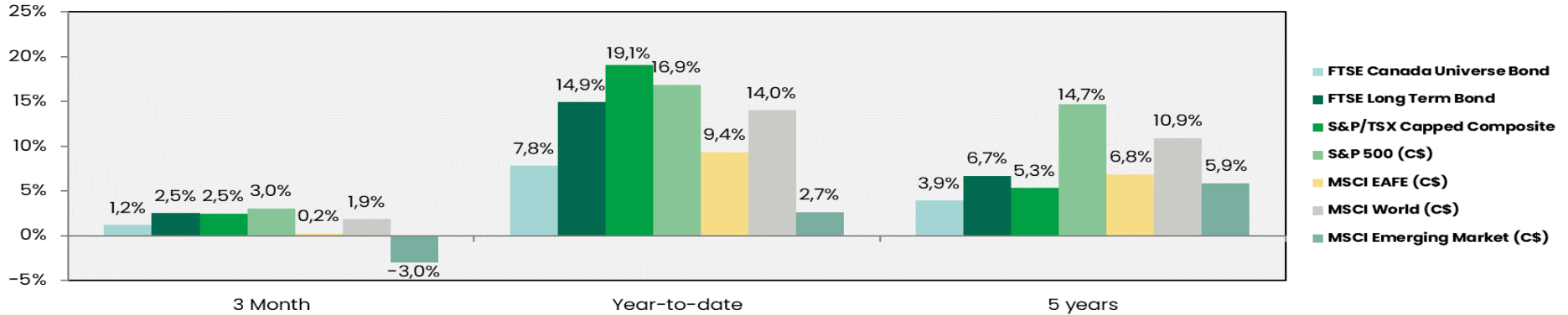




Market Indices Performance (C\$)



The US Federal Reserve cuts its key rate twice

Stock markets turned in another strong performance in the third quarter. Growth held steady for nearly all the main global markets, including Canada, where the main index (S&P/TSX Capped Composite) finished with a gain of 2.5%. The emerging markets were the only exception as the MSCI Emerging Markets index posted an annualized return of -3.0%. In the wake of its surprising primary election results, Argentina was the weakest market in the index amid a sweeping selloff of stocks and local currency.

US stocks recorded modest gains in the third quarter despite persistent growth concerns and uncertainty over trade between the US and China. As expected, the US Federal Reserve cut its key rate by 25 basis points in both July and September. The US yield curve inverted this quarter, a phenomenon that usually signals a looming recession. Ongoing speculation that President Trump could be impeached only added to the uncertainty.

In European news, stocks in the eurozone rose despite abiding concerns over trade wars and global economic growth. Speculation about a new stimulus program by the European Central Bank (ECB) dominated discussions over the summer. In September, the ECB took steps to boost the flagging economy, most notably by resuming its quantitative easing policy, and pledged to keep on buying assets until it reaches its inflation target. The head of the International Monetary Fund, Christine Lagarde, was appointed ECB president and is set to replace Mario Draghi when his term expires on October 31. Uncertainty over Brexit and the UK's domestic policy remained high in the third quarter as Boris Johnson took over as prime minister. As this commentary was being prepared, an agreement was announced by London and Brussels, although final approval of the pact may be in doubt after the opposition and Northern Irish unionists expressed concerns.

In the Canadian bond market, yields were down on the long-term portion of the curve, which in part accounted for the FTSE Canada Universe's positive return.

Gold finished the quarter up 5.42% at US\$1,485 an ounce. In the oil patch, a barrel of Brent crude was down 8.67%, finishing at US\$60.78. WTI (West Texas Intermediate) and WCS (Western Canada Select) were down 7.53% and 6.67%, finishing at US\$54.07 and US\$41.45 respectively.

In employment news, the US economy created 463,000 jobs during the third quarter and close to 2.15 million over the past 12 months. North of the border, 110,600 jobs were created in the third quarter, with some 472,700 added in the past 12 months. Unemployment rate in Canada held steady at 5.5% while the US rate dipped to 3.5%.

In the US residential real estate market, the most recent data for the S&P CoreLogic Case-Shiller index (July 2019) show a 2.00% variation over the past 12 months. Meanwhile, the Teranet-National Bank House Price index, which measures Canadian residential real estate, recorded a 0.44% variation for the same period.

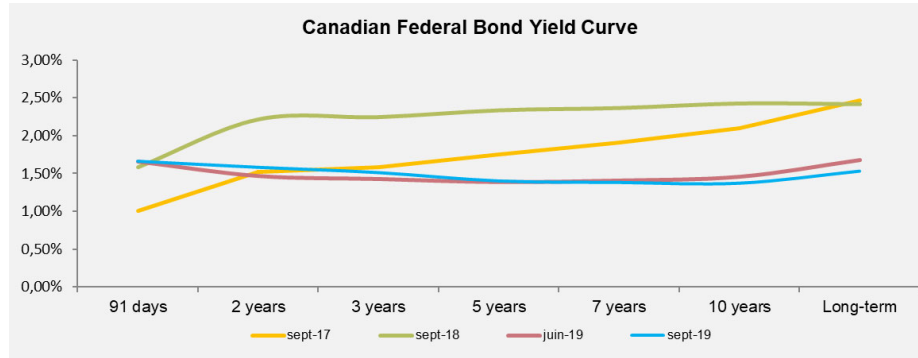
| | Canada | US |
|---------------------------|---------|-----------|
| GDP growth (y/y) | 1.3% | 2.3% |
| Inflation (y/y growth) | 1.9% | 1.7% |
| Job creation (QTD) | 110,600 | 463,000 |
| Job creation (y/y growth) | 472,700 | 2,145,000 |
| Unemployment rate | 5.5% | 3.5% |

Most recent data as at October 16, 2019

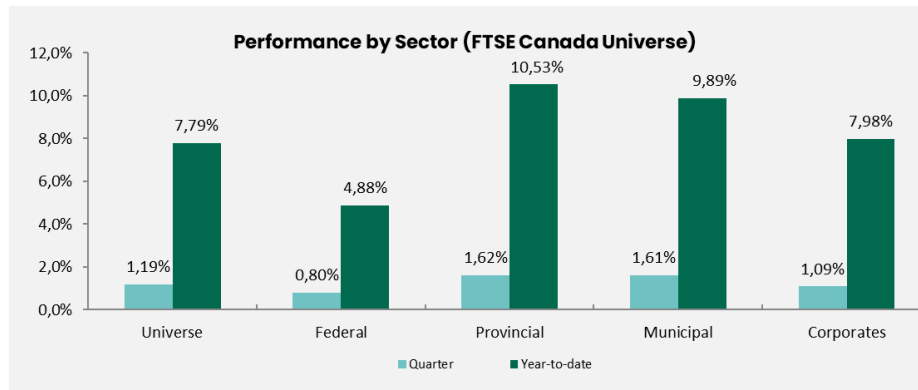


Canadian bond market

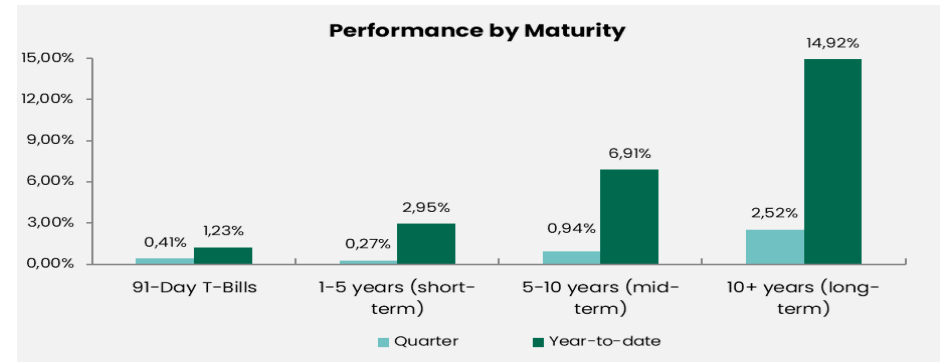
During the third quarter, the yields to maturity for Canada bonds rose on the short-term portion of the curve and fell on the 10 year and over portion.



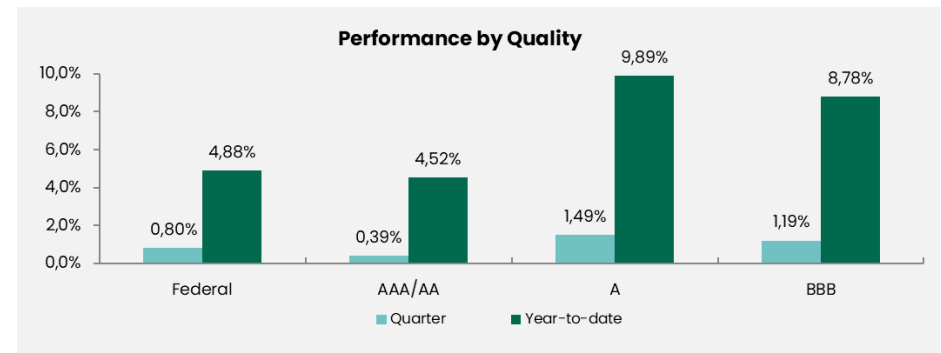
During the third quarter, the FTSE Canada Universe index posted a return of 1.19%. All the bond categories had a positive quarter, thanks primarily to lower yields on the long-term portion of the curve. The weakest quarterly performance was recorded by federal bonds with a return of 1.80%.



Long-term bonds recorded the best quarterly return (2.52%). This was attributable to lower interest rates, combined with the longer duration of these bonds. Short-term bonds posted a return of 0.27% while medium-term bonds stood at 0.94%. Meanwhile, 2-year, 10-year and 30-year federal bonds finished the quarter with yields to maturity of 1.58%, 1.37% and 1.53% respectively, while 91-day Treasury bills had a yield of 1.66%.



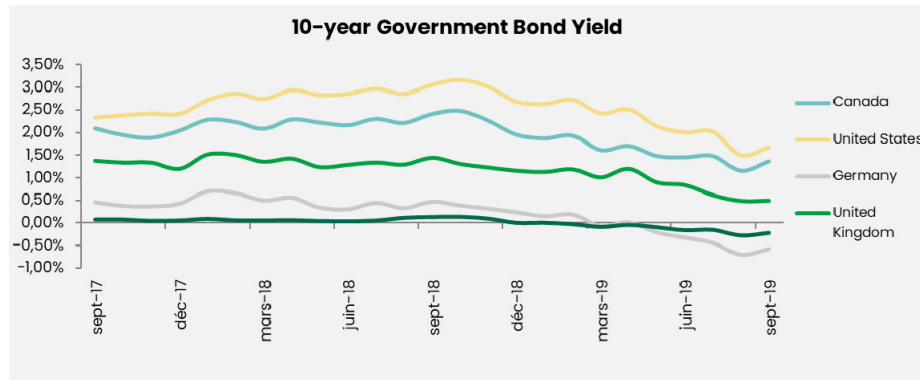
Rated A corporate bonds saw their credit spreads narrow in relation to federal bonds during the quarter, which had a positive impact on their performance. AAA/AA bonds were the worst performers as this segment is made up of bonds with shorter durations amid increasing short-term yields.



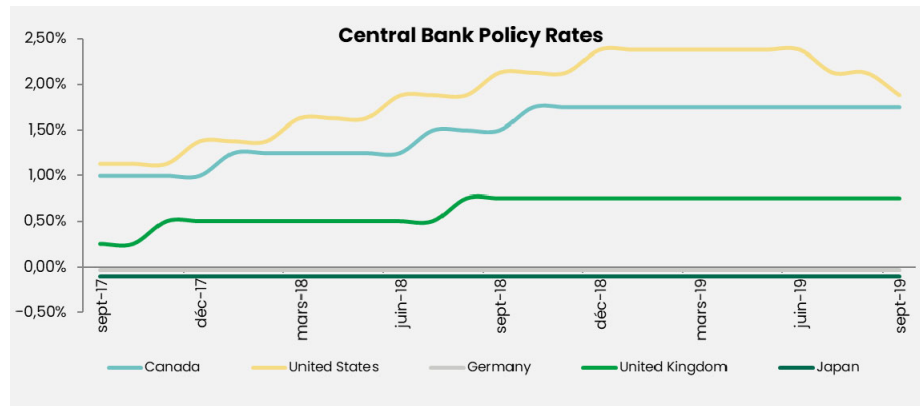


Global bond markets

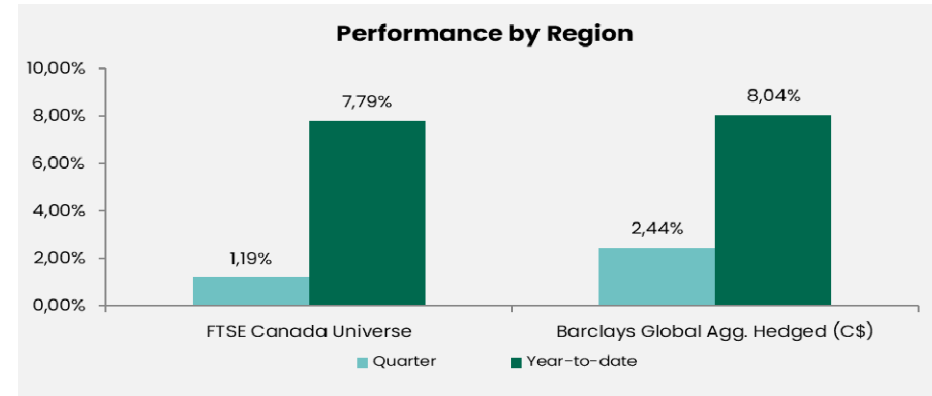
The yields to maturity for 10-year government bonds were down for all countries listed in the table below. Japan and Germany both recorded negative yields during the quarter.



The Bank of Canada kept its key rate unchanged in the third quarter. Due to the federal election slated for October, the central bank wanted to demonstrate its neutrality and political independence. But in the wake of the Fed's decision to cut its key rate twice during the quarter, it would be no surprise if rates went down in Canada eventually. The Bank of England opted to leave its key rate at 0.75%.



Canadian bonds, as measured by the FTSE Canada Universe index, posted a return of 1.19%, compared to 2.44% for global bonds (Barclays Global Aggregate index, currency hedged (CA\$)). The more pronounced drop in 10-year foreign yields compared to Canada bonds was responsible for Canadian bonds' underperformance in relation to global bonds.

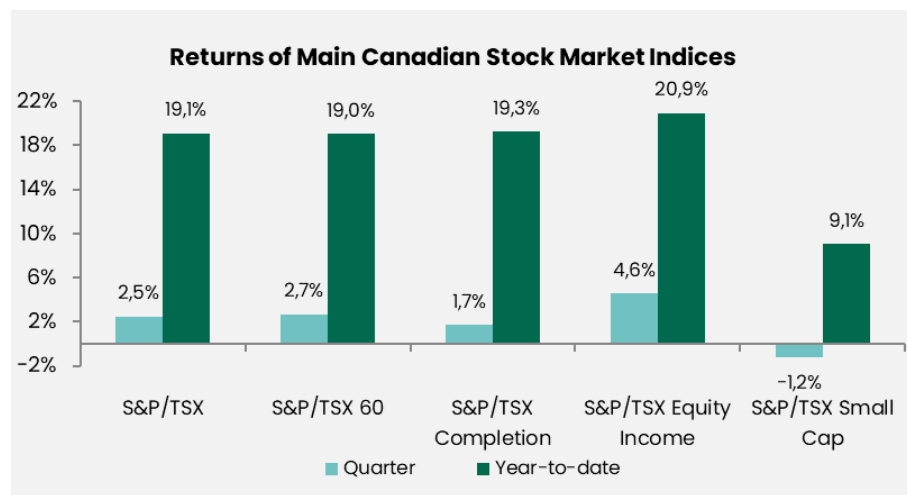




Canadian stock market

The Canadian stock market, as measured by the S&P/TSX index, finished the quarter with a return of 2.5% thanks to improved trade negotiations between the US and China. The Canadian market, which is usually strongly correlated with oil prices, was less impacted by the 6.67% drop in a barrel of WCS. Utilities and Real Estate were significant contributors to the quarterly return.

Most of the main Canadian indexes posted positive returns, except for the S&P/TSX Small Cap. The S&P/TSX Equity Income index (4.6%) was the top performer this quarter, while small caps, represented by the S&P/TSX Small Cap index, were the worst (-1.2%).



| S&P/TSX Sector | Weight (%) | Returns | | |
|-------------------------|------------|---------|--------------|------------|
| | | Quarter | Year-to-date | 3 years |
| Energy | 16,5 | 1,18% | 13,60% | -2,64% |
| Materials | 10,9 | 0,39% | 14,85% | 1,70% |
| Industrials | 10,9 | -1,46% | 19,40% | 13,65% |
| Consumer Discretionary | 4,3 | 2,74% | 19,60% | 7,76% |
| Consumer Staples | 4,1 | 5,82% | 18,99% | 8,84% |
| Health Care | 1,4 | -30,01% | -5,35% | -8,50% |
| Financials | 32,8 | 5,19% | 20,46% | 11,38% |
| Information Technology | 5,1 | 3,36% | 48,83% | 25,01% |
| Communications Services | 5,6 | 2,00% | 12,42% | 7,55% |
| Utilities | 4,7 | 10,11% | 34,80% | 10,96% |
| Real Estate | 3,6 | 8,50% | 24,34% | 0,12460884 |

In the third quarter, sector performance was quite positive as all but two of the S&P/TSX sectors posted positive returns. Coming in first place was Utilities with a return of 10.1%, helped primarily by Brookfield Infrastructure (18.1%) and Brookfield Renewable (20.4%). Next up was Real Estate, which generated a return of 8.5% and benefited from the strong performances of Brookfield Property (9.9%) and Canadian Apartment Properties REIT (13.4%). Four sectors (Financials, Consumer Discretionary, Consumer Staples and IT) also made positive contributions to the Canadian index's performance. Health Care was hit hard due to cannabis industry-related stocks. CannTrust plummeted -73.8% while Aurora Cannabis was off -43.3% and Canopy Growth was down -42.6%.

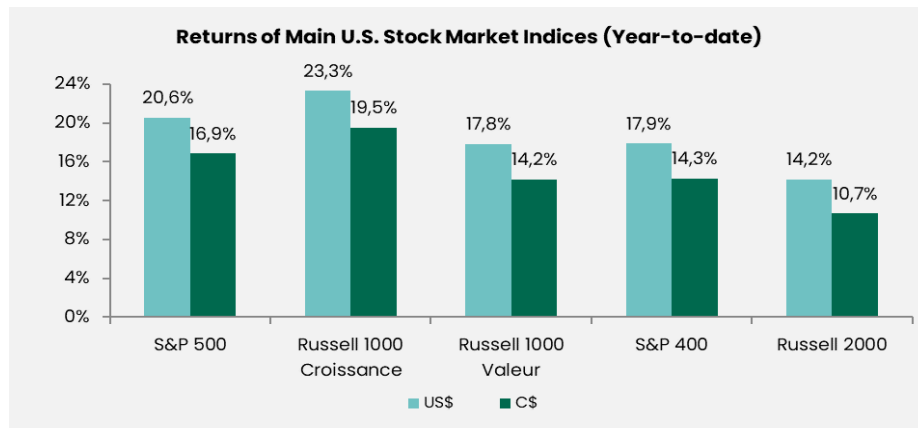
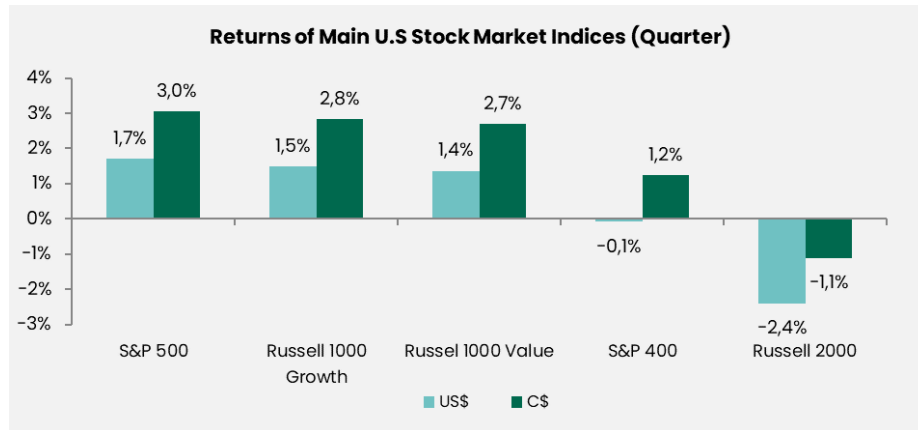
Industrials also recorded a negative return (-1.5%). The biggest detractors were Bombardier (-18.6%) and SNC-Lavalin (-29.5%).



US stock market

During the quarter, the S&P 500 posted a return of 1.7% in US\$. The depreciation of the loonie in relation to the greenback had a positive impact for Canadian investors, accounting for the Canadian-dollar return of 3.0%.

Growth stocks outperformed value stocks in the third quarter. The Russell 1000 Growth index was up 1.5%, outpacing the Russell 1000 Value, which was up 1.4% in US\$. In terms of stock market capitalization, large caps (S&P 500) outperformed both 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 | 4,4 | -6,33% | 5,97% | -2,61% |
| Materials | 2,7 | -0,08% | 17,17% | 9,25% |
| Industrials | 9,2 | 0,99% | 22,58% | 11,32% |
| Consumer Discretionary | 10,2 | 0,47% | 22,42% | 15,80% |
| Consumer Staples | 7,6 | 6,09% | 23,26% | 7,89% |
| Health Care | 13,9 | -2,27% | 5,62% | 9,64% |
| Financials | 12,7 | 1,97% | 19,55% | 15,44% |
| Information Technology | 22,1 | 3,35% | 31,37% | 22,53% |
| Communications Services | 10,5 | 2,19% | 21,69% | 3,27% |
| Utilities | 3,5 | 9,21% | 25,25% | 13,54% |
| Real Estate | 3,3 | 7,61% | 29,59% | 10,33% |

Overall, eight of the eleven US index sectors generated positive returns in US\$. In first place was Utilities, with a return of 9.2%. The main contributor was NextEra Energy (14.4%) due to its portfolio weighting and performance. Real Estate took second place with a return of 7.6%. In this case, the biggest contributor was American Tower Corporation (8.6%), one of the world's leading REITs. ATC is a major independent owner, operator and developer of wireless communications and radio broadcasting properties, with a global portfolio comprising nearly 171,000 communication sites, including some 41,000 properties in the US and 130,000 internationally.

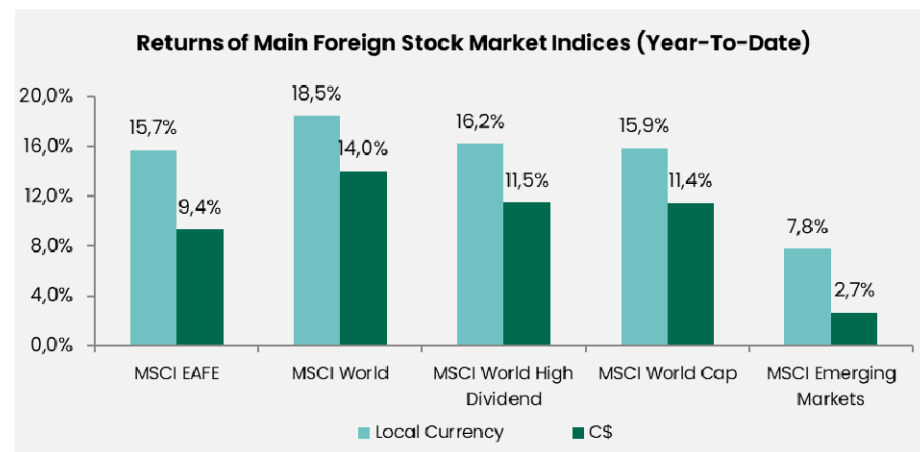
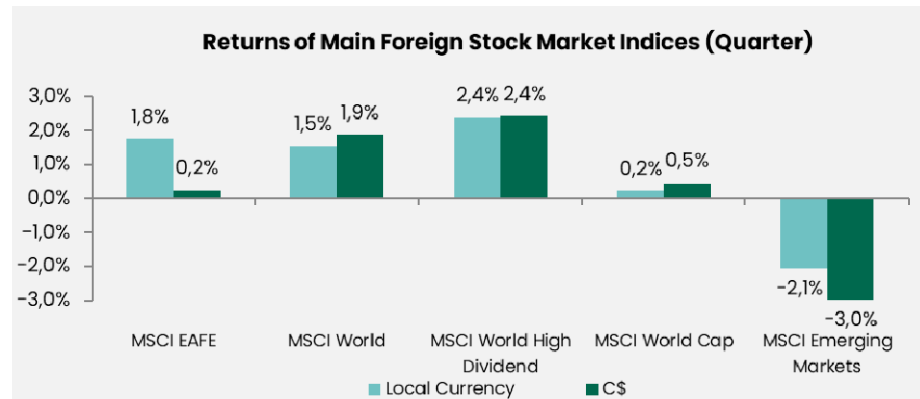
At the other end of the spectrum, the worst-performing sector was Energy (-6.3%). The biggest detractor in this sector was Exxon Mobil (-6.7%), a US-based oil and gas company that was affected by lower oil prices.



Foreign stock markets

Stock markets around the world generated returns in line with the US market. During the third quarter, all the main foreign stock indexes posted positive returns in local currencies except for emerging markets, despite two key-rate cuts in the US and an inverted yield curve.

Among the indexes listed below, MSCI World High Dividend scored the best quarterly performance with a return of 2.4% in local currencies. The others also recorded positive returns ranging from 0.2% to 1.8% in local currencies. Emerging markets were the only exception (-2.1%).



| MSCI EAFE Region | Weight (%) | Returns (in local currency) | | |
|------------------|------------|-----------------------------|---------|---------|
| | | Quarter | Quarter | 3 years |
| United Kingdom | 16,36% | 0,71% | 13,78% | 6,49% |
| Europe ex-UK | 47,01% | 2,48% | 20,13% | 8,63% |
| Japan | 24,56% | 3,45% | 9,46% | 8,55% |
| Pacific ex-Japan | 12,07% | -2,57% | 15,02% | 9,93% |

In local currencies, 16 of the 21 EAFE countries generated positive returns during the quarter. The best performers were Australia and Switzerland, while Israel and Japan were the worst.

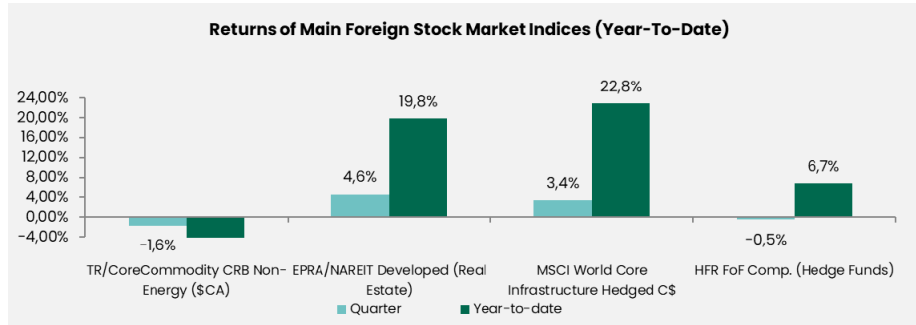
| MSCI EAFE Sector | Weight (%) | Returns (in local currency) | | |
|-------------------------|------------|-----------------------------|--------------|---------|
| | | Quarter | Year-to-date | 3 years |
| Energy | 5,1 | -3,00% | 7,72% | 10,93% |
| Materials | 7,0 | -2,33% | 14,60% | 10,40% |
| Industrials | 14,7 | 0,61% | 17,43% | 9,10% |
| Consumer Discretionary | 11,5 | 2,76% | 16,31% | 8,41% |
| Consumer Staples | 12,0 | 4,95% | 19,80% | 6,67% |
| Health Care | 11,6 | 5,26% | 18,79% | 7,82% |
| Financials | 18,6 | 0,40% | 11,93% | 7,75% |
| Real Estate | 3,6 | 0,60% | 11,62% | 5,53% |
| Information Technology | 6,7 | 1,89% | 24,67% | 13,67% |
| Communications Services | 5,4 | 1,60% | 9,66% | 1,34% |
| Utilities | 3,8 | 5,86% | 17,05% | 9,80% |

In the MSCI EAFE index, nine of the eleven sectors delivered positive performances in local currencies. The top performer was Utilities, helped by Enel Group (10.6%) and RWE AG (28.4%). Enel's performance came on the strength of higher revenues and net earnings during the first half of 2019. In second place was Health Care as AstraZeneca PLC (11.8%), a pharmaceutical group, was the top contributor thanks to its portfolio weighting and performance.

Energy turned in the worst performance as the biggest detractor was Royal Dutch Shell (-7.6%) due to its portfolio weighting.

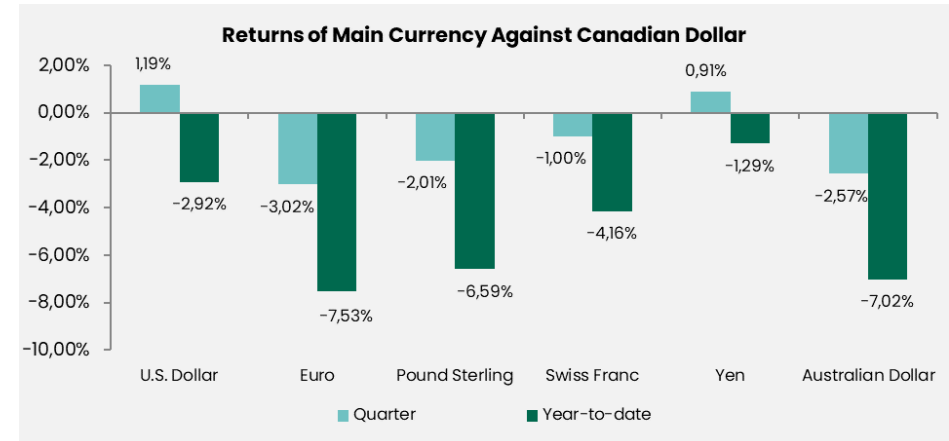


Alternative investments and currencies



| | TR/CoreCommodity CRB Non-Energy (SCA) | EPRA/NAREIT Developed (Real Estate) | MSCI World Core Infrastructure Hedged C\$ | HFR FoF Comp. (Hedge Funds) |
|---------|---------------------------------------|-------------------------------------|---|-----------------------------|
| Quarter | -1,6% | 6,0% | 3,4% | 0,8% |
| YTD | -5,3% | 16,1% | 22,8% | 3,5% |

Among the alternative investment indexes, EPRA/NAREIT Developed (Real Estate) finished in first place with a quarterly return of 4.6%. Meanwhile, TR/CoreCommodity CRB Ex-Energy had the worst quarterly return (-1.6%). HFR Fund of Funds Composite was up 0.5% while MSCI World Core Infrastructure gained 3.4% in the third quarter.



During the quarter, the Canadian dollar gained in relation to all the major currencies, except for the US dollar and yen.

| TR/CoreCommodity CRB Ex-Energy | Weighting (%) | Returns (in US\$) | |
|--------------------------------|---------------|-------------------|--------------|
| | | Quarter | Year to date |
| Agriculture | 69.0% | -4.3% | -4.6% |
| Precious metals | 10.1% | 4.4% | 11.8% |
| Base metals | 20.1% | -2.2% | -1.1% |

The TR/CoreCommodity CRB Ex-Energy index had a negative return (-1.6%) this quarter, primarily due to Agriculture and its relative weighting (down 4.3% for the quarter). The Precious Metals sector recorded a positive return this quarter (4.4%).