Oil: temporary price drop or long-term trend?

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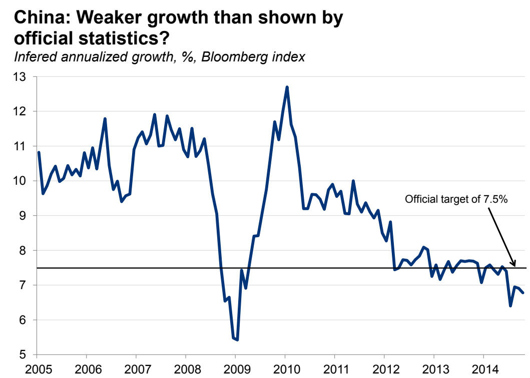
The oil market thrust itself into the centre of economic news at the end of 2014. Two forces combined to push prices down: weakness in demand and a glut in supply. In terms of demand, the International Energy Agency (IEA) has had to regularly revise its annual growth projections for world demand downward in light of the economic slowdown in the emerging countries and the effects of substitution as the developed countries shift to alternate means of transportation. At the same time, the boom in production from so-called unconventional sources (oil sands and shale oil) has forced this same agency to revise upwards its growth forecasts for world production outside of OPEC. The result: OPEC has seen its market share dwindle to its lowest level in 25 years!

In this context, it was no doubt inevitable that prices would correct themselves "a bit" in order to balance the markets, unless of course producing countries within OPEC agreed to reduce their production. To everyone's surprise, however, OPEC, under the leadership of the Persian Gulf oil-producing countries, opted instead at its late-November meeting to abandon its traditional role of price regulator and to align its strategy with preserving its market shares. The result: a drastic price collapse.

Barring an about-face of OPEC or major geopolitical tensions interfering with deliveries, it is hard to imagine that prices will bounce back very quickly to the $80 to $100 per barrel seen earlier in 2014. OPEC's firm position leads us to believe that North America's benchmark price (West Texas Intermediate, or WTI) will dip below US$40 during the year 2015, long enough to inflict concrete damage to the balance sheets of North American producers with high production costs and to make them shelve (at least temporarily) any exploration or development plans. Then, should the world economy accelerate, it is reasonable to expect a reduction in production overcapacity and a stabilization of prices at higher levels (US$55 to $70) beginning in 2016-17. In the interim, however, we are likely to see a lot of volatility in the price of oil, with major ramifications for the economies and stock markets of oil-exporting countries.

Graph 1



Source: IA

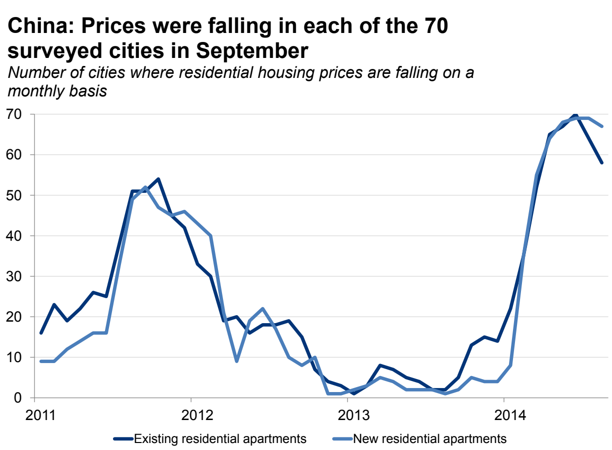
World: good news is sparse in fourth quarter

Over the last three months, the Chinese administration intervened several times, with a number of different methods, to contain the slowdown of its economy and, especially, to prevent defaults from spreading across the financial sector.

In fact, although authorities were targeting a growth rate of 7.5% in 2014, and although official statistics indicated that this target was within reach, third-party estimates based on an assortment of pertinent data suggest that the slowdown is much greater than China is letting on. One widely used estimate, provided by Bloomberg (Graph 1), indicates a growth rate of 6.8% and a sharp deceleration since the summer. Data from the real estate sector suggest a slight improvement in the situation, but the fact that existing housing prices were down, on an annual basis, in all 70 cities surveyed in September (Graph 2) says much about 1) the Chinese economy's lack of vigour and 2) the extent of over-construction in the last few years.

The Chinese government has intervened on both the monetary and regulatory fronts, with a surprise cut to the central bank's key interest rate and major changes to the rules governing the credit market. In short, in order to restrict the main financing channel of more risky real estate projects (and ultimately put an end to over-construction), local government bonds rated below AAA or sold by issuers graded lower than AA are no longer allowed for use as collateral in short-term loans. This approach, which prevents the use of long-term securities to guarantee short-term loans, is an effective means of limiting the swelling of a real estate bubble that could lead to default contagion within the financial system.

Graph 2



Source: IA

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It remains to be seen whether these measures will have the desired effects and stimulate growth in the short term, but Chinese authorities are already implying that they will reduce their targets to 7.0% in 2015.

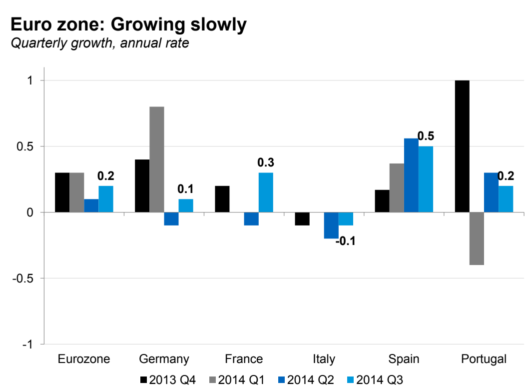
Japan is experiencing a strange paradox. The third world economy slipped back into recession in the third quarter, after the April sales tax hike caused significant damage to an economy made vulnerable by the implementation of an ambitious recovery plan. GDP contracted at an annualized pace of 1.9% in the third quarter, contrary to the slight expansion that had been expected. The paradox is that this recession could prove to be excellent news for the coming years because it reinforces the perception that major reforms are needed and that monetary policy alone will not suffice to pull the country out of the deflationary spiral into which it has been sinking for the last two decades.

The Abe government seized this opportunity by announcing the cancellation of the next sales tax hike planned for October 2015 (this increase had been proposed by the previous administration) and calling electors to the polls in December in order to obtain a strong mandate to go ahead with painful reforms. The result was mixed: while Shinzo Abe's party obtained a strong majority, the participation rate was very low. It is unclear what will happen next, since much depends on the success of the reforms to the labour market. One thing is certain: one of the most aggressive quantitative easing programs in history does not seem to be enough to pull Japan out of stagnation.

In the euro zone, autumn was rather calm in terms of economic news. There was some comfort in the fact that Germany narrowly avoided a recession in the third quarter (Graph 3), but, at the risk of repeating ourselves, the recovery remains weak and, especially, very fragile.

The European Central Bank (ECB) once again put off the implementation of an expanded quantitative easing program, on the pretext of wanting to first assess the impact of the measures put in place in the summer. Mario Draghi, president of the ECB, stated that a committee is working on the architecture of a complete and ambitious plan, which should be unveiled in the first quarter of 2015.

Graph 3



Source: IA

Chart 1
Returns of the Canadian Bond Market as at December 31, 2014

Index	Returns (%)	
	3 months	YTD
FTSE TMX Canada Universe Bond Index	2.7	8.8
FTSE TMX Canada Short Term Bond Index	0.9	3.1
FTSE TMX Canada Mid Term Bond Index	2.7	9.2
FTSE TMX Canada Long Term Bond Index	5.3	17.5
FTSE TMX Canada Federal	2.3	6.9
FTSE TMX Canada Provincial	3.9	12.2
FTSE TMX Canada Municipal	3.5	11.4
FTSE TMX Canada Corporate	1.9	7.6

Source: Scotia Capital Debt Market Indices

Initial measures, i.e. a negative interest rate for banks depositing money with the ECB and offering banks cash at a very low cost, are providing lukewarm results at the moment. On the positive side, credit cycle growth has become positive again for loans to households (Graph 4). On the negative side, however, the credit cycle is still contracting for non-financial corporations and, more importantly, banks are not displaying the appetite anticipated for cheap liquidity.

By way of illustration, the second wave of liquidity made available to banks in December through the TLTRO auction found takers for only 130 billion of the 200 billion euros offered, compared to an expected demand of at least 150 billion. The result after two waves is disappointing, to say the least: only 210 of the 400 billion euros printed by the ECB found their way into the banking sector. The conclusion is that the banks are not very interested in increasing their credit portfolios, either because household and business demand is simply not there, and/or because the banks do not like the risks offered on the market.

The plunge in oil prices is a positive element for the three major economic areas of China, Japan and the euro zone, since they are all net importers of oil. Although the year 2014 was not very kind for their respective economic situations, the sharp drop in energy prices should have a positive impact, especially for Japan, which imports all of its fossil fuel. The substantial depreciation of the euro and the yen are also starting to boost exporters' competitiveness, and the beneficial effects should intensify in 2015. It is still premature to predict a clear acceleration next year in Japan and the euro zone, but the indicators are pointing in the right direction.

United States: best job market in nearly 20 years

The U.S. continued to make history in the fourth quarter. The job market is clearly accelerating, with more than 200,000 jobs added every month since February and an impressive jump of 321,000 in November alone (Graph 5). At the risk of repeating ourselves, the job market in 2014 was the best in nearly 20 years, and the salutary effects of this increase in consumers' incomes bode well for the year 2015.

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Chart 2
Market Returns as at December 31, 2014

Index	Returns (%) 3 months	YTD
FTSE TMX Canada 91 Day T-Bill Index	0.2	0.9
FTSE TMX Canada Universe Bond Index	2.7	8.8
S&P/TSX Composite Index	(1.5)	10.6
S&P 500 (Can. $)	8.6	24.0
MSCI - EAFE (Can. $)	(0.2)	3.7
MSCI - World (Can. $)	4.6	14.5
Exchange Rate (Can. $/US $)	3.5	9.1

Chart 3
Market Returns as at December 31, 2014

Index	Returns (%) 3 months	YTD
S&P/TSX Sector Returns		
Energy	(15.8)	(4.8)
Materials	(7.1)	(2.6)
Industrials	(0.5)	21.9
Consumer Discretionary	14.0	29.1
Consumer Staples	20.2	49.1
Health Care	15.3	30.3
Financials	1.9	13.8
Information Technology	15.6	35.1
Telecommunication Services	10.8	15.5
Utilities	5.0	16.1
S&P/TSX Composite Index	(1.5)	10.6

Eyes are now on wages, which are failing to keep up with the rapid progress in employment but which nonetheless seem to be showing signs of life since the end of the summer. Although wage growth is still well below the pace observed in the years before the recession, the Employment Cost Index has gone up since the year's second quarter (Graph 6), suggesting that workers' purchasing power is starting to improve. A virtuous cycle is being set in motion, as gains in employment and wages should foster economic growth (70% of U.S. GDP comes from household consumption), and vice-versa…

With respect to monetary policy, the event of the fall was of course the official end to the third wave of quantitative easing in October. The next step will be the normalization of the U.S. Federal Reserve's key interest rate, which has been kept at rock-bottom since 2008. At the moment, inflationary pressures are very weak, but a potential rise in wages could change the cards, although it's difficult to imagine such a scenario early in 2015. Regardless, the huge progress made by the job market leads us to believe the Fed could announce its first rate hike as early as the second quarter of 2015.

In the coming year, we will keep a close eye on the impacts of tumbling oil prices on the evolving energy sector. We have stated several times that the energy revolution has been one of the most significant developments of the recovery under way, because of the decrease in the Unites States' energy dependence and the positive impact on the trade balance. High-cost U.S. producers are likely to have a rough time in 2015, as their profit margins suffer and investment spending to maintain and/or increase production is scaled back.

Although U.S. production exploded in the last few years, the first world economy is still a net importer of oil. Ultimately, the drop in oil prices is a positive element, which will support growth in 2015 through an income effect that will stimulate retail sales.

Canada: oil and regional disparities

The rapid plunge in oil prices is of major importance to Canada, which operates as a net exporter on the world scene.

On a national level, the impact of lower prices on the markets for our main export product is of course not in any way positive. The Bank of Canada estimates that Canada's economy growth could be lower by 0.3% in 2015 if the price of oil remains at levels averaging $75 to $80 per barrel during the year. With prices currently hovering around $55 barrel, we therefore have every reason to be nervous. The federal government's economic and financial update in November stated there will be a considerable impact on tax revenues next year but, according to the Minister of Finance, the budgetary surplus is not at risk.

On a regional level, the consequences are mixed. In the provinces where production is concentrated (Alberta, Saskatchewan, Newfoundland and Labrador), the effect is of course negative. The government of Alberta has stated that if world oil prices remain low, it may have to cut spending by up to $7 billion, a significant amount for a provincial budget that totaled $40 billion in 2013. The decline of the loonie since last year will absorb some of the impact, but the change of regime is striking.

For the other provinces, the effects are, to the contrary, generally positive, since a decrease in prices at the pump serves, in essence, as a tax break for consumers. The further decline in the loonie caused by the tumbling prices is another positive factor for the manufacturing provinces (Quebec and Ontario in the lead), who are experiencing renewed competitiveness on the export market, and serves as a welcome breath of fresh air at a time when public finances are under pressure.

Further down on the list of challenges, the Bank of Canada is starting to retrain the spotlight on household debt levels and the dangers of overvaluation in the real estate market. The BoC made some disturbing observations in December in showing that more than 40% of the total debt carried by Canadians is held by the most vulnerable households, that is, those with a debt-to-income ratio exceeding 250% (Graph 7). This group makes up just 12% of the Canadian population, which implies that one out of eight households is responsible for nearly half the increase in household debt that we've been hearing about for the last ten years.

For the first time, the BoC also produced its own estimate of the overvaluation of the Canadian housing sector. It believes that housing prices are overvalued

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Chart 4
Asset mix: Diversified Fund (040)

	Min.	Neutral	Max.	Actual Weight	Over Weight (+)/ Under Weight (-)	Change in quarter
Money Market	**0**	**5**	**25**	**9.0%**	**+4.0%**	**0.0%**
Canadian Bonds	20	45	70	34.0%	-11.0%	+0.5%
International Bonds	0	0	15	0.0%	0.0%	0.0%
Total – Bonds	**20**	**45**	**70**	**34.0%**	**-11.0%**	**+0.5%**
Canadian Equities	**5**	**25**	**45**	**26.5%**	**+1.5%**	**-4.0%**
U.S. Equities	5	12.5	45	14.5%	+2.0%	-4.5%
International Equities	5	12.5	45	16.0%	+3.5%	+8.0%
Total – Foreign Equities	**10**	**25**	**45**	**30.5%**	**+7.0%**	**-0.5%**
Total – Portfolio		**100**		**100.0%**		

by 10 to 30% (Graph 8), which is in fact a less negative estimate that those put forth by several international organizations. The conclusions are that 1) the stability of the Canadian financial sector has been weakened by an unequal distribution of debt within the population, and 2) public finances could suffer from a collapse of the real estate sector given the size of the portfolio of loans insured by the CMHC.

Financial markets: volatility is back

In our last issue, we suggested that volatility was very likely to return. Given the behaviour of the stock market indices in the fourth quarter, we were not off the mark. Even though the U.S market narrowly avoided the technical threshold of a correction (defined by a 10% drop from the previous peak), it still fell 9.5% in mid-October. The S&P 500 then racked up new record highs in November and December. The story was very different for the Canadian market, being heavily exposed to the energy sector; it suffered a correction of more than 10% and was not able to climb back to its peak of 15,657 points reached in early September (it was around 14,650 at December 30).

The October episode proved to be an ideal purchasing opportunity, primarily on the U.S. market. A historical analysis indicates that it is mainly recessions that put an end to rising ("bull") markets, and not the passage of time itself. Looking at all the bull markets since 1969, we can see that each one ended when a recession began or became imminent (Graph 9). The only exception was 1987, when the October crash put an end to the bull market all on its own (although the market still ended the year with a positive return, marking the start of a new upward trend that was to last nearly three years!). The U.S. bull market has therefore continued, reaching the venerable age of 62 months in December (Graph 10).

The S&P/TSX index, however, took quite a hit from the nosedive in oil prices. The energy sub-index plunged nearly 35% from September to mid-October, and there is concern about possible dividend cuts by oil companies. The financial sector is now being carefully scrutinized, since the Canadian "business model," largely focused on developing the oil sands and on the strength of the real estate market in the west of the country, could be called into question should oil prices remain low for an extended period. Canadian banks would be heavily exposed to losses if there were to be a wave of defaults in either of these sectors.

The bond market, meanwhile, continues to perform well despite expectations. The end of quantitative easing in the U.S. was not enough to push up interest rates, which continued their descent largely because of renewed volatility on the stock market. International investors continue to buy Canadian securities (Graph 11), which still enjoy a precious AAA rating. U.S. bonds are also still in demand, primarily by international buyers who are not price sensitive (the People's Bank of China and the Bank of Japan in the lead).

The Canadian bond market ended the year with a fourth-quarter gain. The FTSE TMX Universe Bond Index climbed 2.7% in the last three months, ending the year with a gain of 8.8%. Short-term bonds were up 0.9% (3.1% in 2014) and long-term bonds posted a strong gain of 5.3% (17.5% in 2014). Finally, corporate BBB bonds were up 1.9% (7.6% in 2014).

The S&P 500 soared to one new high after another following October's near-technical correction, finishing the last few months with a total quarterly return of 4.9% (8.6% in Canadian dollars). In 2014, the U.S. stock market posted an impressive total return of 13.7% (24.0% in Canadian dollars). That makes two years in a row that annual returns in Canadian dollars exceed 20% for the S&P 500.

The Canadian stock market was down at the end of the year, weighed down by the energy sector. The S&P/TSX posted a total return of -1.5% in the fourth quarter (10.6% in 2014). The Canadian S&P/TSX Small Cap Index was down as well, this time by 8.7% (-2.3% in 2014).

After a roller-coaster year, stock markets in Europe, Asia and the emerging markets ended on a dissonant note. The European market, represented by the MSCI Europe Index, was down 4.3% (-0.9% in Canadian dollars), the MSCI EAFE Index gained 3.5% (-0.2% in Canadian dollars) and the MSCI World Index climbed 1.1% (4.6% in Canadian dollars). Finally, the MSCI Emerging Markets Index lost 4.4% (-1.1% in Canadian dollars).

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Chart 5
Estimated Gross Returns for the Next 12 Months Starting on December 31, 2014

Market indicators	Interest or dividend	+	Capital gains	=	Total estimated gross return
FTSE TMX Canada 91 Day T-Bill Index	1.00%	+	0.00%	=	1.00%
FTSE TMX Canada Universe Bond Index	3.35%	+	(5.45%)	=	(2.10%)
Canadian stocks (S&P/TSX Composite Index) including dividends					4% to 6%

Asset allocation: seizing the opportunity

After having increased the cash balance of our diversified funds in the third quarter, we seized the opportunity to deploy this liquidity in October during the stock market plunge. We took this opportunity to significantly increase the weight of our international equities, making additional room for small-cap stocks.

The deployment of liquidity into the U.S. market was once again a lucrative choice since the Canadian dollar lost strength to the greenback during the quarter, enhancing the return by nearly 4%. When the U.S. market reached new heights in November and December, we chose to realize the profits and to reduce the weight of U.S. equities before turning to the regions of Europe and Asia, where the central banks are now, in turn, in a phase of massive cash injections.

Given the year's end and the context of weak resource prices, it is difficult to have a positive outlook for the Canadian stock market. The imbalance expected in 2015 between the world supply and demand for oil leads us to believe the regime of low prices could last long enough to significantly weigh on the energy sector and, incidentally, on the banking sector. We consider that clears signs of capitulation will be required before any attractive opportunities appear.

At the end of the fourth quarter, the weight of Canadian equities within the Diversified Fund (FU040) decreased from 30.5% to 26.5%, making it distinctly under-weight in relation to our peers (which hold nearly 30% of Canadian equities). Although we reduced our exposure to large-cap Canadian equities by 6%, we chose to increase the weight of small-cap Canadian equities by 2% (primarily in non-resource sectors) to benefit directly from the loonie's weakness.

Moreover, we took advantage of the once again exceptional performance of the U.S. stock market (more than 20% once converted into Canadian dollars) to bring the weighting of U.S. equities to around 15% (more in line with the competition). At the dawn of 2015, our international strategy is slowly shifting toward securities from Europe and Asia, which are posting attractive valuations and which should gradually benefit from the structural reforms under way.

The weighting of bonds within our Canadian diversified portfolio remains rather stable at 34.0%. The returns in this segment of the portfolio exceeded expectations in 2014 but, with U.S. monetary policy set to normalize, we believe that the bond market is about to begin offering a string of much more disappointing quarterly returns.

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Chart 6
Economic and financial scenarios

Economic scenario

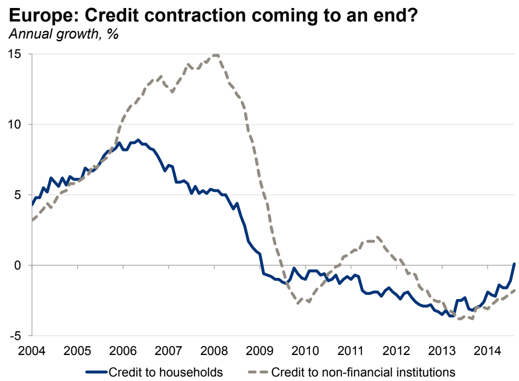
		2012	2013	2014	2015	2016	Change since Setember 30, 2014: 2014	Change since Setember 30, 2014: 2015
United States	Real GDP	2.8%	1.9%	2.0%	3.5%	2.7%	---	+0.2%
	Inflation rate	2.1%	1.5%	1.8%	1.5%	1.7%	---	+0.5%
	Unemployment rate	8.1%	7.5%	6.3%	5.8%	5.4%	---	---
Canada	Real GDP	1.7%	2.4%	2.4%	2.0%	1.7%	+0.1%	-0.5%
	Inflation rate	1.5%	1.1%	1.9%	1.7%	1.8%	---	-0.2%
	Unemployment rate	7.3%	7.1%	6.9%	6.5%	6.4%	---	-0.1%

Financial scenario*

			Targets		Change since September 30, 2014	
	Actual	June 2015	Dec. 2015	June 2016	June 2015	Dec. 2015
Interest rate						
U.S. 10-year rates	2.17%	2.25%	2.50%	2.75%	-1.05%	-1.00%
Canada 10-year rates	1.79%	2.00%	2.25%	2.50%	-1.10%	-0.85%
Exchange rates						
$US/$CAD	0.86	0.82	0.81	0.8	-$0.04	-$0.05
$US/Euro	1.21	1.2	1.15	1.15	-$0.02	-$0.05
Oil price (WTI), $US	54	45	50	55	-$50	-$40
S&P 500	2,058	2,125	2,200	2,280	+15	+50
S&P/TSX	14,632	14,750	14,975	15,500	1,250	-1,525

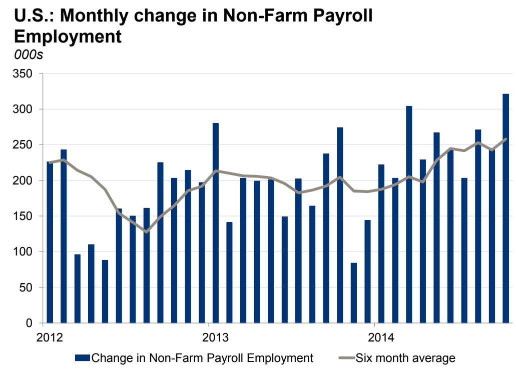
* end of period

Graph 4



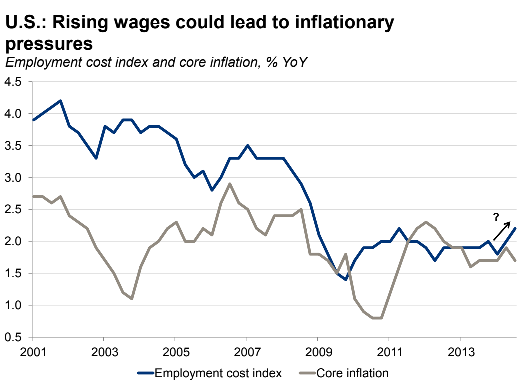
Source : IA

Graph 5



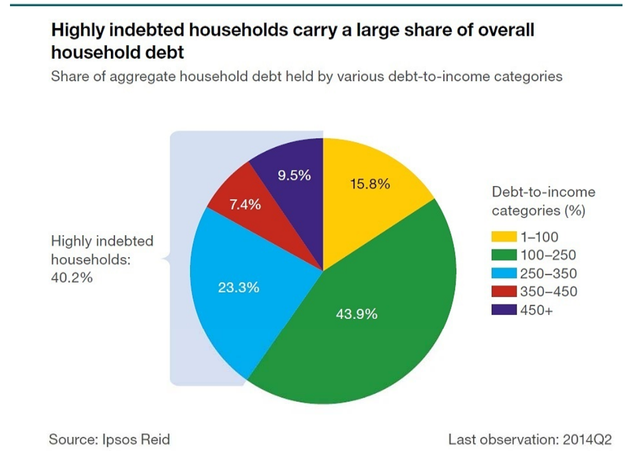
Source : IA

Graph 6



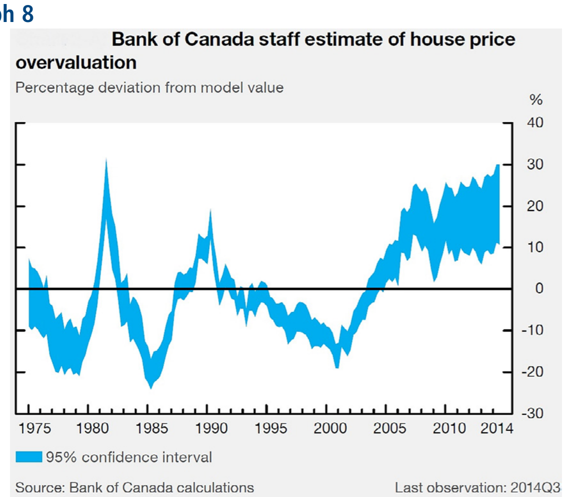
Source : IA

Graph 7



Source : Bank of Canada

Graph 8



Source : Bank of Canada

Graph 9

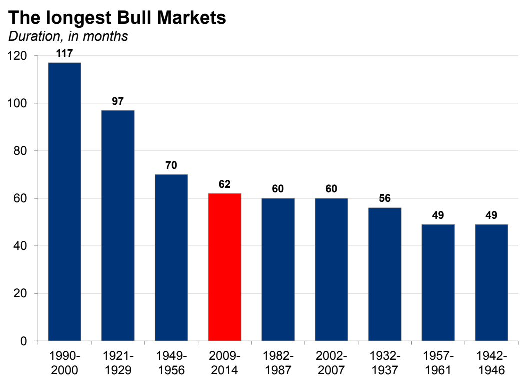
Bull Markets and Recessions Since 1969

	Bull Markets					Recession	
	Trough	Peak	Return	# Month		Peak	Trough
❶	10-1966	11-1968	48%	26	❶	12-1969	12-1970
❷	05-1970	01-1973	74%	32	❷	11-1973	04-1975
❸	10-1974	02-1980	90%	65	❸	01-1980	08-1980
❹	03-1980	11-1980	43%	8	❹	07-1981	12-1982
❺	08-1982	08-1987	229%	61	❺	n/a	n/a
❻	12-1987	07-1990	65%	32	❻	07-1990	04-1991
❼	10-1990	03-2000	417%	115	❼	03-2001	12-2001
❽	10-2002	10-2007	101%	61	❽	12-2007	07-2009
❾	03-2009	09-2014	192%	68			

Source: RBC Capital Markets

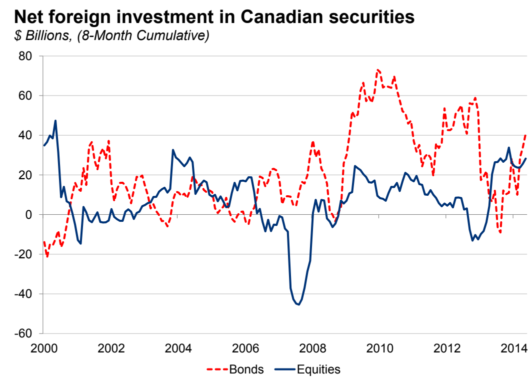
Source : IA

Graph 10



Source: IA

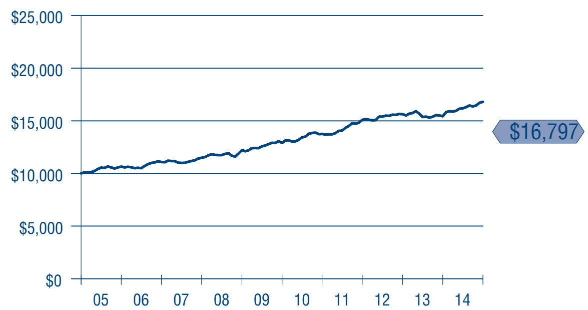
Graph 11



Source: IA

MARKET INDICATORS

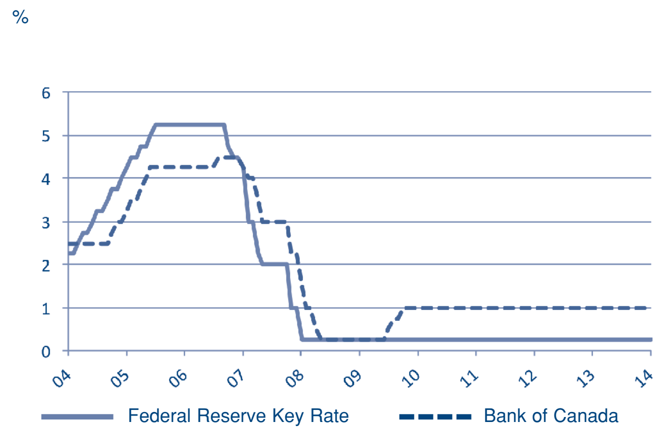
FTSE TMX Canada Universe Bond Index
10 Year Period ending December 31, 2014



Return %	1 month	YTD	1 year	3 years	5 years	10 years
	0.6	8.8	8.8	3.7	5.4	5.3

Source: IAIM

Canadian and US Interest Rates
10 Year Period ending December 31, 2014



Source: IAIM

S&P/TSX Composite Total Return Index
10 Year Period ending December 31, 2014

Return %	1 month	YTD	1 year	3 years	5 years	10 years
	(0.4)	10.6	10.6	10.2	7.5	7.6

Source: IAIM

S&P/TSX Sector Performance
Year to Date to December 31, 2014

Consumer Staples	49.09%
Information Technology	35.12%
Health Care	30.32%
Consumer Discretionary	29.12%
Industrials	21.87%
Utilities	16.08%
Telecommunication Services	15.53%
Financials	13.80%
Materials	(2.58)%
Energy	(4.82)%

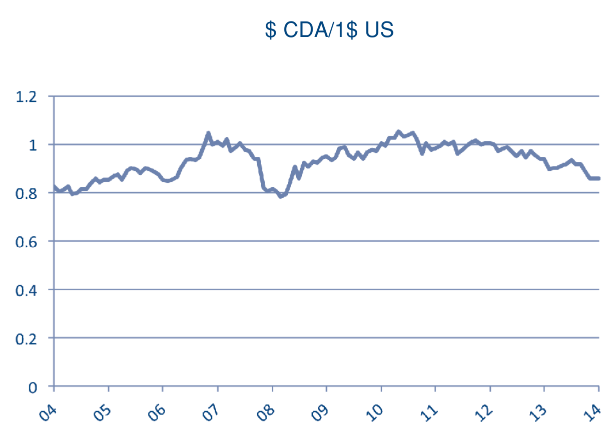
Source: IAIM

BMO Nesbitt Burns Small Cap Index
10 Year Period ending December 31, 2014

Return %	1 month	YTD	1 year	3 years	5 years	10 years
	(0.3)	(0.1)	(0.1)	3.3	5.6	5.7

Source: IAIM

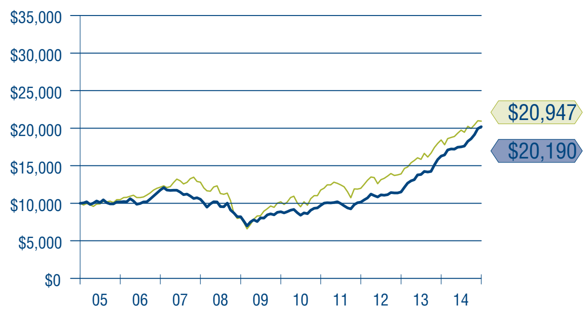
Evolution of the Canadian dollar vs US dollar
10 Year Period ending December 31, 2014



Source: IAIM

Total Return Index
- S&P 500 (Can. $)
- S&P 500 (US $)

10 Year Period ending December 31, 2014



Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	1.3	24.0	24.0	25.8	17.9	7.3
(US $)	(0.3)	13.7	13.7	20.4	15.5	7.7

Source: IAIM

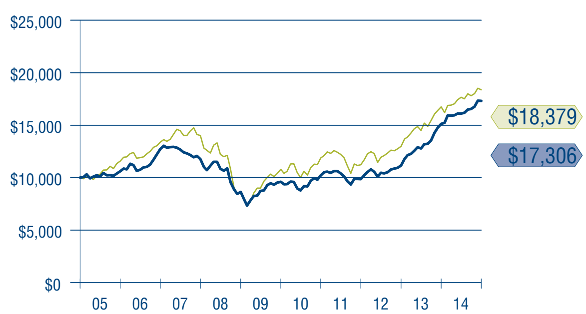
S&P 500 (Can. $) Sector Performance
Year to Date to December 31, 2014

Utilities	4.84%
Financials	3.19%
Consumer Discretionary	2.31%
Energy	1.90%
Industrials	1.21%
Materials	0.64%
Consumer Staples	0.16%
Health Care	0.07%
Information Technology	(0.22)%
Telecommunication Services	(4.74)%

Source: IAIM

Total Return Index
- MSCI - World (Can. $)
- MSCI - World (Local $)

10 Year Period ending December 31, 2014



Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	(0.1)	14.5	14.5	20.7	12.5	5.6
(Local $)	(0.8)	9.8	9.8	17.9	11.2	6.3

Source: IAIM

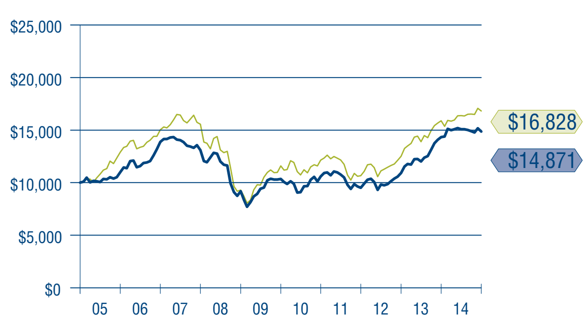
MSCI - World (Can. $) Sector Performance
Year to Date to December 31, 2014

Health Care	29.33%
Information Technology	27.12%
Utilities	26.34%
Consumer Staples	17.72%
Consumer Discretionary	13.83%
Financials	12.99%
Industrials	10.04%
Telecommunication Services	7.93%
Materials	4.07%
Energy	(3.02)%

Source: IAIM

Total Return Index
- MSCI - EAFE (Can. $)
- MSCI - EAFE (Local $)

10 Year Period ending December 31, 2014

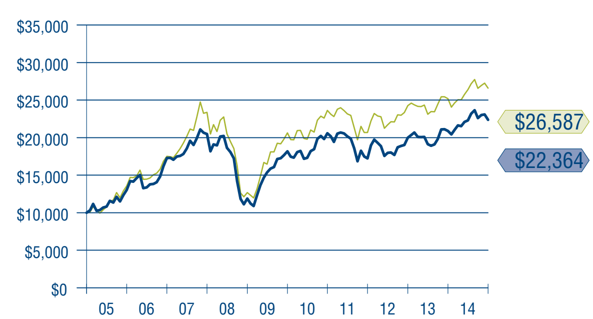


Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	(2.0)	3.7	3.7	16.0	7.5	4.0
(Local $)	(1.4)	5.9	5.9	16.4	7.7	5.3

Source: IAIM

Total Return Index
- MSCI - Emerging Markets (Can. $)
- MSCI - Emerging Markets (Local $)

10 Year Period ending December 31, 2014



Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	(3.1)	7.1	7.1	9.1	4.2	8.4
(Local $)	(2.4)	5.6	5.6	8.8	5.2	10.3

Source: IAIM