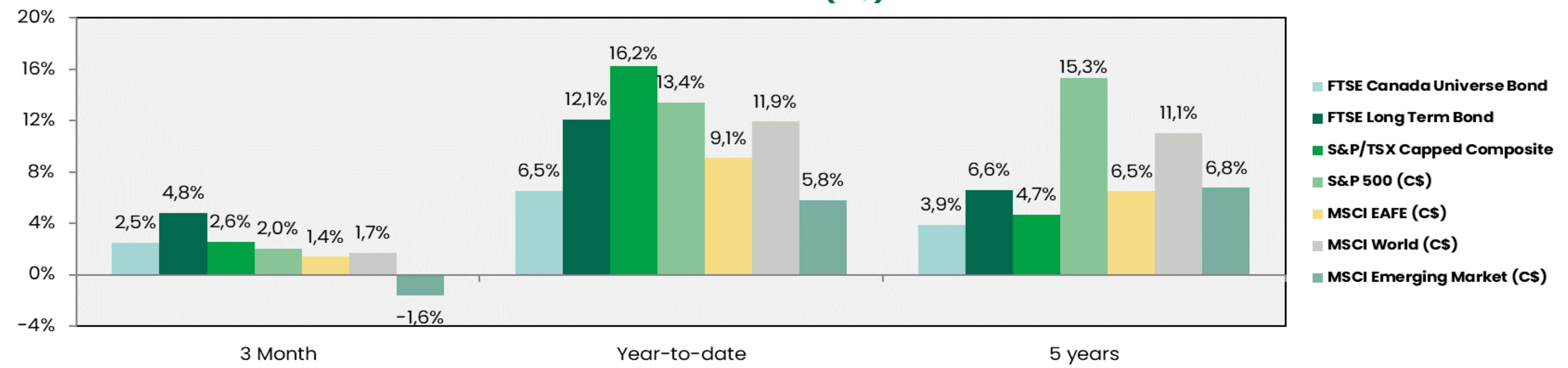
Commentary as at June 30, 2019

Market Indices Performance (C$)



Rising trade tensions

The markets closed the second quarter of 2019 on a positive note, with most indices generating impressive performances. Despite the first-quarter equity rebound and second-quarter returns, trade tensions intensified, driving up market uncertainty. In the US, the Federal Reserve signalled a potential drop in the key rate stemming from China/US trade tensions, as well as from inflation, which is below the 2% target. Acknowledging the weakness of the global context, the world's main central banks changed their tone in favour of easing monetary policy. Stocks and bonds alike benefited from the central banks' new approach. Safe havens such as bonds and gold posted excellent returns during the second quarter. These factors also helped to boost volatility on global markets. In the US, the Russell 1000 Growth index was the best second-quarter performer, with a return of 4.6% in US$, followed by the S&P500 with a return of 4.3% in US$.

Once again, the sluggishness of the global economy attracted the most attention in the second quarter. Global growth kept on losing steam as most developed countries moved into more advanced stages of the economic cycle. The synchronized slowdown of industrial output continued as various economies registered a Purchasing Managers' Index (PMI) of less than 50, which indicates contraction.

In European news, Mario Draghi, president of the European Central Bank, hinted that there may be additional measures in store to ease monetary policy. For example, a new round of bond purchasing may be launched if the inflation outlook in the eurozone does not improve.

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

Gold closed the quarter up 8.77%, finishing at US$1,409 an ounce. Meanwhile, Brent crude oil was down 2.69%, finishing at US$66.55 a barrel. WTI (West Texas Intermediate) and WCS

(Western Canada Select) fell by 2.78% and 10.77%, closing the quarter at US$58.47 and US$44.47 respectively.

In employment news, the US economy created 512,000 jobs during the quarter, with a total of nearly 2.30 million added over the past 12 months. North of the border, 132,000 jobs were created during the quarter, with close to 427,000 added over the past 12 months. The unemployment rate in Canada dipped to 5.5%, compared to 3.7% in the US.

In the US residential real estate market, the latest data for the S&P CoreLogic Case-Shiller index (April 2019) showed a 12-month variation of 2.54%, while the Teranet-National Bank House Price index, which measures Canadian residential real estate, showed a variation of 1.24% for the same period.

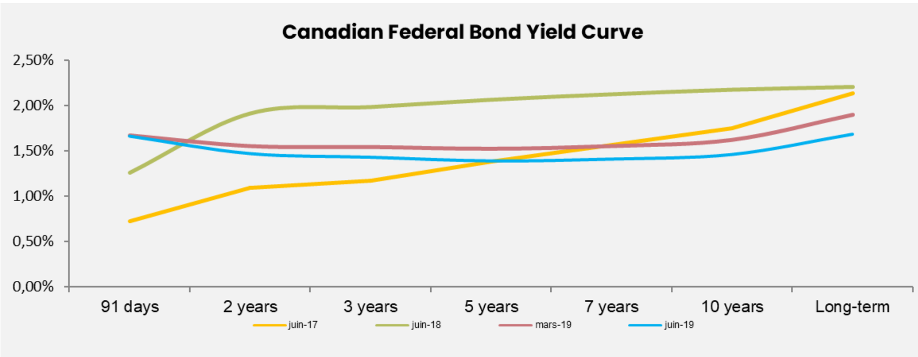
	Canada	United States
GDP Growth (y/y)	1,5%	3,2%
Inflation (y/y growth)	2,0%	1,6%
Job Creation (QTD)	132 000	512 000
Job Creation (y/y growth)	427 900	2 306 000
Unemployment Rate	5,5%	3,7%

Most recent data as of July 25, 2019

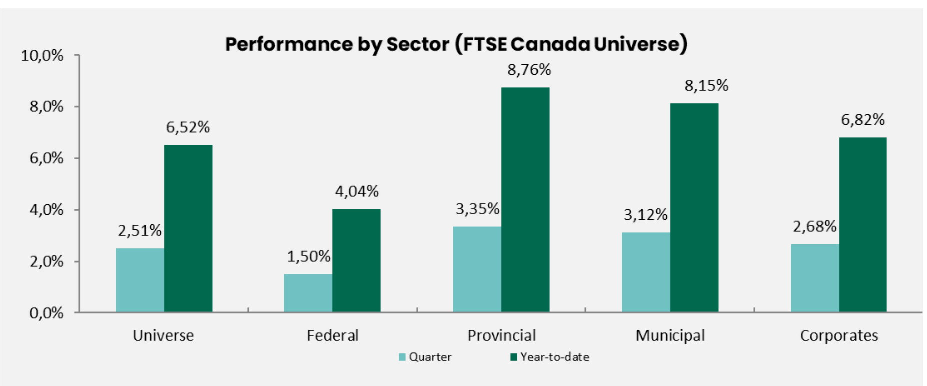
Commentary as at June 30, 2019

Canadian bond market

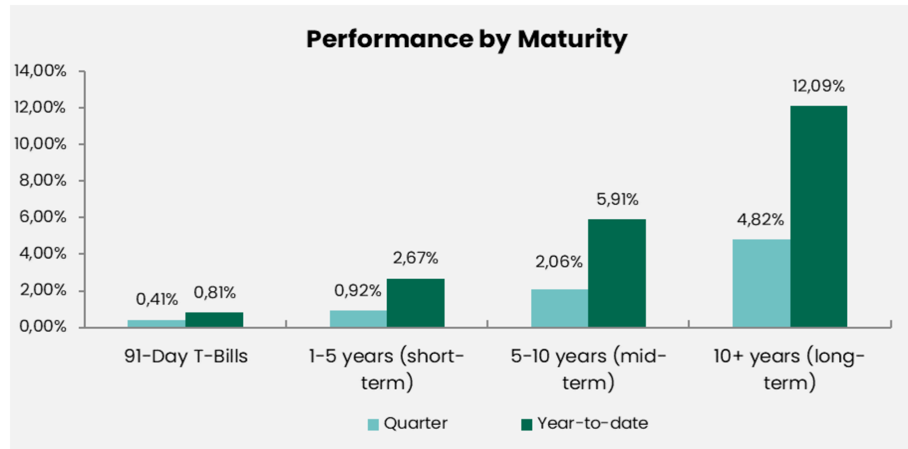
During the quarter, the yields to maturity for Canadian bonds were down along most of the curve.



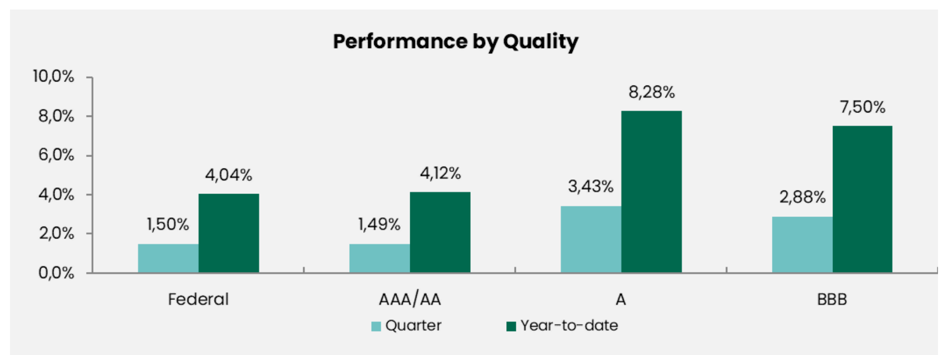
During the period, the FTSE Canada Universe index posted a return of 2.51%. Most bond categories had a positive quarter, thanks mainly to the drop in interest rates during the quarter. The weakest performers were federal bonds with a return of only 1.50%.



Long-term bonds were the best performers in the second quarter with a return of 4.82%. This was attributable to lower interest rates, combined with the bonds' longer duration. Short-term bonds, meanwhile, generated a return of 0.92% while medium-term bonds were up 2.06%. Two-year, 10-year and 30-year federal bonds finished the quarter with yields to maturity of 1.47%, 1.46% and 1.68% respectively, while 91-day Treasury bills posted yields of 1.66%.



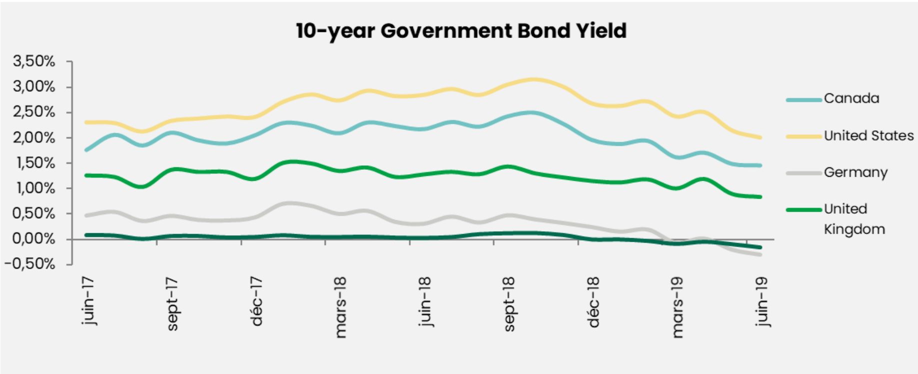
AAA/AA, A and BBB corporates saw their credit spreads narrow in relation to federal bonds during the quarter, which impacted their performance. Lower-quality bonds recorded higher returns.



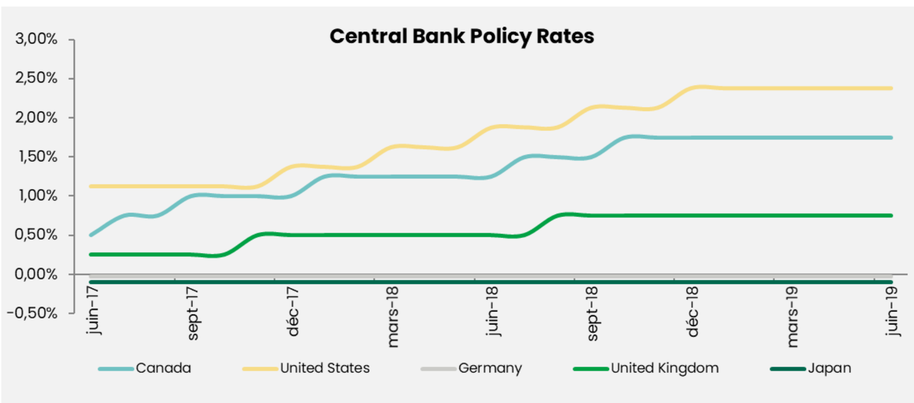
Commentary as at June 30, 2019

Global bond markets

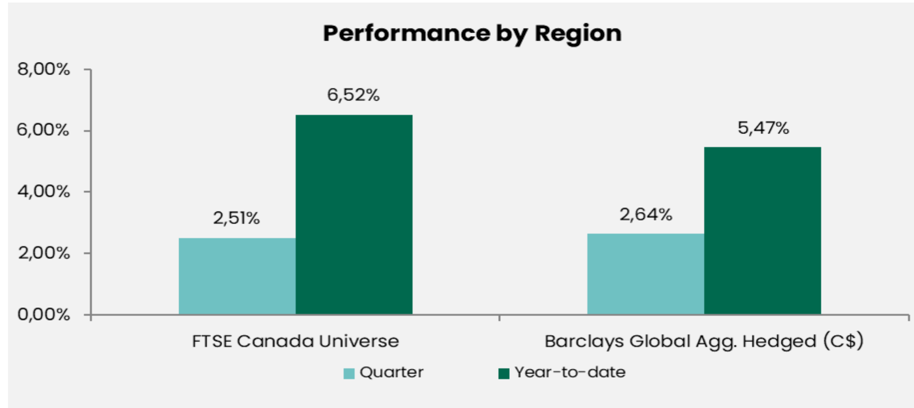
The yields to maturity for 10-year government bonds were down for all countries listed in the following table. Japan and Germany even posted negative yields during the quarter.



The US Fed kept its key rate unchanged in the second quarter, although it boosted investors' expectations for an imminent drop. The Bank of Canada decided to keep its key rate unchanged in the second quarter while the Bank of England opted to keep its key rate at 0.75% due to Brexit-related uncertainties.



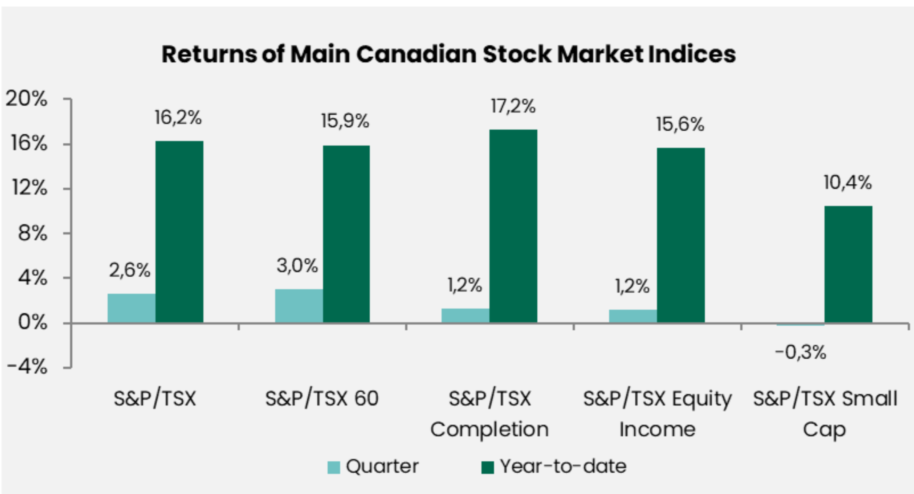
Canadian bonds, as measured by the FTSE Canada Universe index, posted a return of 2.51%, compared to 2.64% for global bonds (Barclays Global Aggregate index, currency-hedged (C$). Lower interest rates account for the performance of both indices.



Canadian stock market

The Canadian stock market, as measured by the S&P/TSX index, finished the quarter with a return of 2.6% thanks to expansionist comments by various central bank governors. The Canadian market, which usually correlates strongly with oil prices, was less impacted by the 10.7% drop in price for WCS crude. The Information Technology and Consumer Discretionary sectors, in particular, contributed to the index's return via their strong performances. Indeed, Information Technology (14.33%) posted the index's best quarterly return.

The main Canadian indices posted mostly positive returns during the quarter. The S&P/TSX 60 (3.0%) came out on top this quarter, while small cap equities, represented by the S&P/TSX Small Cap index, were the worst performers with a negative return of -0.3%.



S&P/TSX Sector	Weight (%)	Returns		
		Quarter	Year-to-date	3 years
Energy	17,1	-2,85%	12,28%	-1,07%
Materials	11,0	5,39%	14,40%	1,19%
Industrials	11,3	5,13%	21,17%	18,16%
Consumer Discretionary	4,2	6,00%	16,41%	9,76%
Consumer Staples	3,9	1,70%	12,45%	9,00%
Health Care	2,0	-9,32%	35,24%	6,07%
Financials	32,0	3,72%	14,52%	11,64%
Information Technology	5,1	14,33%	44,00%	28,45%
Communications Services	5,6	0,23%	10,22%	7,82%
Utilities	4,3	5,42%	22,42%	7,70%
Real Estate	3,4	-2,48%	14,60%	s.o.

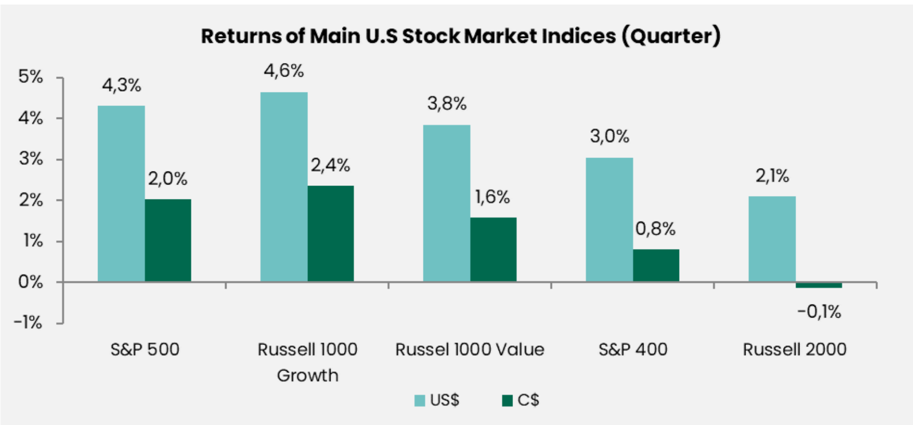
During the second quarter, intersector performance was fairly positive as most of the S&P/TSX index sectors posted positive returns. In first place was Information Technology with a return of 14.33%, helped mainly by Ottawa-based Shopify. That company's share price climbed on investors' strong anticipation of its second-quarter results. Shopify and CGI were the top performers, with returns of 42.67% and 9.59% respectively. In second place was Consumer Discretionary (6.00%), which received a boost from Dollarama (29.4%) and HBC (30.1%). The Materials, Industrials, Utilities and Financials sectors also had a positive impact on the Canadian index's performance. In contrast, the Energy sector lost ground during the quarter due to the drop in the price of the WCS.

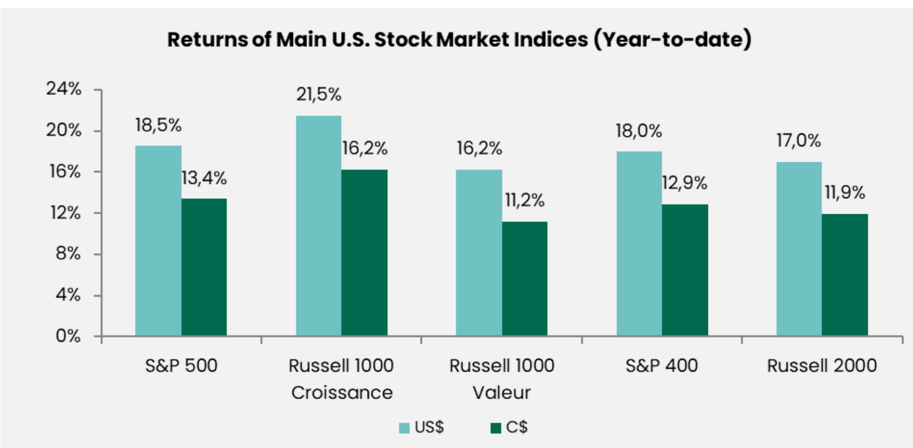
Healthcare was the weakest quarterly performer, down -9.32%. This sector was hit hard by cannabis stocks, which failed to generate the expected benefits. Investors were willing to pay high valuations in the hopes of significant growth and substantial revenues, neither of which materialized. This issue mainly has to do with distribution to provincial regulatory organizations. The biggest detractors in this sector were CannTrust (-36.7%) and Aphria (-26.1%).

US stock market

During the quarter, the S&P 500 index posted a return of 4.3% in US currency. However, the loonie's appreciation in relation to the greenback had a negative impact for Canadian investors, thus accounting for the 2% return in Canadian dollars.

Growth-style stocks once again dominated value-style during the quarter. The Russell 1000 Growth index generated a return of 4.6%, outpacing the Russell 1000 Value index, which posted a return of 3.8% in US dollars. As regards stock market capitalization, large caps (S&P 500) outperformed medium caps (S&P 400) as well as small caps (Russell 2000).





S&P 500 Sector	Weight (%)	Returns (in US$)		
		Quarter	Year-to-date	3 years
Energy	5,0	-2,83%	13,13%	0,28%
Materials	2,8	6,31%	17,26%	10,61%
Industrials	9,4	3,57%	21,37%	12,46%
Consumer Discretionary	10,2	5,28%	21,85%	16,75%
Consumer Staples	7,3	3,72%	16,18%	4,84%
Health Care	14,2	1,38%	8,07%	10,82%
Financials	13,1	8,00%	17,24%	16,42%
Information Technology	21,5	6,06%	27,12%	26,18%
Communications Services	10,2	4,49%	19,09%	0,58%
Utilities	3,3	3,48%	14,69%	8,04%
Real Estate	3,1	2,46%	20,42%	s.o.

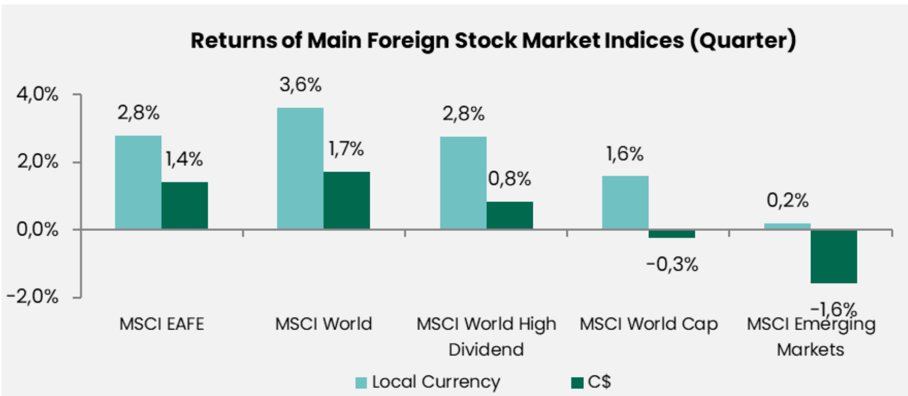
During the second quarter, 10 of the 11 US stock index sectors generated positive returns in US dollars. In first place was Financials with a return of 8%, with the main contributor being JP Morgan Chase (11.3%), whose earnings per share exceeded analysts' expectations. Materials was the runner-up with a return of 6.31%. This sector, in particular, benefited from safe haven investments such as gold. The biggest contributors in the Materials sector were Linde PLC (14.7%), a multinational chemicals producer based in Ireland, and Air Products & Chemicals (19.2%), which specializes in industrial and medical gases.

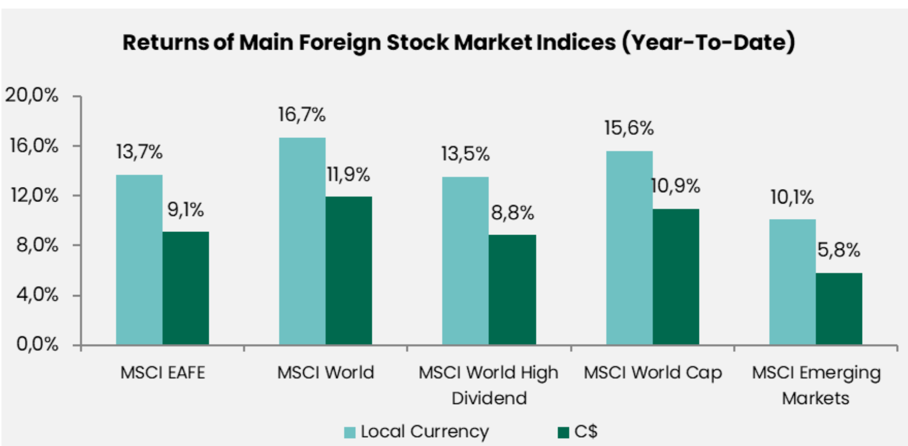
On the opposite side of the ledger, the worst-performing sector was Energy with a negative return of -2.83%. The biggest detractor in this sector was Exxon Mobil (-4.1%), which was affected by weaker margins in the chemicals sector due to maintenance work in the company's production facilities.

Foreign stock markets

Stock markets around the world were outgunned by the US market, although they still finished the quarter on a good note. During the second quarter, all of the main foreign stock indices posted positive returns in local currencies, despite volatility amid ongoing trade tensions and slowing global growth.

Of the indices shown below, MSCI World turned in the best quarterly performance with a return of 3.6% in local currencies. The others also posted positive returns, ranging from 0.2% to 2.8% in local currencies.





MSCI EAFE	Weight	Returns (in local currency)		
Region	(%)	Quarter	Quarter	3 years
United Kingdom	16,76%	3,32%	12,98%	8,66%
Europe ex-UK	46,90%	4,29%	17,22%	9,54%
Japan	23,66%	-1,67%	5,81%	9,84%
Pacific ex-Japan	12,68%	5,72%	18,05%	13,24%

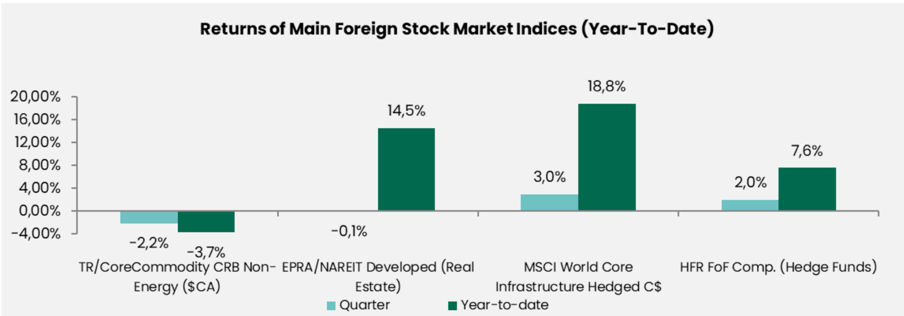
In local currencies, 16 of the 21 countries in the EAFE index generated positive returns during the quarter. The best performers were Australia and Switzerland, while Israel and Japan were the worst.

MSCI EAFE	Weight	Returns (in local currency)		
Sector	(%)	Quarter	Year-to-date	3 years
Energy	5,6	1,13%	11,05%	11,81%
Materials	7,4	3,47%	17,33%	16,59%
Industrials	14,8	4,58%	16,73%	11,71%
Consumer Discretionary	11,1	4,37%	13,19%	10,99%
Consumer Staples	11,7	1,20%	14,15%	5,68%
Health Care	11,2	0,86%	12,86%	5,04%
Financials	18,9	3,86%	11,48%	10,81%
Real Estate	3,6	-3,00%	10,96%	s.o.
Information Technology	6,7	4,80%	22,35%	17,92%
Communications Services	5,4	2,79%	7,94%	0,57%
Utilities	3,6	0,69%	10,57%	7,70%

During the quarter, 10 of the 11 MSCI EAFE index sectors posted positive performances in local currencies. The best quarterly performer was IT, helped by Microsoft (11.5%). This company attributed its 12% growth in the second quarter to its cloud computing segment. Based on reports, Azure, Microsoft's cloud service, posted growth of 76%. The runner-up sector was Industrials, with Lockheed Martin (19.24%), a global defence and security company, being the best contributor.

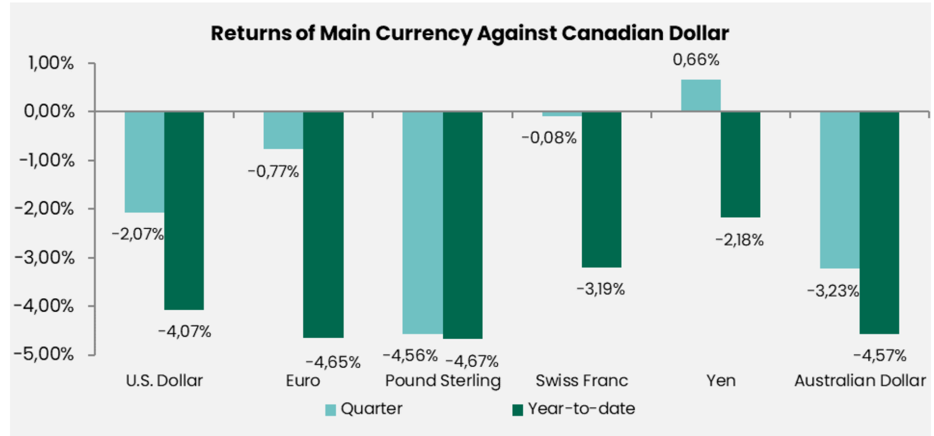
Real Estate was the worst-performing sector. The biggest detractor was Simon Property Group (-13.2%), which specializes in shopping centre management in the US.

Alternative investments and currencies



Returns in C$				
Quarter	-2,2%	-2,3%	3,0%	-0,2%
YTD	-3,7%	9,6%	18,8%	2,9%

MSCI World Core Infrastructure was the best performer among the alternative investment indices, with a return of 3.0% for the quarter. TR/CoreCommodity CRB Ex-Energy was the worst quarterly performer with a negative return of -2.2%. HFR Fund of Funds Composite recorded a quarterly performance of 2.0%.



During the quarter, the Canadian dollar appreciated in relation to all other major currencies, except for the Japanese yen. Since the beginning of the year, the loonie has appreciated against all major currencies thanks to higher oil prices.

Commodities	Weighting	Returns (in US$)	
TR/CoreCommodity CRB Ex-Energy	(%)	Quarter	Year to date
Agriculture	66.6%	1.3%	-0.3%
Precious metals	12.0%	7.2%	7.0%
Base metals	21.4%	-6.7%	1.1%

The TR/CoreCommodity CRB Ex-Energy index turned in a negative performance (-2.2%) in the second quarter, mainly due to the relative weight of the Base Metals sector, which posted a negative return of -6.7%. The Precious Metals sector generated a positive return with a performance of 7.2%.