

The Investment Handbook

Guiding you through the Investment Process

The purpose of this document is to introduce you to the world of investing and the three major asset classes: stocks, bonds and cash. We focus on the first two, and explain the different potential risks and returns associated with each. Understanding what these instruments are can help you make an informed decision about the type of investor you are and how to allocate your assets.

Using historical data, you will be presented with both facts and opinions about the different asset classes as we go into detail explaining the risks associated with investing. Ultimately, the goal of this publication is to inform your discussions with your investment advisor about how to begin investing in the markets, with the hopes of generating returns in a way that suits your style. The right asset allocation can minimize remorse associated with volatility across the different asset classes, which is the key to structuring a portfolio that is right for you. We provide specific considerations relating to the equity and bond portions of your portfolio so you can be more informed about the factors behind your asset allocation.

Please use this handbook with your BMO Nesbitt Burns Investment Advisor to craft an investment strategy that will help you achieve your financial goals.

The Portfolio Advisory Team (Equities)

Stéphane Rochon

Russ Visch

Luigi Di Pedè

George Trapkov

Jessica Handelman

The Portfolio Services Group (Bonds)

Richard Belley

Steffan Morris

Kevan Hartford

Kheng Huynh

Part 1: Understanding the Asset Classes

Welcome to the exciting world of investing! In this report, we provide a brief overview of the major asset classes, the perspective risks and returns associated with each one, and ways to help you understand which mix between cash, stocks and bonds suits your needs and goals.

You can invest your money in one (or all) of the major asset classes. Your decision on how much to allocate to each, known as your asset mix, will depend on your risk tolerance, your time horizon, and your overall goals as an investor.

A Brief Overview: Bonds versus Stocks

Before determining your asset mix, it is important to understand the differences between the two major asset classes: stocks and bonds. We do not cover cash in this report. Bonds, as debt instruments, are typically lower-risk investments, while stocks, otherwise known as equities, are assumed to carry higher risk. When a government or company needs to raise funds, they may turn to the capital markets to raise that money in the form of debt, borrowing from investors by issuing bonds. At the time of its issuance, the bond will have three major components: the price you pay for it (i.e. the amount loaned), the maturity (i.e. when you get your money back) and the yield (i.e. the interest you are paid in return for loaning money). Should the issuer go bankrupt, bondholders are paid before anybody else because bonds are contracts that give them priority in these situations.

Comparatively, stocks are rights to ownership in a company, with buyers and sellers trading these ownership positions on a daily basis. Stockholders, as a part owner of the company, are last to be paid out in the event of bankruptcy.

Between these two broad categories, there are many different breakdowns. For example, not all stocks or bonds carry the same level of risk. The risks and returns associated with each depend on the institution in question, the overall economy, and a number of other factors.

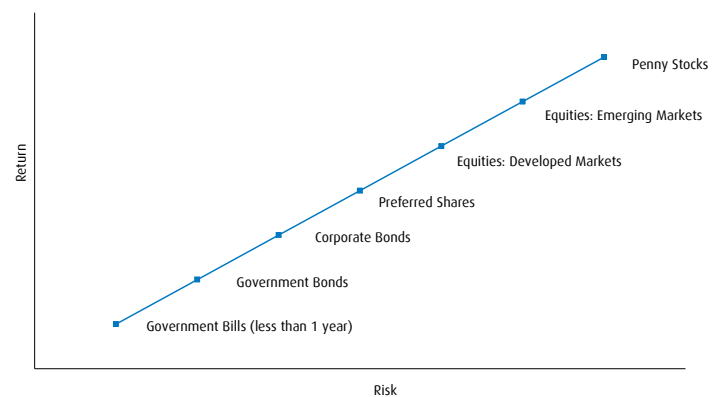
How Risky is Risk?

Unfortunately, there are no truly risk-free investments; however some securities have risks that are so small that they are considered to be “risk-free.” Such investments are typically short term government bonds. Specifically, federal and provincial bonds are usually considered to have the lowest amount of risk, as the chances of the federal or provincial governments going bankrupt over the investment term are low. Of course, not all governments’ bonds are created equal, as evidenced by the European Sovereign Bond Crisis in the early 2010’s, and investors should conduct the appropriate due diligence before investing.

As you can see in Figure 2, since 1960, Canadian bonds only had three calendar years with a loss.

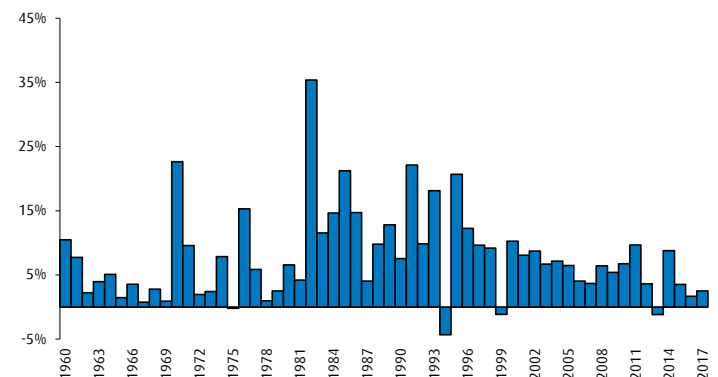
Corporate bonds are normally thought of as the next level up in terms of risk. Investors loan corporations money via bonds and, in return, the company pays a fixed level of interest over the life of the bond. As a bond investor, you’re legally entitled to interest and the return of your principal upon the bond’s maturity. There are also high-yield bonds that carry an additional risk premium above corporate bonds. These will not be covered in this publication, but these instruments are also known as “junk” bonds.

Figure 1: A Spectrum of Risk



Source: BMO Nesbitt Burns

Figure 2: Universe Bond Index: Annual Total Returns

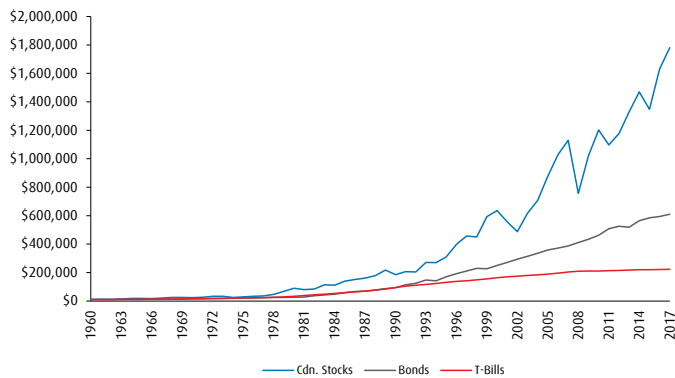


Source: FTSE-TMX

Stocks carry a higher potential return, but also higher potential risk. Shareholders are part-owners of the company and, as such, investors have no guarantees on their investments: should the company go bankrupt, shareholders are paid last, after all other creditors (like bond investors) have been paid. Investors are compensated for the higher risk of owning shares in the form of higher returns.

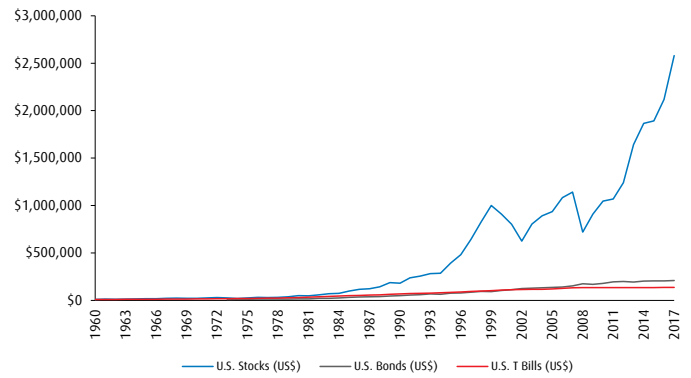
As shown in Figures 3 and 4, stocks have provided the highest returns over the long run compared to bonds and government treasury bills in both the U.S. and Canada.

Figure 3: Historical Returns for Canadian Asset Classes (December 31, 1960 = \$10,000; Based on Total Returns)



Source: Bloomberg, Bank of Canada

Figure 4: Historical Returns for U.S. Asset Classes (December 31, 1960 = \$10,000; Based on Total Returns)

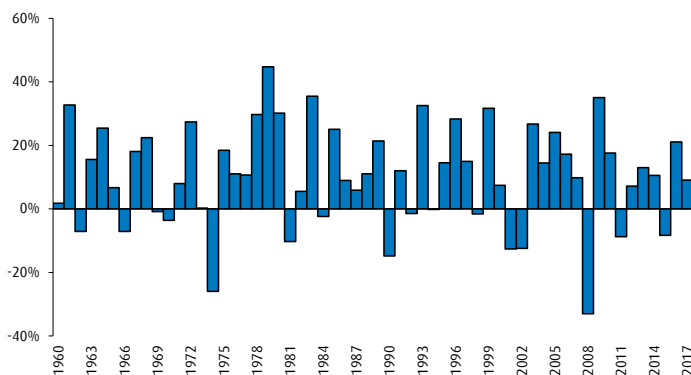


Source: Bloomberg, Federal Reserve, Barclays

Based on this information, you may ask why anyone would invest in government or corporate bonds when the returns for stocks are clearly superior?

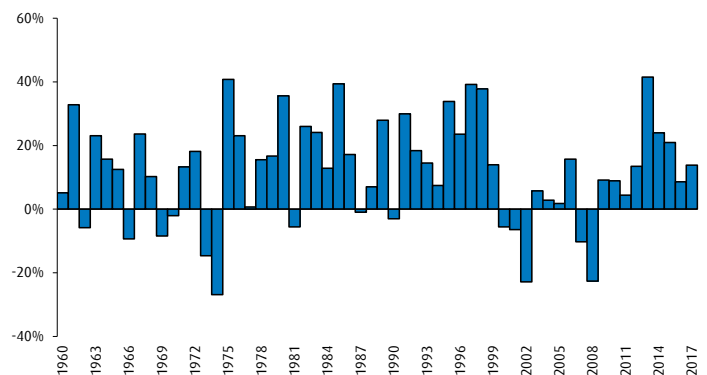
One major reason is: volatility. When investing in stocks, the ride is not typically very smooth. It is bumpy, filled with upswings and downturns, as shown in Figures 5 and 6. So, when you're determining your asset mix, you need to think about how well you will be able to handle a potentially wild ride, in addition to any potential needs you may have for the money. If the thought of losing money scares you to a point of distress, perhaps you should consider a higher allocation towards less volatile investments such as government bonds and cash.

Figure 5: S&P/TSX Composite Index: Annual Total Returns



Source: Bloomberg

Figure 6: S&P 500 Index: Annual Total Returns (in Canadian Dollars)



Source: Bloomberg

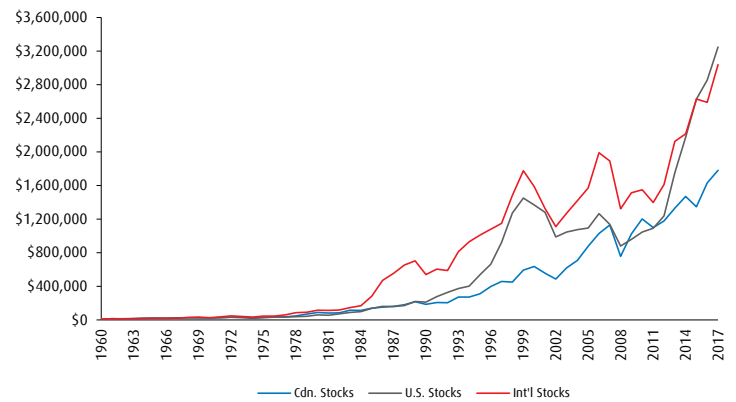
Continuing on this topic, it is important to note that the different regions around the globe experience different levels of volatility, driven by the political and economic climates in their respective countries. As you'll see, investors can also buy international assets for access to potentially superior returns. However, with higher potential returns comes higher potential risk. Figure 7

shows that international stocks have outperformed those in Canada, but it has actually been more closely aligned with the U.S. market, which is generally more diversified and liquid.

Investment Risks

Below we discuss specific risks that apply to stocks and bonds. In general, once you begin investing, you are exposed to general market risk, i.e. the risk of your asset values moving up and down.

Figure 7: Canadian versus U.S. versus International Stocks



Source: Bloomberg

Type of Risk	Description
Interest Rate Risk	<p>When interest rates rise, bond prices fall and, conversely, when interest rates fall, bond prices rise. This is a risk if you need to sell a bond before its maturity date and interest rates are up. You may end up selling the bond for less than you paid for it, but the interest payments received over the term of the bond may help offset these losses.</p> <p>Interest rates affect equity investors as well, as some sectors (i.e. utilities, telecommunications, and some REITs) may underperform when interest rates rise. Higher interest rates also result in multiple compression among stocks.</p>
Inflation Risk	<p>The risk of a loss in your purchasing power because the value of your investments does not keep up with inflation. Inflation erodes the purchasing power of money over time – the same amount of money will buy fewer goods and services. Inflation risk is particularly relevant if you own cash or debt investments like bonds. Shares offer some protection against inflation because most companies can increase the prices they charge to their customers.</p>
Currency Risk	<p>The risk of losing money because of a change in the exchange rate. For example, if the U.S. dollar becomes less valuable relative to the Canadian dollar, your U.S. stocks will decrease in value when measured in Canadian dollars.</p>
Liquidity Risk	<p>The risk of being unable to sell your investment when you want to, at a fair price.</p>
Concentration Risk	<p>The risk of loss because your money is concentrated in one type of investment (i.e. in one sector, one stock, one bond etc). Diversification is a way to mitigate this risk.</p>
Credit Risk	<p>The risk that the government entity or company invested in will have issues paying their bills. For bonds, the risk is that the entity will not be able to pay the interest or repay the principal at maturity. One way to evaluate a bond's credit risk is through its credit rating. For example, typically long-term government bonds (such as those in Canada) have a credit rating of AAA, the lowest possible credit risk.</p> <p>Another way to assess credit risk is to review the entity's balance sheet and ensure that the company has enough liquid assets to cover its debt obligations.</p>
Reinvestment Risk	<p>The risk of loss from reinvesting money at a lower interest rate. For example, reinvestment risk covers the situation when you buy a bond paying 5% interest, and interest rates drop to 4%. Now, you reinvest the regular interest payments at 4%. Another situation is if you have to reinvest your principal at a lower interest rate.</p> <p>The reverse is true as well, and there is risk that rates go up, and you reinvest in higher rates. This can help offset some of the negative effects of interest rate risk.</p>
Time Horizon Risk	<p>The risk that your investment horizon may be shortened because of an unexpected event, such as the loss of your job during a market downturn. This may force you to sell investments that you were expecting to hold for the long term too early and at a lower price than you had anticipated.</p>

Source: BMO Nesbitt Burns, Ontario Securities Council

To determine the type of investor you are, it is important to consider both your ability and willingness to tolerate risk. What this boils down to is how well you can handle an investment loss.

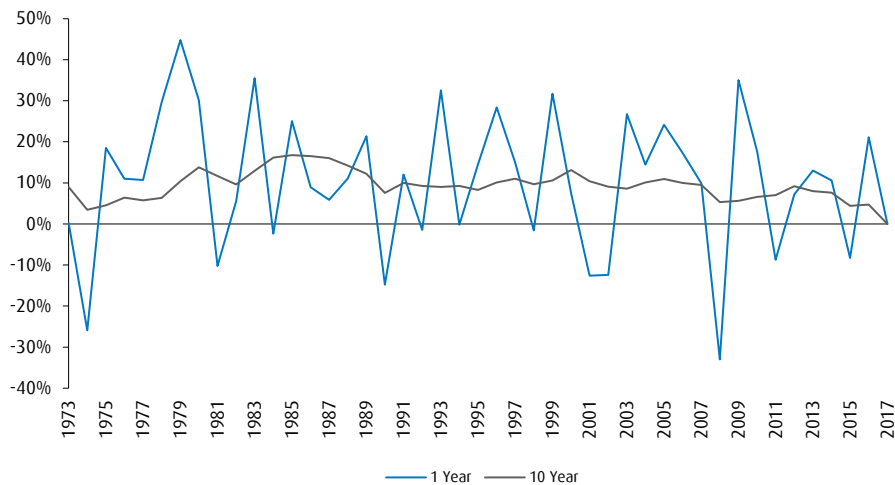
Can You Handle Risk?

Your ability to tolerate risk depends on your wealth. Wealth refers to both your financial wealth (investments and savings) and your ability to generate income from work. This future income, called your “human capital,” can help you make up for investment losses.

Your willingness to tolerate risk has more to do with the emotional component of investing. If the level of investment risk in your portfolio causes you stress, you may have accepted more risk than you are willing to tolerate. To reduce your stress levels, you might consider de-risking your portfolio. To be sure, it is easy to overestimate your willingness to tolerate risk. In fact, research shows that an investor’s stated belief in risk-taking is not the same as risk-taking behavior! Behavior is more influenced by past investment experience and beliefs about the future, so it’s best to think about the last time you dealt with an investment loss – how did you react? If you had trouble accepting the loss, then perhaps high risk investing is not for you.

Finally, keep in mind your time horizon. Empirical evidence shows that volatility’s effects smooth out over time as the daily ups and downs net each other out. We recommend that equity investors have a time horizon of five to seven years. As shown in Figure 8, a one-year holding period, as shown by the blue line, is much more volatile than a ten year holding period, as shown by the grey line.

Figure 8: Volatility Decreases with Time: S&P/TSX Composite Index Annualized Total Returns



Source: Bloomberg

Figure 9 below shows a sector heat map (colour coded by sector) for the U.S. market, using [sector ETFs](#) as a proxy for market returns. Note that Real Estate, as a stand-alone sector, was initiated in 2016. In years prior to 2016, the sector is showing returns of 0.0%; however, this is simply because historical data does not exist for these years. Note that the heat map is designed to show you historical rankings of sectors. The numbers themselves may vary from the Global Industry Classifications (GICs) returns, due to factors like FX (as Figure 9 is in Canadian dollar terms) and fees.

Figure 9: S&P 500 Sector Heat Map Going Back to 2005 (total returns)

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-Q1
US Energy 36.69	US Utilities 20.19	US Energy 15.65	US Consumer Staples 6.36	US Technology 28.24	US Industrial 20.96	US Utilities 22.55	US Financials 25.69	US Consumer Discretionary 52.32	US Utilities 40.25	US Consumer Discretionary 31.84	US Energy 23.53	US Technology 25.45	US Consumer Discretionary 6.05
US Utilities 13.61	US Financials 18.45	US Materials 3.44	US Real Estate 0.00	US Materials 26.14	US Consumer Discretionary 20.72	US Consumer Staples 16.84	US Consumer Discretionary 20.86	US Health Care 50.72	US Health Care 36.45	US Consumer Staples 28.14	US Financials 18.31	US Materials 15.81	US Technology 5.74
US Health Care 3.77	US Consumer Discretionary 18.00	US Utilities 1.00	US Health Care -3.87	US Consumer Discretionary 19.93	US Energy 15.35	US Health Care 15.23	US Health Care 14.95	US Industrial 49.87	US Technology 28.36	US Health Care 28.11	US Industrial 15.78	US Industrial 15.71	US Financials 1.89
US Financials 3.54	US Energy 17.96	US Real Estate 0.00	US Utilities -11.29	US Industrial 4.20	US Materials 14.11	US Consumer Discretionary 8.60	US Technology 12.91	US Financials 44.45	US Consumer Staples 26.30	US Technology 26.67	US Materials 12.60	US Consumer Discretionary 14.70	US Industrial 1.57
US Materials 1.49	US Materials 17.89	US Technology -2.31	US Consumer Discretionary -16.78	US Energy 3.24	US Consumer Staples 7.90	US Energy 5.52	US Industrial 12.31	US Consumer Staples 34.75	US Financials 25.39	US Financials 18.01	US Utilities 12.04	US Financials 14.01	US Health Care 1.57
US Consumer Staples 0.26	US Consumer Staples 14.05	US Industrial -4.00	US Energy -23.44	US Health Care 1.77	US Financials 6.13	US Technology 5.23	US Materials 12.21	US Energy 34.62	US Industrial 20.40	US Industrial 14.81	US Technology 10.84	US Health Care 13.71	US Utilities -0.51
US Industrial 0.17	US Industrial 13.17	US Consumer Staples -4.61	US Industrial -23.59	US Real Estate 0.00	US Technology 5.77	US Industrial 1.44	US Consumer Staples 8.29	US Technology 34.44	US Consumer Discretionary 19.36	US Utilities 14.11	US Consumer Discretionary 2.21	US Consumer Staples 5.49	US Real Estate -2.28
US Real Estate 0.00	US Technology 11.69	US Health Care -9.32	US Technology -26.72	US Financials -0.12	US Real Estate 0.00	US Real Estate 0.00	US Energy 2.84	US Materials 34.26	US Materials 16.98	US Materials 9.61	US Consumer Staples 1.37	US Utilities 4.59	US Materials -2.76
US Technology -2.76	US Health Care 6.69	US Consumer Discretionary -26.55	US Materials -30.03	US Consumer Staples -2.95	US Utilities -0.27	US Materials -8.77	US Real Estate 0.00	US Utilities 20.60	US Real Estate 0.00	US Real Estate 0.00	US Real Estate -0.39	US Real Estate 3.40	US Energy -3.16
US Consumer Discretionary -8.90	US Real Estate 0.00	US Financials -31.12	US Financials -44.05	US Utilities -5.36	US Health Care -2.46	US Financials -15.11	US Utilities -1.12	US Real Estate 0.00	US Energy -0.37	US Energy -5.82	US Health Care -6.20	US Energy -7.52	US Consumer Staples -4.23

Source: Morningstar Direct

US Energy: Energy Select Sector SPDR Fund (XLE)

US Utilities: Utilities Select Sector SPDR Fund (XLU)

US Health Care: Health Care Select Sector SPDR Fund (XLV)

US Industrial: Industrial Select Sector SPDR Fund (XLI)

US Technology: Technology Select Sector SPDR Fund (XLK)

US Financials: Financial Select Sector SPDR Fund (XLF)

US Materials: Materials Select Sector SPDR Fund (XLB)

US Consumer Staples: Consumer Staples Select Sector SPDR Fund (XLP)

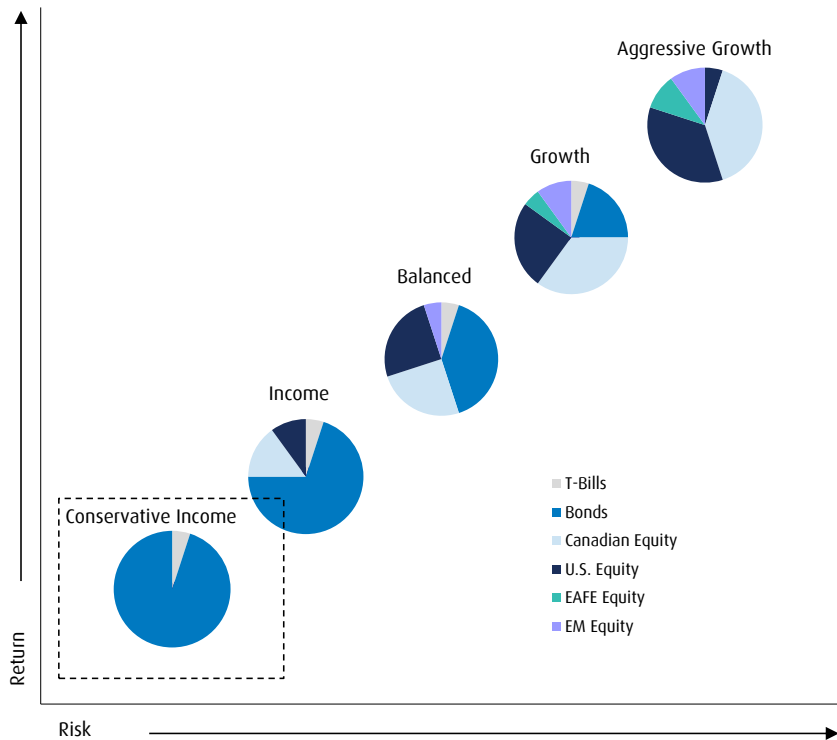
US Real Estate: Real Estate Select Sector SPDR Fund (XLRE)

US Consumer Discretionary: Consumer Discretionary Select Sector SPDR Fund (XLY)

Part 2: Creating a Diversified Portfolio

We have four investor profiles to broadly cover the different types of investors: Income, Balanced, Growth and Aggressive Growth. These are fairly typical categories. While we do not officially have a Conservative Income profile, it is shown in Figure 10 as an even lower-risk way of being invested. Please note that the allocation for each profile is as of March 2018, the time of writing. Together with your Investment Advisor, you will determine which profile suits you.

Figure 10: Investor Profiles



Source: BMO Nesbitt Burns

Risk can be managed with diversification, which can be achieved by dividing your assets among the different classes, how you invest (i.e. your investment style) and by specific security selection (i.e. a large, established international company with stable earnings versus a smaller company with higher growth potential). In general, investors who have a longer time horizon have the goal of growing their capital, and, a longer time horizon typically allows for the investor to take greater risks by investing in equity securities.

But why should investors diversify? After all, if one of your investments goes up by 20% but another only goes up by 5%, you've underperformed compared to if you had been more heavily invested in the one that went up by 20%! Of course, it's easy to see that the reverse is also true, and different investments perform well at different points in the economic cycle. Recently, Canadian investors saw huge gains in the energy portions of their portfolios, creating a large overweight in this sector for many investors. Those who did not rebalance and diversify and held highly concentrated investments in energy related companies saw the value of their investments drop by up to 30% in some cases when the oil market collapsed in 2015, something that could have been avoided by a well-diversified portfolio.

Different sectors are leveraged to changes in various economic factors such as interest rates, exchange rates, and inflation. By building a diversified portfolio, investors minimize the risks associated with their individual holdings without sacrificing return.

Depending on where you fit in the mix, your allocation to stocks versus bonds may change over time. Furthermore, as you expand your investing horizons, we recommend some exposure to foreign equities such as those in Europe and Emerging Markets. These asset mix recommendations are based on our macroeconomic views, which incorporate a variety of factors, including:

fundamental analysis on individual stocks, earnings growth, economic cyclicalities, general economic growth, inflation, and technical analysis, among others.

A well-diversified portfolio provides reasonable protection under normal market conditions. Diversification works because, in general, asset prices do not move perfectly together. However, diversification becomes less effective in extreme market conditions, or when something unexpected occurs such as a political or financial event. While relatively rare, when this happens, markets can become illiquid and the prices of most investments drop in tandem.

Figure 11: BMO Nesbitt Burns Investment Strategy Committee’s Recommended Asset Allocation (%)

	Income		Balanced		Growth		Aggressive Growth	
	Recommended Asset Mix	Benchmark Weights	Recommended Asset Mix	Benchmark Weights	Recommended Asset Mix	Benchmark Weights	Recommended Asset Mix	Benchmark Weights
Cash	5	5	5	5	5	5	0	5
Fixed Income	70	70	40	45	20	25	5	0
Equity	25	25	55	50	75	70	95	95
Canadian Equity	15	15	25	25	35	35	40	40
U.S. Equity	10	5	25	15	25	20	35	30
EAFE Equity*	0	5	0	5	5	10	10	15
Emerging Equity	0	0	5	5	10	5	10	10

As of March 2018

Canadian equity: S&P/TSX Composite Index; U.S. equity: S&P 500; EAFE: MSCI EAFE (we specifically recommend Continental European equity); Emerging equity: MSCI Emerging Markets.

Source: BMO Nesbitt Burns Private Client Strategy Committee

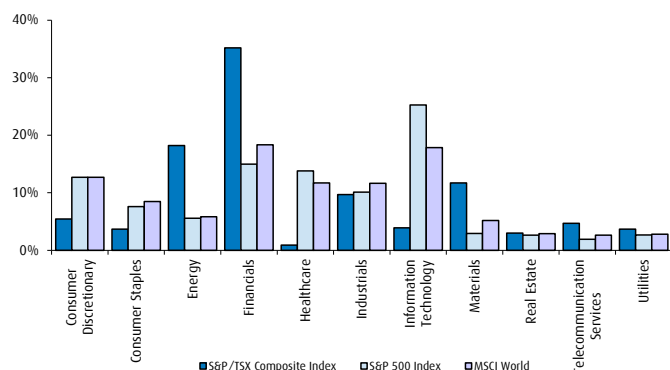
The Equity Portion of a Portfolio

When constructing an equity portfolio, the sector weights of broad market indices can act as a guide to industry weights within the portfolio.

It is important to include a number of different industries to reduce the portfolio’s reliance on, and therefore sensitivity to, any given segment of the market. We recommend that investors do not use the S&P/TSX Composite Index sector weights as a guide for industry exposure when building a stock portfolio, as the index is very concentrated, with roughly 70% of its market capitalization in just three sectors: Financials, Energy, and Materials. Because of this, an equity investor who does not diversify into other global equity markets is exposed to higher potential portfolio volatility and the potential for unsatisfactory returns if the Financial, Energy, and Materials sectors do not fully participate in an equity bull market.

As shown in Figure 12, the dark blue bars show the weighting of the S&P/TSX across sectors compared to the S&P 500 and the MSCI World Index. As you can see, the Canadian market is clearly quite concentrated compared to other equity markets. International diversification can help control the effect of being exposed to potential weakness in the Canadian market. It also provides exposure to market sectors, industries and companies that are simply not available domestically. Please note that international markets outside of the U.S. and Western Europe are considered to carry higher risk because of less developed economies and political instability.

Figure 12: Sector Breakdowns



Source: Bloomberg, MSCI, (as of February 28, 2018)

The Bond Portion of a Portfolio

Typically, investors turn to bonds when they are looking for a predictable income stream while protecting the principal amount invested, unlike equity investors who are typically looking for capital appreciation. However, investors still need to consider diversifying the bond allocation of their portfolio across issuers, as the level of financial protection will vary depending on the general credit worthiness of the borrower (i.e., issuer of the bond).

For example, governments (federal, provincial, and municipal) are considered to be among the most credit worthy borrowers due to their ability to collect and raise taxes or even print money to honor their obligation. Other important factors that determine a government’s ability to repay debt include the size of its tax base and the stability and growth potential of its economy. In times of market turmoil, government bonds typically outperform other investments as investors seek a safe haven for their money. For corporations, the level of protection provided to investors is based on financial factors such as liquidity, cash flow, earnings, guarantees (if they exist), and interest coverage ratios, as well as its ability to withstand adverse economic cycles. In Canada, different rating agencies such as Dominion Bond Rating Service (DBRS), Standard & Poor’s (S&P) and Moody’s Investors Service use these factors to determine issuers’ credit ratings. The credit rating assigned overall should reflect an objective opinion as to the ability of the issuer to pay back their debts to bond-holders.

Figure 13: Standard & Poor’s Issuer Credit Ratings

Rating	Description
AAA	The issuer has an extremely strong capacity to meet its financial commitments.
AA	
A	
BBB	The issuer has adequate capacity to meet its financial commitments.
BB	
B	
CCC	The issuer is currently vulnerable and dependent upon a number of factors in order to meet its financial obligations.
CC	
C	
R	The issuer is under regulatory review owing to its financial condition.
SD/D	Selective default or default: the issuer has failed to make timely payments of interest and/or principal on one or more of its debt obligations, or the issuer has filed bankruptcy petition.

Source: Standard & Poor’s

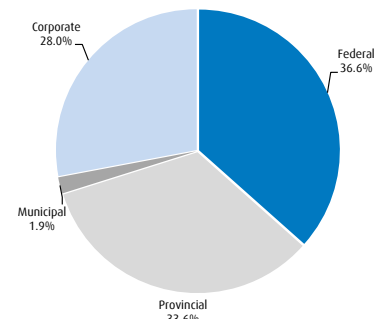
Broadly, this is all referred to as “credit risk” and this risk will vary over time depending on economic conditions and other factors. Like equities, all fixed income investments should be continuously monitored to ensure they remain suitable investments for your portfolio. While defaults are rare for investment grade bonds (those rated BBB or higher), over time, some issuers’ credit quality can decline as their situations worsen. Ratings agencies may issue downgrades to sub-investment grade as the potential for default increases. Even governments can default on their debt, as seen by Puerto Rico in 2016, and Argentina’s US\$93 billion default of foreign debt in 2001.

The bonds with the highest credit risk are those that are sub-investment grade, known as High Yield or Junk bonds. These are issued by entities with low credit ratings (i.e. BB and lower). They pay higher interest, but there is a higher risk you will not receive your interest payments or get back your original investment.

The common benchmark used for fixed income investments in Canada is the FTSE TMX Canada Bond Universe Index. Just like the S&P 500 in the U.S. and the S&P/TSX Composite Index in Canada, it is divided into major weightings: Federal, Provincial, Corporate, and Municipal. Their relative weights are illustrated in Figure 14.

The maturity of a bond is another key factor to consider. A bond’s time to maturity is the primary factor determining its sensitivity to interest rate movements, with longer bonds generally being more sensitive than shorter bonds. Maturities range from short-term (one to five years), medium term (five to ten years) and long term (over ten years). A bond’s

Figure 14: FTSE TMX Sector Weights

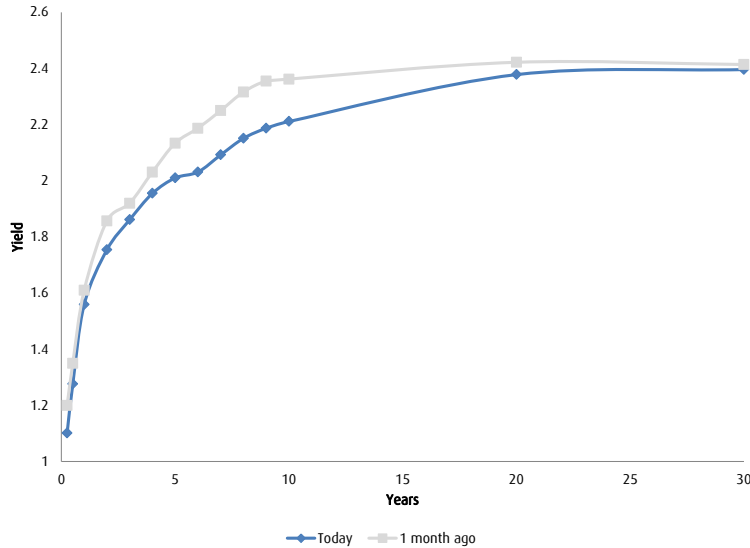


Source: FTSE TMX, as of March 2018

maturity dictates when the full principal (and any outstanding interest) is expected to be repaid.

The final factor to consider is the yield environment. Different maturities have different yields as investors demand higher rates to be compensated for holding longer-dated bonds. The added interest rate risk is reflected through these higher yields.

Figure 15: Canadian Yield Curve



Source: Bloomberg, as of March 2018

Again, diversification is your friend because by choosing a mix of bonds with different features, you increase the chance that some of your bonds will perform well at times when others do not. Consider buying a mix of bonds that fit your financial goals and tolerance for risk. This could include a mix of government and corporate bonds, bonds that mature at different times, or more complex bonds.

Getting Invested: The Bottom Line

It is important to consider the mix that is right for you, in terms of how much risk you can tolerate, your personal circumstances at the time of investing and your overall financial goals, which should be outlined in a financial plan. Your mix can certainly change over time as your circumstances change and you should assess whether it is right for you as you enter different life stages.

There are other factors to consider that are not covered in this publication, such as: taxes, legal, and other unique circumstances that are specific to you.

Please talk to your BMO Nesbitt Burns Investment Advisor to outline your financial goals.

Appendix A: Annual Total Returns

Figure 16: Annual total return data for Asset Classes

Calendar Year	Canadian T-Bills	DEX Bond Universe	S&P/TSX Composite	S&P 500 (C\$)	S&P 500 (US\$)	MSCI EAFE (C\$)	MSCI EAFE (US\$)	MSCI EM (C\$)	MSCI EM (US\$)
1960	3.36%	10.48%	1.78%	5.15%	0.47%	24.66%	19.11%		
1961	2.83%	7.73%	32.75%	32.80%	26.84%	29.66%	23.85%		
1962	3.98%	2.24%	-7.09%	-5.80%	-8.76%	-7.75%	-10.65%		
1963	3.57%	3.94%	15.60%	23.09%	22.70%	5.70%	5.36%		
1964	3.75%	5.10%	25.43%	15.69%	16.42%	25.41%	26.20%		
1965	3.92%	1.48%	6.68%	12.50%	12.38%	20.75%	20.61%		
1966	4.96%	3.56%	-7.07%	-9.33%	-10.06%	-4.93%	-5.70%		
1967	4.56%	0.75%	18.09%	23.63%	23.98%	11.24%	11.56%		
1968	6.24%	2.80%	22.45%	10.23%	11.03%	33.99%	34.96%		
1969	7.06%	0.91%	-0.81%	-8.43%	-8.43%	17.79%	17.79%		
1970	6.27%	22.65%	-3.57%	-2.02%	3.94%	-15.64%	-10.51%		
1971	3.67%	9.59%	8.01%	13.27%	14.30%	30.03%	31.21%		
1972	3.52%	1.96%	27.38%	18.14%	19.00%	36.61%	37.60%		
1973	5.25%	2.42%	0.27%	-14.60%	-14.69%	-14.08%	-14.17%		
1974	7.76%	7.87%	-25.93%	-26.87%	-26.47%	-22.57%	-22.15%		
1975	7.27%	-0.20%	18.48%	40.75%	37.23%	40.62%	37.10%		
1976	8.91%	15.31%	11.02%	23.05%	23.93%	3.00%	3.74%		
1977	7.41%	5.86%	10.71%	0.68%	-7.16%	29.51%	19.42%		
1978	8.40%	0.98%	29.72%	15.51%	6.57%	45.57%	34.30%		
1979	11.42%	2.50%	44.77%	16.69%	18.61%	4.46%	6.18%		
1980	12.51%	6.57%	30.13%	35.59%	32.50%	27.33%	24.43%		
1981	17.94%	4.20%	-10.25%	-5.58%	-4.92%	-1.72%	-1.03%		
1982	14.04%	35.36%	5.54%	25.99%	21.55%	2.76%	-0.86%		
1983	9.32%	11.53%	35.49%	24.11%	22.56%	26.19%	24.61%		
1984	11.05%	14.66%	-2.39%	12.88%	6.27%	14.56%	7.86%		
1985	9.48%	21.23%	25.07%	39.36%	31.73%	65.81%	56.72%		
1986	9.05%	14.70%	8.95%	17.15%	18.67%	67.78%	69.94%		
1987	8.13%	4.04%	5.88%	-0.94%	5.25%	17.58%	24.93%		
1988	9.27%	9.79%	11.08%	7.02%	16.61%	18.02%	28.59%	28.88%	40.43%
1989	11.95%	12.81%	21.37%	27.93%	31.69%	7.64%	10.80%	60.26%	64.96%
1990	12.87%	7.54%	-14.80%	-2.99%	-3.10%	-23.10%	-23.20%	-10.44%	-10.55%
1991	9.06%	22.13%	12.02%	29.97%	30.47%	12.07%	12.50%	59.30%	59.91%
1992	6.61%	9.84%	-1.43%	18.37%	7.62%	-3.05%	-11.85%	22.53%	11.40%
1993	5.11%	18.14%	32.55%	14.48%	10.08%	38.26%	32.94%	81.83%	74.84%
1994	5.26%	-4.31%	-0.18%	7.46%	1.32%	14.61%	8.06%	-1.70%	-7.32%
1995	7.03%	20.67%	14.53%	33.87%	37.58%	8.54%	11.55%	-7.76%	-5.21%
1996	4.44%	12.26%	28.35%	23.56%	22.96%	6.88%	6.36%	6.54%	6.03%
1997	3.12%	9.63%	14.98%	39.19%	33.36%	6.52%	2.06%	-7.72%	-11.59%
1998	4.71%	9.18%	-1.58%	37.82%	28.58%	28.98%	20.33%	-19.97%	-25.34%
1999	4.70%	-1.14%	31.71%	13.94%	21.04%	19.83%	27.30%	56.64%	66.41%
2000	5.44%	10.25%	7.41%	-5.57%	-9.10%	-10.61%	-13.96%	-27.91%	-30.61%
2001	3.90%	8.08%	-12.57%	-6.40%	-11.89%	-16.30%	-21.21%	3.70%	-2.37%
2002	2.59%	8.73%	-12.44%	-22.84%	-22.10%	-16.46%	-15.66%	-6.90%	-6.00%
2003	2.87%	6.69%	26.72%	5.76%	28.68%	14.37%	39.17%	28.43%	56.28%
2004	2.22%	7.15%	14.48%	2.80%	10.88%	11.90%	20.70%	16.77%	25.95%
2005	2.73%	6.46%	24.13%	1.76%	4.91%	10.59%	14.02%	30.50%	34.54%
2006	4.03%	4.06%	17.26%	15.74%	15.79%	26.80%	26.86%	32.49%	32.55%
2007	4.15%	3.69%	9.83%	-10.27%	5.49%	-5.05%	11.63%	18.93%	39.82%
2008	2.39%	6.41%	-33.00%	-22.59%	-37.00%	-30.04%	-43.06%	-42.48%	-53.18%
2009	0.35%	5.41%	35.05%	9.12%	26.46%	14.30%	32.46%	54.48%	79.02%
2010	0.60%	6.74%	17.61%	8.89%	15.06%	2.40%	8.21%	12.80%	19.20%
2011	0.92%	9.68%	-8.71%	4.41%	2.11%	-9.75%	-11.73%	-16.33%	-18.17%
2012	0.97%	3.60%	7.19%	13.48%	16.00%	15.34%	17.90%	16.05%	18.63%
2013	0.97%	-1.19%	12.99%	41.53%	32.39%	31.81%	23.29%	4.48%	-2.27%
2014	0.91%	8.79%	10.55%	24.00%	13.69%	4.18%	-4.48%	7.09%	-1.82%
2015	0.50%	3.52%	-8.32%	20.95%	1.38%	18.83%	-0.39%	1.88%	-14.60%
2016	0.50%	1.66%	21.08%	8.62%	11.96%	-1.52%	1.51%	8.27%	11.60%
2017	0.68%	2.52%	9.10%	13.83%	21.83%	17.36%	25.62%	28.70%	37.75%

Note: Data for the MSCI Emerging Markets Index begins in December 1987

Source: Bloomberg, PC Bond, Bank of Canada

General Disclosure

The information and opinions in this report were prepared by BMO Nesbitt Burns Inc. Portfolio Advisory Team (“BMO Nesbitt Burns”). This publication is protected by copyright laws. Views or opinions expressed herein may differ from the views and opinions expressed by BMO Capital Markets’ Research Department. No part of this publication or its contents may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred or used, in any form or by any means by any third parties, except with the prior written permission of BMO Nesbitt Burns. Any further disclosure or use, distribution, dissemination or copying of this publication, message or any attachment is strictly prohibited. If you have received this report in error, please notify the sender immediately and delete or destroy this report without reading, copying or forwarding. The opinions, estimates and projections contained in this report are those of BMO Nesbitt Burns as of the date of this report and are subject to change without notice. BMO Nesbitt Burns endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Nesbitt Burns makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Nesbitt Burns or its affiliates that is not reflected in this report. This report is not to be construed as an offer to sell or solicitation of an offer to buy or sell any security. BMO Nesbitt Burns or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Nesbitt Burns, its affiliates, officers, directors or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. BMO Nesbitt Burns or its affiliates may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for same. Bank of Montreal or its affiliates (“BMO”) has lending arrangements with, or provides other remunerated services to, many issuers covered by BMO Nesbitt Burns’ Portfolio Advisory Team. A significant lending relationship may exist between BMO and certain of the issuers mentioned herein. BMO Nesbitt Burns Inc. is a wholly owned subsidiary of Bank of Montreal. Dissemination of Reports: BMO Nesbitt Burns Portfolio Advisory Team’s reports are made widely available at the same time to all BMO Nesbitt Burns investment advisors. Additional Matters TO U.S. RESIDENTS: Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp. (“BMO CM”) and/or BMO Nesbitt Burns Securities Ltd. (“BMO NBSL”) TO U.K. RESIDENTS: The contents hereof are intended solely for the use of, and may only be issued or passed onto, persons described in part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. BMO Wealth Management is the brand name for a business group consisting of Bank of Montreal and certain of its affiliates, including BMO Nesbitt Burns Inc., in providing wealth management products and services.

BMO Nesbitt Burns Inc is a Member-Canadian Investor Protection Fund and a Member of the Investment Industry Regulatory Organization of Canada..

BMO CM and BMO NBSL are Members of SIPC. ® BMO and the roundel symbol are registered trade-marks of Bank of Montreal, used under license. ® "Nesbitt Burns" is a registered trade-mark of BMO Nesbitt Burns Inc. If you are already a client of BMO Nesbitt Burns, please contact your investment Advisor for more information.