



Quarterly Investment Update

Third Quarter 2019

Market Update: A Quarter in Review

September 30, 2019



CANADIAN STOCKS

Large Cap	Small Cap	Growth	Value
2.69%	3.04%	1.13%	3.13%

INTERNATIONAL STOCKS

Large Cap	Small Cap	Growth	Value	Emerging
0.23%	0.88%	0.87%	-0.44%	-2.98%

US STOCKS

Large Cap	Small Cap	Growth	Value
2.86%	-1.29%	2.26%	2.38%

REAL ESTATE AND FIXED INCOME

Global REITs	1-Month T-Bills	Short-Term Bonds	Intermediate Bonds	Global Bonds (hedged)
7.12%	0.42%	0.27%	1.19%	0.79%

Data is in Canadian dollars. Market segment (index representation) as follows: Canadian stocks: Large Cap (S&P/TSX 60), Small Cap (MSCI Canadian Small), Growth (MSCI Canadian Growth), Value (MSCI Canadian Value); US stocks: Large Cap (S&P 500), Small Cap (Russell 2000), Growth (Russell 3000 Growth), Value (Russell 3000 Value); International stocks: Large Cap (MSCI EAFE [net div]), Small Cap (MSCI EAFE Small Cap [net div]), Growth (MSCI EAFE Growth [net div]), Value (MSCI EAFE Value [net div]), Emerging Markets (MSCI Emerging [net div]); Real Estate: Global REITs (S&P Global REIT [net div]); Fixed Income: 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Short Term Bonds (FTSE Canada Short-Term Bond), Intermediate Bonds (FTSE Canada Universe Bond), Global Bonds-Hedged (FTSE World Government Bond Index 1-5 Years [hedged to CAD]). S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2019, all rights reserved. S&P data copyright 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance does not guarantee future returns.

Survey of Long-Term Performance

September 30, 2019



Annualized (%)

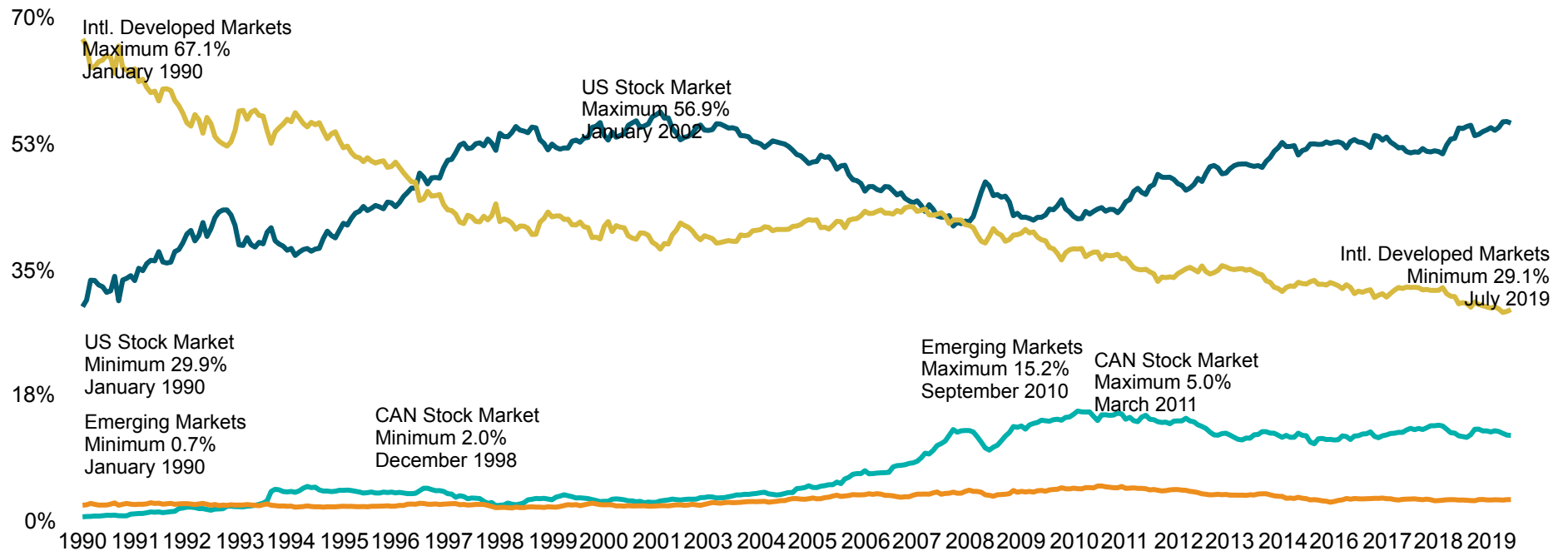
Asset Class	Index	1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception	Inception date
CANADIAN STOCKS								
Large Cap	S&P/TSX 60	8.39	8.44	6.14	7.03	7.21	8.57	Feb-87
Small Cap	MSCI Canadian Small	0.66	2.48	1.60	5.88	6.76	8.08	Jul-90
Growth	MSCI Canadian Growth	6.59	5.19	4.46	5.39	5.61	7.07	Jan-82
Value	MSCI Canadian Value	4.49	8.36	4.84	7.34	8.77	10.62	Jan-82
US STOCKS								
Large Cap	S&P 500	6.88	13.76	14.62	15.68	5.79	11.32	Feb-51
Small Cap	Russell 2000	-6.59	8.58	11.88	13.59	7.44	11.54	Jan-79
Growth	Russell 3000 Growth	5.29	16.74	16.93	17.20	5.35	11.55	Jan-79
Value	Russell 3000 Value	5.69	9.60	11.44	13.76	6.54	12.23	Jan-79
INTERNATIONAL STOCKS								
Large Cap	MSCI EAFE (net div.)	1.06	6.74	6.83	7.13	3.18	9.00	Jan-70
Small Cap	MSCI EAFE Small Cap (net div.)	-3.65	6.20	9.67	9.73	6.47	6.63	Jan-93
Growth	MSCI EAFE Growth (net div.)	4.70	8.03	9.13	8.78	2.96	9.06	Jan-75
Value	MSCI EAFE Value (net div.)	-2.61	5.36	4.47	5.42	3.27	11.25	Jan-75
Emerging Markets	MSCI Emerging Markets (net div.)	0.36	6.24	5.86	5.56	6.74	10.21	Jan-88
REAL ESTATE								
Global REITs	S&P Global REIT (net div.)	17.87	5.68	11.06	12.03	8.76	8.61	Jul-89
FIXED INCOME								
Canadian T-Bills	FTSE Canada 30-Day T-Bill	1.65	1.10	0.89	0.84	2.00	5.87	Jun-73
Canadian Short-Term Bonds	FTSE Canada Short-Term Bond	4.36	1.47	1.89	2.40	4.04	7.33	Jan-80
Canadian Bonds	FTSE Canada Universe Bond	9.69	2.66	3.91	4.38	5.48	8.58	Jan-80
Global Bonds (hedged)	FTSE World Government Bond Index 1-5 Years (hedged to CAD)	4.40	1.51	1.72	2.08	3.42	5.94	Jan-85

Data is in Canadian dollars. MSCI EAFE Small Cap Index return is price-only prior to January 1999 data inception. MSCI Emerging Markets Index return is gross dividends prior to January 1999 data inception. S&P Global REIT Index return is gross dividends prior to January 2001 data inception. S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2019, all rights reserved. S&P data copyright 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Value of Stock Markets around the World

January 1990–September 2019

	Number of Countries	Number of Stocks	Total Value	Weights		
				September 30, 2019	Change from Previous Year	01/90-09/19 Average
Canada	1	300	1.79 Trillion	3.1%	↑ 3.0%	3.1%
United States	1	2,427	31.90 Trillion	55.4%	↑ 0.9%	47.3%
Developed Markets	21	3,260	16.99 Trillion	29.5%	↓ -2.7%	42.2%
Emerging Markets	26	2,829	6.92 Trillion	12.0%	↑ 2.3%	7.3%
Total	49	8,816	57.61 Trillion	100.0%		



Global market capitalization weights are not static; they change across time.

Data is in US dollars and values are beginning of month. The proxies for the Canadian and US equity markets are based on the respective country markets from the MSCI All Country World IMI Index. The international developed market proxy is the MSCI All Country World IMI ex USA ex Canada Index. The proxy for emerging markets is the MSCI All Country World IMI Index (Emerging Markets). MSCI data copyright MSCI 2019, all rights reserved.

The Randomness of Quarterly Returns

September 30, 2019

This table shows from top to bottom the highest returning asset classes each quarter over the last 17 quarters. Each asset class is color coded based on the legend below.

	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q1 2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Highest Return	6.26	10.18	4.54	9.02	10.68	6.68	10.37	3.48	3.90	7.63	4.36	8.21	5.26	1.77	13.29	2.58	7.12	?
	0.66	8.75	1.39	6.41	8.05	4.54	6.21	3.48	3.68	7.11	1.85	6.77	0.31	1.33	11.64	2.51	2.48	?
	0.15	8.56	1.13	5.60	5.98	1.64	4.73	1.11	1.41	4.99	0.94	6.01	0.01	0.41	11.57	2.03	2.32	?
	0.12	4.36	0.38	5.11	5.45	0.12	2.41	0.45	0.61	4.45	0.26	0.78	-0.38	-0.45	7.57	1.41	1.19	?
	-0.91	0.98	0.12	4.93	1.29	-0.56	1.24	0.23	0.28	3.16	0.10	0.51	-0.57	-2.24	7.51	1.27	0.79	?
	-4.10	0.11	-0.77	3.31	1.19	-1.90	0.47	0.13	0.16	2.02	0.04	0.31	-0.96	-7.58	3.91	0.42	0.42	?
	-7.86	-0.06	-5.23	3.11	0.12	-2.86	0.21	-0.99	-1.84	0.21	-3.06	0.04	-1.77	-9.47	0.94	-0.93	0.23	?
Lowest Return	-12.28	-1.40	-8.96	1.41	0.06	-3.44	0.13	-1.64	-2.61	-0.04	-4.52	-6.09	-2.81	-10.11	0.39	-1.59	-2.98	?

Canadian Stocks
US Stocks
International Developed Markets
Emerging Markets
Global REITs
Canadian 1-Month T-Bills
Canadian Bonds
Global Bonds

The lack of a pattern indicates that picking which asset classes will be the best or worst performers is virtually impossible.

Portfolios combining these various investments will avoid extreme returns.




Data is in Canadian dollars. Indexes represented as follows: Canadian stocks (S&P/TSX Composite Index), US stocks (Russell 3000 Index), International Developed Markets (MSCI EAFE Index), Emerging Markets (MSCI Emerging Markets Index), Global REIT (S&P Global REIT Index), Canadian 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Canadian Bonds (FTSE Canada Universe Bond Index), Global Bonds (FTSE World Government Bond Index Canada 1-5 Years (hedged to CAD)). S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2019, all rights reserved. S&P data copyright 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. Indexes are not available for direct investment. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Currency

September 30, 2019

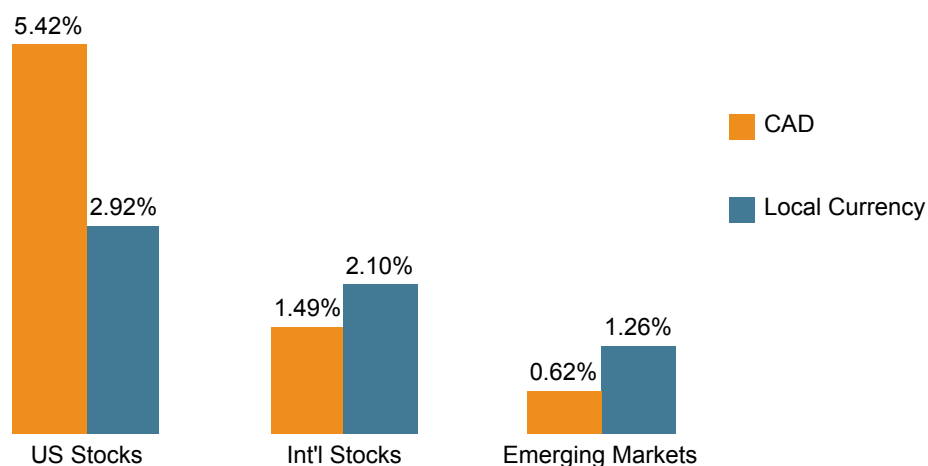
CHANGE IN FOREIGN EXCHANGE RATES (%)

FX/\$CAD

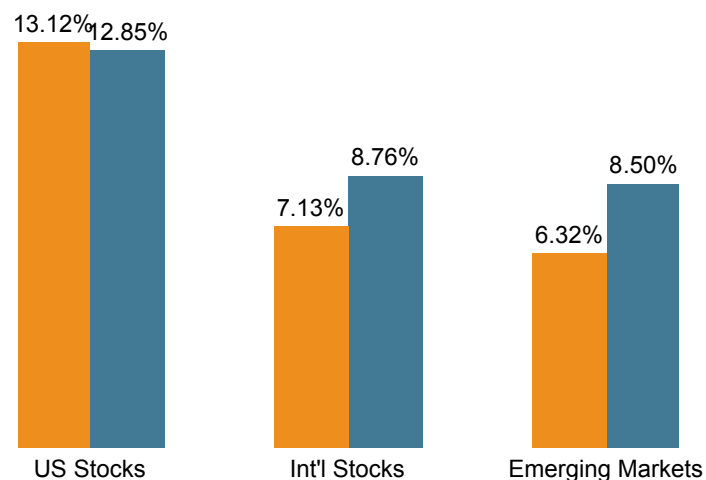
Currency	Q3 2019	One Year	Three Years
 \$ US Dollars	1.14%	2.52%	0.32%
 € Euro	-3.05%	-3.76%	-0.68%
 £ Pounds	-2.08%	-3.29%	-1.42%
 ¥ Yen	0.85%	7.73%	-1.80%

IMPACT OF CURRENCY FLUCTUATIONS

Annual Returns in CAD and Local Currency



Three-Year Annualized Returns in CAD and Local Currency





Data is in Canadian dollars. The market for the United States, International Developed Markets, and Emerging Markets is defined as: Russell 3000 Index, MSCI EAFE Index (net div.), and MSCI Emerging Markets Index (net div.), respectively. MSCI data copyright MSCI 2019, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.



MSCI Country Returns in Canadian Dollars and Local Currency

September 30, 2019

THIRD QUARTER 2019 RETURNS

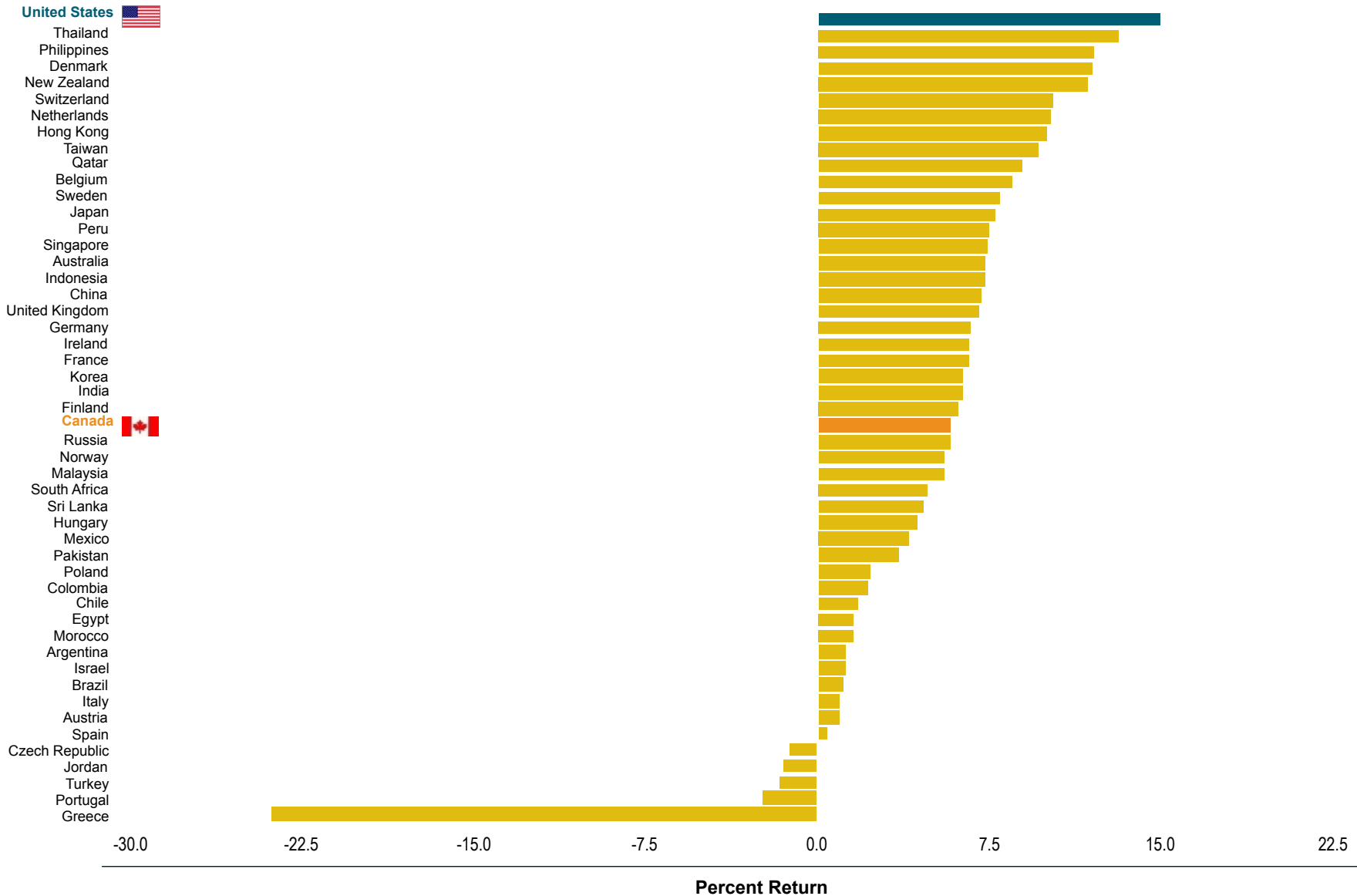
	Return in CAD	Return in Local Currency	Impact of Currency
1. Turkey	12.60%	8.49%	4.11%
2. Taiwan	7.05%	5.54%	1.51%
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 United States	2.56%	1.23%	1.34%
 Canada	2.12%	2.12%	-
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.			
48. Poland	-11.17%	-5.75%	-5.42%
49. Argentina	-44.37%	-25.38%	-18.98%

ONE YEAR RETURNS IN CAD AND LOCAL CURRENCY

	Return in CAD	Return in Local Currency	Impact of Currency
1. Brazil	30.87%	33.26%	-2.39%
2. Greece	22.25%	27.16%	-4.91%
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 Canada	5.52%	5.52%	-
 United States	5.50%	2.99%	2.50%
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48. Pakistan	-33.62%	-18.42%	-15.20%
49. Argentina	-33.71%	-13.04%	-20.68%

MSCI Country Returns

Country Rankings — Ten-Year Annualized Returns as of September 30, 2019



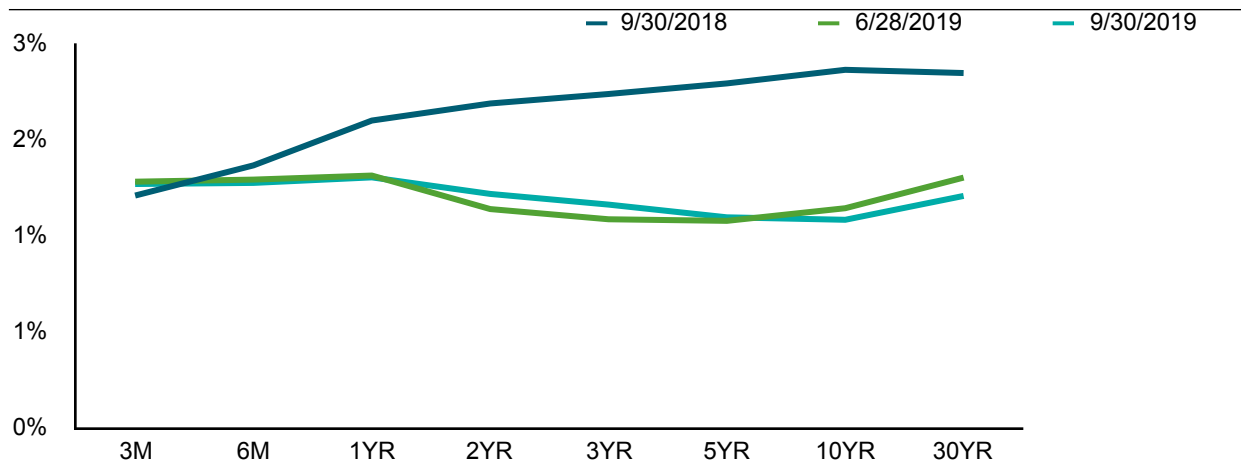
Data in Canadian dollars gross of fees. MSCI data copyright MSCI 2019, all rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Bond Returns

September 30, 2019

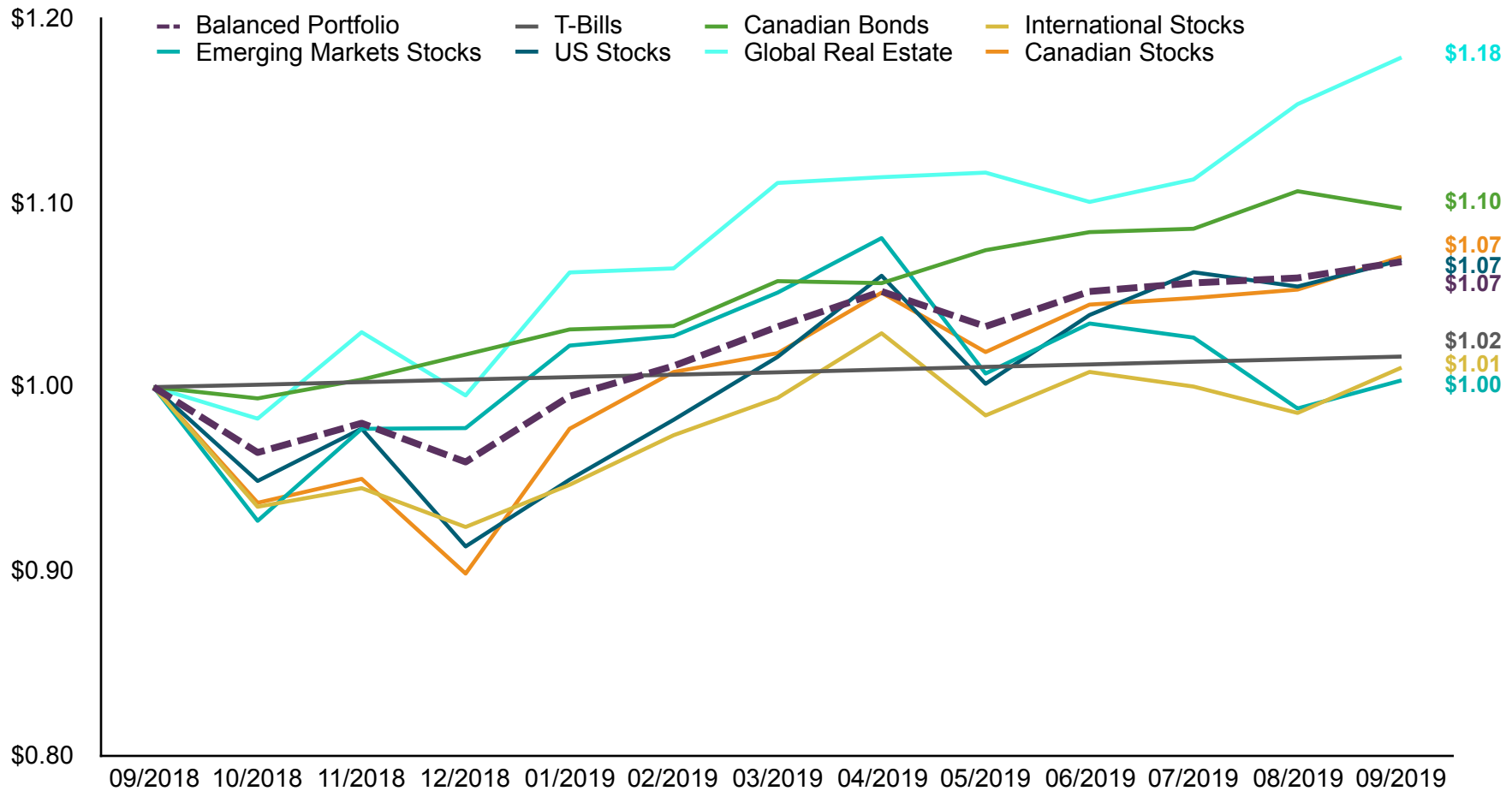
Index	Return (%)		
	Q3 2019	One Year	Three Years Annualized
FTSE Canadian 30 Day T-Bill	0.42%	1.65%	1.10%
FTSE Canada Short-Term Bond Index	0.27%	4.36%	1.47%
FTSE Canada Mid-Term Bond Index	0.94%	9.50%	2.14%
FTSE Canada Long-Term Bond Index	2.52%	17.07%	4.49%
FTSE Canada Universe Bond Index	1.19%	9.69%	2.66%
FTSE World Government Bond Index 1-5 Years (hedged to CAD)	0.79%	4.40%	1.51%

CAN Treasury Yield Curve



Growth of Wealth

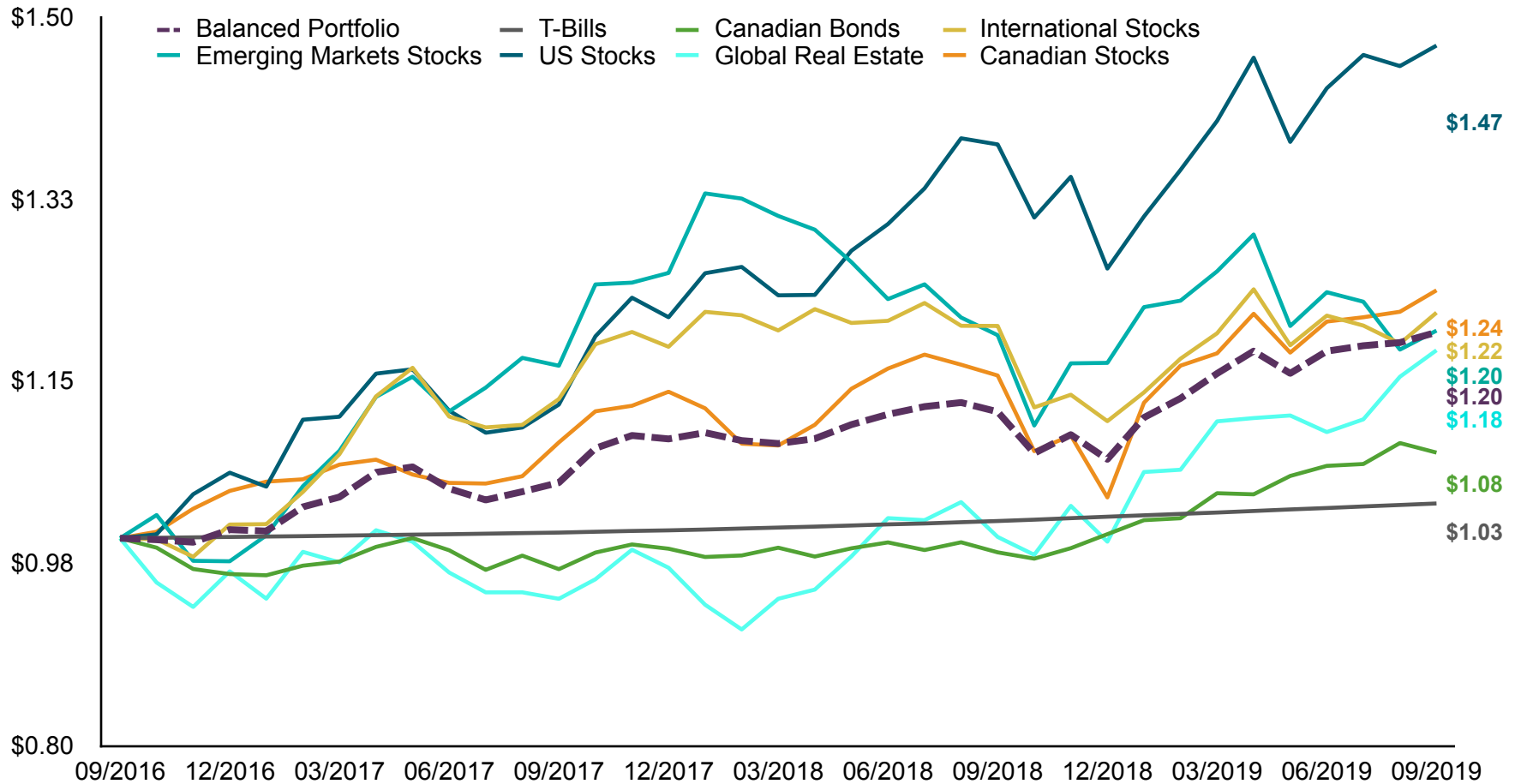
One Year as of September 30, 2019



In Canadian dollars. T-Bills is FTSE Canada 30 Day T-Bill, Canadian Bonds is FTSE Canada Universe Bond Index, International Stocks is MSCI EAFE Index (net div.), Emerging Markets Stocks is MSCI Emerging Markets Index (gross div.) from 01/1988 to 12/1998 and MSCI Emerging Markets Index (net div.) from 01/1999, US Stocks is S&P 500 Index, Global Real Estate is S&P Global REIT Index (gross div.) from 07/1989 to 12/2000 and S&P Global REIT (net div.) from 01/2001 and Canadian Stocks is S&P/TSX Composite Index. Balanced Portfolio is 10% T-Bills, 30% Canadian Bonds, 20% Canadian Stocks, 15% US Stocks, 15% International Stocks, 5% Emerging Markets Stocks and 5% Global Real Estate. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. MSCI data copyright MSCI 2019, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Growth of Wealth

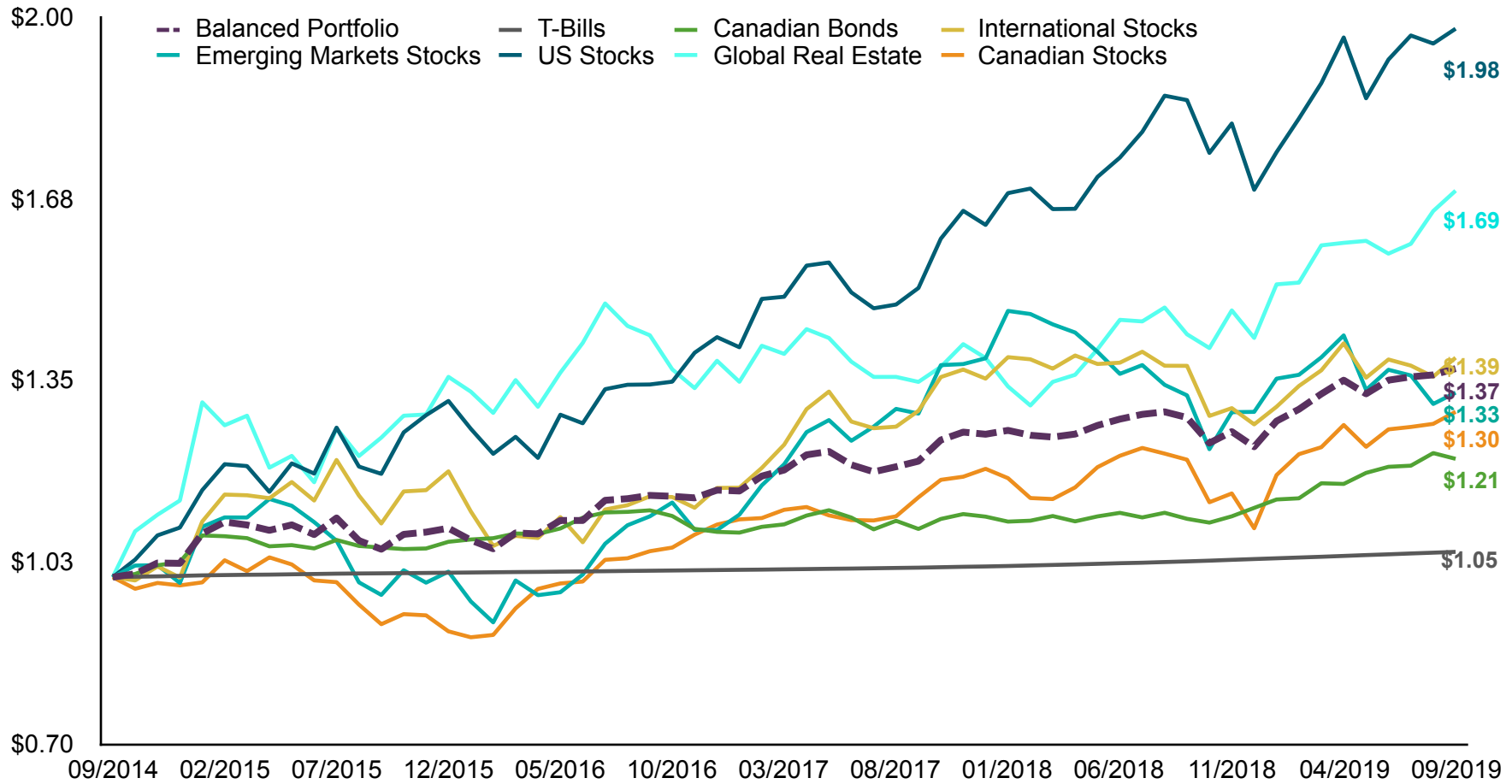
Three Years as of September 30, 2019



In Canadian dollars. T-Bills is FTSE Canada 30 Day T-Bill, Canadian Bonds is FTSE Canada Universe Bond Index, International Stocks is MSCI EAFE Index (net div.), Emerging Markets Stocks is MSCI Emerging Markets Index (gross div.) from 01/1988 to 12/1998 and MSCI Emerging Markets Index (net div.) from 01/1999, US Stocks is S&P 500 Index, Global Real Estate is S&P Global REIT Index (gross div.) from 07/1989 to 12/2000 and S&P Global REIT (net div.) from 01/2001 and Canadian Stocks is S&P/TSX Composite Index. Balanced Portfolio is 10% T-Bills, 30% Canadian Bonds, 20% Canadian Stocks, 15% US Stocks, 15% International Stocks, 5% Emerging Markets Stocks and 5% Global Real Estate. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. MSCI data copyright MSCI 2019, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Growth of Wealth

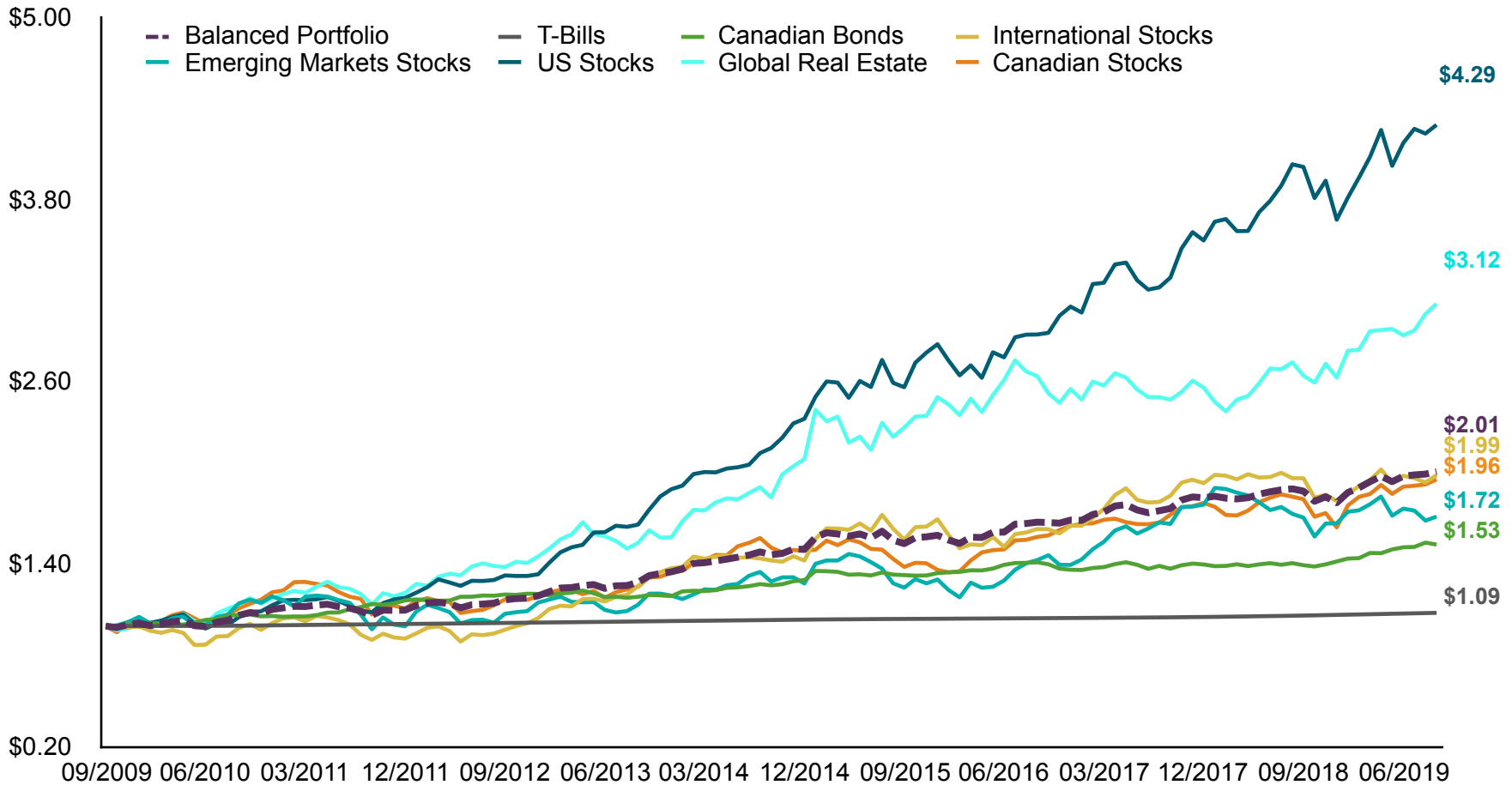
Five Years as of September 30, 2019



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Growth of Wealth

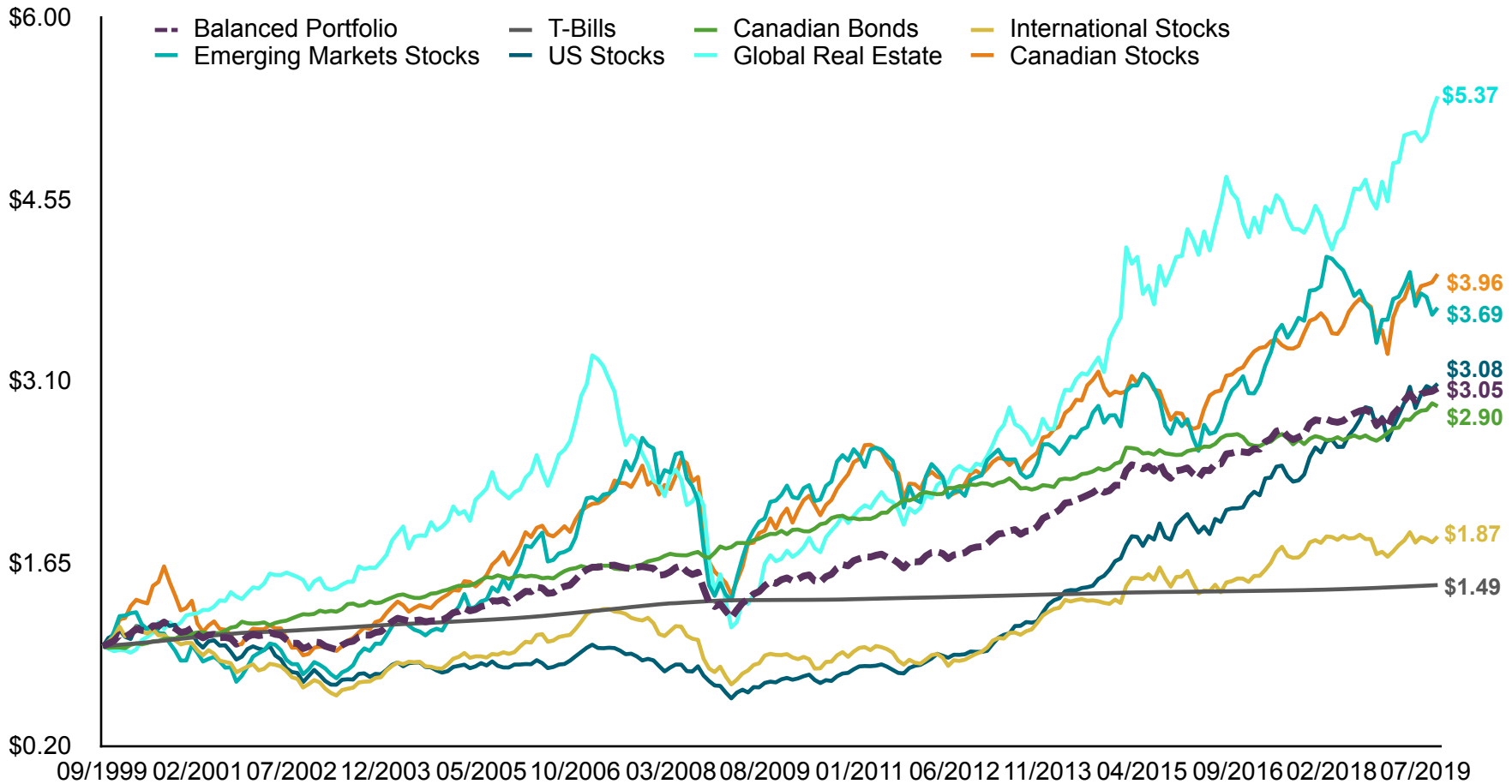
Ten Years as of September 30, 2019



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Growth of Wealth

Twenty Years as of September 30, 2019



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Timing Isn't Everything

Third Quarter 2019

Over the course of a summer, it's not unusual for the stock market to be a topic of conversation at barbeques or other social gatherings.

A neighbor or relative might ask about which investments are good at the moment. The lure of getting in at the right time or avoiding the next downturn may tempt even disciplined, long-term investors. The reality of successfully timing markets, however, isn't as straightforward as it sounds.

OUTGUESSING THE MARKET IS DIFFICULT

Attempting to buy individual stocks or make tactical asset allocation changes at exactly the "right" time presents investors with substantial challenges. First and foremost, markets are fiercely competitive and adept at processing information. During 2018, a daily average of \$462.8 billion in equity trading took place around the world.¹ The combined effect of all this buying and selling is that available information, from economic data to investor preferences and so on, is quickly incorporated into market prices. Trying to time the market based on an article from this morning's newspaper or a segment from financial television? It's likely that information is already reflected in prices by the time an investor can react to it.

Dimensional recently studied the performance of actively managed US-based mutual funds and found that even professional investors have difficulty beating the market: over the last 20 years, 77% of equity funds and 92% of fixed income funds failed to survive and outperform their benchmarks after costs.²

Further complicating matters, for investors to have a shot at successfully timing the market, they must make the call to buy or sell stocks correctly not just once, but

twice. Professor Robert Merton, a Nobel laureate, said it well in a recent interview with Dimensional:

"Timing markets is the dream of everybody. Suppose I could verify that I'm a .700 hitter in calling market turns. That's pretty good; you'd hire me right away. But to be a good market timer, you've got to do it twice. What if the chances of me getting it right were independent each time? They're not. But if they were, that's 0.7 times 0.7. That's less than 50-50. So, market timing is horribly difficult to do."

TIME AND THE MARKET

The S&P 500 Index has logged an incredible decade. Should this result impact investors' allocations to equities? **Exhibit 1** suggests that new market highs have not been a harbinger of negative returns to come. The S&P 500 went on to provide positive average annualized returns over one, three, and five years following new market highs.

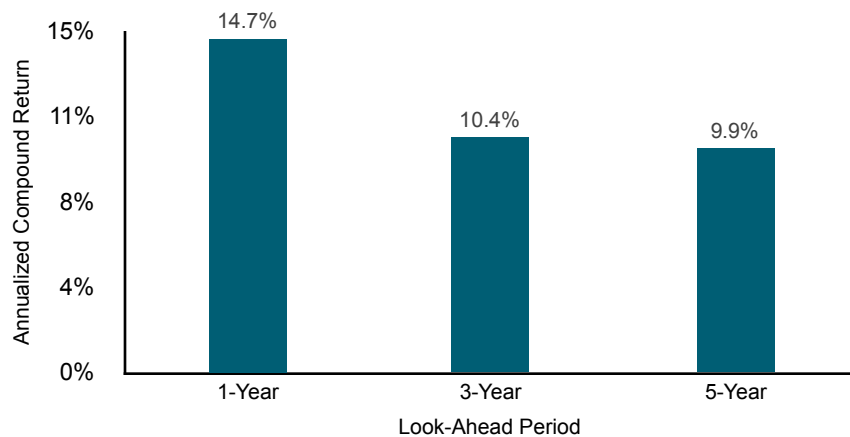
1. In US dollars. Source: Dimensional, using data from Bloomberg LP. Includes primary and secondary exchange trading volume globally for equities. ETFs and funds are excluded. Daily averages were computed by calculating the trading volume of each stock daily as the closing price multiplied by shares traded that day. All such trading volume is summed up and divided by 252 as an approximate number of annual trading days.

2. Past performance is no guarantee of future results. US-domiciled open-end mutual fund data is from Morningstar. The sample includes funds at the beginning of the 20-year period ending December 31, 2018. For further details, see the [Mutual Fund Landscape 2019](#).

Timing Isn't Everything

(continued from page 14)

Exhibit 1. Average Annualized Returns After New Market Highs
S&P 500, January 1926–December 2018



In US dollars. Past performance is no guarantee of future results. New market highs are defined as months ending with the market above all previous levels for the sample period. Annualized compound returns are computed for the relevant time periods subsequent to new market highs and averaged across all new market high observations. There were 1,115 observation months in the sample. January 1990–December 2018: S&P 500 Total Returns Index. S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. January 1926–December 1989: S&P 500 Total Return Index, *Stocks, Bonds, Bills and Inflation Yearbook*TM, Ibbotson Associates, Chicago. For illustrative purposes only. Index is not available for direct investment; therefore, its performance does not reflect the expenses associated with the management of an actual portfolio. There is always a risk that an investor may lose money.

CONCLUSION

Outguessing markets is more difficult than many investors might think. While favorable timing is theoretically possible, there isn't much evidence that it can be done reliably, even by professional investors. The positive news is that investors don't need to be able to time markets to have a good investment experience. Over time, capital markets have rewarded investors who have taken a long-term perspective and remained disciplined in the face of short-term noise. By focusing on the things they can control (like having an appropriate asset allocation, diversification, and managing expenses, turnover, and taxes) investors can better position themselves to make the most of what capital markets have to offer.