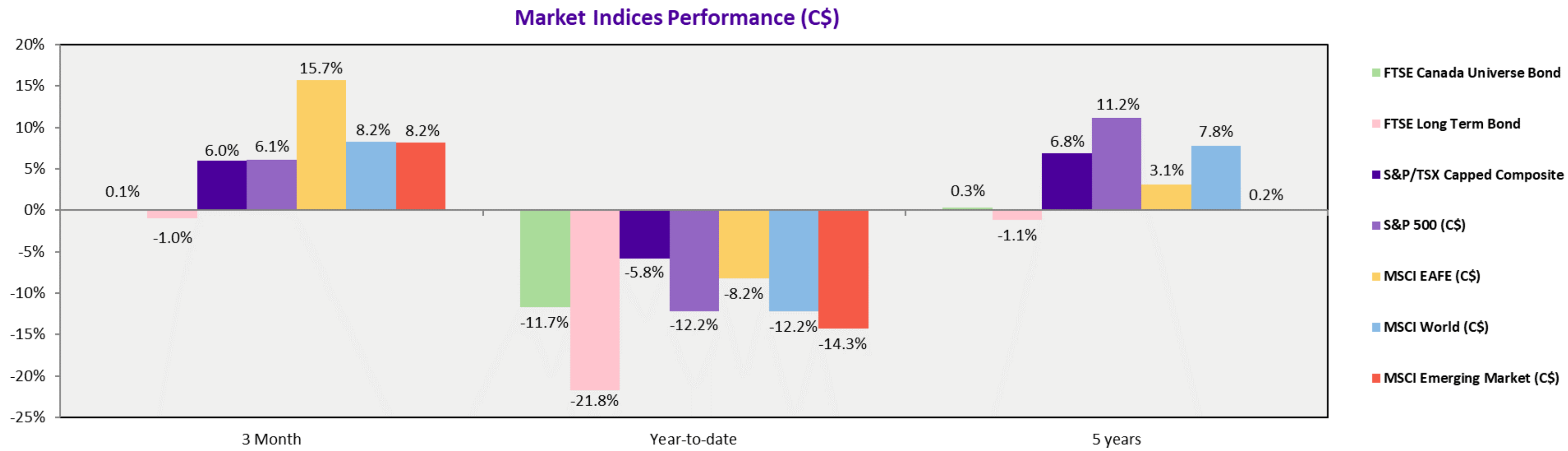
Commentary as at December 31, 2022



Market rebound: a glimmer of hope at year-end

The fourth and final quarter of 2022 was favourable as stock markets posted positive returns, ending the year on a more optimistic note. The stabilization of inflation rates sent a positive signal to investors, who responded with a slight uptick in confidence. This, however, was not enough to make up for the previous quarters' losses: in 2022, all indexes posted negative returns.

In the fourth quarter, the international market (excluding Canada and the US) rebounded most strongly, as evidenced by the MSCI EAFE's returns (+15.7%). Meanwhile, MSCI World and MSCI Emerging Markets both posted a performance of 8.2%. Canadian and US returns were more moderate at 6.0% and 6.1% respectively. In the bond markets, FTSE Canada Universe (0.1%) and FTSE Canada Long Term (-1.0%) turned in lacklustre performances.

US stocks were sharply affected by inflation and tighter monetary policy, particularly in the second quarter. However, early-year negative returns were mitigated by a positive fourth quarter as inflation slowed and investors were reassured.

In Europe, the conflict between Russia and Ukraine is still a major issue. Due to reduced imports of Russian natural gas, European countries had to find alternative energy supplies. Despite some difficulties along the way, Europe also had a good fourth quarter. However, it was not enough to edge out the Canadian stock market, which posted the best result for 2022 with a performance of -5.8%.

Gold finished the quarter up 8.49%, closing at US$1,813.75 an ounce (spot price). In the oil patch, a barrel of Brent crude was down -2.33%, closing at US$85.91. West Texas Intermediate (WTI) and Western Canada Select (WCS) were down -1.37% and -1.07%, closing the fourth quarter at US$78.40 and US$57.15 respectively.

In employment news, the US economy created 742,000 jobs in the fourth quarter, with a total of 4,503,000 added in the past 12 months. North of the border, 222,400 jobs were created in the fourth quarter, while 394,100 were added in the past 12 months. Canada's unemployment rate dropped to 5.0% while the US rate remained stable at 3.5%.

In the US residential real estate market, the most recent S&P CoreLogic Case-Shiller data (October 2022) showed a 12-month variation of +8.72%, while the Teranet-National Bank Home Price index (December 2022), which tracks Canadian residential property, showed a variation of +2.22% for the same period.

	Canada	United States
GDP Growth (y/y)	3.9%	2.9%
Inflation (y/y growth)	6.3%	6.5%
Job Creation (QTD)	222 400	742 000
Job Creation (y/y growth)	394 100	4 503 000
Unemployment Rate	5.0%	3.5%

Most recent data as of December 31st, 2022

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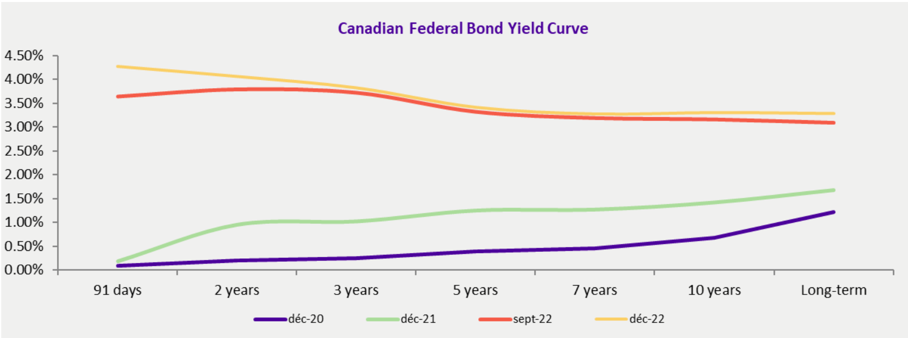
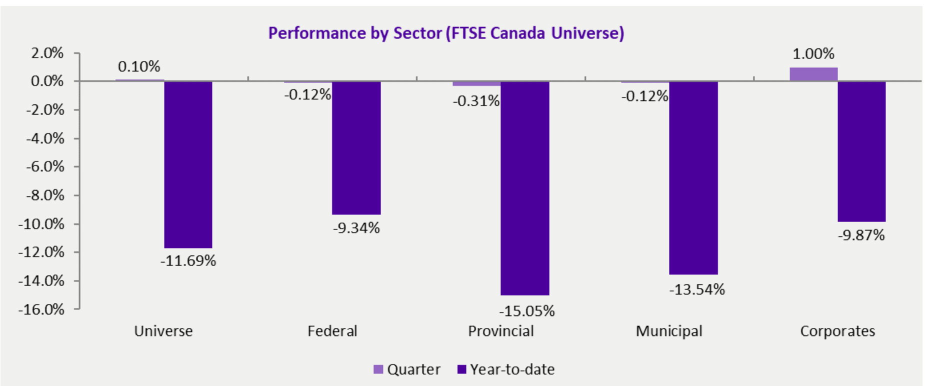
Canadian bond market

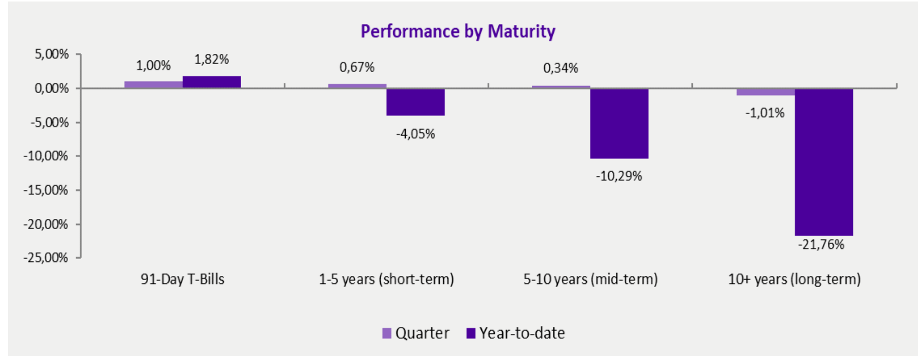
In the fourth quarter of 2022, Canadian bond yields were up slightly due to interest rate movements.



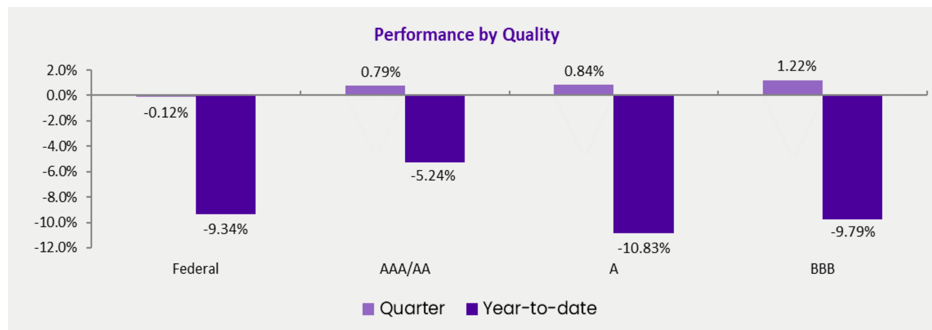
In the fourth quarter, the FTSE Canada Universe index posted a return of 0.10%. Corporate bonds were the only category that turned in a positive performance. Higher interest rates put upwards pressure on bond yields. The yield for Canada 10-year bonds rose from 3.16% to 3.30% in the fourth quarter.



Provincial bonds were the worst-performing category, down -0.31% for the quarter. In contrast, corporate bonds were up 1.00%, making them the best sector of the FTSE Canada Universe index.



In the fourth quarter, long-term bonds were the worst performers (-1.01%), landing them in last place for 2022. In contrast, returns for short- and medium-term bonds were more moderate at 0.67% and 0.34% respectively. Meanwhile, 91-day Treasury bills were the best performers. Finally, 2-year, 10-year and 30- year bonds finished the quarter with yields to maturity of 4.06%, 3.30% and 3.28% respectively while Treasury bills posted a yield of 4.27%.



AAA/AA bonds were the worst performers in the fourth quarter with a yield of 0.79%, indicating a slight fall-off in investor demand. In contrast, BBB bonds were the best performers for the second quarter in a row (+1.22%).

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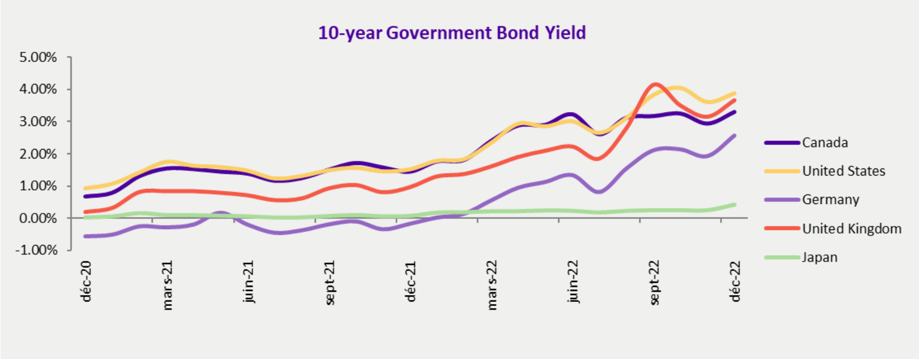
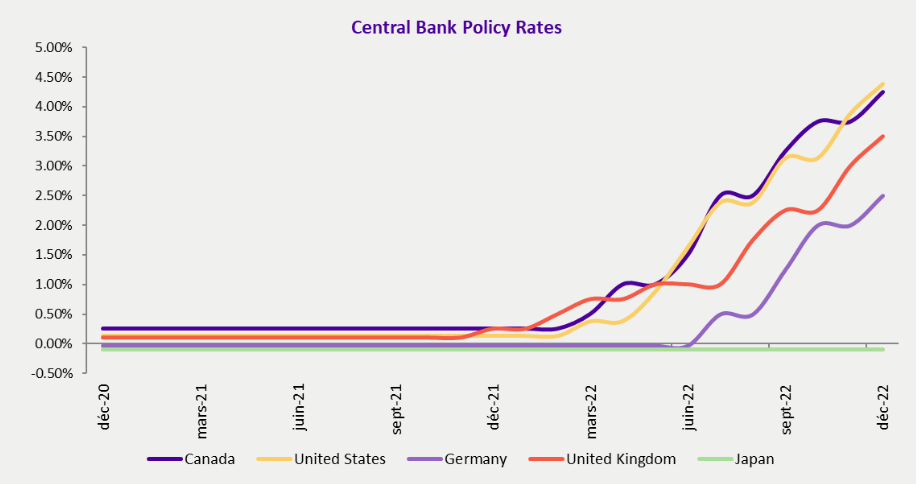
Global bond markets

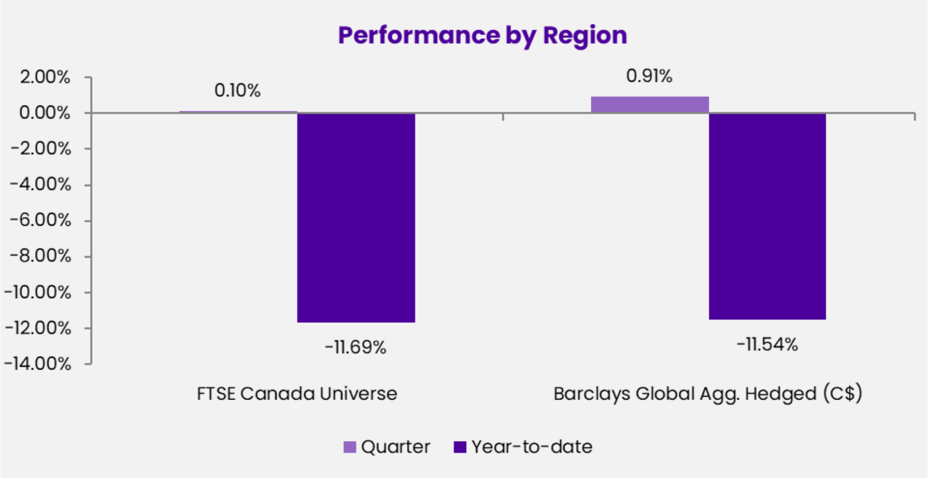
Yields to maturity for 10-year government bonds rose in all countries listed in the diagram below, except for the UK.



The Bank of Canada raised its key rate to 4.25% in the fourth quarter amid persistent over-target inflation. In the US, the Fed also decided to raise its key rate to between 4.25% and 4.50%. The Bank of England also moved to hike its key rate to 3.50%. All three central banks continued along the path of rate increases that began in the first quarter of 2022.



This quarter, Canadian bonds, as measured by the FTSE Canada Universe index, recorded a return of 0.10%, as opposed to 0.91% for global bonds (Barclays Global Aggregate, currency-hedged (CA$)).



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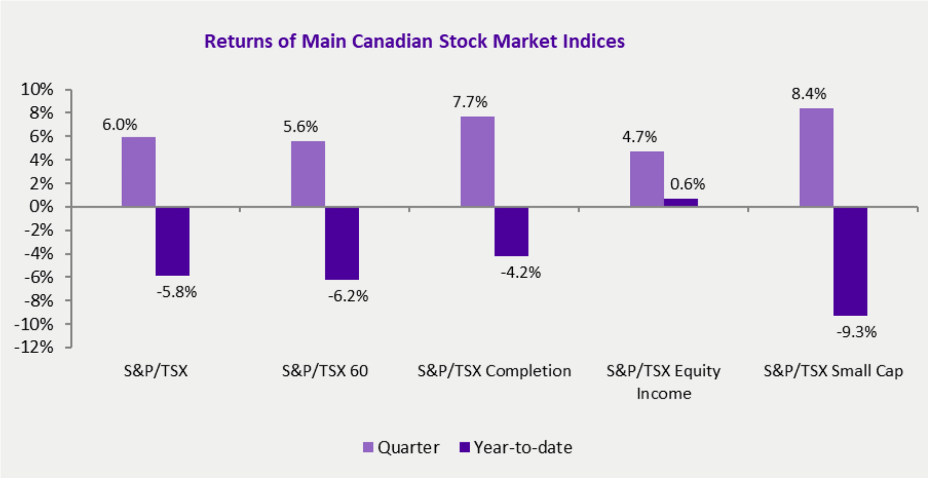
Canadian stock market

The Canadian stock market, as measured by the S&P/TSX, finished the quarter with a return of 6.0% but closed the year down -5.8%. The positive quarterly return was primarily attributable to feelings of relief as inflation slowed. Investors hope that the reign of tighter monetary policy is coming to an end.

All the main Canadian indexes generated positive returns in the fourth quarter, with performances ranging from 4.7% to 8.4%. This gave investors a bit of a respite after a difficult year. Small caps stood out as they outpaced large caps. The equity income index finished the quarter with a return of 4.7%.



S&P/TSX Sector	Weight (%)	Returns		
		Quarter	Year-to-date	3 years
Energy	18.1	8.91%	30.14%	12.44%
Materials	12.0	8.25%	1.82%	8.70%
Industrials	13.3	7.35%	1.47%	11.31%
Consumer Discretionary	3.7	8.82%	-6.03%	9.20%
Consumer Staples	4.2	8.48%	10.09%	11.99%
Health Care	0.4	-10.86%	-61.79%	-38.03%
Financials	30.8	3.39%	-9.37%	7.94%
Information Technology	5.7	12.61%	-51.30%	1.41%
Communications Services	4.9	6.11%	-2.58%	5.35%
Utilities	4.4	-7.43%	-10.57%	4.73%
Real Estate	2.6	6.87%	-22.01%	-0.71%

Most of the S&P/TSX sectors posted positive returns in the fourth quarter, with the exception of Health Care and Utilities. The top performer was IT with a return of 12.61%; Shopify Inc. was the biggest contributor in this regard (+27.05%). Based in Canada, Shopify runs a popular e-commerce platform. The second most performing sector was Energy (+8.91%), supported by Canadian Natural Resources (18.27%). This Alberta-based company extracts, processes and markets oil.

The Health Care sector came in last place (-10.86%); its biggest detractor was BELLUS Health (-24.01%). This biotech company specializes in the development of new products. The Utilities sector also made a negative contribution to the index's quarterly performance, dropping to 10th place with a return of -7.43%; here the biggest detractor was Algonquin Power & Utilities (-39.94%), which operates in the Energy sector.

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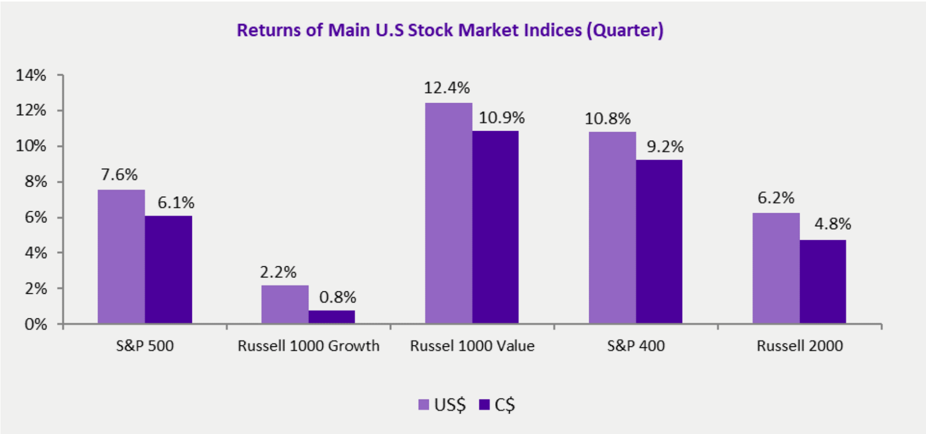
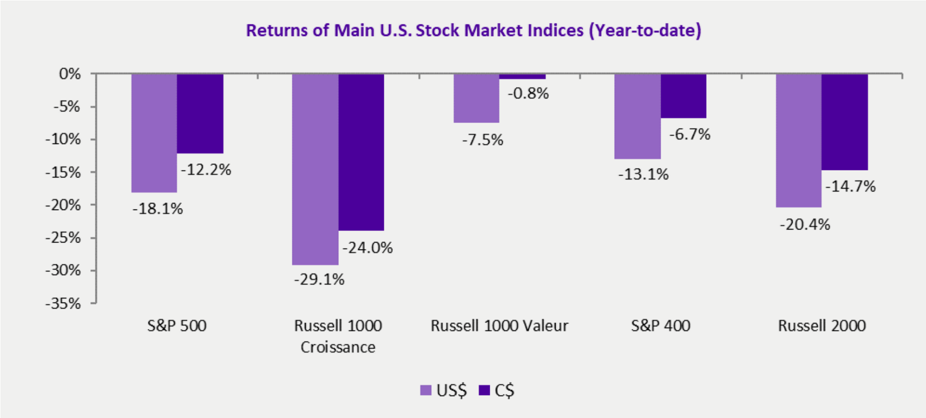
US stock market

During the fourth quarter, the S&P 500 was up 7.6% in US currency. The Canadian dollar's performance in relation to the US dollar had an impact on quarterly returns as the loonie appreciated. The Canadian-dollar return was 6.1% for investors.

Value-style stocks outpaced growth-style. The Russell 1000 Value index generated a return of 12.4%, outperforming the Russell 1000 Growth index (2.2%). As regards market capitalization, medium caps (S&P 400) outperformed small caps (Russell 2000) as well as large caps (S&P 500).





S&P 500 Sector	Weight (%)	Returns (in CA$)		
		Quarter	Year-to-date	3 years
Energy	5.2	21.10%	77.76%	21.10%
Materials	2.7	13.45%	-5.89%	12.10%
Industrials	8.7	17.57%	1.39%	9.93%
Consumer Discretionary	9.8	-11.43%	-32.45%	2.96%
Consumer Staples	7.2	11.15%	6.60%	10.91%
Health Care	15.8	11.23%	5.17%	13.60%
Financials	11.7	12.03%	-4.03%	7.46%
Information Technology	25.7	3.29%	-22.98%	13.25%
Communications Services	7.3	-2.75%	-35.52%	-1.91%
Utilities	3.2	7.13%	8.95%	7.86%
Real Estate	2.7	2.38%	-20.76%	3.30%

In the fourth quarter, nine of the eleven US index sectors generated positive returns in Canadian dollars (Consumer Discretionary and Communication Services were the two exceptions). Energy and Industrials were the best performers with returns of 21.10% and 17.57% respectively. In the Energy sector, the biggest contributor was US-based Exxon Mobil (+27.35%), which primarily supplies energy from oil and natural gas. In the Industrials sector, Caterpillar Inc. (+46.92%) made a very positive contribution to the sector's quarterly performance. This company manufactures machinery for various industries, including construction and energy.

In contrast, the worst-performing sector was Consumer Discretionary (-11.43%). The sector's biggest detractor was US-based Tesla Inc. (-53.56%), which builds electric vehicles. Communication Services also posted a negative return (-2.75%) and was greatly affected by the performance of Alphabet, which closed the quarter down -7.76%. Alphabet owns various technological platforms, including Google.

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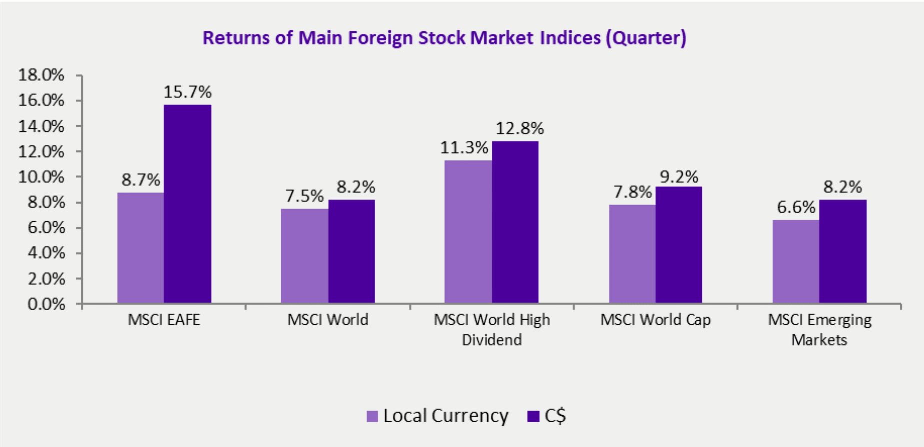
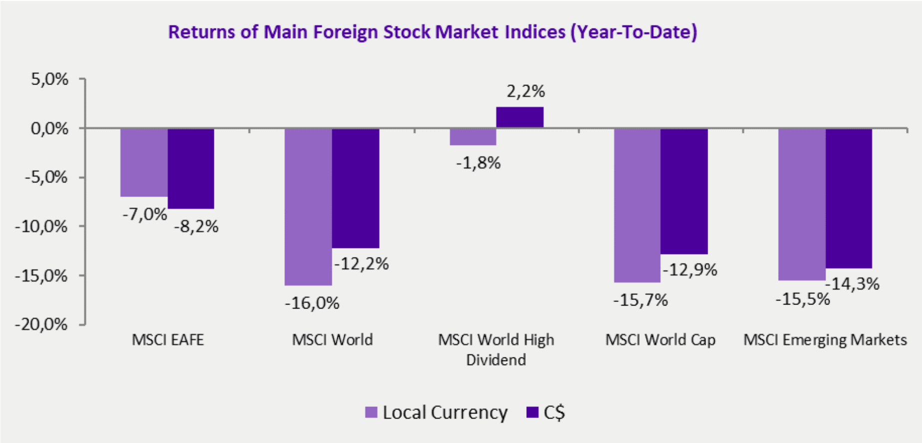
Global stock markets

All global stock markets generated positive returns in the fourth quarter, primarily thanks to slower inflation and higher investor confidence.

Of the indexes listed below, MSCI World High Dividend scored the best quarterly performance with a return of 11.3% in local currencies. MSCI Emerging Markets was the worst performer (+6.6%).





MSCI EAFE Region	Weight (%)	Returns (in local currency) Quarter	Quarter	3 years
United Kingdom	15.21%	8.56%	7.15%	3.60%
Europe ex-UK	40.56%	10.98%	-12.95%	2.94%
Japan	21.87%	3.22%	-4.49%	5.62%
Pacific ex-Japan	22.36%	10.66%	-1.76%	2.42%

In local currencies, 20 of the 21 EAFE index countries generated positive fourth-quarter returns, with Israel being the lone exception (-0.17%). The top performers were Denmark and Austria.

MSCI EAFE Sector	Weight (%)	Returns (in CA$) Quarter	Year-to-date	3 years
Energy	5.0	18.11%	36.95%	5.92%
Materials	7.8	19.05%	-3.73%	7.67%
Industrials	15.1	17.38%	-14.81%	1.48%
Consumer Discretionary	11.1	16.19%	-16.78%	1.27%
Consumer Staples	10.5	9.09%	-6.73%	1.01%
Health Care	13.6	12.60%	-4.56%	3.99%
Financials	18.7	22.19%	2.37%	3.77%
Real Estate	2.6	9.48%	-15.14%	-7.11%
Information Technology	7.8	13.31%	13.31%	3.13%
Communications Services	4.5	8.59%	-10.74%	-2.63%
Utilities	3.5	17.77%	-6.08%	1.46%

All MSCI EAFE sectors posted positive performances in Canadian currency. The quarter's best performer was Financials (+22.19%), helped by AIA Group (+31.53%) and Mitsubishi UFJ Financial Group (+47.61%). Materials came in second with a return of 19.05%, with the biggest contributor being BHP Group (+23.21%).

The worst-performing sectors were Communication Services and Consumer Staples with returns of 8.59% and 9.09% respectively. The biggest detractor for Communication Services was Vodafone Group PLC (-7.79%), while the biggest for Consumer Staples was Kikkoman Corp (-8.45%).

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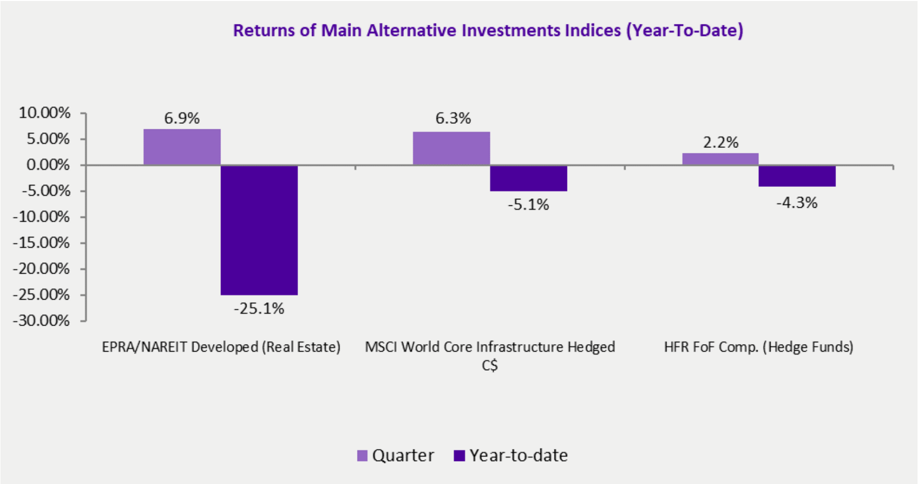
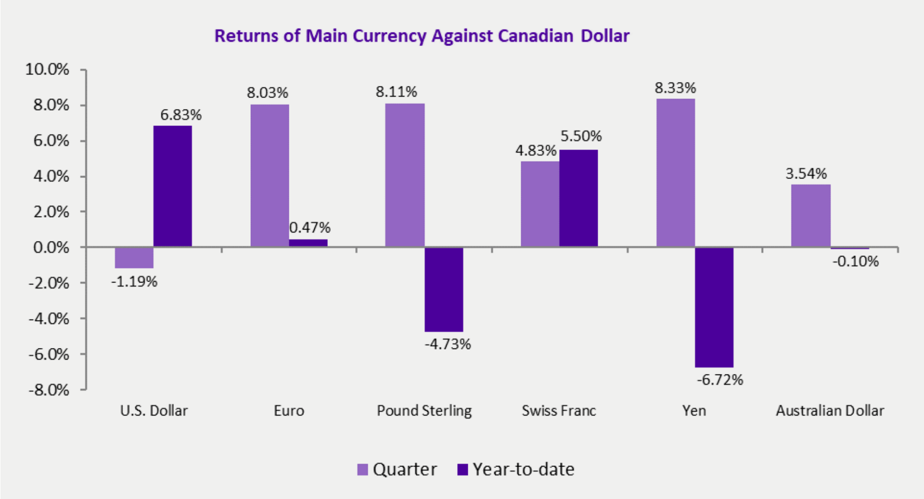
Alternative investments and currencies



Returns in C$			
Quarter	5.4%	6.3%	0.8%
YTD	-19.6%	-5.1%	2.7%

The three main alternative investment indexes had a positive quarter in US dollars, although the Canadian-dollar conversion was unfavourable. HFR's Fund of Funds Composite finished in last place among the alternative investment indexes with a fourth-quarter return of 2.2% in US currency. MSCI Infrastructure turned in a quarterly performance of 6.3%. Meanwhile, the EPRA/NAREIT Developed index was up 6.9% for the fourth quarter of 2022.



During the fourth quarter, the Canadian dollar lost ground against all other major currencies, with the exception of the US dollar.