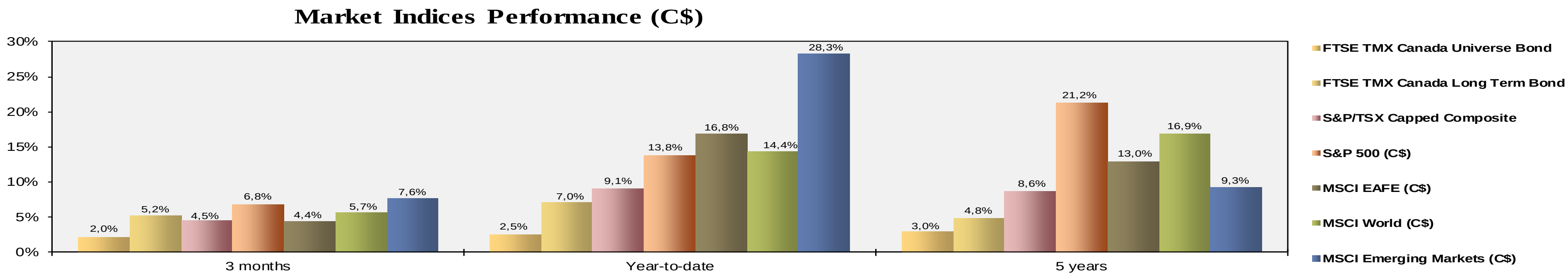
MARKET COMMENTARY AS AT DECEMBER 31, 2017

SSQ Financial Group
Values in the right place



Economic environment is propelling share prices to new heights

Stock markets performed well in the fourth quarter of 2017 as growth continued in all the main global stock markets, including in Canada, where the main index (S&P/TSX Composite) finished up 4.5%. Emerging markets were all the rage last quarter as well as last year as MSCI Emerging Market Index posted an annual return of 28.3%, thanks primarily to sharply higher corporate profits in those countries.

A number of indexes worldwide hit new heights, spurred by an equity-friendly economic environment driven by synchronized (and accelerating) global growth, higher corporate profits, tax cuts in the United States, accommodating monetary policies, low interest rates and moderate inflation. The fine performance of the main global stock indexes and their low volatility also prompted investors to boost their equity allocations. South of the border, the U.S.'s fine economic performance forced the Fed to pursue interest rate normalization by another increase in its key rate, closing out the year with three increases.

The big news this past quarter was the adoption of tax reform in the U.S. One notable effect of those changes was the drop in the federal corporate tax rate from 35% to 21%. In the coming months, we should see the effects of this reform, which although temporary, is expected to stimulate the economy in the short term. Much has been written about the NAFTA negotiations and it will continue to be a hot topic in 2018. If the U.S. withdraws from this agreement, the Bank of Canada could be forced to be much more cautious in its approach to increase rates, particularly when high debt levels of Canadian consumers are taken into account, as this remains an area of concern.

Across the Atlantic, the European Central Bank (ECB) plans to scale back its anti-crisis program by cutting in half its asset buying between January and September 2018. The ECB plans to raise its key rate, currently at 0%, only after the end of its asset-buying program. This cautiousness is attributable to a growing but still fragile economy that is facing numerous risks, including uncertainty over the U.K.'s decision to leave the EU, aka Brexit.

In the Canadian bond market, short and medium-term interest rates were up although long-term rates were down, which partly explains the FTSE TMX Canada Universe index's positive quarterly return (2.02%).

During the quarter, gold (spot price) closed the quarter up slightly (+0.6%) at US$1,291 an ounce. In the oil sector, a barrel of Brent crude was up 16.2% to finish the quarter at US$66.86. West Texas Intermediate (WTI) was up 16.9% while Western Canada Select (WCS) was down -14.8%, finishing the quarter at US$60.42 and US$34.42 respectively.

The U.S. economy added 587,000 jobs in the fourth quarter of 2017 and nearly 2.13 million for the year. North of the border, job creation was outstanding, with 193,400 jobs created during the quarter and 422,500 in 2017. Unemployment was down yet again, falling from 4.2% to 4.1% in the U.S. and from 6.2% to 5.7% in Canada.

In the U.S. residential real estate market, the most recent data from the S&P CoreLogic Case-Shiller index (October 2017) shows a +6.4% variation for the past 12 months, while the Teranet/National Bank house price index, which gauges Canadian residential real estate, shows a variation of +10% for the same period.

	Canada	United States
GDP Growth (y/y)	3.4%	3.2%
Inflation (y/y growth)	2.1%	2.1%
Core Inflation (y/y)*	1.8%	1.8%
Job Creation (QTD)	193,400	587,000
Job Creation (y/y growth)	422,500	2,126,000
Unemployment Rate	5.7%	4.1%

Core inflation, excluding food and energy

Most recent data as of January 15th, 2018

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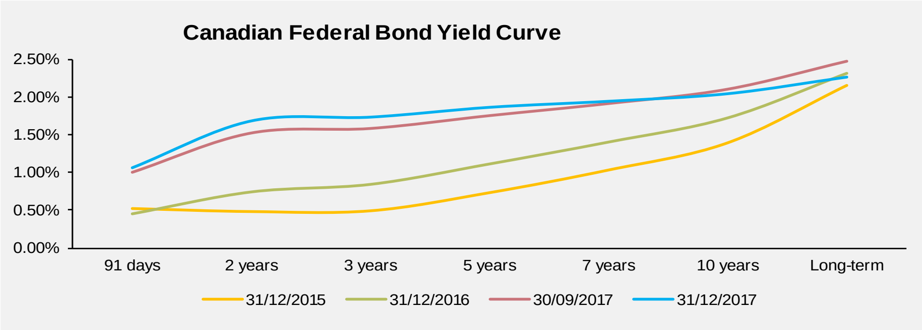
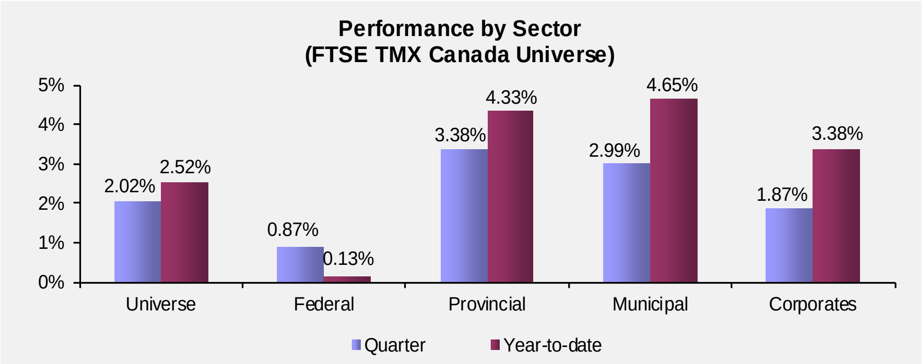
Canadian bond market

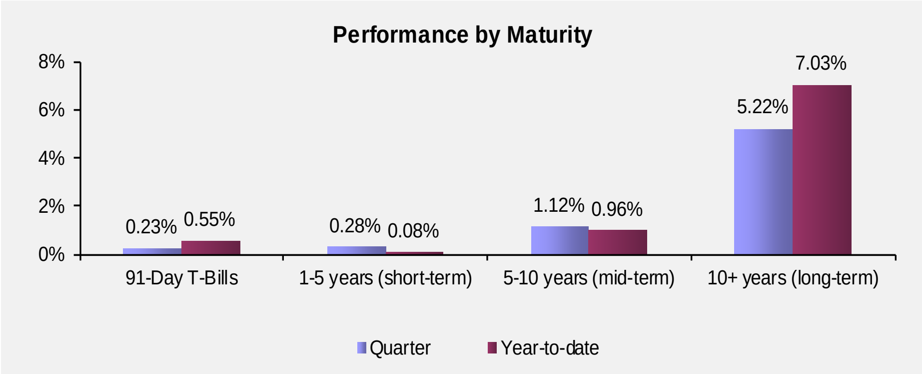
During the quarter, the yields to maturity for Canadian bonds increased on the "less than 10 years" portion of the curve and dropped on the 10-year+ portion. The Canadian economy's fine performance accounts for the increase in short-term yields, although the yields for 10-year+ bonds, which are more influenced by the inflationary outlook, dropped on news of Canadian inflation, which remains moderate. The net result was a flattening of the curve.



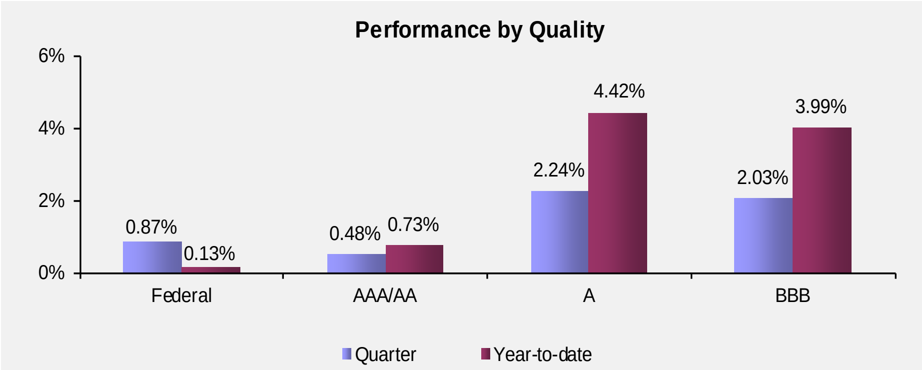
During the period, the FTSE TMX Canada Universe index posted a return of 2.02%, due to narrower credit spreads for provincial and municipal bonds. In addition, the yield to maturity for long-term Canadian bonds fell, which had a positive impact on the return. Provincial bonds, which make up a major part of the long-term portion of the FTSE TMX Canada Universe index, turned in the best performance; federal bonds were the worst.



Long-term bonds posted the best return this quarter (+5.22%) thanks to the lower long-term yield. With a return of 0.23%, 91-day Treasury bills were the worst performers this quarter. Federal bonds (2-year, 10-year and 30-year) finished the quarter with yields to maturity of 1.68%, 2.04% and 2.26% respectively, while 91-day Treasury bills posted a yield of 1.06%.

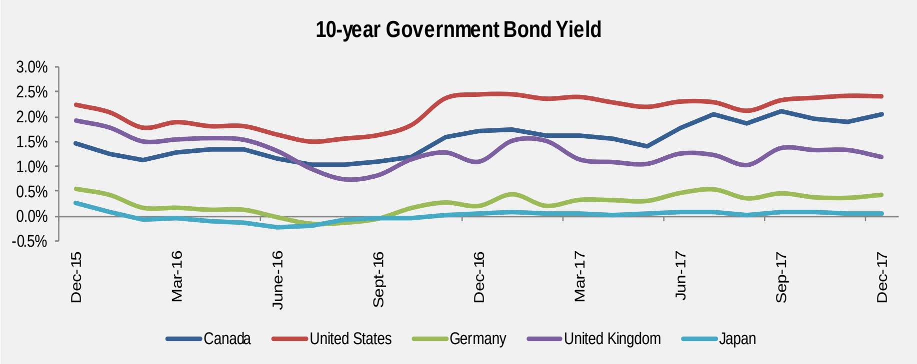


A and BBB bonds saw their credit spreads narrow in relation to federal bonds during the quarter. A-rated corporate bonds had the best performance while AAA/AA corporate bonds had the worst as this segment is made up of bonds with short durations amid higher short-term interest rates.

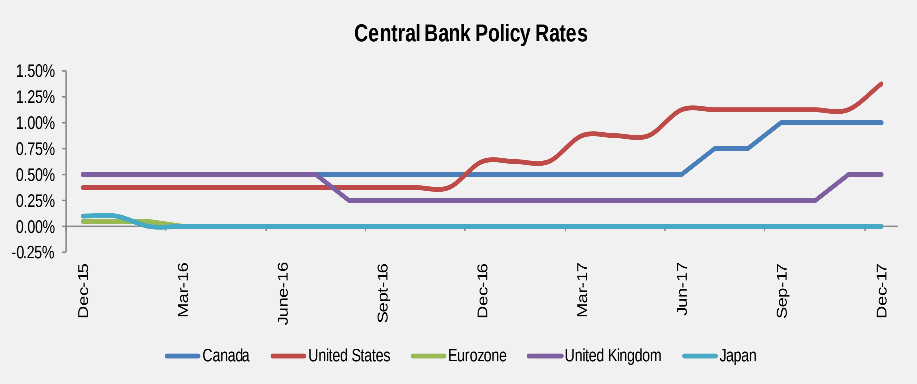


Global bond markets

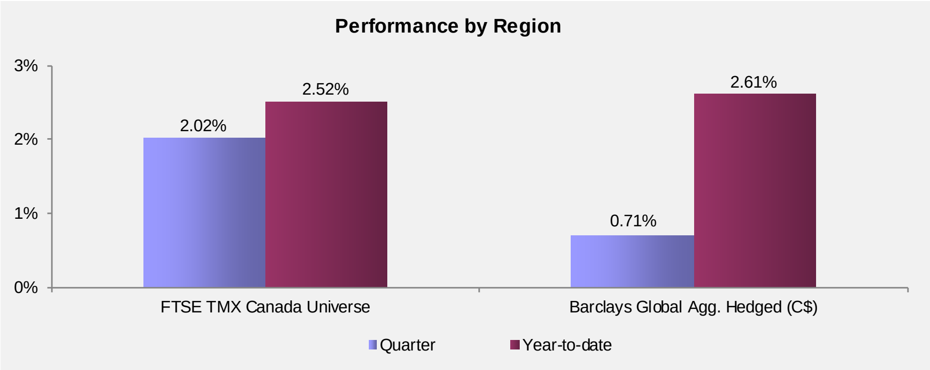
Except for the U.S., the yield-to-maturity for 10-year government bonds dropped slightly. Global inflation increased more slowly than expected, which explains the drop in the 10-year rates.



The Bank of Canada did not raise its key rate during the quarter. Despite the risk that the U.S. could pull out of the North American Free Trade Agreement (NAFTA), Canada's robust economy should lead to the central bank increasing its key rate in January. Meanwhile, the U.S. Fed increased its key rate once again. The Bank of England also upped its key rate by a quarter point (0.25%).



Canadian bonds, as measured by the FTSE TMX Canada Universe index, posted a positive performance of 2.02%, surpassing global bonds (+0.71%) (Barclays Global Aggregate index, currency-hedged (C$)). The drop in 10-year+ rates in Canada accounted for the fact that Canadian bonds outperformed global bonds.



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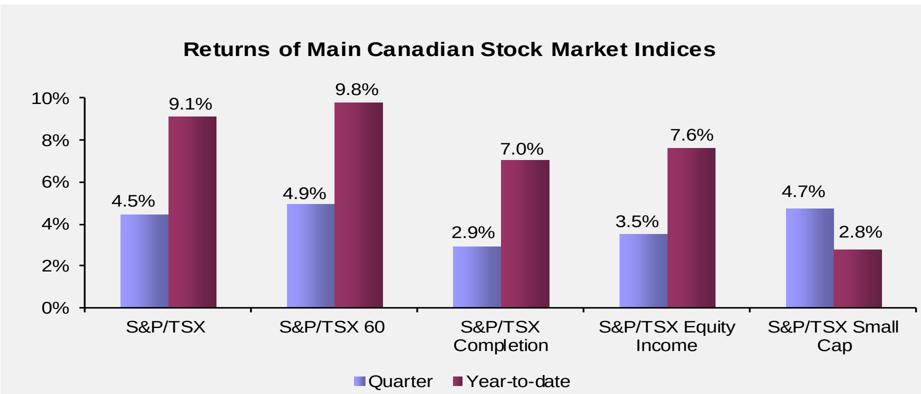
Canadian stock market

The Canadian stock market, as measured by the S&P/TSX, finished the quarter with a return of 4.5%. All sectors except Energy contributed to the index's strong performance, which was helped by corporate earnings growth and the robust global economy. More specifically, gains were driven by the excellent performance of the Financials and Materials sectors, which together represent more than 45% of the index. The Financials sector benefited from higher interest rates, while Materials did well following higher demand for commodities amid solid global economic growth.

Canada's main indexes all posted positive returns during the quarter, ranging from 2.9% to 4.9%. Small and large caps did better than medium caps in Canada, with the best performance coming from the S&P/TSX 60, a large cap index (+4.9%). Meanwhile, the Canadian Small Cap index finished the quarter up 4.7%, fuelled by the strong performance of the Materials and Industrials sectors.



S&P/TSX Sector	Weight (%)	Returns		
		Quarter	Year-to-date	3 years
Energy	19.7	0.66%	-7.00%	-0.49%
Materials	11.5	5.00%	7.65%	6.28%
Industrials	9.5	4.33%	19.67%	9.30%
Consumer Discretionary	5.4	4.53%	22.71%	10.07%
Consumer Staples	3.7	6.17%	7.76%	9.25%
Health Care	1.0	46.67%	34.19%	-39.19%
Financials	34.6	5.73%	13.32%	11.70%
Real Estate	2.9	6.01%	11.21%	s.o.
Information Technology	3.2	3.45%	16.83%	12.53%
Telecommunications Services	4.7	4.25%	14.77%	11.17%
Utilities	3.8	2.62%	10.76%	7.99%

For the quarter, all sectors of the S&P/TSX index posted positive returns. In first place was Health Care (+46.67%). The biggest contributor was Canopy Growth (+177.4%). Coming in second was Consumer Staples (+6.17%), supported by Alimentation Couche-Tard (+15.4%).

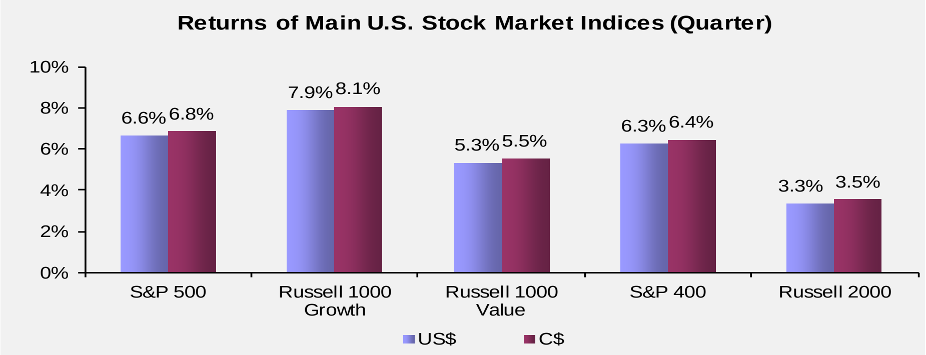
After finishing first in the third quarter of 2017, the Energy sector dropped to last place (+0.66%); the biggest detractor was Enbridge, whose share price fell by 4.4% after the company reported lower than expected earnings following a drop in pipeline volumes. Utilities came in 10th place (+2.62%) as it and the other more defensive sectors fell into disfavour. Just Energy Group (-24.39%) was the worst detractor.

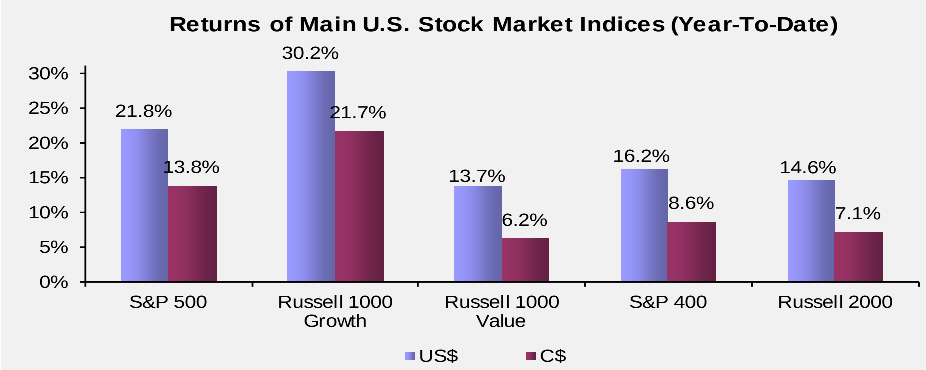
The Financials sector, which is the most represented in the index, finished the quarter in fourth place (+5.73%). That was explained in part by higher interest rates and Canada's strong economy. The biggest performance contributors were Royal Bank (+7.3%) and TD Bank (+5.7%). The best performing stock was Home Capital Group (+24.6%), which clawed back some of the losses it suffered in the second and third quarters.

U.S. stock market

During the quarter, the S&P 500 posted a return of 6.6% in U.S. dollars. The differential between the Canadian and U.S. dollars had a minimal impact this quarter. The return in Canadian dollars was 6.8% for Canadian investors.

"Growth" style stocks were in favour during the quarter, compared with "value" style. The Russell 1000 Growth index generated a return of 7.9%, surpassing the Russell 1000 Value index (+5.3%). As regard market capitalization, small caps (Russell 2000) underperformed 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	6.1	6.02%	-1.01%	-0.18%
Materials	3.0	6.93%	23.84%	9.81%
Industrials	10.3	6.05%	21.03%	11.93%
Consumer Discretionary	12.2	9.87%	22.98%	12.81%
Consumer Staples	8.2	6.49%	13.49%	8.43%
Health Care	13.8	1.47%	22.08%	8.29%
Financials	14.8	8.63%	22.18%	13.90%
Real Estate	2.9	3.22%	10.85%	s.o.
Information Technology	23.8	9.01%	38.83%	18.74%
Telecommunications Services	2.1	3.61%	-1.25%	8.03%
Utilities	2.9	0.21%	12.11%	7.45%

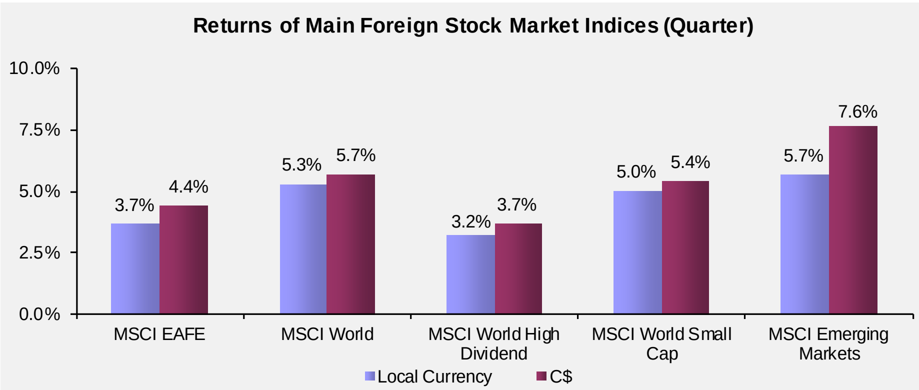
All sectors in the U.S. stock index generated positive returns in U.S. dollars. The cyclical and growth sectors outperformed the defensive sectors. Consumer Discretionary finished in first place (+9.87%), followed by Information Technology (+9.01%). Consumer Discretionary's two biggest contributors were Amazon (+21.9%) and Home Depot (+16.7%). Amazon, which is the sector's most represented stock, reaped gains from outstanding earnings (up 34% from the same period in 2016). The Information Technology sector primarily benefited from quarterly corporate profit growth of nearly 20%. Microsoft was up more than 7% after reporting higher than expected profits, thanks primarily to the company's cloud computing division. Apple (+10.4%) was the second biggest contributor to the sector's performance.

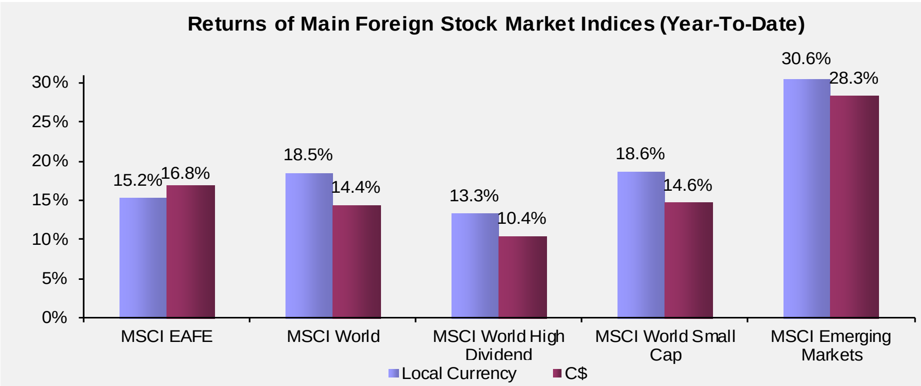
On the down side, the two worst performing sectors were Utilities and Health Care (both of which are defensive), although they still generated positive returns. The biggest Utilities detractor was PG&E (-34%). This energy company, which faced significant potential debts following California's forest fires in October, was forced to suspend its dividend. The company also faces various lawsuits in response to damage caused by its equipment during the fires. In the Health Care sector, Celgene (-28.3%) hampered overall performance due to lower than expected sales and a downgraded financial outlook. Merck & Co. also had a tough quarter as its share price dropped by more than 11%.

Foreign stock markets

In the fourth quarter of 2017, the main foreign stock indexes posted positive returns in local currencies as well as in Canadian dollars for a second quarter in a row. These same indexes continued to benefit from the solid global economic performance and strong corporate earnings growth.

Among the indexes shown below, MSCI Emerging Markets had the best quarterly performance in local currencies (+5.7%). Strong corporate earnings growth in those countries and their attractive valuations are prompting investors to boost their weightings in those stocks. The other indexes also generated positive returns, ranging from 3.2% to 5.3% in local currencies.





MSCI EAFE Region	Weight (%)	Returns (in local currency)		
		Quarter	Year-to-date	3 years
United Kingdom	17.8%	4.85%	11.71%	9.19%
Europe ex-UK	46.2%	-0.07%	13.59%	7.97%
Japan	24.0%	8.57%	19.75%	9.33%
Pacific ex-Japan	12.0%	7.09%	19.43%	8.61%

In local currencies, 13 of the 21 MSCI EAFE countries generated positive returns during the quarter, with the best being Japan and Australia; Finland and Italy were the worst.

MSCI EAFE Sector	Weight (%)	Returns (in local currency)		
		Quarter	Year-to-date	3 years
Energy	5.3	9.06%	10.15%	10.86%
Materials	8.2	7.91%	22.52%	12.12%
Industrials	14.6	4.22%	19.97%	11.66%
Consumer Discretionary	12.3	4.71%	15.23%	8.03%
Consumer Staples	11.2	4.37%	14.16%	10.93%
Health Care	10.1	-0.47%	8.14%	4.02%
Financials	21.2	2.47%	14.55%	7.71%
Real Estate	3.6	6.00%	15.31%	s.o.
Information Technology	6.4	4.38%	29.43%	14.33%
Telecommunications Services	3.9	0.12%	3.94%	3.73%
Utilities	3.2	-1.87%	9.11%	3.27%

Nine of the 11 MSCI EAFE sectors posted positive performances in local currencies. The quarter's best performer was Energy, helped by Royal Dutch Shell. In second place was Materials, thanks to Australia-based BHP Billiton, which posted a quarterly return of 14.6%.

Utilities turned in the worst performance, with the biggest detractor being Centrica (-24.3%) after suffering a steep decline in its share price following a major loss of clients at its subsidiary British Gas. In next-to-last place was Health Care, hampered by Sanofi (-13%).

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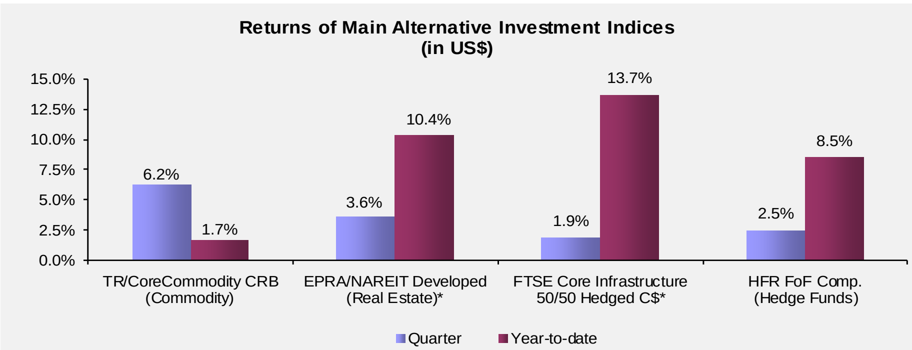
Alternative investments and currencies

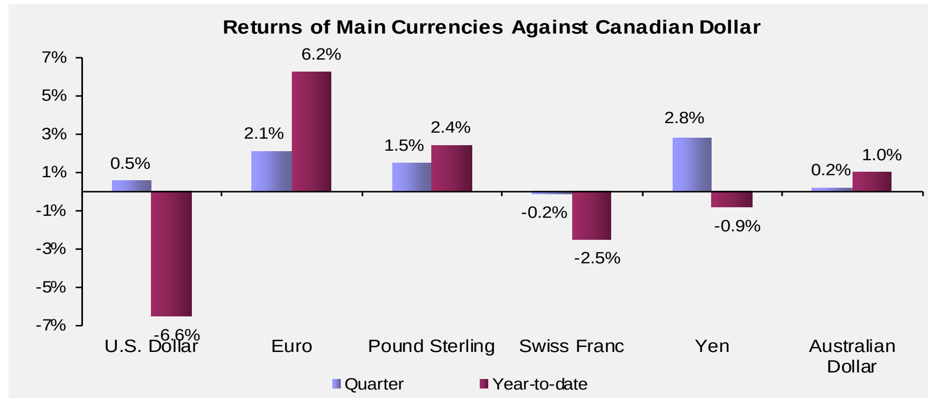


Returns in C$**				
Quarter	6.2%	3.8%	1.9%	2.8%
YTD	1.7%	3.1%	13.7%	2.2%

* 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 fourth quarter, commodities once again came in first among the alternative investment indexes, up 6.2% (hedged in US$). Despite a positive return, the infrastructure index had the lowest quarterly return (1.9% in C$) for the second quarter in a row. This asset class nevertheless achieved the best annual performance, due to an excellent first half of the year. The global real estate index posted a quarterly return of 3.6% in US$.



During the quarter, the Canadian dollar depreciated in relation to all other major currencies except the Swiss franc. The U.S. dollar also had another difficult quarter, losing in value against the yen, the euro and the British pound.

Commodity TR/CoreCommodity CRB	Weight (%)	Returns (in US$) Quarter	Returns (in US$) Year-to-date
Energy	39.2	11.0%	-2.2%
Agriculture	39.8	0.3%	-7.2%
Precious Metals	7.0	1.7%	10.8%
Base Metals	13.9	10.2%	29.3%

The TR/CoreCommodity CRB index posted a good quarterly performance, helped along by Energy (the best sector, with a return of 10.9%). The worst sector was Agriculture (0.3%).