Economic and Financial Environment

As at December 31, 2017

Year of the great synchronization

By Sébastien Mc Mahon, M.E.Sc., PRM, CFA
Economist
Industrial Alliance Insurance and Financial Services Inc.

Another year has come to an end and, once again, it was full of surprises.

While we began the year on a cautious note, given what seemed to be a build-up of political risk factors, the world economic data gradually made us change our tone in the spring. Rather than a year of high political volatility, 2017 turned out to be the year of the great synchronization.

The Canadian economy was the star of this synchronization up to mid-year, when Europe took its place. The road has been long for the Old Continent, which seemed to be going nowhere just a few years ago, but it is finally participating fully in world economic growth.

Nor should we fail to mention the vigour displayed by the U.S. economy at the end of the year, no doubt stimulated by reconstruction efforts following the succession of hurricanes Harvey and Irma, but also by the impressive gains seen on the job market in the last few years. U.S. consumers continue to drive the economy, although the weak personal savings rate suggests they may run out of fuel in the coming years.

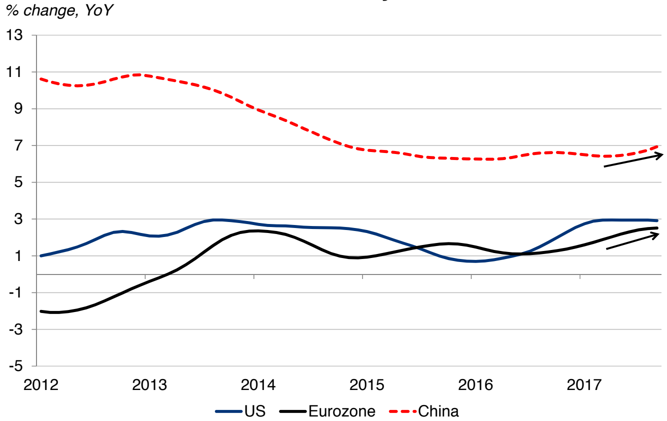
The biggest political question of the fourth quarter was finally resolved: U.S. tax reform is well and truly a reality, and it enters into force as of January 2018. This is President Trump's first major victory. Having campaigned on a promise to significantly lower corporate taxes, he has done just that: the marginal tax rate will be reduced from 35% to 21%, giving U.S. businesses a leg up on the competition.

Our focus is now on 2018, and our optimism for the economic backdrop is high. It remains to be seen whether the exceptional performance of the world stock markets in 2017 repeats itself, but we believe the time is ripe to temper expectations for returns, primarily with respect to the U.S. stock market.

Graph 2

Leading economic indicators: Pointing towards more acceleration in early 2018

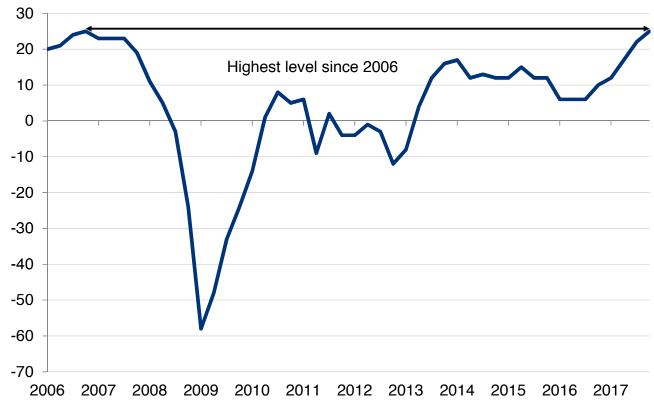
% change, YoY



Graph 1

Japan: Large businesses are gaining confidence

Tankan business conditions, large enterprises, manufacturing



World: Good news likely to continue in 2018

The year 2017 was unquestionably one of global economic synchronization. After several years of extremely loose financial conditions, heightened by the extraordinary measures put in place by the world's major central banks, the economic cycles of countries belonging to the Organisation for Economic Co-operation and Development (OECD) fell into line with each other for the first time since 2007.

Not only did we see growth everywhere, but the marked uptick in some regions, such as Canada and Europe, captured the attention of economists and investors.

In fact, the International Monetary Fund (IMF) revised its growth forecasts more than once for 2017 and 2018 for the majority of developed economies (with Canada, Europe and Japan topping the list), as well as for a few developing economies, including China and Eastern Europe.

The story of the Japanese economy is particularly interesting. After several false starts since the election of Shinzo Abe in December 2012, real progress is showing in Japan's economic data. For instance, GDP growth in the third quarter was revised upward to 2.5% (an impressive level by Japanese standards), business confidence, according to the latest Tankan survey, reached its highest level since 2006 (Graph 1), and the current sequence of seven consecutive quarters of growth in the size of the Japanese economy is the longest in over 20 years.

The government is aggressively trying to maintain this cruising speed by offering a highly attractive tax rate to companies that are able to demonstrate they have "aggressively" raised their employees' wages and increased their domestic capital spending.

All indications are that world economic growth will continue in 2018, judging from the OECD's leading economic indicators (Graph 2) and the momentum of the advanced economies, which continued to post widespread acceleration as the year drew to a close.

Even though the U.S. Federal Reserve (the Fed) and the Bank of Canada have begun the process of raising their key rates, the monetary policies of the world's major central banks remain highly accommodative. The European Central Bank (ECB) and the Bank of Japan are still printing a lot of money to buy bonds on the secondary market and are keeping their policy interest rates in negative territory. The central banks of emerging countries, meanwhile, are taking advantage of the relative tightening within developed countries to implement their own rounds of monetary policy easing. In short, the ground remains fertile for an extension of the economic cycle.

In the end, the global economy is expected to display a real growth rate of 3.6% for 2017 and 3.7% in 2018, its best performances since 2011. Indeed, the Chinese economy, which continues to be an effective barometer of the global economy, showed a sharp increase in its foreign trade activities, with both exports and imports climbing at an annual pace of over 10%.

Europe: Strong and widespread growth

We've been saying it for a few quarters now: the eurozone economy is at last participating fully in global economic growth, and all of its members are contributing to the effort.

Eurozone GDP growth has been outpacing U.S. GDP growth since early 2016 (Graph 3), and the leading economic indicators are largely pointing toward additional gains in 2018 (Graph 4). For example, the "new orders" component of the European manufacturing Purchasing Managers' Index (PMI) has increased every month except one since summer 2016, and its current level is consistent historically with a European GDP growth rate of 3% (Graph 5).

Another sign that current growth is sustainable is that it comes in large part from domestic demand. Strides made in the labour market over the last few years have greatly improved the financial situation of the European middle class, and this is reflected in data on domestic demand, which is finally catching up after lagging behind the U.S. and even Japan for the last few years (Graph 6).

The news could get even better for European households: the pace of employment growth has quickened considerably over the last few quarters, and indications are that this will further increase in 2018. Surveys among European businesses show that business confidence is sitting at a post-recession peak (Graph 7), and that the job market is not as tight as in North America, as can be seen by the unemployment rate which has just barely dropped below its pre-crisis level (Graph 8).

Graph 3

European growth running ahead of US GDP growth since 2016

Real GDP growth, YoY, %

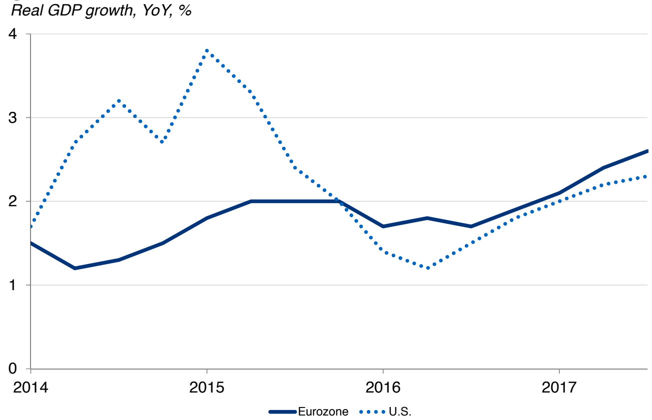


Chart 1
Returns of the Canadian Bond Market As at December 31, 2017

Index	Returns (%) 3 months	YTD
FTSE TMX Canada Universe Bond Index	2.0	2.5
FTSE TMX Canada Short Term Bond Index	0.3	0.1
FTSE TMX Canada Mid Term Bond Index	1.1	1.0
FTSE TMX Canada Long Term Bond Index	5.2	7.0
FTSE TMX Canada Federal	0.9	0.1
FTSE TMX Canada Provincial	3.4	4.3
FTSE TMX Canada Municipal	3.0	4.7
FTSE TMX Canada Corporate	1.9	3.4

The result is that European household confidence is currently at a 25-year high. Combined with one of the highest savings rates in the industrialized countries, the picture for the coming year is very positive in Europe.

The business investment outlook is also favourable.

Germany, Europe's primary economic engine, is particularly sensitive to the global cycle and business confidence points to an increase in investment spending, both on European soil and internationally.

All this is regardless of the fact that the ECB is maintaining its ultra-accommodative monetary policy, which makes financial conditions highly favourable and supports an expansion of the credit cycle. On this front, we learned during the quarter that the ECB will continue its quantitative easing program until the end of 2018, and that it has not closed the door to the idea of extending it into 2019 should the outlook deteriorate.

United States: Entering the mature phase of economic expansion

U.S. economic conditions remain highly favourable and are also pointing to a very good year for 2018. The country's GDP continued to grow in the fourth quarter and inflation remained below the 2% target.

We are now finally entering, after nearly ten years, the mature phase of the economic cycle, since U.S. GDP has reached the "potential" GDP level, that is, the level of production that the first world economy should have if it is operating at a sustainable pace, using all of its resources in an optimal fashion without causing overheating, which would lead to a rise in inflation (Graph 9).

While theoretical, this concept provides an effective guide for measuring the economic cycle. The message being sent out is that, since the third quarter of 2017, the U.S. economy has been operating at full capacity, as demonstrated by the unemployment rate which could soon drop below 4%. Conditions are now ripe for wage hikes and, possibly, the return of inflation.

The last two quarters of 2017 were characterized by rapid growth, buoyed by consumption and business investment. Consumers showed a historically high

As at December 31, 2017

Chart 2
Market Returns as at December 31, 2017

Index	Returns (%) 3 months	YTD
FTSE TMX Canada 91 Day T-Bill Index	0.2	0.6
FTSE TMX Canada Universe Bond Index	2.0	2.5
S&P/TSX Composite Index	4.5	9.1
S&P 500 (Can. $)	6.8	13.7
MSCI - EAFE (Can. $)	4.4	16.7
MSCI - World (Can. $)	5.7	14.2
Exchange Rate (Can. $ / US $)	0.2	(6.6)

Chart 3
Market Returns as at December 31, 2017

Index	Returns (%) 3 months	YTD
S&P/TSX Sector returns		
Energy	0.7	(7.0)
Materials	5.0	7.7
Industrials	4.3	19.7
Consumer Discretionary	4.5	22.8
Consumer Staples	6.2	7.8
Health Care	46.7	34.2
Financials	5.7	13.3
Information Technology	3.4	16.8
Telecommunication Services	4.3	14.8
Utilities	2.6	10.8
Real Estate	6.0	11.2
S&P/TSX Composite Index	4.5	9.1

level of confidence, bolstered by recent gains on the job market but also by the upsurge on financial markets as well as the strength of the real estate market.

Even though we expect the current momentum to continue through early 2018, it should be remembered that the pace is likely to slow during the year, given the progress of the economic cycle and the tighter labour market.

The quarter finally ended with the much-awaited adoption of tax reform, promised by President Trump during his election campaign in 2016. After several rounds of negotiation, Republican representatives in both Congress and the Senate agreed on a plan that will significantly reduce the tax rate for households and businesses, and should stimulate economic growth in the short-term. The long-term impact, however, is still uncertain given that several measures in the new fiscal plan will expire in the next ten years, and that the benefits enjoyed by U.S. households and businesses will be financed by an increase in the national debt.

The wealth distribution impact among households came under fire from many critics, who claim that once again it is the wealthiest households who will benefit the most. Given that richer households spend a smaller percentage of their income (in economist jargon, they have a lower marginal propensity to consume), we can expect that a large part of this reduction of the fiscal burden will simply be redirected into savings and will not stimulate economic activity as much as hoped.

On the business side, the reduction in the corporate tax rate should support investment, help revive worker productivity growth and, even more importantly, foster an extension of the economic cycle. The good news for investors is that this reduction enters into effect in January 2018 and will therefore give an immediate boost to the profitability of companies listed on the stock exchange.

Canada: Gradual return to normal

As anticipated, the vigour of Canadian economic growth gradually returned to normal in the second half of the year. The frenetic pace of 3.5% growth in real GDP recorded from mid-2016 to mid-2017 was clearly not sustainable, and could be largely attributed to a recovery in oil production following the 2016 Fort McMurry forest fires.

The conclusion remains, however, that 2017 was a vintage year for the Canadian economy, as testified by the unemployment rate which fell to 5.9% in November, a slim tenth above the historical low of 5.8% reached in October 2007. It should be said that the Canadian job market saw one of its best annual performances in history, with the creation of 344,000 jobs in the first 11 months of the year, all full-time, a record not seen in over 10 years.

Businesses say they are more confident in the long-term outlook and investment intentions, despite a slight dip since the start of the year, remain at high levels and rival those seen before the oil shock of 2014. The relative weakness of the Canadian dollar is still stimulating the competitiveness and profitability of Canadian companies, and exporting companies are still enjoying the benefits of a solid world economy.

As can be seen elsewhere among the developed countries, inflation remains below the 2% target, a phenomenon which the Bank of Canada attributes partly to temporary factors but primarily to structural factors.

It highlights the importance of international competition, which has eroded the negotiation power of unions as well as the capacity of producers to raise their prices. Moreover, the constant decline in worker productivity growth, demographic changes (in short, retiring baby boomers generally have higher salaries than the younger people replacing them) as well as technological changes (which can be qualified as "the Amazon effect") are all contributing to keeping wage and price growth at lower levels than in the past.

The underlying message is that even though the Canadian economy is now operating at full employment, a level that usually leads to an increase in wages and inflation, the "new economic reality" is such that inflation pressures may stay under control for some time still.

Yet one important domestic factor must still be taken into consideration: 2018 will bring significant hikes to minimum wage in Ontario and Alberta, adding to September's minimum wage hike in British Columbia. These hikes affect more than minimum wage workers: wages of all employees earning less than $15 an hour will automatically go up, and will require additional increases to maintain the premium they enjoyed previously over minimum wage. This phenomenon,

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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**	**8.0%**	**3.0%**	**0.0%**
Gold (ingot)		**0**		**2.0%**	**2.0%**	**0.0%**
Canadian Bonds	20	45	70	31.0%	-14.0%	+1.0%
International Bonds	0	0	15	0.0%	0.0%	0.0%
Total – Bonds	**20**	**45**	**70**	**31.0%**	**-14.0%**	**+1.0%**
Canadian Equities	**5**	**25**	**45**	**31.0%**	**+6.0%**	**+1.0%**
U.S. Equities	0	12.5	45	13.5%	+1.0%	-4.5%
International Equities	0	12.5	45	14.5%	+2.0%	+2.5%
Emerging Markets	0	0	45	0.0%	0.0%	--
Total – Foreign Equities	**5**	**25**	**45**	**28.0%**	**+3.0%**	**-2.0%**
Total – Portfolio		**100**		**100.0%**		

specific to Canada, should cause domestic inflation to be slightly stronger than elsewhere in the world.

In this context, the Bank of Canada will probably go ahead with two to three hikes of its key policy rate in 2018, despite the cautious tone it employed at the end of the quarter. However, it is likely that the Bank will keep its monetary policy unchanged in the first quarter given the uncertainty tied to the renegotiation of the North American Free Trade Agreement (NAFTA), which will probably be finalized in March or April.

Financial markets: Another good year on the exchanges

The year 2017 was marked by low volatility for most asset classes. For example, the S&P 500's biggest dip was less than 3% (Graph 10), resulting in the least volatile stock market year in history.

It should not be forgotten that the last few years gave investors returns that were well above the historical average on the stock markets. For instance, the annual average return of the U.S. stock market, in Canadian dollars and including dividends, exceeded 20% from 2012 to 2016. We therefore find ourselves at the dawn of 2018 with exchanges where valuations are sitting at historically high levels, which argues in favour of moderating expectations for returns in the coming years.

Top of the list, of course, is the U.S. stock market, now trading at more than 18 times expected earnings for the coming year, a level exceeding the 2007 peak. The *in extremis* adoption of the tax reform plan at the end of December does slightly brighten the picture, since the reduction in the corporate tax rate (to drop from 35% to 21% in January 2018) should, according to the consensus of Wall Street analysts, push earnings of S&P 500 companies up some 10% in 2018. The conclusion remains that the U.S. stock market is currently trading at multiples that are high on a historical basis, but that growth in earnings could generate additional gains in the coming year.

We therefore predict a more moderate performance of the U.S. stock market in 2018 but remain optimistic about the outlook for other exchanges. After all, as mentioned above, the North American economy is now entering the mature phase of its economic cycle, which is usually characterized by an increase in volatility on the financial markets and good performances by the cyclical sectors (energy, materials) as well as by the financial sector.

In this context, the Canadian stock market seems particularly attractive, currently trading at a discount of more than 10% compared to the U.S. market (according to calculations based on forward price/earnings ratios, Graph 11). The energy sector in particular weighed down the performance of the S&P/TSX Index, and a comeback in this sector, potentially supported by a sustained increase in the price of oil, could help the Canadian stock exchange deliver a healthy performance in 2018. This is to say nothing of the possibility of the Bank of Canada surprising everyone with more than two rate hikes during the year, thereby stimulating Canadian bank stocks.

We also remain positive with respect to the Europe, Australasia and Far East (EAFE) stock markets and the emerging markets, which are trading at discounts of 20% and 30% respectively against the U.S. market, again on a comparative basis of forward price/earnings ratios (Graph 12).

The economic situations of Europe and Japan (the key regions represented by the MSCI - EAFE Index) and of the emerging countries (MSCI - Emerging Markets Index) are still attractive, and international investors are likely to remain interested in these two markets which have not yet reached their 2007 highs (Graph 13). By way of comparison, the North American stock markets, represented by the S&P 500 Index and the S&P/TSX Index, are trading respectively at levels 75% and 7% higher than those reached in 2007.

Finally, we continue to expect a strengthening of the Canadian dollar in 2018, which could be pushed upward by the tightening of Canadian monetary policy and end the year around 83 to 85 cents.

In 2017, the Canadian bond market, measured by the FTSE TMX Canada Universe Bond Index, was up 2.5%. The FTSE TMX Canada Short Term Bond Index ended the year without fanfare, posting a return of just 0.1%. Meanwhile, the FTSE TMX Canada Long Term Bond Index delivered an attractive return of 7%.

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Chart 5
Estimated Gross Returns for the Next 12 Months Starting on December 31, 2017

Market indicators	Interest or dividend	+	Capital gains	=	Total estimated gross return
FTSE TMX Canada 91 Day T-Bill Index	1.35%	+	0.00%	=	1.35%
FTSE TMX Canada Universe Bond Index	3.35%	+	(4.60)%	=	(1.25)%
Canadian stocks (S&P/TSX Composite Index) including dividends					9% to 11%

The U.S. stock market, measured by the S&P 500 Index, delivered substantial returns in 2017, up 21.8% (13.7% in Canadian dollars). The Canadian stock market finished the year with a respectable return of 9.1% for the S&P/TSX Composite Index.

Stock markets in Europe and Asia had an excellent year in 2017. The European stock market, represented by the MSCI - Europe Index, was up 13.1% (17.8% in Canadian dollars), the MSCI - EAFE climbed 15.2% (16.7% in Canadian dollars), and the MSCI - World advanced 18.5% (14.2% in Canadian dollars). The first star of 2017, however, goes to the emerging markets, measured by the MSCI - Emerging Markets Index, which jumped 31.0% (28.5% in Canadian dollars).

Strategy: Flattening of the yield curve and renewed volatility

The major central banks are unanimous in their forecasts: we can expect growth in the coming year, but inflation is under control. The conclusion for the bond market is therefore clear: upward pressures on long-term interest rates should be limited.

In a context of North American monetary policy tightening as well as prospects of an eventual end to quantitative easing in Europe, we foresee a continued flattening of the yield curves. The U.S. yield curve, measured by the spread between 10-year rates and 2-year rates, is slowly reaching the threshold of 50 basis points, a level that generally corresponds to more volatility but also to expectations of lower returns (Graph 14).

If, as we anticipate, volatility makes a comeback in 2018, it will be important for investors to conserve a certain level of cash within their portfolio so as to be in a position to seize opportunities offered by the markets.

Bond holdings will also play an important stabilizing role within diversified portfolios, even if bond market returns are not expected to exceed those of the stock markets.

In the fourth quarter of 2017, we maintained our strategy of staying slightly overweight in equities. This was done through foreign equities, with an overweighting of European and Asian stocks, as well as in "growth" sectors such as information technology.

As the year ended, we noted the enduring appeal for the stock markets, with the adoption of U.S. tax reforms expected to bolster earnings of U.S. companies. The Fed has announced its intention of raising its key rate three times in 2018, which is once more than currently anticipated by the bond market. This suggests some potential for surprise, which could push interest rates up slightly during the year.

Finally, the ECB will play a key role in 2018, since it will in all likelihood announce the end of its quantitative easing program during the year. Such an event should push interest rates up worldwide.

In this context, we again proceeded, at the end of the quarter, to reduce our funds' exposure to the U.S. stock market and to increase their exposure to stock markets in Canada and overseas.

This strategy of staying overweight in equities remains accompanied by a holding of index put options in order to protect portfolios from a sudden drop in the market.

We remain underweight in bonds, given the international trend toward monetary policy tightening and, especially, new prospects of Canadian policy rate hikes in 2018. We have nonetheless maintained a dynamic duration management strategy compared to our peers during the quarter, taking positions in long-term U.S. bonds in order to protect portfolios from a stock market decline and to benefit from the level of long-term U.S. rates, which appear well anchored for the moment.

At the end of the quarter, Canadian equities represented 31% of the Diversified Fund against a total of 28% for foreign equities.

The weight of bonds increased slightly to 31%, a level that is well below the 45% target, in light of the solid performance of this asset class.

Cash now accounts for a rather neutral level of 8% of the Fund's assets, giving us the flexibility to seize any opportunities that may present themselves on the markets.

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Chart 6
Economic and financial scenarios

Economic scenario

							Change since September 30, 2017	
		2015	2016	2017	2018	2019	2018	2019
United States	Real GDP	2.9%	1.5%	2.3%	2.5%	2.2%	+0.2%	--
	Inflation rate	0.1%	1.3%	2.1%	2.1%	2.2%	--	--
	Unemployment rate	5.3%	4.9%	4.4%	4.0%	3.8%	-0.2%	--
Canada	Real GDP	1.0%	1.4%	3.0%	2.2%	1.8%	--	--
	Inflation rate	1.1%	1.4%	1.6%	2.0%	2.0%	+0.1%	--
	Unemployment rate	6.9%	7.0%	6.4%	6.0%	6.0%	-0.3%	--

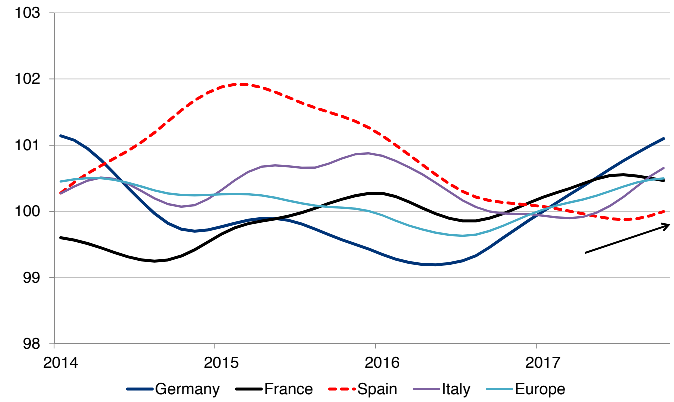
Financial scenario*

			Targets		Change since September 30, 2017	
	Actual	June 2018	Dec. 2018	June 2019	June 2018	Dec. 2018
Interest rate						
U.S. 10-year rates	2.33%	2.70%	2.95%	3.25%	-0.20	--
Canada 10-year rates	2.10%	2.35%	2.60%	2.95%	-0.05	--
Exchange rates						
US $/Can. $	0.8	0.83	0.85	0.85	-0.02	--
US $/Euro	1.18	1.20	1.22	1.25	-0.02	--
Oil price (WTI), US $	51.67	59	60	60	+4	--
S&P 500	2,519	2,870	2,950	3,050	+120	--
S&P/TSX	15,635	17,175	17,825	19,075	+525	--

* end of period

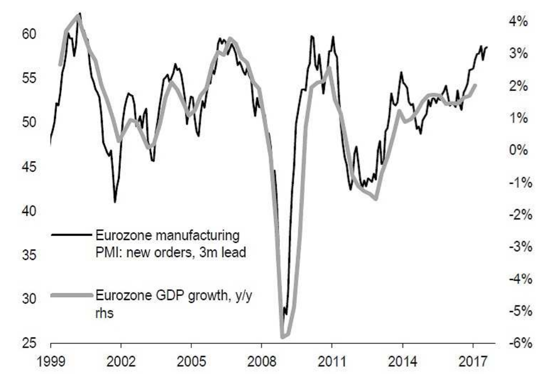
Graph 4

OECD leading indicators hinting at a good year for Europe in 2018
OECD leading indicators



Graph 5

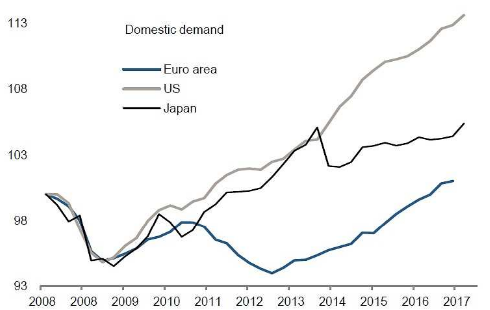
Euro area PMI new orders are consistent with GDP growth of c.3%



Source: Thomson Reuters, Credit Suisse research

Graphique 6

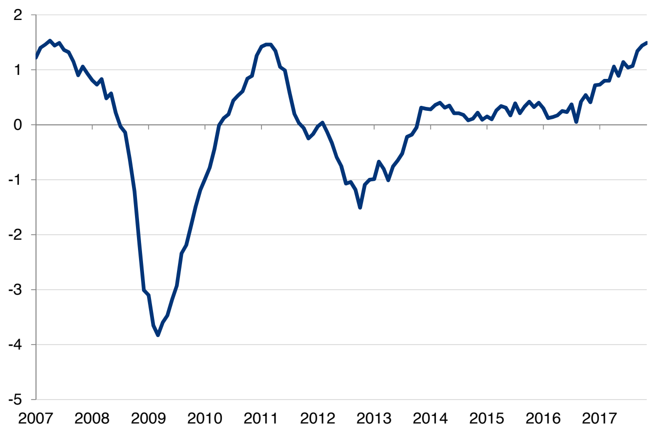
Domestic demand growth in Europe has lagged Japan and the US by 3pp and 10pp, respectively, since 2011



Source: Thomson Reuters, Credit Suisse research

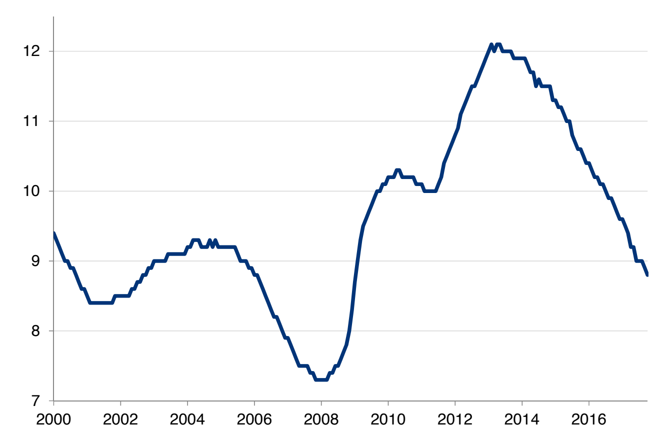
Graph 7

Europe: Corporate optimism is elevated
European Commission Euro Area Business Climate Indicator



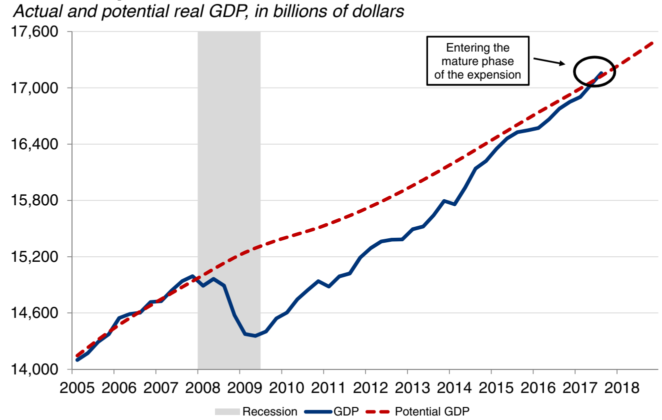
Graph 8

Eurozone unemployment rate
%



Graph 9

U.S.: An economy that is now at its full potential
Actual and potential real GDP, in billions of dollars

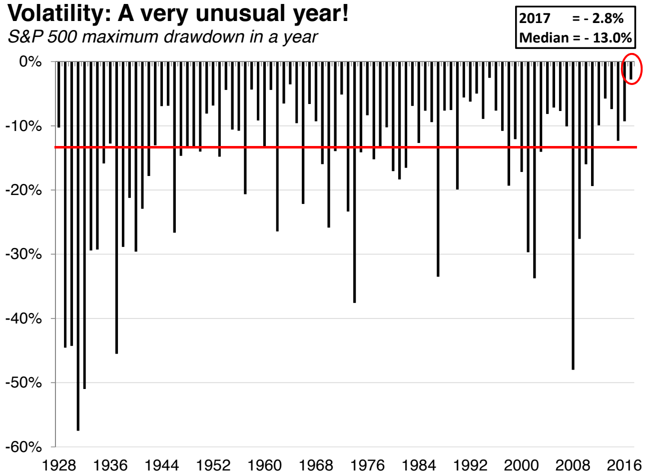


Economic and Financial Environment (continued)

Graph 10

Volatility: A very unusual year!

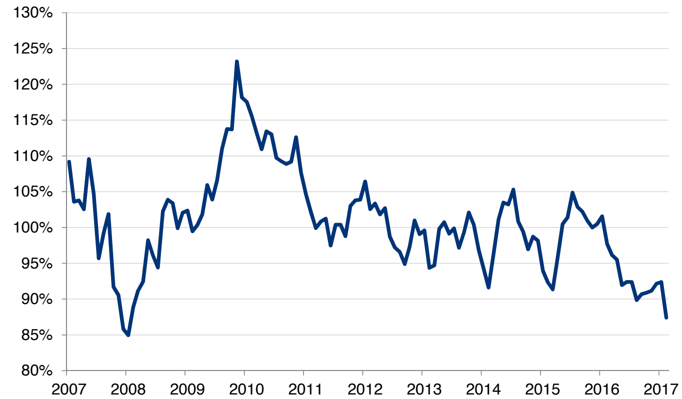
S&P 500 maximum drawdown in a year



Graph 11

Equities: S&P/TSX at a more than 10% discount to S&P 500

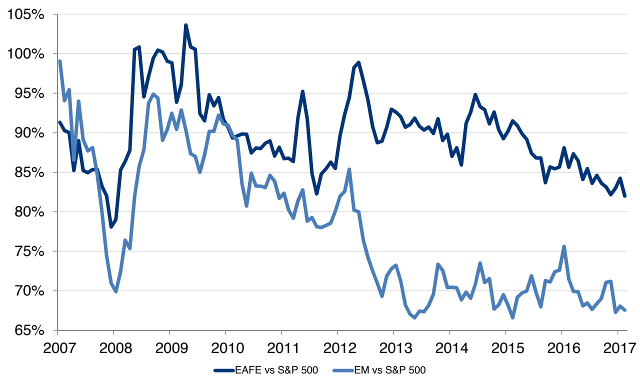
Ratio of Fwd P/E, S&P/TSX vs S&P 500



Graph 12

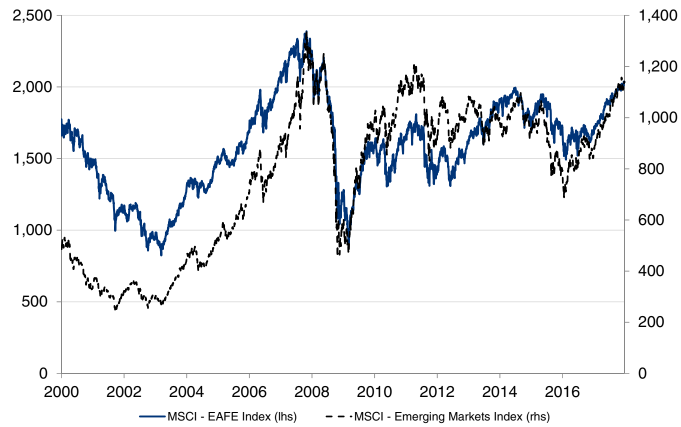
Equities: EAFE and EMs trading at relatively cheap levels vs S&P 500

Ratio of Fwd P/E, EAFE and EM vs S&P 500

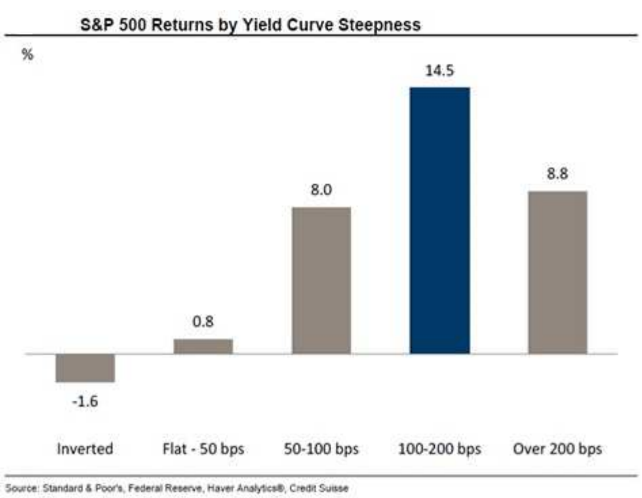


Graph 13

Equities: MSCI - EAFE et MSCI - Emerging Markets indices remain below their 2007 highs



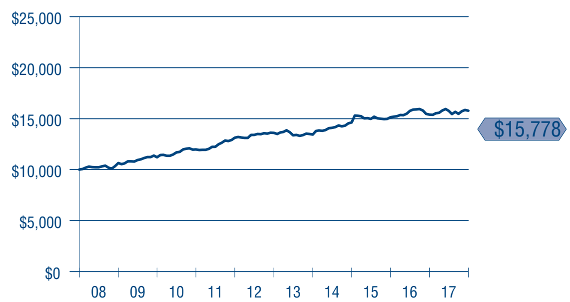
Graph 14



Market indicators

FTSE TMX Canada Universe Bond Index

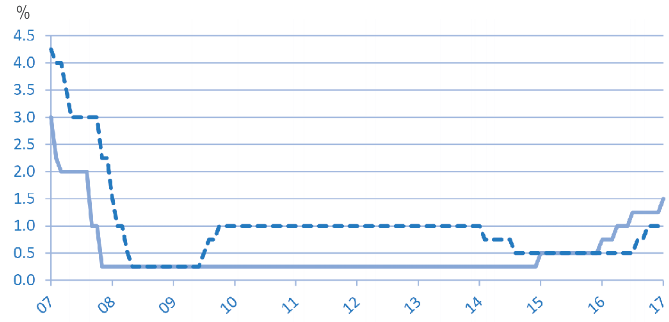
10 Year Period ending December 31, 2017



Return %	1 month	YTD	1 year	3 years	5 years	10 years
	(0.4)	2.5	2.5	2.6	3.0	4.7

Canadian and US Interest Rates

10 Year Period ending December 31, 2017

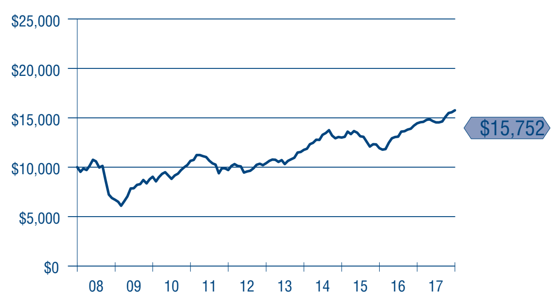


Federal Reserve Key Rate

Bank of Canada

S&P/TSX Composite Total Return Index

10 Year Period ending December 31, 2017



Return %	1 month	YTD	1 year	3 years	5 years	10 years
	1.2	9.1	9.1	6.6	8.6	4.6

S&P/TSX Sector Performance

Year to Date to December 31, 2017

Health Care	34.20%
Consumer Discretionary	22.76%
Industrials	19.68%
Information Technology	16.82%
Telecommunication Services	14.77%
Financials	13.32%
Real Estate	11.22%
Utilities	10.77%
Consumer Staples	7.76%
Materials	7.67%
Energy	(7.01)%

BMO Nesbitt Burns Small Cap Index

10 Year Period ending December 31, 2017

Return %	1 month	YTD	1 year	3 years	5 years	10 years
	3.6	6.4	6.4	7.5	6.0	4.3

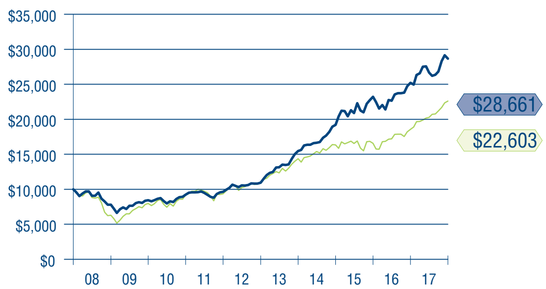
Evolution of the Canadian dollar vs US dollar

10 Year Period ending December 31, 2017

Can. $ / 1 US $

Market indicators (continued)

Total Return Index
■ S&P 500 (Can. $)
■ S&P 500 (US $)
10 Year Period ending December 31, 2017



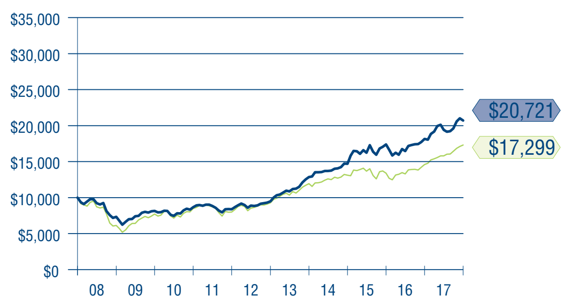
Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	(1.7)	13.7	13.7	14.3	21.3	11.1
(US $)	1.1	21.8	21.8	11.4	15.8	8.5

S&P 500 (Can. $) Sector Performance

Year to Date to December 31, 2017

Information Technology	29.71%
Materials	15.71%
Consumer Discretionary	14.90%
Financials	14.16%
Health Care	14.06%
Industrials	13.08%
Consumer Staples	6.03%
Utilities	4.74%
Real Estate	3.57%
Energy	(7.51)%
Telecommunication Services	(7.74)%

Total Return Index
■ MSCI - World Index (Can. $)
■ MSCI - World (Local $)
10 Year Period ending December 31, 2017



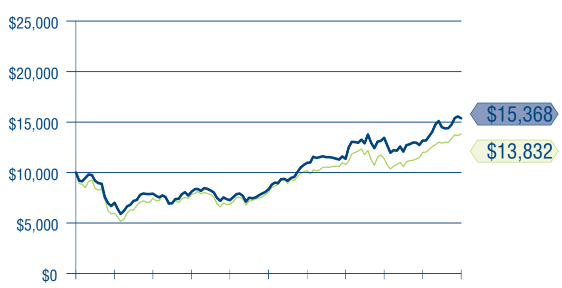
Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	(1.4)	14.2	14.2	12.1	16.9	7.6
(Local $)	1.1	18.5	18.5	9.6	13.3	5.6

MSCI - World (Can. $) Sector Performance

Year to Date to December 31, 2017

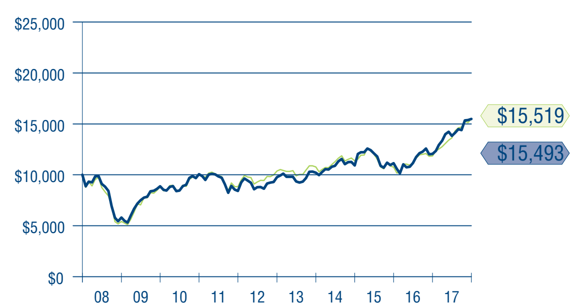
Information Technology	29.15%
Materials	20.47%
Industrials	17.00%
Consumer Discretionary	15.57%
Financials	14.67%
Health Care	11.93%
Consumer Staples	9.35%
Real Estate	7.11%
Utilities	6.19%
Telecommunication Services	(1.13)%
Energy	(1.93)%

Total Return Index
■ MSCI - EAFE (Can. $)
■ MSCI - EAFE (Local $)
10 Year Period ending December 31, 2017



Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	(1.2)	16.7	16.7	10.6	13.0	4.4
(Local $)	1.2	15.2	15.2	8.5	11.4	3.3

Total Return Index
■ MSCI - Emerging Markets (Can. $)
■ MSCI - Emerging Markets (Local $)
10 Year Period ending December 31, 2017



Return %	1 month	YTD	1 year	3 years	5 years	10 years
(Can. $)	0.8	28.5	28.5	12.3	9.7	4.5
(Local $)	2.6	31.0	31.0	10.9	8.4	4.5

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