BIAS

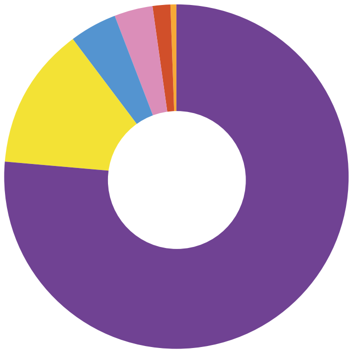
MARKETS FORWARD

DECEMBER 31, 2019

STRATEGY POINTS (ALLOCATION)

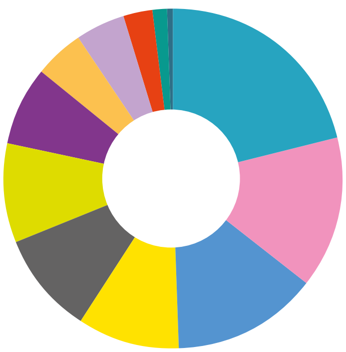
AS AT DECEMBER 31, 2019

GEOGRAPHIC



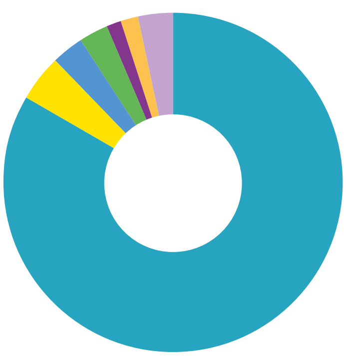
	Portfolio	Index*
North America	76.5%	79.9%
Europe	13.4%	12.4%
Emerging Asia	4.3%	2.3%
Japan	3.7%	3.7%
Cash	1.6%	0.0%
Latin America	0.5%	0.5%
Australia	0.0%	1.1%

SECTOR



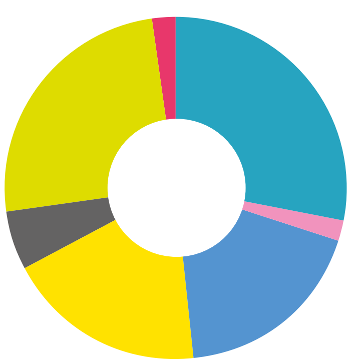
	Portfolio	Index*
Technology	21.3%	20.3%
Financials	14.3%	14.8%
Healthcare	13.9%	13.4%
Industrials	9.9%	9.9%
Comm. Services	9.7%	9.7%
Consumer Disc.	9.3%	9.8%
Consumer Staples	7.7%	7.7%
Energy	4.7%	4.7%
Materials	4.5%	3.5%
Utilities	2.8%	3.3%
Cash	1.6%	0.0%
Real Estate	0.3%	2.9%

CURRENCIES



	Portfolio	Index*
US dollar	83.5%	78.4%
Canadian dollar	0.0%	1.6%
Euro	4.5%	7.0%
Sterling	3.0%	3.2%
Australian dollar	0.0%	1.1%
Japanese yen	2.7%	3.7%
Swiss franc	1.5%	2.0%
Indian Rupee	1.5%	0.0%
Other	3.3%	3.0%

FIXED INCOME



	Portfolio	Index**
LIBOR FRN	28.2%	0.0%
CPI FRN	1.8%	0.0%
0-1 YR	18.5%	0.0%
1-2 YR	18.8%	59.2%
2-3 YR	5.7%	40.8%
3-5 YR	25.0%	0.0%
Cash	2.0%	0.0%

* 50% S&P Global 1200 and 50% S&P 500 ** FTSE 1-3 year US Treasury

FORWARD OUTLOOK

Global economic growth is expected to improve from 3.0 percent in 2019 to 3.1 percent in 2020 supported by historically low unemployment rates, pay growth outpacing inflation, and a partial US-China trade truce.

Given a backdrop of sluggish but positive earnings growth and heightened volatility in 2020 due to the US presidential election, we remain quality-focused in our stock selection. Within Europe, we have a positive bias for UK stocks. Three years of Brexit drama has led UK stocks to trade at a 15-year low valuation relative to the MSCI World Index and a 16 percent discount against Europe ex-UK. In our view, this warrants gradual investment given a clear conservative majority in elections, resilient economic data, and a robust labour market. Moreover, a stabilization of Purchasing Managers Index (PMI) data and positive earnings revisions should be strong drivers in the rest of Europe and Germany. Our biggest overweight is in Emerging Asia as stimulus in China, accommodative financial conditions, and a partial US-China trade deal are positive catalysts. Although economic growth in India has slowed, we remain positive on the economy on the back of interest rate cuts from 6.5 percent to 5.15 percent and corporate tax cuts from 30 percent to 22 percent.

Given our top-down view, we maintain a barbell approach between cyclical and defensive sectors. We are overweight Information Technology stocks on their strong earnings momentum and disruptive business models. On the other hand, we also like Real Estate Investment Trusts (REITS) given their income and defensiveness to shield against market volatility. Further, the recent steepening of the yield curve warrants an overweight in banks. On the flip side, we are underweight the Utilities sector due to expensive valuations (Forward P/E of 19.4x vs a 20-years average 15.0x) as well as the Consumer Discretionary sector on declining earnings forecasts.

We expect Treasury yields to rise gradually during 2020 as more economic data suggest the US economy is slowly building positive momentum, the Fed keeps the benchmark rate on hold, and favourable terms of the US-China Phase One trade deal. For now, we are comfortable being short duration relative to the benchmark. Should longer-term interest rates move up and the ten-year Treasury yield reach 2.50 percent, we will consider extending maturities. Sovereign bond yields in other Developed Markets will follow those in the US higher as most central banks in these countries become less dovish on recovering growth prospects. Central banks in Developing and Emerging Markets are more dovish than those in Developed Markets and willing to support their economies with further interest rate cuts.

The US dollar is set for some weakness early in 2020 as the global economy rebounds, risk appetite improves amid the US-China Phase One trade deal, and as interest rate and yield differentials became less US dollar supportive during 2019. Further, US equities trade at high valuation levels relative to rest of the world making the incentive for foreigners to invest in the US less attractive. An orderly Brexit resolution and modest recovery in global, including European, growth should drive inflows into the European and UK equity markets and support the Sterling and the euro. However, the euro's upside may be limited by its use as a funding currency for carry trades amid low yields. Barring a rise in oil prices, the Canadian dollar should trade in a range with the US dollar as domestic economic data is soft.

KEY ECONOMIC FACTORS

Macro Economic

US	-	●	+
Canada	-	●	+
United Kingdom	-	●	+
European Union	-	●	+
Japan	-	●	+
China	-	●	+
India / South East Asia	-	●	+
Australia	-	●	+
Latin America	-	●	+

The macro economic outlook is highly dependent on the outcome of trade tensions and progress has been made on Phase One of the US-China trade deal. We agree with Bloomberg consensus estimates of 3.1 percent global growth in 2020, up from 3.0 percent in 2019. Meanwhile, US growth for 2020 is estimated at 1.8 percent, down from 2.3 percent in 2019, on soft government spending and as trade uncertainty weigh on corporate investment. Still, we are not overly negative on the US as economic indicators have been surprising on the upside led by the labour and housing sectors. The ongoing weakness of international trade is weighing on Europe's manufacturing sector and the ECB has called on governments to do their bit to boost economic growth. We expect a modest economic recovery in China on the back of tax cuts implemented in 2019 and trade talk progress. India has undertaken corporate tax cuts which we think will help revive private sector confidence and capital spending.

Labour markets are strong in most Developed Markets. Consumer confidence has slipped from historic highs in the US on trade tensions, but the US consumer is in good shape amid a strong labour market, low mortgage rates, and wage growth outpacing inflation which support consumer spending.

Monetary Policy

US	-	●	+
Canada	-	●	+
United Kingdom	-	●	+
European Union	-	●	+
Japan	-	●	+
China	-	●	+
India / South East Asia	-	●	+
Australia	-	●	+
Latin America	-	●	+

Central banks have started signaling that they see a possible economic turning point. Both the Fed and the ECB are taking a pause in monetary easing as trade tensions are beginning to fade and growth is stabilizing. Interest rate hikes from the Fed are not likely in First Half 2020 and will be subject to stronger economic growth and higher inflation. Political uncertainty in the UK has been reduced following Prime Minister Boris Johnson's victory in the December 2019 election and the labour market is robust. Still, the Bank of England should keep interest rates on hold as the annual inflation rate (ex food and energy) of 1.7 percent is below the central bank's two percent target. Despite concerns around slowing economic growth the Bank of Canada is reluctant to cut interest rates as core inflation (ex food and energy) hit 2.2 percent in November – the highest in a decade.

Global Trade

Global Trade	-	●	+

Trade talks are ongoing between the US and China but challenges remain and Phase One of the US-China trade deal is yet to be signed. In the UK the Conservative Party has voted to get Brexit done on January 31, 2020 and a trade agreement with the EU is to be negotiated.

Geopolitical

Geopolitical	-	●	+

Market attention to geopolitical risks are high amid global trade tensions, US-China rivalry, and Gulf tensions.

MARKETS FORWARD - GEOGRAPHIC

AS AT DECEMBER 31, 2019

Valuations

US	-	**●**	+
Canada	-	**●**	+
United Kingdom	-	**●**	+
European Union	-	**●**	+
Japan	-	●	**+**
China	-	**●**	+
India / South East Asia	**-**	●	+
Australia	**-**	●	+
Latin America	-	**●**	+

Despite the recent rally in equity markets, valuations are reasonable on the back of easy global monetary policy and a late cycle environment.

Earnings Growth

US	-	**●**	+
Canada	-	**●**	+
United Kingdom	**-**	●	+
European Union	-	**●**	+
Japan	-	**●**	+
China	-	●	**+**
India / South East Asia	-	●	**+**
Australia	**-**	●	+
Latin America	-	**●**	+

Earnings growth has moderated around the globe but is expected to rebound in 2020 in response to accommodative central banks and a partial US-China trade deal.

MARKETS FORWARD - SECTORS

Valuations

Technology	-	**●**	+
Healthcare	-	**●**	+
Financials	-	**●**	+
Industrials	-	**●**	+
Consumer Disc.	-	**●**	+
Comm. Services	-	**●**	+
Consumer Staples	**-**	●	+
Energy	-	**●**	+
Materials	-	**●**	+
Utilities	**-**	●	+
Real Estate	-	**●**	+

Defensive sectors, particularly Consumer Staples and Utilities, appear expensive based on historical averages.

Earnings Growth

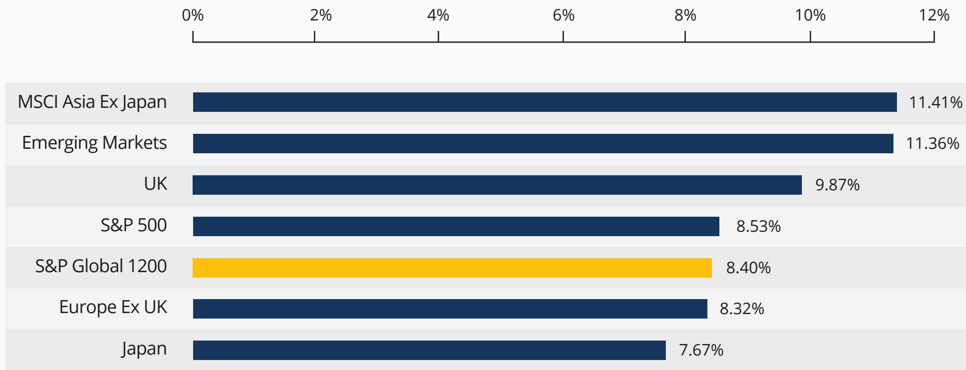
Technology	-	**●**	+
Healthcare	-	●	**+**
Financials	-	●	**+**
Industrials	**-**	●	+
Consumer Disc.	**-**	●	+
Comm. Services	-	**●**	+
Consumer Staples	-	**●**	+
Energy	**-**	●	+
Materials	**-**	●	+
Utilities	-	●	**+**
Real Estate	-	●	**+**

Falling commodity prices and demand concerns will impact earnings in the Energy and Materials sectors while automobile companies weigh on the Consumer Discretionary sector.

MARKETS IN REVIEW - FOURTH QUARTER 2019

AS AT DECEMBER 31, 2019

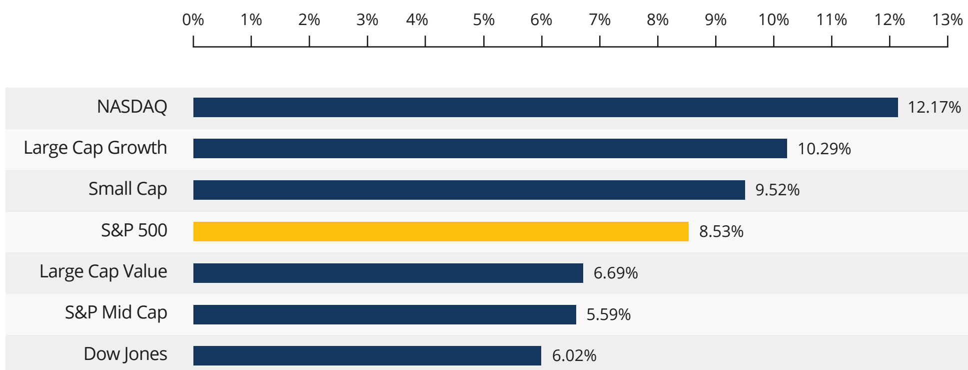
GLOBAL MARKET COMPARISON



All returns are expressed in US dollars. Source: Bloomberg.

Global equities registered strong performance in Fourth Quarter 2019. Emerging Markets outpaced the gains of the US and other Developed Markets as a weaker US dollar and the US-China Phase One trade deal boosted sentiment. In the UK, a conservative majority in the elections drove Sterling strength and helped UK stocks outperform those in the US.

US MARKET INDICES

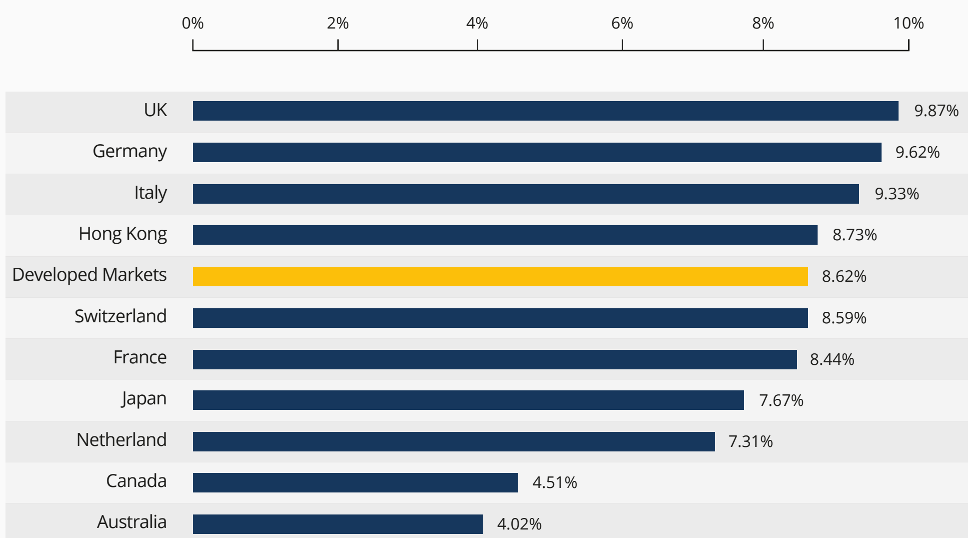


All returns are expressed in US dollars. Source: Bloomberg.

Resilient economic data, a robust labour market, and the partial US-China trade truce helped S&P 500 post a strong quarterly return despite flat earnings. Technology-heavy NASDAQ outperformed large cap peers led by strong gains from Apple Inc. and Microsoft Corporation. On the flipside, the Dow Jones Industrial Average index was weighed down by The Boeing Company.

Overall, the S&P 500 rose 8.53 percent for the quarter and growth stocks outperformed value stocks.

DEVELOPED MARKETS

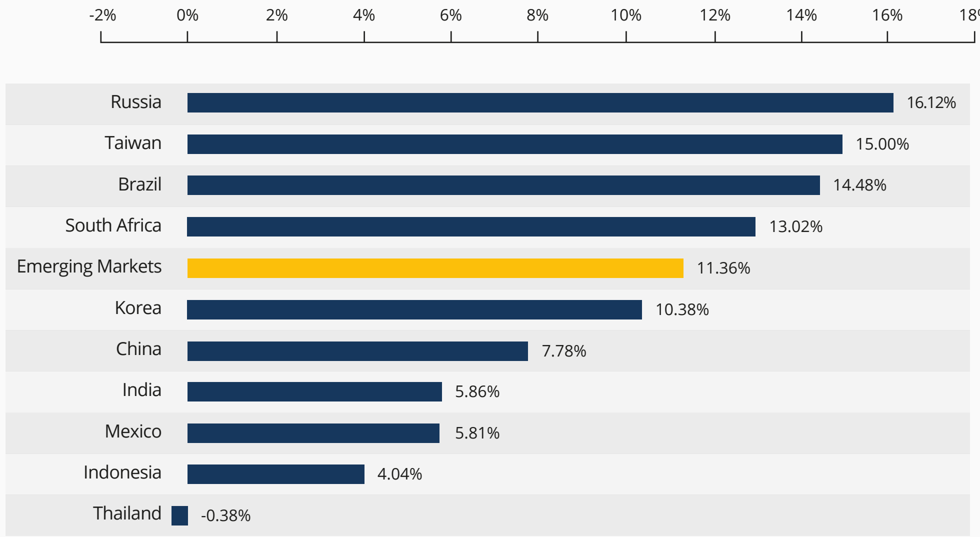


All returns are expressed in US dollars. Source: Bloomberg.

European markets gained on improving manufacturing data, rising eurozone retail sales, and a rebound in the services sector. UK equities rallied in US dollar terms as the conservative party won a majority in elections. Japanese stocks posted a positive return but lagged other Developed Markets as the economy continued to suffer from declining global demand.

The UK was the best performing Developed Market for the quarter, up 9.87 percent in US dollar terms.

EMERGING MARKETS

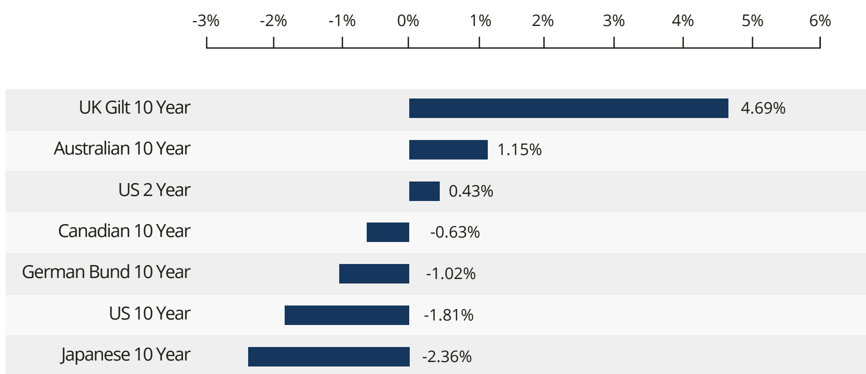


All returns are expressed in US dollars. Source: Bloomberg.

Emerging Market shares rallied on the back of a weaker US dollar and a pick-up in risk appetite. Russia recorded strong gains as the central bank cut interest rates by more than expected. Brazil outperformed as the senate passed the long-awaited pension reform bill. Taiwan and South Korea, that benefit from stronger global trade, also rallied.

Overall, Emerging Markets rose by 11.36 percent.

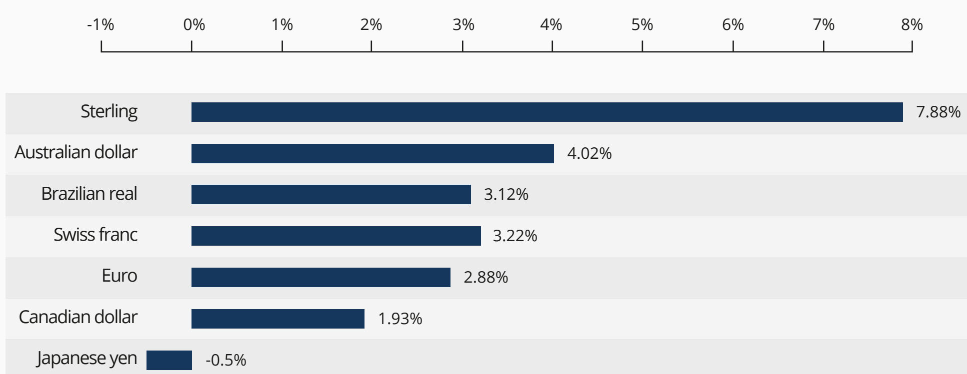
GLOBAL BOND MARKETS



All returns are expressed in US dollars. Source: Bloomberg.

US Treasury yields fell early in Fourth Quarter 2019 on soft economic data and as the Fed delivered a third interest rate cut for 2019. As US-China trade tensions thawed and Fed Chair Jay Powell confirmed the Fed is on hold risk appetite returned and longer-term Treasury yields rose which resulted in a steeper yield curve. Sovereign bond yields in other Developed Markets traded in line with those in the US.

MAJOR CURRENCIES



All returns are expressed in US dollars. Source: Bloomberg.

The US dollar depreciated against all major currencies apart from the Japanese yen on a return in risk appetite. Sterling appreciated against all majors as the chances of a hard Brexit fell dramatically after the overwhelming Tory election victory. A less dovish stance from the ECB combined with somewhat stabilizing economic data supported the euro. The Canadian dollar, whilst appreciating against the US dollar, was one of the weaker currencies on soft economic data.

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