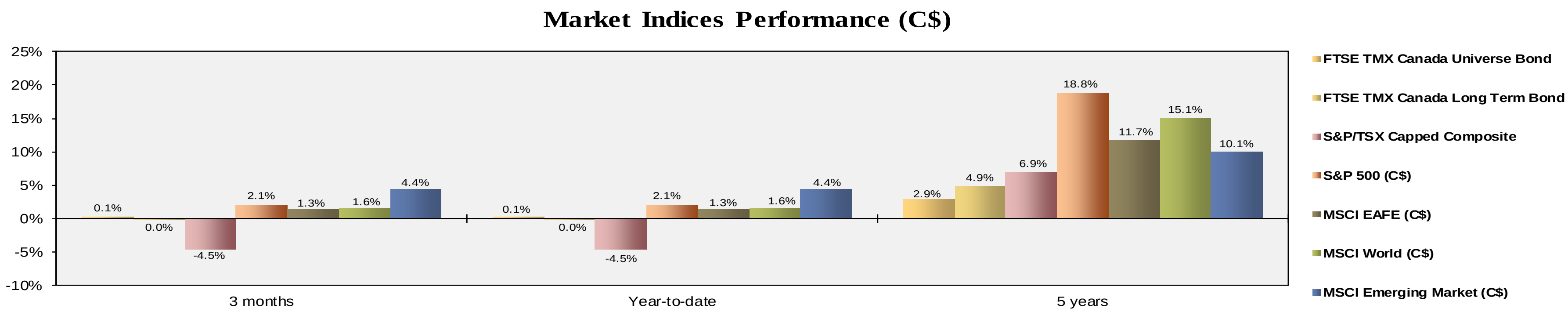
MARKET COMMENTARY AS AT MARCH 31, 2018

SSQ Financial Group
Values in the right place



Volatility is back

Market volatility came back with a vengeance in the first quarter. Stock markets fell by nearly 10% in February, only to rebound later on. As a result global equities underwent the worst correction since the third quarter of 2015. Uncertainties persisted throughout the quarter due to widespread concerns over a trade war between the US and China. Most stock markets finished the quarter lower, including the S&P/TSX Capped Composite, down 4.5%. However, the decrease of the Canadian dollar (-2.4%) was beneficial to Canadians holding foreign investments. Emerging markets came out ahead in the first quarter as the MSCI Emerging Markets index posted a return of 4.4% in Canadian dollars, benefiting from increased trade and strong consumer spending.

The most noteworthy aspect of the first quarter was the rise of trade protectionism as the US imposed Chinese import tariffs valued at $60 billion, in addition to threatening new trade barriers in the future. A trade war between the two countries would surely lead to a marked slowdown in trade flows and global GDP. The US also remains in the negotiation process of reviewing NAFTA, which is still an issue of concern, although there has been recent progress at the negotiating table.

Over in Europe, the markets were also affected by the potential trade war, as well as by higher interest rates in the US. The Italian elections produced a minority parliament but had no major impact on the financial markets. In Germany, a new coalition led by Angela Merkel overcame the final obstacle to forming a government, which should benefit the euro zone. In addition, fresh progress was made on Brexit, including the signing of a preliminary agreement on the transition period terms once the UK has formally left the European Union.

In the Canadian bond market, short and medium-term yields rose, although long-term yields were down slightly, thus partially explaining the positive quarterly return (0.10%) posted by the FTSE TMX Canada Universe index.

Gold closed the quarter up slightly (2.54%) to US$1,323.85 an ounce. In the oil sector, a barrel of Brent crude was up 5.1% to US$70.27. West Texas Intermediate (WTI) and Western Canada Select (WCS) were up 7.5% and 24.8%, closing the quarter at US$64.94 and US$42.94 respectively.

In employment news, the US economy created 617,000 jobs during the quarter, with nearly 2.2 million created in the past 12 months. North of the border, job creation suffered somewhat in the first quarter as 40,300 positions were lost. Job losses occurred in January, which coincided with the increase in the minimum wage. However, 296,200 jobs were created in the past 12 months. The unemployment rate held steady at 4.1% in the US while it rose from 5.7% to 5.8% in Canada.

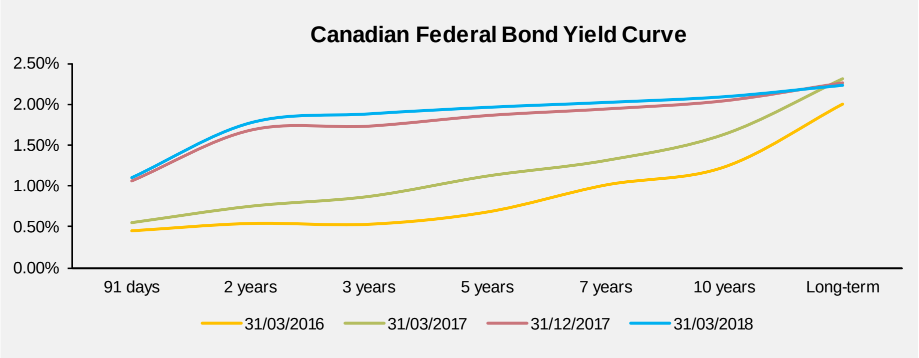
In the US residential real estate market, the most recent data for the S&P CoreLogic Case-Shiller index (January 2018) showed a variation over the past 12 months of +6.4%, while the Teranet-National Bank House Price index, which measures Canadian residential real estate, showed a variation of +8.7% for the same period.

	Canada	United States
GDP Growth (y/y)	3.4%	2.9%
Inflation (y/y growth)	2.2%	2.4%
Core Inflation (y/y)*	1.8%	2.1%
Job Creation (QTD)	-40,300	617,000
Job Creation (y/y growth)	296,200	2,162,000
Unemployment Rate	5.8%	4.1%

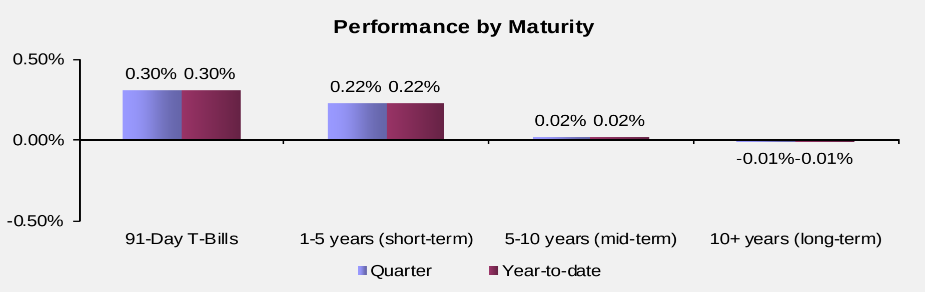
Core inflation, excluding food and energy
Most recent data as of April 15th, 2018

Canadian bond market

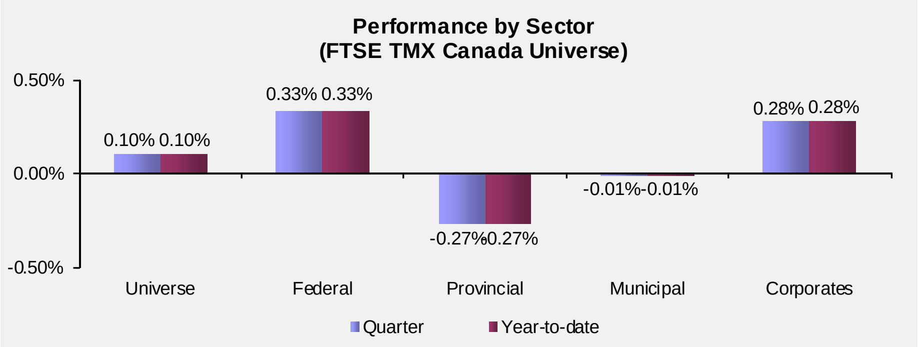
During the quarter, yields to maturity for Canada bonds continued to increase in the 10-years-and-less portion of the curve and were down slightly for the 30-year terms. As a result, the curve flattened in the long-term portion.



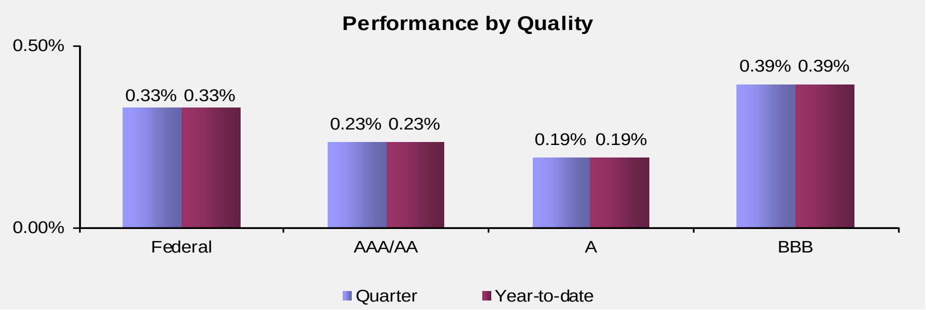
During the quarter, 91 day Treasury bills posted the best return with a positive performance of 0.30%. Long-term bonds performed poorly this quarter, with a return of -0.01%, dragged down mainly by wider credit spreads. In addition, 2 year, 10 year and 30 year federal bonds finished the quarter with yields to maturity of 1.77%, 2.09% and 2.23% respectively.



During the period, the FTSE TMX Canada Universe index posted a return of 0.10%. Wider credit spreads for provincial bonds were the biggest drag on performance. The best performers were federal bonds, while provincial bonds, which account for a significant part of the long-term portion of the FTSE TMX Canada Universe index, turned in the worst performance.



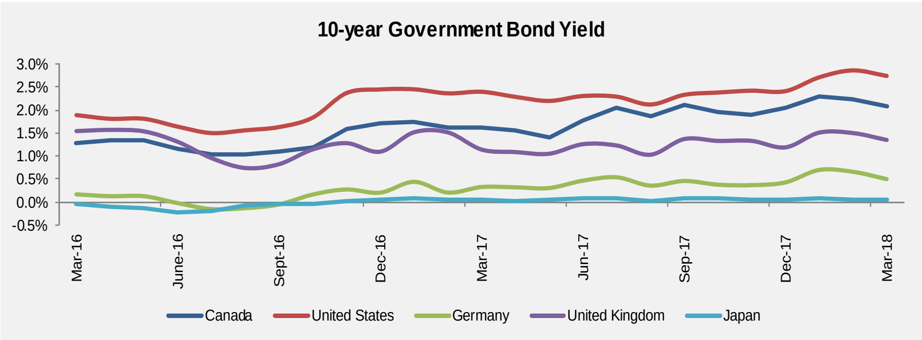
AAA/AA and A bonds saw their credit spreads increase in relation to federal bonds during the quarter, which did nothing to help their performance compared with lesser-quality bonds (BBB), which performed better thanks to the status quo situation with their credit spreads.



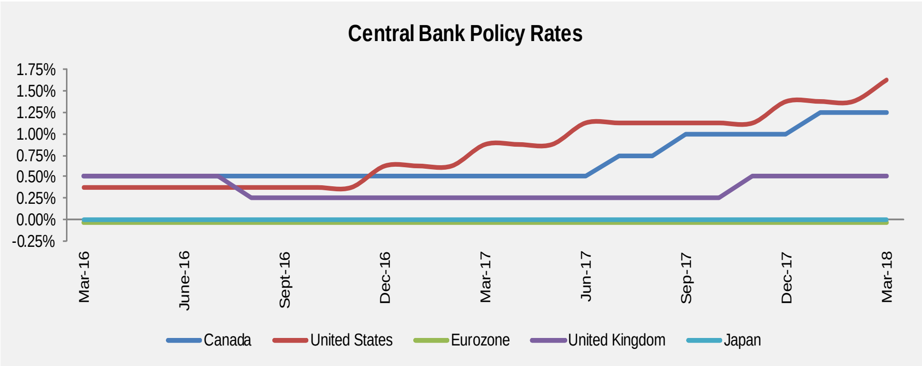
SSQ Financial Group
Values in the right place

Global bond markets

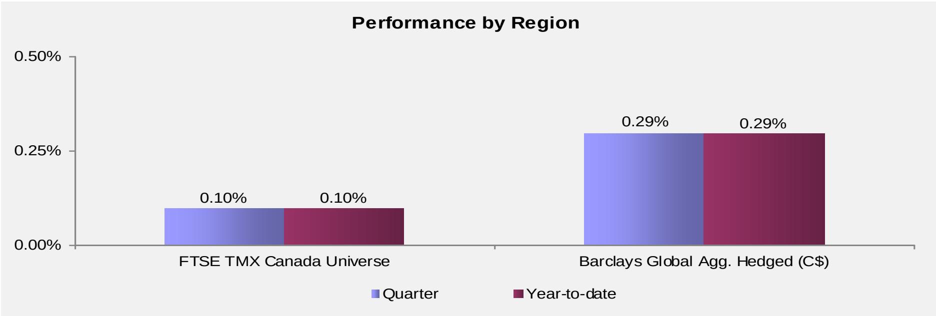
Yields to maturity for 10-year government bonds were up in the first quarter, with the exception of Japan. Higher key rates and the central banks' desire to keep on tightening their monetary policies helped to push up yields.



The US Federal Reserve once again raised its key rate in the first quarter and announced that additional increases lie in store if the economic cycle allows. The Bank of Canada also raised its key rate by 0.25%, as announced in January. However, the slowing Canadian economy in recent months and NAFTA-related uncertainties forced the Bank of Canada to leave its rate unchanged in March. Additional increases are expected in the future, although at a slower pace than in the US. For their part, the other central banks stuck with the status quo.



Canadian bonds, as measured by the FTSE TMX Canada Universe index, posted a positive return of 0.10% compared with 0.29% for global bonds (Barclays Global Aggregate index, currency-hedged (C$)). The increase in yields for 10-years-and-less bonds in Canada put downward pressure on Canadian bonds in relation to global bonds.



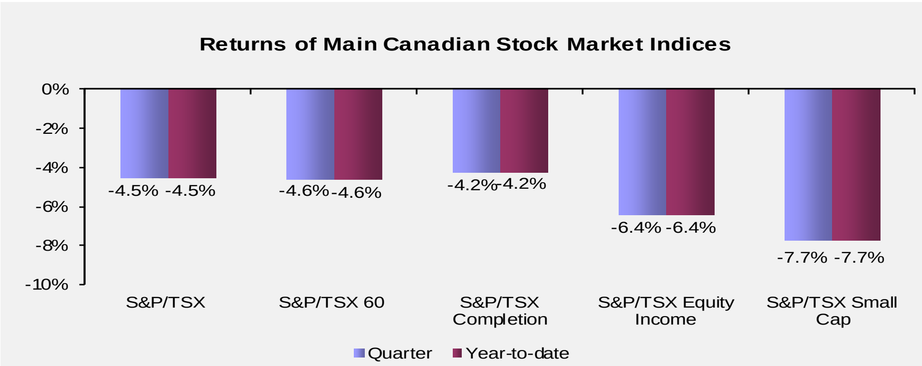
MARKET COMMENTARY AS AT MARCH 31, 2018

SSQ Financial Group
Values in the right place

Canadian stock market

The Canadian stock market, as measured by the S&P/TSX index, finished the quarter with a return of -4.5%. This negative performance was due primarily to the Energy and Financials sectors, which together account for more than of 53% of the index and contributed to nearly 70% of the decline. The Energy sector had a particularly difficult quarter, despite higher underlying commodity prices. The Health Care and Materials sectors were also strongly impacted, in part by the intensified NAFTA negotiations.

The main Canadian indices all posted negative returns during the quarter. Medium cap stocks (-4.2%) did better, relatively speaking, while small caps had the lowest return (-7.7%). The Canadian small cap equity index was particularly hit by the Energy and the Materials sectors, which together account for 49% of the index.



S&P/TSX Sector	Weight (%)	Returns		
		Quarter	Year-to-date	3 years
Energy	18.5	-9.44%	-9.44%	-3.82%
Materials	11.5	-4.29%	-4.29%	3.60%
Industrials	9.7	-2.60%	-2.60%	7.79%
Consumer Discretionary	5.5	-2.87%	-2.87%	6.87%
Consumer Staples	3.6	-5.91%	-5.91%	5.82%
Health Care	1.2	-13.51%	-13.51%	-47.41%
Financials	34.8	-3.50%	-3.50%	10.18%
Information Technology	3.8	10.17%	10.17%	12.94%
Telecommunications Services	4.6	-6.69%	-6.69%	8.29%
Utilities	3.7	-5.85%	-5.85%	4.61%
Real Estate	3.0	0.93%	0.93%	s.o.

In the first quarter, all but two of the S&P/TSX index sectors posted negative returns with the exception of Information Technology (+10.2%) and Real Estate (+0.9%). The biggest Information Technology contributor was Shopify (+26.1%), whose income was up 70% from the previous year. As for the Real Estate sector, Colliers turned stood out with a performance of 17.9%.

After being the best sector in the fourth quarter of 2017, Health Care fell to last place (-13.51%). Valeant was the biggest detractor as its share price fell by 21.7% during the quarter after the company reported lower-than-expected earnings. A new new debt issuance in February for the already heavily indebted company also drove the share price down. The Energy sector finished in 10th place (-9.44%), with Enbridge being the biggest detractor (-16.3%).

Financials, which is the most represented sector of the index, finished the quarter with a return of -3.50%. The biggest detractors were Manulife (-7.9%) and Brookfield Asset Management (-7.9%), while the best performer was TMX Group (6.8%).

MARKET COMMENTARY AS AT MARCH 31, 2018

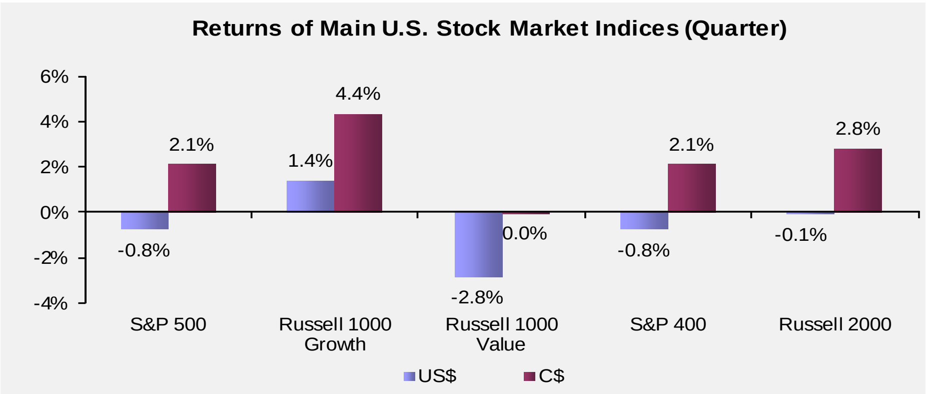
SSQ Financial Group
Values in the right place

US stock market

During the quarter, the S&P 500 index posted a return of -0.8% in US currency, although this figure rose to 2.1% after taking into account the loonie's depreciation against the greenback.

The US indices were affected by higher interest rates (the Fed undertook another key rate increase in March), as well as by the return of market volatility. The VIX index (which measures volatility) rose to above 35, which has happened only 10 times since 1988.

“Growth” style stocks continued to outperform "value" style during the first quarter. The Russell 1000 Growth index posted a return of 1.4%, outperforming the Russell 1000 Value index, which was down -2.8% in US dollars. In terms of capitalization, small caps (Russell 2000) outperformed 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	5.7	-5.88%	-5.88%	-1.23%
Materials	2.9	-5.52%	-5.52%	7.40%
Industrials	10.2	-1.56%	-1.56%	11.66%
Consumer Discretionary	12.7	3.09%	3.09%	12.20%
Consumer Staples	7.7	-7.12%	-7.12%	5.45%
Health Care	13.7	-1.22%	-1.22%	5.59%
Financials	14.7	-0.95%	-0.95%	14.32%
Information Technology	24.9	3.53%	3.53%	19.89%
Telecommunications Services	1.9	-7.48%	-7.48%	4.73%
Utilities	2.9	-3.30%	-3.30%	8.15%
Real Estate	2.8	-5.02%	-5.02%	s.o.

Only 2 of the 11 sectors in the US stock index generated positive returns in US dollars in the first quarter. Information Technology finished first with a return of 3.53%, followed by Consumer Discretionary (3.09%). The two biggest Information Technology contributors were Intel (13.6%) and Microsoft (7.2%). The latter continues to benefit from good results in the cloud computing sector. In the Consumer Discretionary sector, Amazon was the biggest contributor (thanks to its strong weighting in the index) with a return of 23.8% this quarter. Netflix (53.9%), however, posted the highest absolute return following the addition of more subscribers than expected.

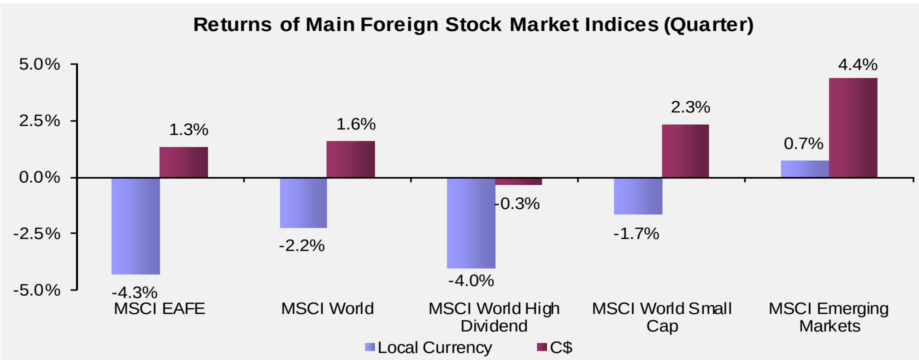
In contrast, the two worst sectors were Telecommunications and Consumer Staples, both of which are defensive. The two stocks that affected performance the most in the Telecommunications sector were Verizon and AT&T with returns of -8.6% and -7.1% respectively. As regards Consumer Staples, Procter & Gamble (-13.1%) weighed heavily on sector performance. Altria Group also had a difficult time as its stock price fell by more than 11.8%.

SSQ Financial Group
Values in the right place

Foreign stock markets

During the fourth quarter of 2017, the main foreign stock indices posted negative returns in local currencies (although positive in Canadian dollars), with the exception of the MSCI World High Dividend Yield index. After getting off to a good start this year, global stocks underwent their biggest correction since the summer of 2015 as volatility made a comeback.

Among the indices listed below, MSCI Emerging Markets had the best quarterly performance in local currencies with a return of 0.7%. The other indices, however, posted negative returns ranging from -1.7% to -4.3% in local currencies.



In local currencies, 18 of the 21 countries in the MSCI EAFE index generated negative returns during the quarter. The best performers were Finland and Italy, while Ireland and the United-Kingdom were the worst.

MSCI EAFE Region	Weight (%)	Returns (in local currency)		
		Quarter	Year-to-date	3 years
United Kingdom	17.3%	-7.31%	-7.31%	5.07%
Europe ex-UK	46.5%	-3.21%	-3.21%	1.87%
Japan	24.6%	-4.81%	-4.81%	4.11%
Pacific ex-Japan	11.7%	-2.78%	-2.78%	4.88%

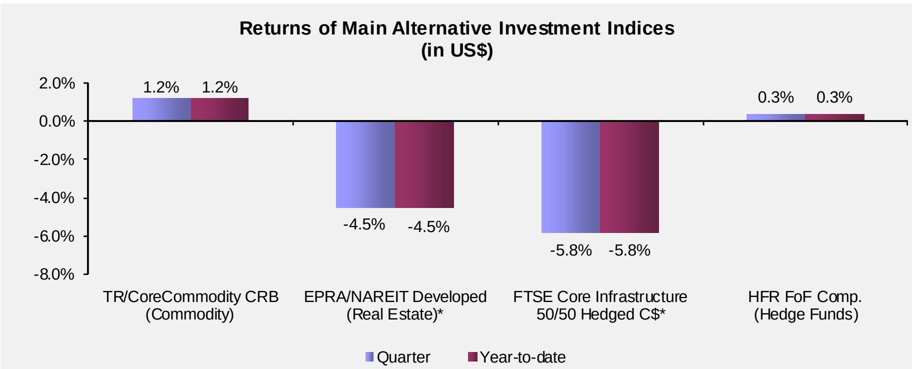
MSCI EAFE Sector	Weight (%)	Returns (in local currency)		
		Quarter	Year-to-date	3 years
Energy	5.3	-4.78%	-4.78%	8.32%
Materials	8.0	-6.19%	-6.19%	6.36%
Industrials	14.6	-4.52%	-4.52%	5.91%
Consumer Discretionary	12.6	-2.91%	-2.91%	2.37%
Consumer Staples	11.1	-5.74%	-5.74%	5.24%
Health Care	10.2	-3.55%	-3.55%	-1.72%
Financials	21.0	-4.24%	-4.24%	2.54%
Real Estate	3.5	-3.32%	-3.32%	s.o.
Information Technology	6.6	-2.52%	-2.52%	8.89%
Telecommunications Services	3.8	-7.09%	-7.09%	-1.65%
Utilities	3.3	-1.19%	-1.19%	2.12%

All of the MSCI EAFE index sectors posted negative performances in local currencies, with Utilities turning in the best performance. The biggest contributor was Orsted (24.7%), one of the Danish energy sector's leading companies, which reported excellent quarterly results. Information Technology came in second as Nintendo made a strong contribution with a quarterly return of 25% when converted into Canadian dollars.

The sector that had the most difficult quarter was Telecommunications as Vodafone (strongly represented in the sector) dragged down performance with a loss of 11.8%. Materials also had trouble in the first quarter, hampered by two German firms: BASF, the chemical manufacturer, and Linde, the world's second largest engineering and industrial gas company.

SSQ Financial Group
Values in the right place

Alternative investments and currencies

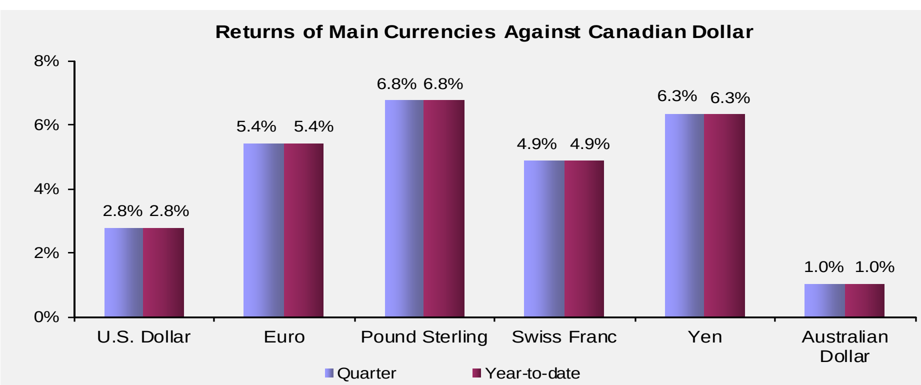


Returns in C$**				
Quarter	1.2%	-1.8%	-5.8%	3.3%
YTD	1.2%	-1.8%	-5.8%	3.3%

* 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 tw o in C$.

Commodities once again came in first among the alternative investment indices, up 1.2% (US$ hedged). Infrastructure had the worst quarterly return (-5.8% in C$) for the third quarter in a row. Higher interest rates are weighing on the performance of this asset class, which is sensitive to rate variations. The global real estate index turned in a quarterly performance of -4.5% in US$.



During the quarter, the Canadian dollar depreciated against all other major currencies. The US dollar also continued to slide for the fifth quarter in a row, falling victim to protectionist views in Washington despite a positive economic outlook and a tighter monetary policy.

Commodity	Weight	Returns (in US$)	
TR/CoreCommodity CRB	(%)	Quarter	Year-to-date
Energy	41.2	4.1%	4.1%
Agriculture	39.4	0.9%	0.9%
Precious Metals	6.9	-0.3%	-0.3%
Base Metals	12.5	-9.6%	-9.6%

The TR/CoreCommodity CRB index turned in a slightly positive performance during the quarter, helped in particular by Energy, the best sector, with a return of 4.1%. The worst sector was Base Metals (-9.6%).