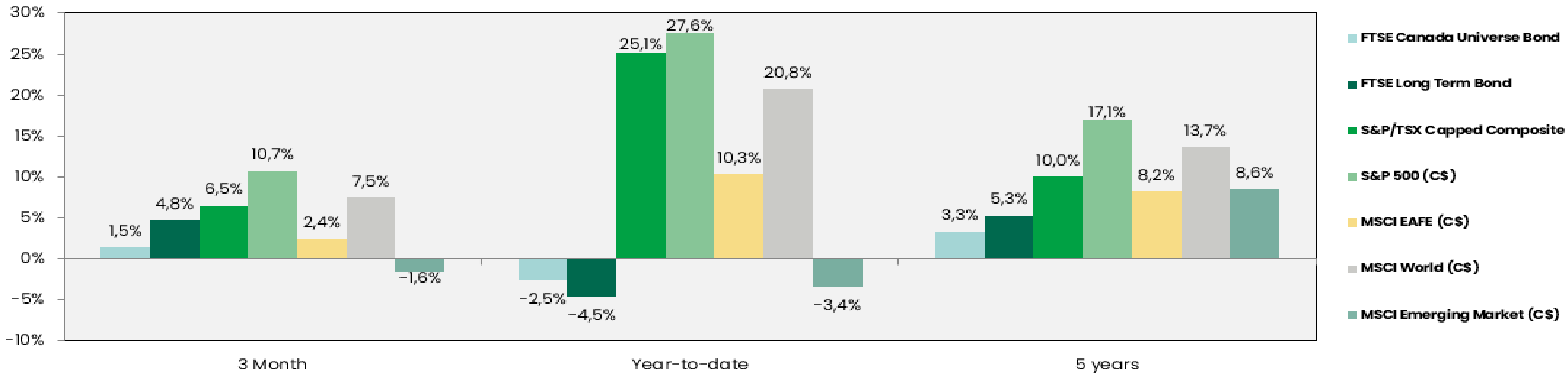
Commentary as at December 31, 2021

Market Indices Performance (C$)



Robust year-end despite inflationary fears

Stock markets continued to perform well in the fourth quarter of 2021 as growth was maintained in all the main global stock markets, including in Canada, where the principal index (S&P/TSX Capped) finished up 6.5%. The US market also fared well this year and especially this quarter. In 2021, the S&P 500 index posted an annual return of 27.6% in Canadian dollars, thanks primarily to economic resilience and corporate earnings.

The emergence of the highly contagious Omicron variant led to higher stock market volatility in late November, although the markets quickly recovered as data from South Africa and the UK pointed to a lower risk of serious illness. The solid corporate performance and prospects of new potential earnings growth in 2022 outweighed the risk factors during the final quarter of 2021.

US stocks were up in the fourth quarter; the data continues to indicate that the overall economy will remain stable and that corporate earnings are solid. IT was one of the top-performing sectors during the quarter, with electronic chip manufacturers being particularly strong. Real Estate also turned in an impressive performance as investors expect e-commerce to continue to grow while sparking demand for industrial storage.

In Europe, the markets made modest gains with a focus on solid corporate earnings and economic resilience offsetting worries fueled by the new omicron variant. The quarter was marked by gas price volatility, which helped to drive up inflation. The annual inflation rate in the euro zone hit 4.9% in November, up from -0.3% one year ago. The European Central Bank stated that it would cut back on its bond purchases but ruled out an interest rate increase in 2022.

In the Canadian bond market, short and medium-term yields were up, although long-term yields were down. This accounted in part for the FTSE TMX Canada Universe index's positive quarterly return (1.47%).

During the quarter, gold (spot price) closed the quarter up 3.6% to US$1,806 an ounce. Meanwhile, a barrel of Brent crude dipped by 0.7% to finish the quarter at US$77.78. WTI (West Texas Intermediate) and WCS (Western Canada Select) were up 0.2% and 0.8%, finishing the quarter at US$75.21 and US$63.06 respectively.

In employment news, the US economy added 1.1 million jobs during the quarter and 6.5 million over the past 12 months. North of the border, there was a gain of 239,600 jobs during the quarter, with some 886,300 added over the past 12 months. The unemployment rate in Canada dropped to 5.9% and in the US to 3.9%.

In the US residential real estate market, the most recent data for the S&P CoreLogic Case-Shiller index (July 2021) shows a 12-month variation of +18.4%, while the Teranet-National Bank House Price index, which measures Canadian residential real estate, indicated a +15.5% variation for the same period.

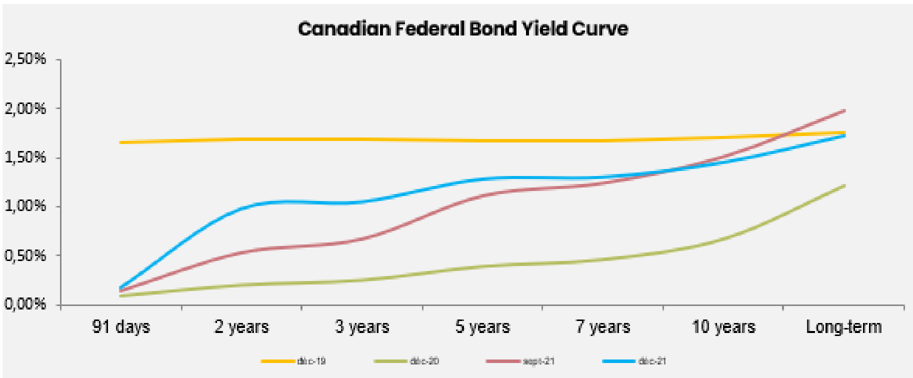
	Canada	United States
GDP Growth (y/y)	3,8%	4,9%
Inflation (y/y growth)	4,8%	7,0%
Job Creation (QTD)	239 600	1 096 000
Job Creation (y/y growth)	886 300	6 448 000
Unemployment Rate	5,9%	3,9%

Most recent data as of december 31th, 2021

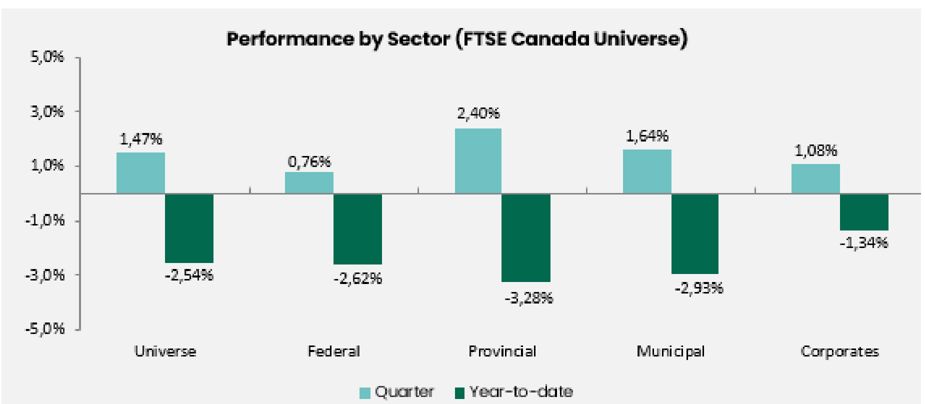
Commentary as at December 31, 2021

Canadian bond market

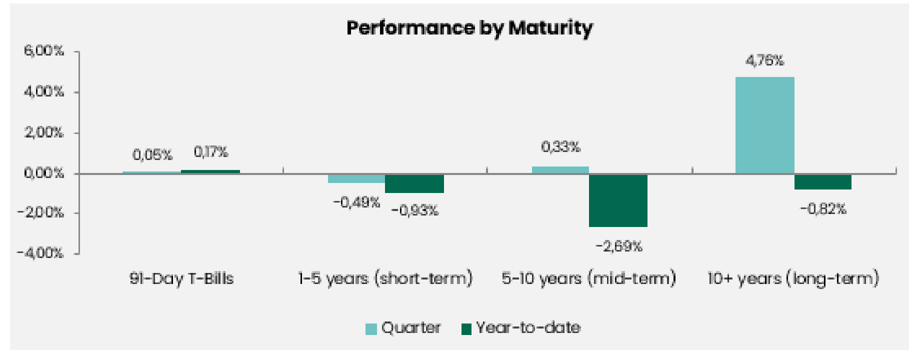
Canadian bonds posted positive returns, as the yield curve flattened over the quarter.



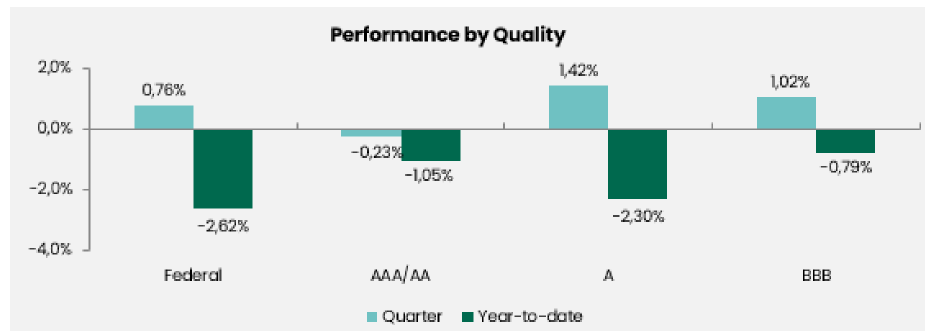
During the fourth quarter, the FTSE Canada Universe index posted a return of 1.47%. All bond categories had a positive quarter. The pressure of rising interest rates impacted yields. In Canada, the yield for 10-year federal bonds finished the quarter down slightly to 1.45%.



The performance of provincial bonds was attributable to strong investor demand. As a result, they were the top performers, with a quarterly return of 2.40%.



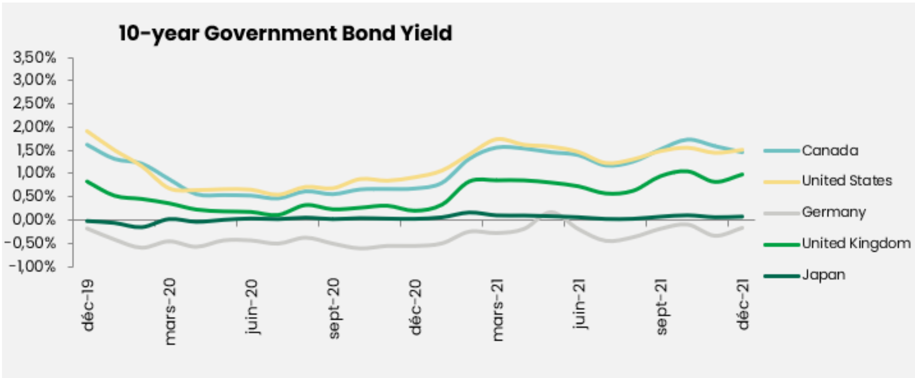
Long-term bonds posted the highest return this quarter at 4.76%. Short-term bonds turned in a negative return of -0.49% with medium-term bonds coming in at 0.33%. Meanwhile, 2-year, 10-year and 30-year federal bonds finished the quarter with yields to maturity of 0.98%, 1.45% and 1.72% respectively, while 91-day Treasury bills posted a return of 0.18%.



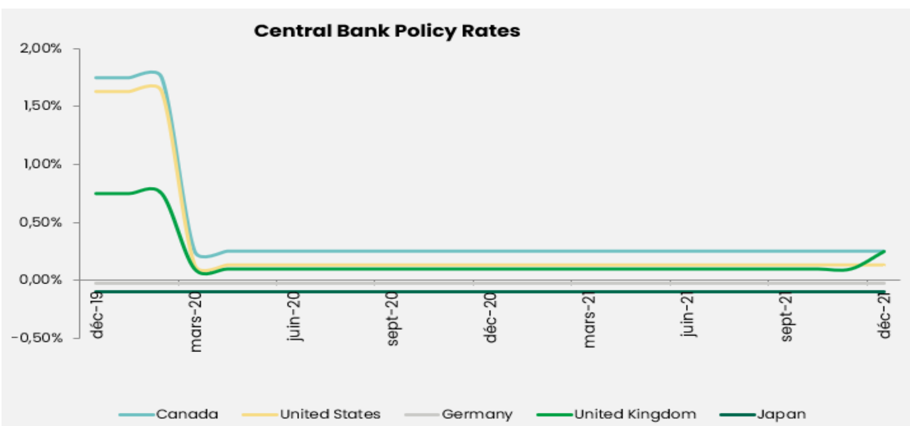
A-grade bonds were the best performers during the quarter, demonstrating strong demand among investors for corporate bonds, including blue chips.

Global bond markets

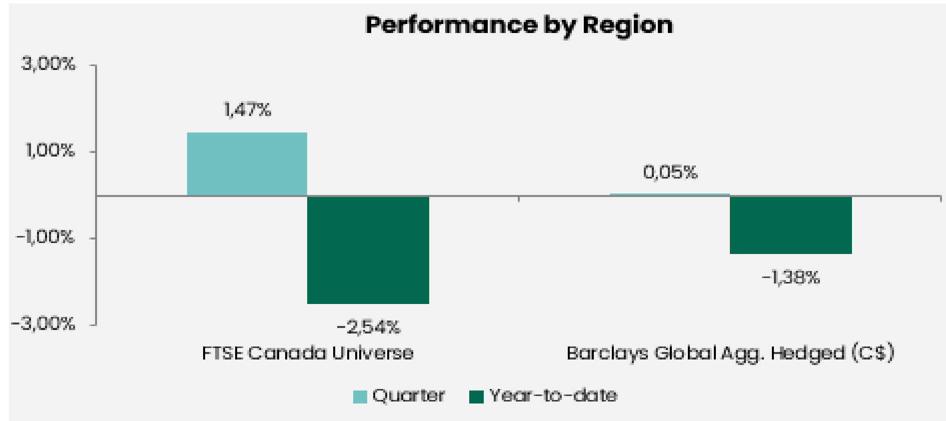
The yields to maturity for 10-year government bonds increased for the countries listed in the table below with the exception of Canada. Germany still had a negative yield for the quarter.



The Bank of Canada left its key rate at 0.25% in the fourth quarter, despite persistently higher-than-target inflation and a swift labour market recovery. In the US, the Fed decided to leave its key rate in the 0% to 0.25% range. The Fed's official discourse on the transitory nature of inflationary tensions did not change. However, concerns emerged about the validity of this stance. At the very least, there were doubts that the duration of the phenomenon would be longer than anticipated. Meanwhile, the Bank of England decided to hike its key rate to 0.25%.



Canadian bonds, as measured by the FTSE Canada Universe index, posted a return of 1.47%, compared to 0.05% for global bonds (Barclays Global Aggregate index, currency hedged (CA$). Fears of interest rate hikes along the curve were responsible for global bonds' under-performance.

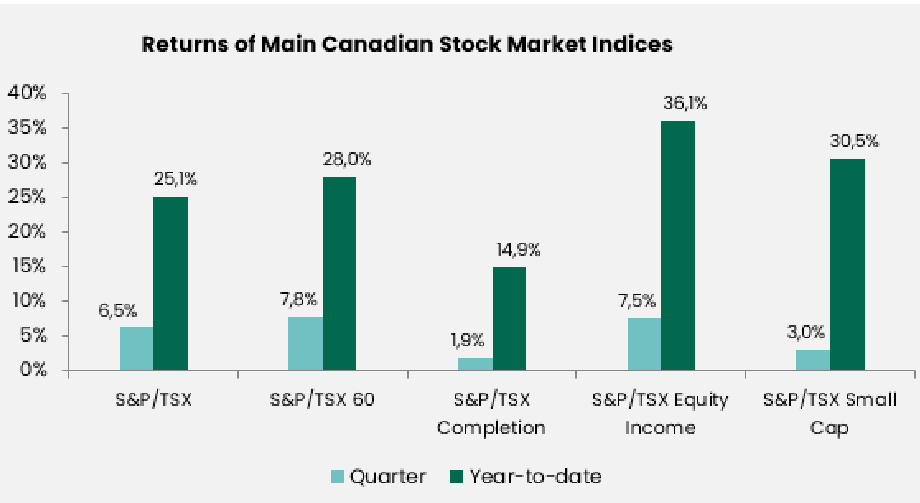


Commentary as at December 31, 2021

Canadian stock market

The Canadian stock market, as measured by the S&P/TSX index, finished the fourth quarter with a return of 6.5%. Mounting concerns over higher interest rates and inflation combined to put the brakes on equities late in the quarter.

All the main Canadian indexes generated positive returns during the quarter, with returns ranging from 1.9% to 7.8%. Medium and large caps performed slightly better than small caps. The equity income index finished the quarter with a return of 7.5%.



S&P/TSX Sector	Weight (%)	Returns		
		Quarter	Year-to-date	3 years
Energy	13,1	5,70%	48,85%	9,94%
Materials	11,5	10,65%	3,98%	16,02%
Industrials	12,0	4,74%	16,18%	19,50%
Consumer Discretionary	3,6	7,75%	18,42%	17,41%
Consumer Staples	3,7	7,79%	22,37%	13,42%
Health Care	0,8	-18,24%	-19,20%	-17,80%
Financials	32,2	9,43%	36,52%	19,06%
Information Technology	10,7	-1,39%	18,51%	52,28%
Communications Services	4,7	4,79%	24,71%	10,84%
Utilities	4,6	5,34%	11,63%	20,88%
Real Estate	3,1	9,22%	37,43%	15,04%

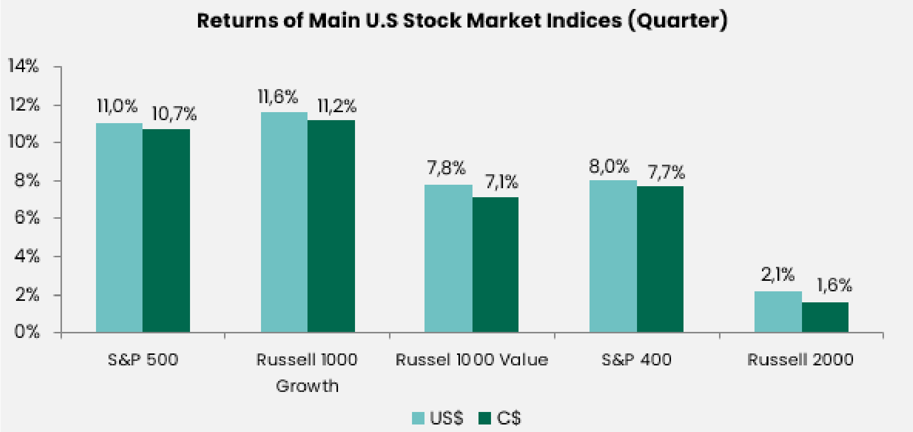
During the fourth quarter, 9 of the 11 S&P/TSX sectors posted positive returns. Coming in first place was Materials with a return of 10.65%, with Pretium Resources being the biggest contributor. The second-place sector (and the one with the largest index weighting) was Financials (9.43%), helped along by Bank of Nova Scotia (17.5%).

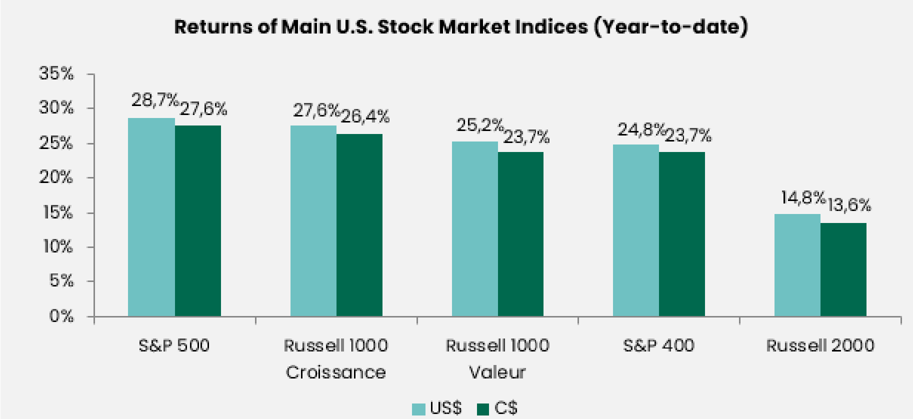
Due to the recent dismal performance of cannabis stocks, the Health Care sector pulled up the rear (-18.2%), with the biggest detractors being Canopy (-37.1%) and Tilray (-37.9%). IT finished in 10th place (-1.39%), with Nuvei Corp (-43.5%) being the biggest detractor.

US stock market

During the quarter, the S&P 500 posted a return of 11% in US currency. The differential between the Canadian and US dollars had only a slight impact. The return was 10.7% in Canadian currency.

Growth-style outpaced value-style stocks during the quarter. The Russell 1000 Growth index posted a return of 11.6%, outperforming the Russell 1000 Value index at 7.8%. In terms of stock market capitalization, small caps (Russell 2000) under-performed both medium (S&P 400) and large caps (S&P 500).





S&P 500 Sector	Weight (%)	Returns (in US$)		
		Quarter	Year-to-date	3 years
Energy	2,7	7,97%	54,64%	4,66%
Materials	2,6	15,20%	27,28%	24,19%
Industrials	7,8	8,64%	21,12%	20,28%
Consumer Discretionary	12,5	12,84%	24,43%	28,49%
Consumer Staples	5,9	13,31%	18,63%	18,79%
Health Care	13,3	11,17%	26,13%	20,01%
Financials	10,7	4,57%	35,04%	20,58%
Information Technology	29,2	16,69%	34,53%	42,76%
Communications Services	10,2	-0,01%	21,57%	25,85%
Utilities	2,5	12,93%	17,67%	14,27%
Real Estate	2,8	17,54%	46,19%	22,55%

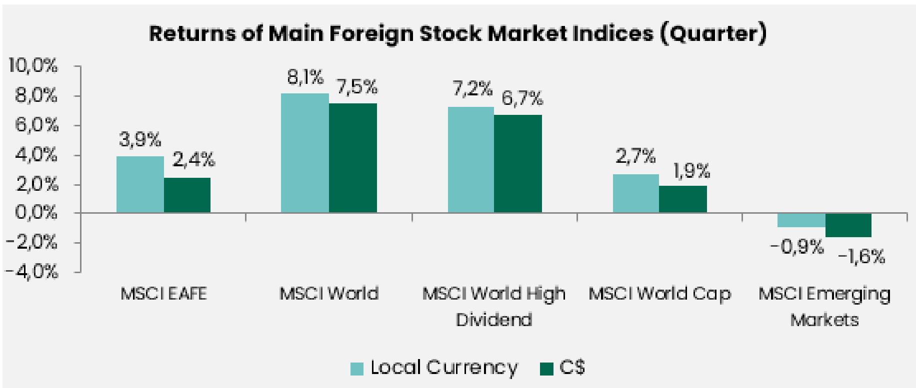
In the fourth quarter, 10 of the 11 US stock index sectors generated positive returns in US dollars. Real Estate topped the list with a return of 17.54%, followed by Information Technology (16.69%). The two biggest Real Estate contributors were Duke Realty Corp Inc. (37.78%) and Extra Space Storage Inc. (35.77%). In the Information Technology sector, Accenture PLC (29.9%) and Advanced Micro Devices (39.8%) were the main contributors.

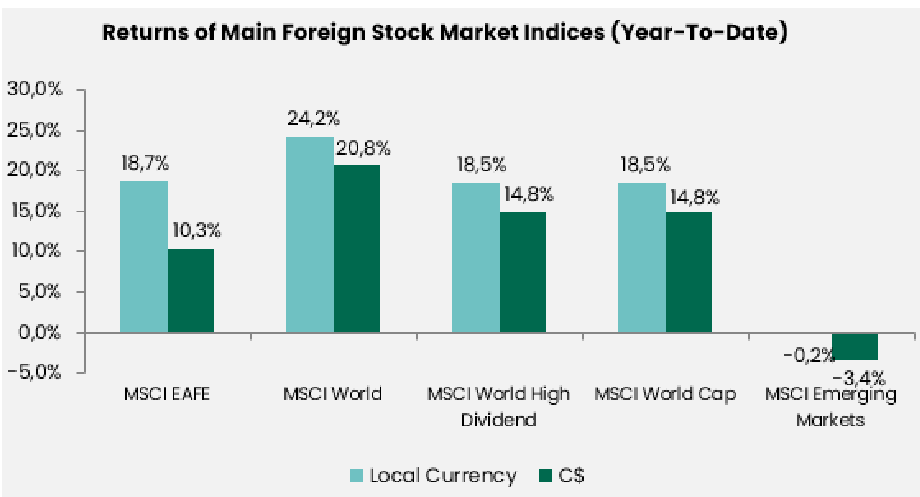
In contrast, the only sector with a negative return was Communication Services (-0.01%). The biggest detractors there were Twitter (-28.4%) and DISH Network Corp (-25.4%).

Global stock markets

The large majority of global stock markets generated positive returns in the fourth quarter, which got off to a good start thanks to good corporate results spurred by the post-pandemic economic recovery. However, inflationary concerns emerged due to snags in the supply chain and higher energy prices.

Among the indexes listed below, MSCI World was the top quarterly performer with a return of 8.1% in local currencies. MSCI World High Dividend Yield (7.2%) also posted a positive return. Meanwhile, the emerging markets had a negative quarter (-0.9%) in local currencies, largely influenced by the massive selloff in China.





MSCI EAFE Region	Weight (%)	Returns (in local currency) Quarter	Quarter	3 years
United Kingdom	14,62%	5,14%	19,59%	6,49%
Europe ex-UK	31,05%	6,90%	23,53%	16,57%
Japan	22,51%	-0,88%	13,44%	13,49%
Pacific ex-Japan	31,82%	-0,52%	9,02%	8,88%

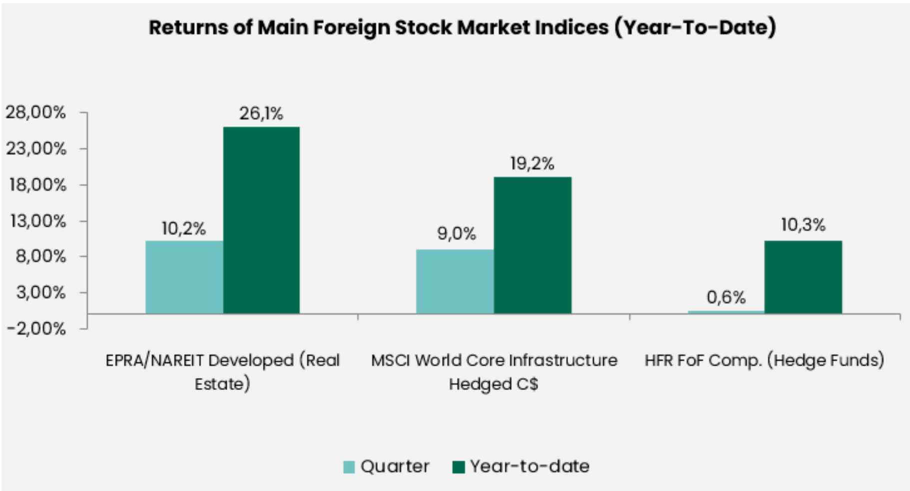
In local currencies, 18 of the 21 EAFE index countries generated positive returns during the quarter. The best performers were Switzerland and France, while Japan and New Zealand were the worst.

MSCI EAFE Sector	Weight (%)	Returns (in C$) Quarter	Year-to-date	3 years
Energy	3,4	-0,82%	21,81%	10,60%
Materials	7,6	5,60%	9,41%	14,80%
Industrials	16,2	2,35%	12,58%	13,70%
Consumer Discretionary	12,5	2,59%	9,75%	13,95%
Consumer Staples	10,3	4,93%	6,39%	7,64%
Health Care	12,8	2,69%	7,69%	13,50%
Financials	16,9	0,90%	15,59%	6,86%
Real Estate	2,8	-0,76%	3,26%	0,97%
Information Technology	9,7	3,50%	19,91%	28,23%
Communications Services	4,5	-5,83%	-6,52%	3,42%
Utilities	3,4	8,46%	-0,88%	7,97%

In the fourth quarter, 10 of the 11 MSCI EAFE sectors posted positive performances in local currencies. The quarter's best sector was Utilities with a return of 8.46%, buoyed by APA Group (18.6%) and Natural Energy Group SA (30.63%). Financials, who has the largest allocation in the index, posted a return of 0.90%, thanks to Bank Leumi Le-Israel BM (28.62%), Israel's leading financial institution.

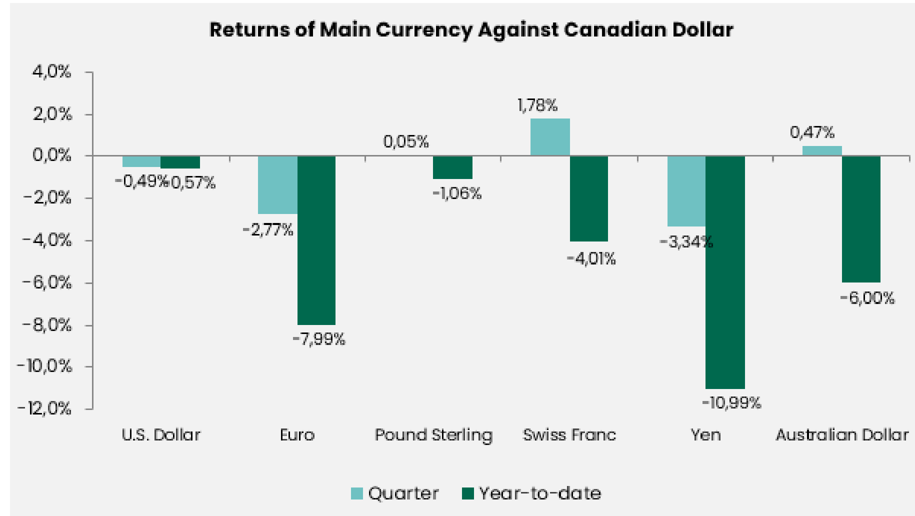
Communication Services posted the worst quarterly performance, with the biggest detractor being Sea Ltd. ADR (-30.02%), a Singapore-based tech company.

Alternative investments and currencies



Returns in C$			
Quarter	9,8%	9,0%	0,3%
YTD	25,0%	19,2%	9,4%

The main alternative investment indexes all had a positive quarter in US dollars, although the conversion into Canadian dollars was not beneficial. The EPRA/NAREIT index finished first among the alternative investment indexes this quarter, with a 9.8% return in US currency. The MSCI infrastructure index turned in a quarterly performance of 9.0%, while the HFR Fund of Funds Composite index just edged into positive territory with a 0.3% return.



During the quarter, the Canadian dollar gained against all other major currencies except for the Swiss franc, the pound sterling and the Australian dollar.