EcoStrategist in brief
Ecoflex/My Education/APEX

Economic and Financial Bulletin | May 31, 2022

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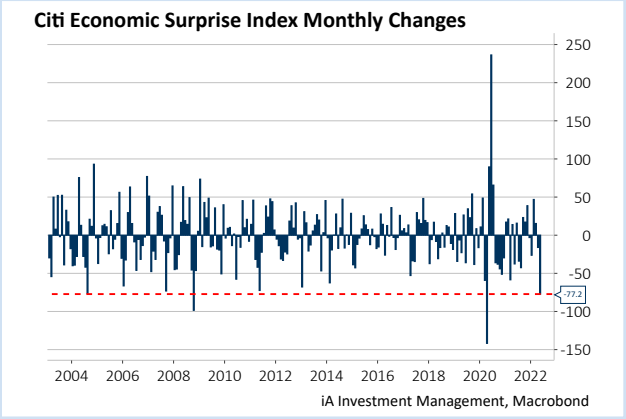
Heading towards a recession?

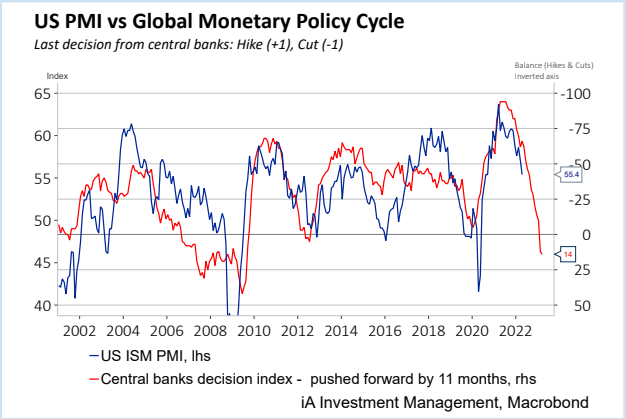
World

The prospect of rate increases by central banks and the persistence of inflationary pressures have led to a deterioration of economic data in the month of May. The Citi Economic Surprise Index, which measures the degree to which economic data is either beating or missing economists' forecasts, experienced a significant drop, comparable to the drops caused by the pandemic in 2020 and the financial crisis in 2008. These two periods were marked by recessions. Should this possibility be discounted? Our analyses suggest that the probabilities have become significant.



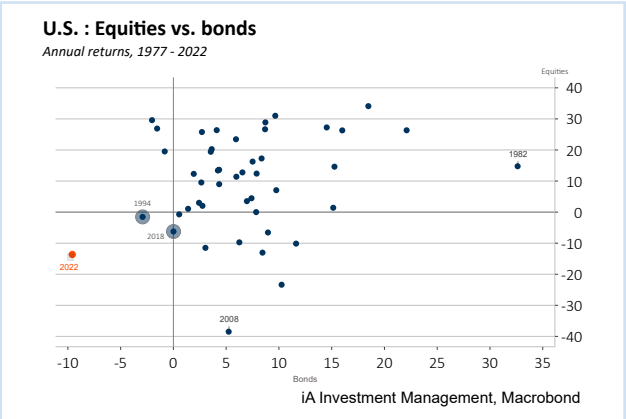
North America

Central banks are currently spearheading an aggressive tightening of monetary policy: CPI inflation is at a high not seen since the 80s. The Bank of Canada and the U.S. Federal Reserve are trying to get it back under control. By tightening monetary policy, central bankers are attempting to trigger a slowdown in economic activity, which is required to regain control of inflation. To do so, they are targeting a soft landing within the next 18 months: being aggressive enough to make inflation fall but without triggering a recession.



Financial markets

To date, 2022 has not been easy for investors. It was one of the worst starts to a year ever recorded, both for equity markets and for bonds. Usually, bonds have a negative correlation with equities: they act like a safety net in case of a drop. Why was there an exception to the rule in 2022? This relationship does not hold in a period of hasty tightening of monetary policy, and there are fewer benefits to diversification. Victims of the rise in inflation, both markets posted some of the worst returns in history. However, there is light at the end of the tunnel, as, on average, since 1935, 80% of the worst starts to a year have led to a positive end to the year.



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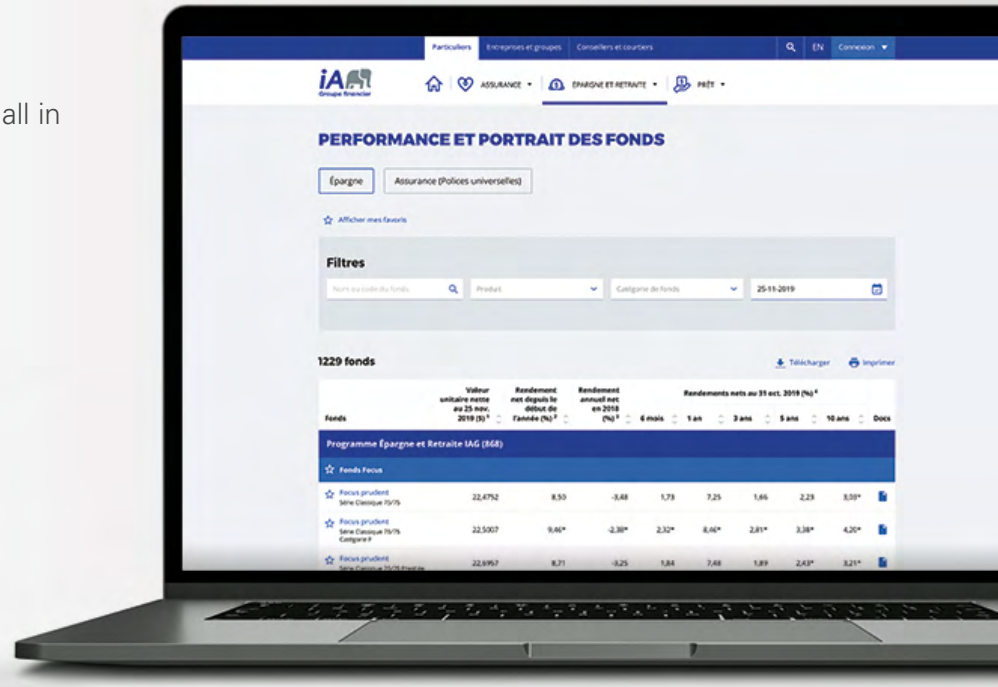

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Economic and Financial Statistics as at May 31, 2022

	As at 2022-04-30[1]	As at 2021-12-31
Canada - Unemployment rate	5.2%	5.9%
Canada - CPI (year/year variation)	6.8%	4.7%
Canada - GDP (year/year variation)	3.5%	3.9%
U.S. - Unemployment rate	3.6%	3.9%
U.S. - CPI (year/year variation)	8.3%	6.8%
U.S. - GDP (year/year variation)	3.5%	4.9%
2-year Canada Bonds	2.67%	0.95%
10-year Canada Bonds	2.89%	1.57%
Oil (West Texas) (US $)	114.67	75.21
Gold (US $)	1,845.1	1,822.4
CRB Commodities Index (US $)	316.5	232.4
Exchange rate Can. $/US $	1.2649	1.2632

[1] Most recent data available at these dates.

Table of net returns as at May 31, 2022

Ecoflex / My Education / APEX

	Unit Value $	Net assets[1] in millions $	Simple returns[2] 1 month %	3 months %	YTD %	Compound annual returns 1 year %	3 years %	5 years %	10 years %	MER[3] %	Investment Advisor
Focus Funds											
Focus Prudent	16.42	254.1	(0.5)	(5.4)	(9.6)	(7.7)	(0.2)	(0.2)	1.5	3.20	Various Managers
Focus Moderate	18.24	338.3	(0.5)	(5.1)	(9.4)	(6.5)	1.3	0.7	2.6	3.27	Various Managers
Focus Balanced	20.18	500.3	(0.5)	(4.7)	(9.1)	(5.2)	2.8	1.5	3.7	3.29	Various Managers
Focus Growth	22.01	170.9	(0.4)	(4.5)	(9.2)	(4.4)	4.2	2.3	4.7	3.32	Various Managers
Focus Aggressive	23.93	55.3	(0.4)	(4.2)	(9.1)	(3.2)	5.6	3.0	5.7	3.37	Various Managers
Selection Funds											
Selection Prudent	10.91	102.0	(0.4)	(5.8)	(10.0)	(8.5)	(1.6)	(0.8)	-	2.99	Various Managers
Selection Moderate	11.21	167.0	(0.4)	(5.2)	(9.6)	(8.1)	(0.9)	(0.4)	-	3.15	Various Managers
Selection Balanced	11.86	233.0	(0.4)	(4.7)	(9.5)	(7.0)	0.2	0.3	-	3.29	Various Managers
Selection Growth	12.60	104.9	(0.3)	(4.3)	(9.4)	(5.9)	1.8	1.3	-	3.48	Various Managers
Selection Aggressive	12.64	26.2	(0.4)	(4.6)	(11.4)	(6.7)	1.9	1.2	-	3.64	Various Managers
Income Funds											
Money Market[5]	17.38	907.1	0.1	0.1	0.1	0.1	0.4	0.4	0.3	1.67	Industrial Alliance
Short Term Bond	14.72	159.9	(0.1)	(3.2)	(4.6)	(6.2)	(1.5)	(1.0)	(0.4)	2.43	Industrial Alliance
Bond[5]	26.97	3,236.2	(0.4)	(6.9)	(10.9)	(10.5)	(3.1)	(1.6)	0.0	2.44	Industrial Alliance
Core Plus Bond (Wellington Square)	10.49	53.4	(0.8)	(4.5)	(6.9)	(6.9)	(1.2)	(0.9)	(0.1)*	2.80	Wellington Square
Diversified Funds											
Diversified Security	21.12	605.2	(0.2)	(5.1)	(8.8)	(7.9)	(0.2)	(0.2)	2.1	3.19	Industrial Alliance
Diversified[5]	46.16	2,225.6	(0.5)	(4.4)	(7.5)	(4.5)	3.6	2.2	4.4	3.17	Industrial Alliance
Diversified Opportunity	31.12	817.7	(0.4)	(3.6)	(6.1)	(1.7)	6.0	3.6	5.6	3.17	Industrial Alliance
SRI Moderate (Inhance)	9.33	72.3	(0.6)	(7.4)	(12.3)	(9.6)	0.2*	0.4*	2.2*	3.72	Vancity
SRI Balanced (Inhance)	15.79	217.8	(0.7)	(7.6)	(13.3)	(9.3)	2.2	1.8	3.7*	3.77	Vancity
SRI Growth (Inhance)	9.67	62.4	(0.8)	(7.6)	(14.1)	(9.2)	3.5*	2.7*	4.8*	3.85	Vancity
Strategic Income	15.80	381.2	(0.2)	(1.3)	(3.6)	2.8	4.5	3.1	4.5*	3.63	Industrial Alliance
Global Diversified (Loomis Sayles)	15.86	1,014.7	(1.9)	(8.4)	(18.9)	(11.0)	2.4	3.5	4.7	3.39	Loomis Sayles
Canadian Equity Funds											
Strategic Equity Income	21.90	235.4	(0.2)	(0.1)	(2.6)	8.3	8.4	5.7	7.4	2.65	Industrial Alliance
Dividend Growth	26.78	1,455.4	0.8	0.0	1.9	11.2	8.9	6.7	7.6	2.91	Industrial Alliance
Canadian Equity Index	30.23	726.0	(0.1)	(1.8)	(2.6)	6.1	9.4	6.8	6.8	3.02	Industrial Alliance
Fidelity True North®	47.29	347.8	(0.2)	(1.6)	(3.7)	5.3	10.0	7.0	8.1	3.71	Fidelity
Canadian Equity Growth[5]	42.00	895.4	0.1	(0.9)	(1.0)	7.0	11.3	7.8	8.1	3.03	Industrial Alliance
Fidelity Canadian Opportunities	62.21	675.7	(0.9)	(2.5)	(6.4)	(0.5)	14.3	10.2	9.2	3.72	Fidelity
North American Equity	59.22	121.2	(0.8)	(3.4)	(6.0)	3.6	9.5	5.8	6.1	3.05	Industrial Alliance

Table of net returns as at May 31, 2022 (continued)

Ecoflex / My Education / APEX

	Unit Value $	Net assets[1] in millions $	Simple returns[2] 1 month %	3 months %	YTD %	Compound annual returns 1 year %	3 years %	5 years %	10 years %	MER[3] %	Investment Advisor
U.S. & International Equity Funds											
Global Equity Index ACWI (BlackRock)	27.36	156.1	(1.2)	(7.2)	(14.3)	(6.3)	4.9	3.5*	8.4*	3.52	BlackRock
Global Dividend (Dynamic)	25.38	1,373.4	(3.7)	(8.0)	(18.4)	(5.6)	3.0	5.8	9.9	3.57	Dynamic
Global Equity	25.81	120.6	(0.9)	(6.2)	(13.1)	(3.9)	7.2	4.0	8.7	3.53	Industrial Alliance
Global Opportunities (Loomis Sayles)	9.31	103.5	(2.8)	(9.7)	(23.5)	(12.1)	4.5*	5.7*	9.9*	3.95	Loomis Sayles
Fidelity NorthStar®	21.11	131.3	(1.4)	(6.7)	(10.3)	(7.9)	5.6	1.4	8.5	3.76	Fidelity
International Equity Index (BlackRock)	10.50	212.3	(0.4)	(6.0)	(12.1)	(8.7)	1.2	0.0	6.3	3.05	BlackRock
International Equity	19.23	397.2	0.1	(6.4)	(12.6)	(12.1)	0.6	(0.9)	5.4*	3.70	Industrial Alliance
Fidelity European Equity	12.30	39.7	0.8	(7.0)	(13.7)	(10.0)	(1.4)	(2.1)	4.7	3.77	Fidelity
U.S. Equity Index (BlackRock)	26.47	519.2	(1.1)	(6.2)	(13.8)	1.1	10.2	8.3	12.9	3.03	BlackRock
Thematic Innovation	20.26	606.1	(2.5)	(9.7)	(18.3)	(7.8)	9.7*	7.5*	-	3.97	Industrial Alliance
U.S. Equity	24.27	117.1	(1.3)	(6.1)	(13.3)	0.3	10.3	6.4	10.8	3.40	Industrial Alliance
U.S. Dividend Growth	23.33	239.7	(0.4)	(1.6)	(7.4)	7.7	9.4	6.3	10.0	3.54	Industrial Alliance
Specialty Funds											
Asian Pacific (Dynamic)	9.32	161.4	2.4	(16.5)	(27.3)	(35.2)	2.8	2.6	6.0	3.35	Dynamic
Emerging Markets (Jarislowsky Fraser)	8.97	48.1	(1.8)	(12.3)	(18.4)	(27.1)	(4.1)*	(2.2)*	-	4.42	Jarislowsky Fraser
Global Health Care (Renaissance)	38.84	286.7	(2.5)	(4.5)	(13.3)	(4.0)	4.6	2.8	12.0	3.81	CIBC
Real Estate Income	40.05	141.0	(3.2)	(5.9)	(8.0)	4.8	4.1	4.7	5.1	2.96	Industrial Alliance
U.S. DAQ Index	23.88	976.4	(2.8)	(11.9)	(23.1)	(5.7)	15.3	12.6	17.2	3.21	Industrial Alliance
Education Savings Plan											
Diploma Elementary	19.03	1,280.6	(0.6)	(4.7)	(8.1)	(3.9)	3.6	2.7	4.7	3.62	Industrial Alliance
Diploma Secondary	11.41	547.8	(0.4)	(4.6)	(7.7)	(6.2)	(0.9)	(0.8)	0.0	3.62	Industrial Alliance
Not offered to new contract subcribers											
Diploma	15.53	80.3	(0.6)	(5.8)	(10.3)	(5.8)	2.2	2.0	4.5	3.64	Industrial Alliance
Dividend	69.02	1,027.7	0.8	0.2	2.1	11.9	9.6	7.0	8.1	2.41	Industrial Alliance

Returns after deduction of MER (Management expense ratio). Past performance is not a guarantee of future returns.

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[1] Total net assets of the fund including individual and group contracts.
[2] The rates for the period are non-annualized.
[3] Management expense ratio (GST and HST included).
[4] Fund closed to new investments as of June 30th, 2015.
[5] Only these Funds are offered in the APEX product
* Simulation of past returns as if the Fund or Series had been in effect for these periods.
Index funds: Simulation of past returns from the return of the index that the fund aims to reproduce.

Total Return Reference indexes[2]

Returns as at May 31, 2022

	Simple returns[1]			Compound annual returns			
	1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %
Indexes related to Income Funds							
FTSE Canada 91 Day T-Bill Index	0.2	0.2	0.2	0.4	0.7	0.9	0.9
FTSE Canada Short Term Bond Index	0.2	(2.6)	(3.6)	(4.2)	0.4	0.9	1.5
FTSE Canada Universe Bond Index	(0.1)	(6.4)	(10.3)	(8.5)	(1.3)	0.4	1.9
SB - World Government Bonds (Can. $)	(1.1)	(9.4)	(11.9)	(11.0)	(4.6)	(1.9)	1.7
Indexes related to Canadian Equity Funds							
S&P/TSX 60	0.1	(1.1)	(1.4)	9.4	12.7	10.1	10.0
S&P/TSX Completion Index	(0.3)	(1.4)	(0.8)	2.8	10.4	7.2	7.0
S&P/TSX Composite Index	0.1	(1.1)	(1.3)	7.9	12.2	9.4	9.3
S&P/TSX Capped Composite Index	0.1	(1.1)	(1.3)	7.9	12.2	9.4	9.3
Indexes related to U.S. & International Equity Funds							
S&P 500 (Can. $) (Reuters)	(0.9)	(5.4)	(12.6)	4.4	13.9	11.9	16.7
MSCI - World (Can. $)	(1.0)	(6.0)	(12.8)	(0.3)	10.2	8.3	13.3
MSCI - World Small Cap. (Can. $)	(1.2)	(7.2)	(13.7)	(8.7)	8.0	6.4	13.1
MSCI - EAFE (Can. $)	(0.3)	(5.4)	(11.2)	(6.2)	4.1	2.8	9.3
MSCI - EAFE (Can. $) (Reuters)	(0.3)	(5.4)	(11.2)	(6.2)	4.1	2.8	9.3
MSCI - Europe (Can. $)	(0.1)	(5.0)	(11.5)	(4.9)	5.4	3.4	10.2
Index related to Specialty Funds							
MSCI - AC Asian Pacific Free (Can. $)	(0.4)	(6.6)	(11.2)	(13.0)	3.9	3.4	9.1
MSCI - Emerging Markets (Can. $)	(0.6)	(7.5)	(11.6)	(15.8)	3.1	2.8	6.7
MSCI - World Health Care (Can. $)	(0.5)	0.4	(7.0)	9.3	12.7	10.1	16.2
NASDAQ 100 (Can. $)	(2.7)	(11.5)	(22.4)	(3.3)	18.4	15.4	19.9
S&P/TSX Capped REIT Index	(3.2)	(5.6)	(8.4)	5.4	5.1	8.0	6.8

	Variation			Compound annual variation			
	1 month %	3 months %	YTD %	1 year %	3 years %	5 years %	10 years %
Exchange Rate (Can. $/US $)							
As at May 31, 2022: 1.2649	(1.0)	(0.3)	0.1	4.7	(2.2)	(1.3)	2.0
Exchange Rate (US $/Can. $)							
As at May 31, 2022: 0.7906	1.0	0.3	(0.1)	(4.5)	2.2	1.3	(2.0)

[1] The rates for the period are non-annualized.
[2] Please refer to the Legal Notices on page 7 for more information about these indexes.

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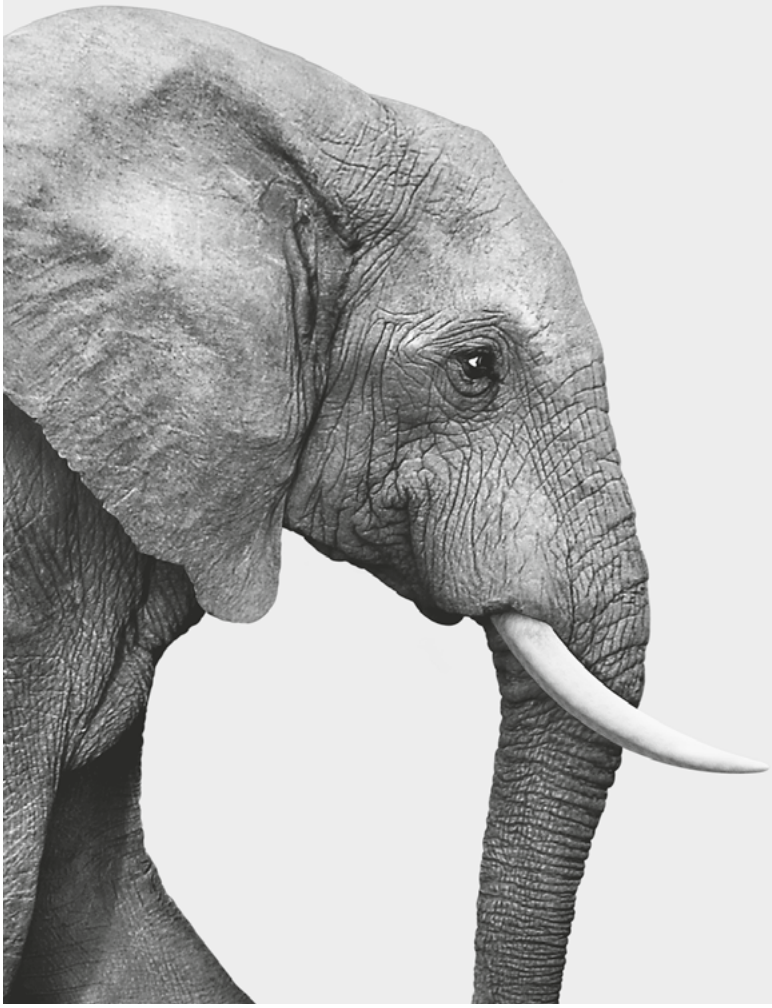

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In brief

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