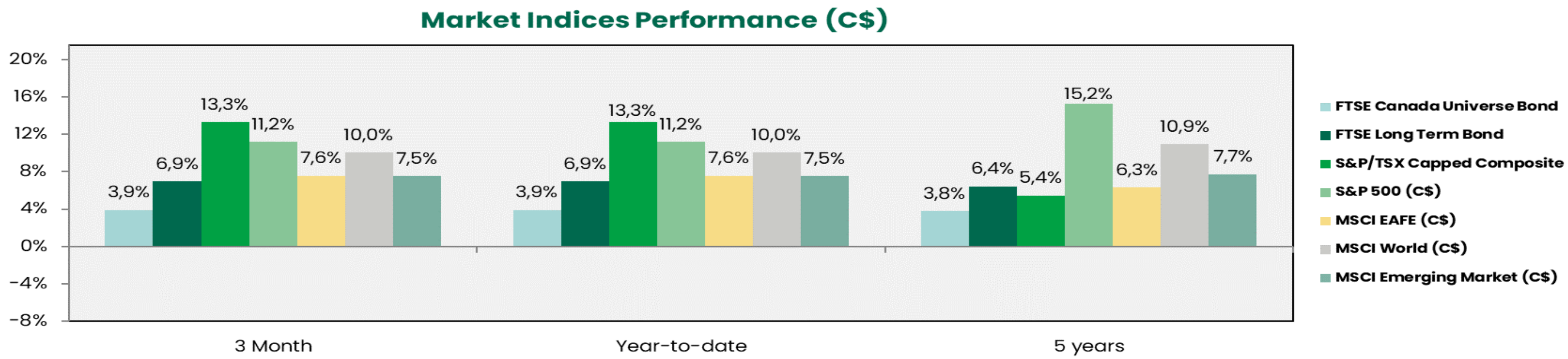
Commentary as at March 31, 2019



Wall Street rebounds despite mixed signals

Stock markets closed the first quarter of 2019 on a positive note, with most indices making significant gains. Despite the equity rebound in the first quarter following the fourth-quarter correction in 2018, the global economy is now showing signs of running out of steam, particularly in China and Europe. Ongoing trade tensions, not to mention Brexit, are compounding existing uncertainties. In the US, the economy continues to perform well despite a minor slowdown. Growth there is supported by job creation and investor confidence. The chair of the US Federal Reserve, Jerome Powell, announced that he did not foresee any hikes in the key rate this year and that he would be ending the Fed's balance sheet reduction policy. Following this announcement, bond yields fell. The Canadian dollar appreciated in relation to other major currencies during the first quarter, primarily thanks to a sharp increase in oil prices. South of the border, the Russell 2000 Growth index was the best quarterly performer with a return of 17.1% in US$, followed by the Russell 1000 Growth index with a return of 16.1% in US$.

The most noteworthy development during the first three months of 2019 was the fading strength of the global economy. For the third time in six months, the International Monetary Fund (IMF) announced that global growth forecasts had been downgraded for 2019. The IMF is now anticipating global growth of 3.3% this year, down from its January 2019 forecast. If the 3.3% figure holds true, this would be the lowest level seen since 2009.

In European news, Brexit continued to drive headlines as the political impasse remained following various parliamentary votes. The deadline was extended until October 31, 2019 in a bid to give PM Theresa May more time to arrive at a consensus.

In the Canadian bond market, yields were down in relatively parallel terms on the medium and long-term portions of the curve, accounting in part for the positive quarterly return of the FTSE Canada Universe index.

Gold closed the first quarter up 1.3% to US$1,295. As for oil, a barrel of Brent crude was up 27.12%, closing at US$68.39. West Texas Intermediate (WTI) and Western Canada Select (WCS) were down 32.44% and 33.51%, closing at US$60.14 and US$49.84 respectively.

Meanwhile, the US economy created 541,000 jobs during the quarter, with nearly 2.45 million created in the past 12 months. In Canada, a total of 129,900 jobs were created during the quarter, with nearly 333,500 created in the past 12 months. The Canadian unemployment rate was up slightly to 5.8% while the US figure was down slightly to 3.8%.

In the US residential real estate market, the most recent data from the S&P CoreLogic Case-Shiller index (January 2019) showed a 12-month variation of 3.58% while the Teranet-National Bank house price index, which measures Canadian residential real estate, indicated a variation of 2.18% for the same period.

	Canada	US
GDP growth (y/y)	1.6%	3.0%
Inflation (y/y growth)	1.5%	1.9%
Core inflation (y/y)*	2.0%	2.0%
Job creation (qtd)	129,900	541,000
Job creation (y/y growth)	333,500	2,448,000
Unemployment rate	5.8%	3.8%

* Core inflation, excluding food and energy

Most recent data as of April 16, 2019

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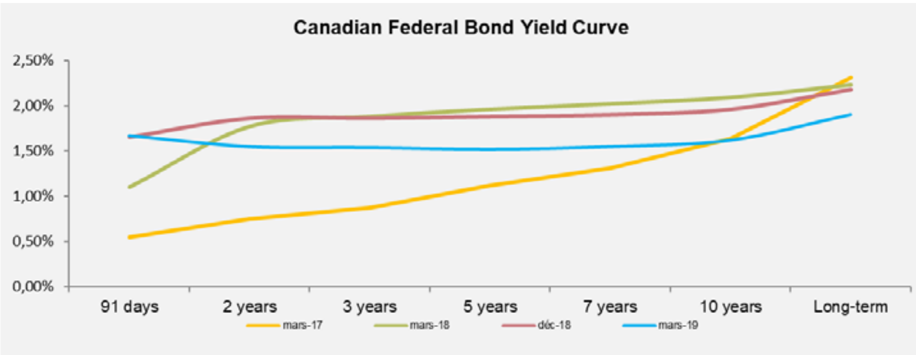
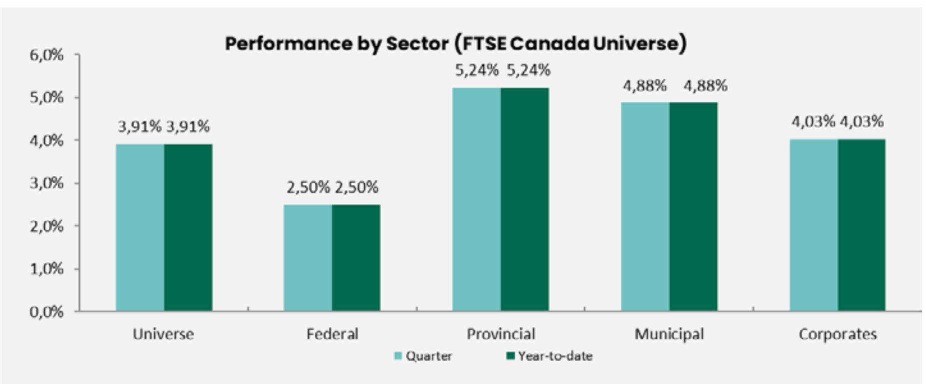
Canadian bond market

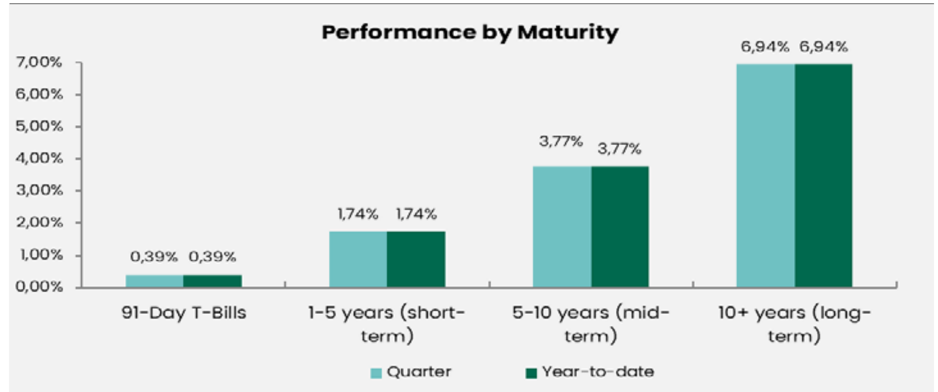
During the quarter, the yields to maturity of Canada bonds fell along most of the curve.



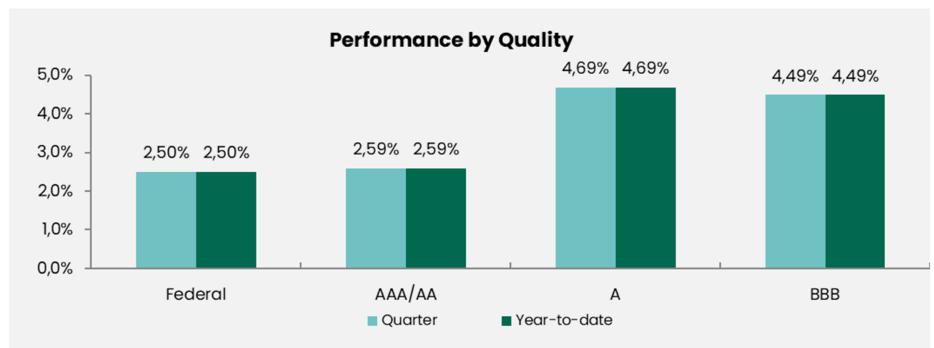
During the period, the FTSE Canada Universe index posted a return of 3.91%. Most bond categories had a positive quarter, thanks primarily to lower interest rates. The weakest performer was federal bonds with a quarterly return of 2.50% for the quarter.



Long-term bonds turned in the best quarterly performance, up 6.94%. This was attributable to lower interest rates, combined with these bonds' longer duration. Short-term bonds recorded a return of 1.74% while medium-term bonds were up 3.77%. Meanwhile, 2-year, 10-year and 30-year federal bonds closed the quarter with yields to maturity of 1.55%, 1.62% and 1.90% respectively, while 91-day Treasury bills posted a yield of 1.67%.

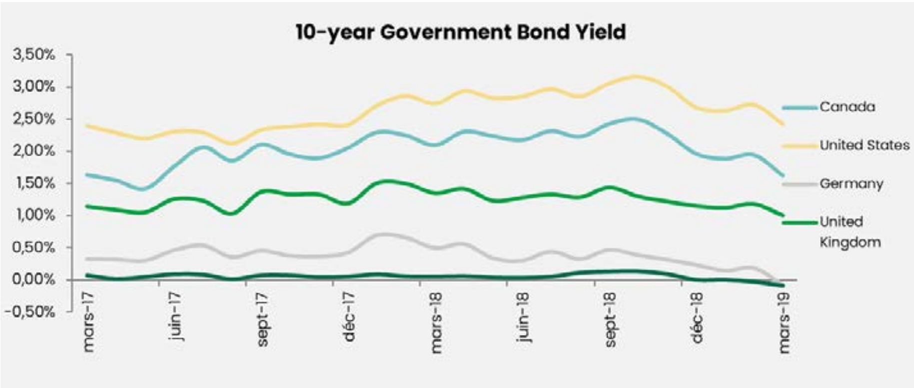


AAA/AA, A and BBB corporate bonds saw their credit spreads narrow in relation to federal bonds, which impacted their performance during the quarter. Lower-quality bonds posted the highest returns.

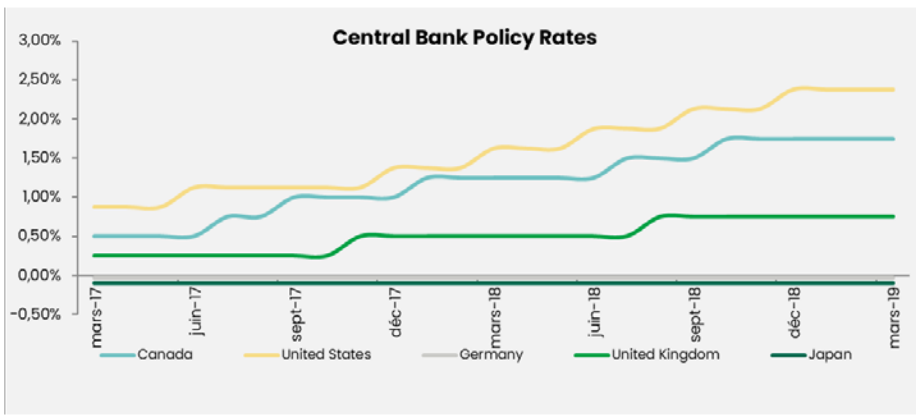


Global bond markets

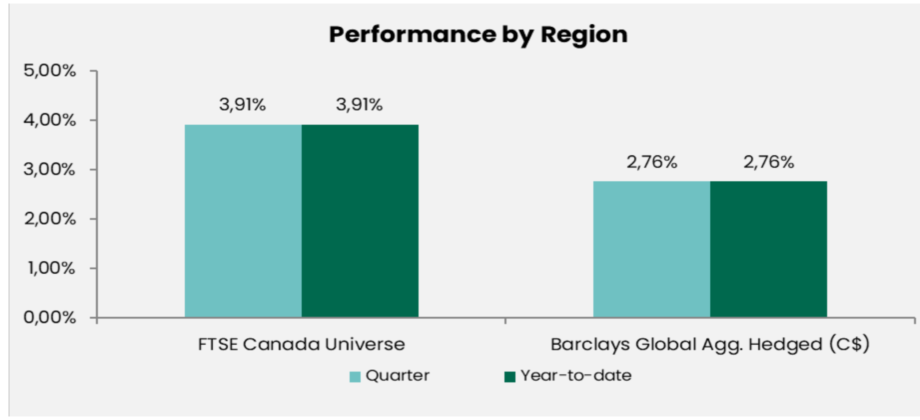
The yields to maturity of 10-year government bonds were lower for all countries listed below. Japan and Germany recorded negative yields during the quarter, a phenomenon that had not been observed for either country since 2016.



The US Fed did not change its key rate in the first quarter of 2019, although it tamped down investors' expectations when it announced that there would be no rate increases in 2019. The Bank of Canada also decided to leave its key rate unchanged during the first quarter, while the Bank of England opted to keep its key rate at 0.75% amid Brexit-related uncertainties.



Canadian bonds, as measured by the FTSE Canada Universe index, posted a return of 3.91%, outperforming global bonds (+2.76%) (Barclays Global Aggregate index, currency-hedged (C$)). The drop in interest rates underpinned the performance of both indices.

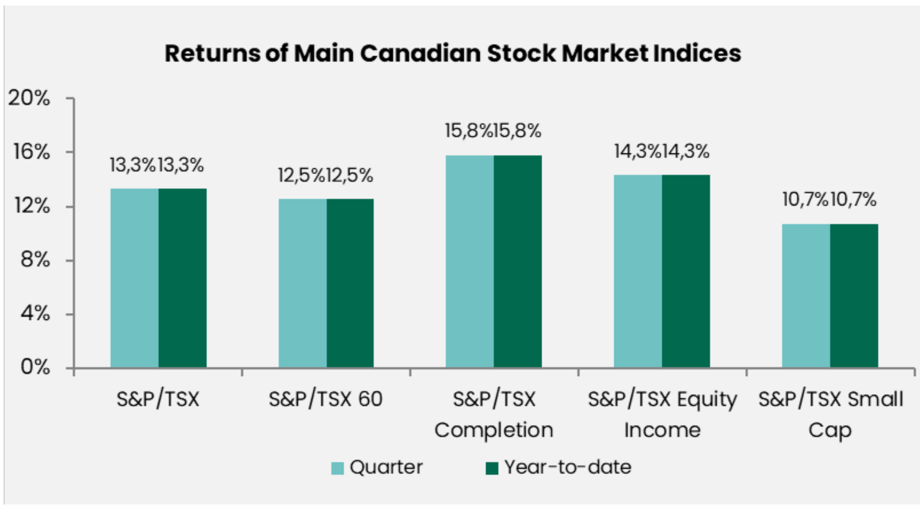


Commentary as at March 31, 2019

Canadian stock market

The Canadian stock market, as measured by the S&P/TSX index, closed the quarter with a return of 13.29%. This was attributable to a softening in comments by central bank governors regarding future rate increases. The Canadian market, which is strongly correlated with the oil market, was impacted by a 34% increase in crude prices (Western Canada Select). The Energy and Financials sectors were notable contributors to the index's return thanks to their performance and respective weights (together they account for 50% of the index). The Health Care sector (49.14%) posted the best quarterly return.

The main Canadian indices all recorded positive returns during the first quarter. The S&P/TSX Completion index (15.8%) was the best quarterly performer, while small caps, as represented by the S&P/TSX Small Cap index, pulled up the rear with a return of 10.7%.



S&P/TSX Sector	Weight (%)	Returns		
		Quarter	Year-to-date	3 years
Energy	18,0	15,58%	15,58%	2,96%
Materials	11,2	8,55%	8,55%	7,65%
Industrials	10,9	15,26%	15,26%	16,65%
Consumer Discretionary	4,1	9,81%	9,81%	6,61%
Consumer Staples	3,9	10,57%	10,57%	6,90%
Health Care	2,2	49,14%	49,14%	3,68%
Financials	31,7	10,41%	10,41%	10,78%
Information Technology	4,5	25,95%	25,95%	20,36%
Telecommunications Services	5,8	9,97%	9,97%	8,81%
Utilities	4,2	16,13%	16,13%	8,25%
Real Estate	3,5	17,52%	17,52%	s.o.

First-quarter performance was entirely one-way as all S&P/TSX index sectors posted positive returns. In first place was Health Care with a return of 49.14%, helped by cannabis companies. Cronos and Aphria were the best performing stocks, with returns of 61.6% and 47.1% respectively. In second place was Information Technology (25.95%), boosted by the performance of Shopify (40.6%) and BlackBerry (31.5%). The Information Technology sector benefited from risk-seeking by investors amid the market rebound following the December 2018 correction. The Financial services, Energy, Industrials and Real Estate sectors also drove the Canadian index higher. Energy was up thanks to higher prices for Canadian crude (WCS) during the quarter.

Materials was the weakest-performing sector, up 8.55% for the quarter. This sector was impacted by US tariffs on aluminum and steel, as well as by fears of growing trade tensions between the US and China. The biggest sector detractors were OceanaGold (-19.6%) and Pan American Silver (-9.8%).

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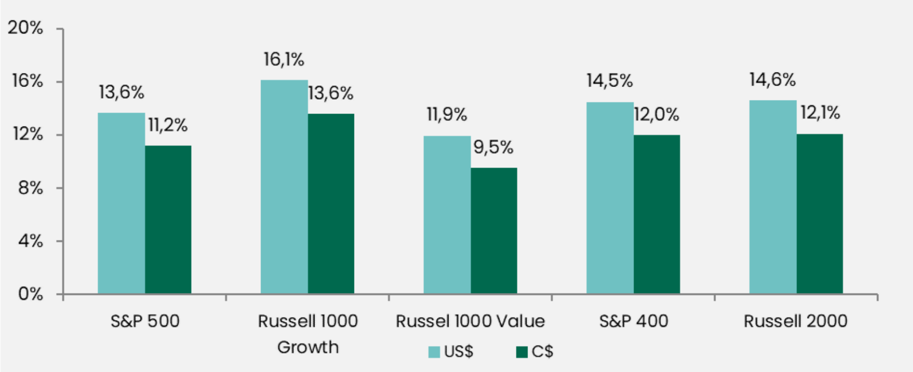
US stock market

During the quarter, the S&P 500 index posted a return of 13.6% in US$, although given the relative rise of the loonie, this figure was only 11.2% in Canadian currency. During the first quarter, financial markets reacted favourably to the slowdown in monetary tightening by the US Fed.

Growth-style stocks outperformed value-style stocks in the first quarter. The Russell 1000 Growth index recorded a return of 16.1%, outpacing the Russell 1000 Value index, which recorded a return of 11.9% in US$. As regards market capitalization, large-cap stocks (S&P 500) underperformed medium caps (S&P 400) and small caps (Russell 2000).



S&P 500 Sector	Weight (%)	Returns (in US$)		
		Quarter	Year-to-date	3 years
Energy	5,4	16,43%	16,43%	5,02%
Materials	2,6	10,30%	10,30%	9,70%
Industrials	9,5	17,19%	17,19%	11,67%
Consumer Discretionary	10,2	15,74%	15,74%	14,41%
Consumer Staples	7,3	12,01%	12,01%	5,15%
Health Care	14,6	6,60%	6,60%	12,57%
Financials	12,7	8,56%	8,56%	14,27%
Information Technology	21,2	19,85%	19,85%	22,55%
Telecommunications Services	10,1	13,97%	13,97%	1,40%
Utilities	3,3	10,84%	10,84%	9,19%
Real Estate	3,1	17,54%	17,54%	s.o.

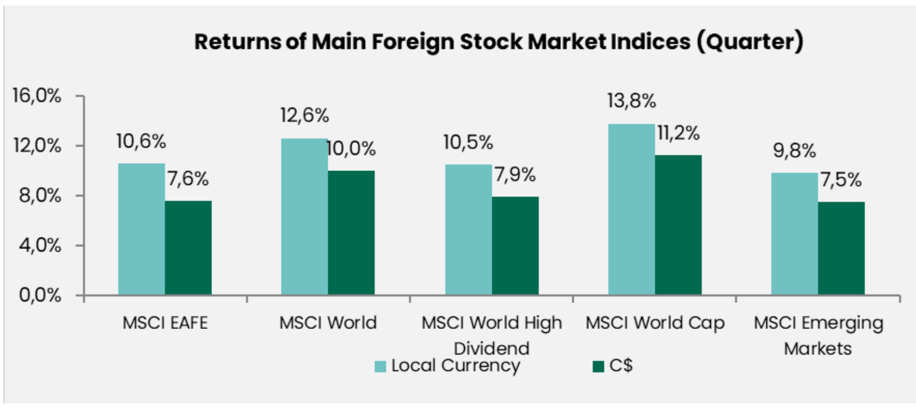
All US stock index sectors generated positive returns in US$ this quarter. The cyclical sectors benefited from the market rebound, outperforming on the whole the more defensive sectors, which proved more popular during the December 2018 correction. The top two sectors were Information Technology (19.85%) and Real Estate (17.54%). The biggest Information Technology contributors were Apple (19.2%) and Microsoft (13.1%). In the Real Estate sector, the top two contributors were American Tower (21.0%) and Equinix (29.4%).

The bottom two sectors were Health Care (6.60%) and Financial services (8.56%). The biggest detractor to the Health Care sector was AbbVie (-7.4%), and the biggest detractor to the Financial services sector was CME Group Inc. (-10.1%).

Foreign stock markets

Stock markets around the world closed the quarter on a good note. During the first three months of the year, all the main foreign stock indices posted positive returns in local currencies, as well as in Canadian dollars. The first-quarter rebound following the December 2018 correction was mainly attributable to the slowdown in the US Fed's monetary tightening policy. Global growth remains positive but is less equal as many economies have moved into more advanced stages of the economic cycle.

Of the indices shown below, MSCI Emerging Markets turned in the worst quarterly performance with a return of 9.8% in local currencies. Various sources of uncertainty weighed on this asset class, which could still offer an attract potential return in the future if these uncertainties are resolved favourably.



MSCI EAFE Region	Weight (%)	Returns (in local currency)		
		Quarter	Quarter	3 years
United Kingdom	17,08%	9,36%	9,36%	9,84%
Europe ex-UK	46,32%	12,41%	12,41%	7,61%
Japan	23,96%	7,61%	7,61%	7,51%
Pacific ex-Japan	12,64%	11,66%	11,66%	12,13%

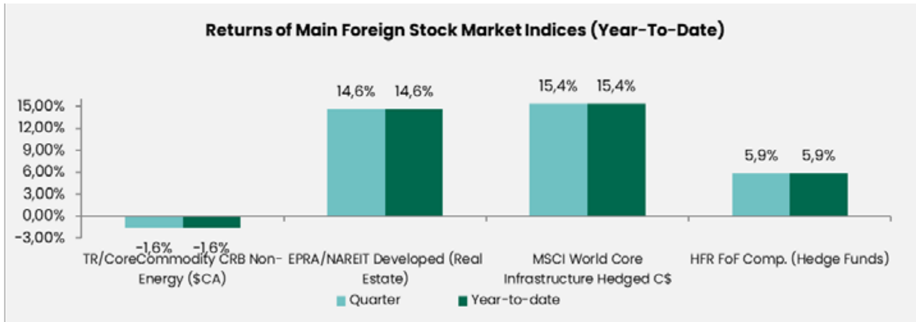
In local currencies, all 21 EAFE index countries posted positive returns during the quarter. The countries posting the best returns were Belgium and Italy, while Norway and Japan brought up the rear.

MSCI EAFE Sector	Weight (%)	Returns (in local currency)		
		Quarter	Year-to-date	3 years
Energy	5,8	9,81%	9,81%	17,27%
Materials	7,5	13,39%	13,39%	16,23%
Industrials	14,4	11,62%	11,62%	9,16%
Consumer Discretionary	11,0	8,45%	8,45%	5,85%
Consumer Staples	11,8	12,80%	12,80%	7,01%
Health Care	11,3	11,90%	11,90%	6,82%
Financials	18,9	7,34%	7,34%	7,37%
Real Estate	3,9	14,39%	14,39%	s.o.
Information Technology	6,3	16,75%	16,75%	14,21%
Telecommunications Services	5,4	5,01%	5,01%	-0,40%
Utilities	3,7	9,81%	9,81%	8,64%

All MSCI EAFE index sectors posted positive performances in local currencies. The top two sectors were Information Technology and Real Estate. As big data, artificial intelligence and e-business gain ground in the Information Technology sector, the underlying technological framework for these industries will continue to expand. This means that all economic stakeholders are ramping up their technology investments, leading to higher revenues and profits.

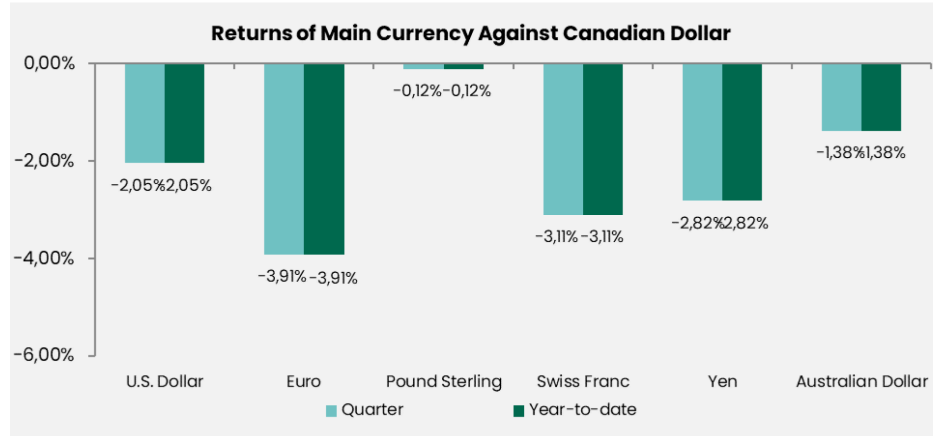
The cyclical sectors all had a good quarter. The most defensive sectors turned in less robust performances while Telecommunications and Utilities were up 5.01% and 9.81% respectively.

Alternative investments and currencies



Returns in C$				
Quarter	-1,6%	12,1%	15,4%	3,6%
YTD	-1,6%	12,1%	15,4%	3,6%

The MSCI World Core Infrastructure index finished first among the alternative investment indices with a quarterly return of 15.4%. The TR/CoreCommodity CRB Ex-Energy index had the lowest return (-1.6%). Meanwhile, the EPRA/NAREIT Developed index (real estate) turned in a quarterly performance of 14.6%.



During the quarter, the Canadian dollar appreciated in relation to other major currencies. The loonie took flight in the first quarter thanks to higher oil prices.

Commodity TR/CoreCommodity CRB Non-Energy	Weight (%)	Returns (in US$)	
		Quarter	Year-To-Date
Agriculture	67,2%	-2,4%	-2,4%
Precious Metals	11,3%	-0,2%	-0,2%
Base Metals	21,5%	8,0%	8,0%

The TR/CoreCommodity CRB Ex-Energy index posted a negative quarterly performance (-1.6%), primarily due to Agriculture and its relative weight (this sector was down -2.4% for the quarter). Meanwhile, Base Metals generated a positive return with a performance of 8%.