Quarterly Market Review

Canadian Equity

For the first quarter of 2019, Canadian equities generated an impressive return of 13.3%. This was the strongest quarterly advance for the S&P/TSX Composite Index ("S&P/TSX") since the second quarter of 2009. The strong rebound also propelled the S&P/TSX to a new all-time high on March 18, 2019.

For the quarter, all 11 sectors performed positively. The top-performing sectors over the period were Healthcare, Information Technology, and Real Estate, which generated returns of 49.1%, 26.0% and 17.5%, respectively. The bottom-performing sectors were Materials, Consumer Discretionary, and Communication Services, with returns of 8.5%, 9.8% and 10.0%, respectively.

Canadian small-cap companies posted strong performance, but underperformed larger-cap companies in the S&P/TSX. This continued the trend over the past year, with small-cap companies trailing larger-cap companies by 9.9%.

From a style perspective, value and growth investing performed in line with each other, rising 12.3% and 13.8%, respectively. However, over the past three years value investing has significantly outperformed growth investing by 5.0%.[1]

U.S. Equity

The S&P 500 Index performed in line with the Canadian market in the first quarter, rising 13.7% in U.S. dollar terms, and 11.3% in Canadian dollar terms. Primary drivers of the reversal from the previous quarter, included rising oil prices, signs the U.S. economy and job market continue to expand solidly, and a perceived dovish U-turn in monetary policy by the U.S. Federal Reserve (the "Fed").

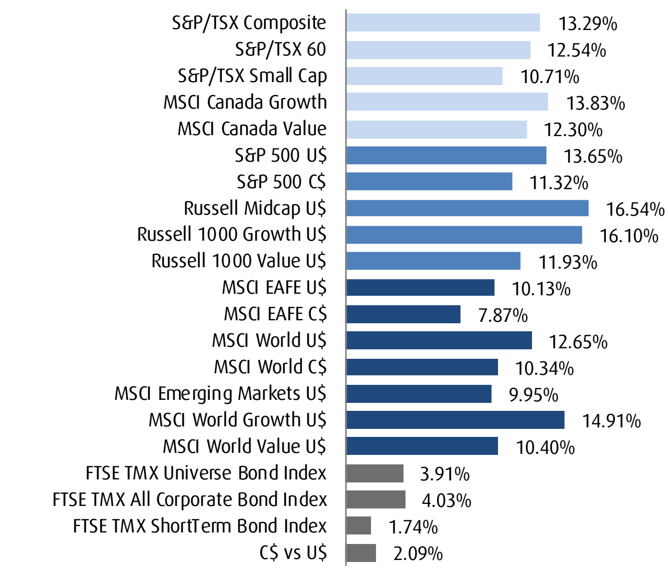
Performance of the S&P 500 Index was broad-based, with all 11 sectors producing positive returns. Information Technology and Industrials were the top performing sectors, while Healthcare and Financials were the worst performing sectors.

From a style perspective, growth outperformed value for the eighth time in the last 10 quarters. Over the past year, growth has outperformed value by 7.1%.[1] Both small- and mid-cap stocks outperformed large-cap stocks during the quarter.

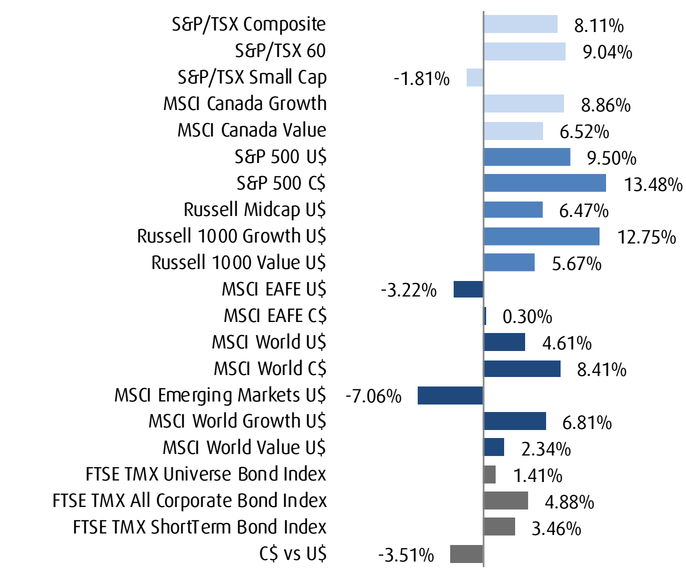
[1] Source: Morningstar Direct and Bloomberg.

Capital Markets Review

3 Months (ending March 31, 2019)



1 Year (ending March 31, 2019)



Source: BMO Capital Markets and Bloomberg

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International Equity

International equity markets bounced back in the first quarter, as investors shrugged off trade concerns, geopolitical uncertainty, and indications of slowing global growth. International markets, represented by the MSCI EAFE Index, rose 10.1% in U.S. dollars, lagging both the U.S. and Canadian markets.

Within the MSCI EAFE Index, Information Technology and Consumer Staples were the best performing sectors, while Communication Services and Financials were the worst performing sectors during the quarter. The more defensive sectors, Healthcare and Utilities, outperformed over the past year, rising approximately 5%.

From a country perspective, Switzerland and the United Kingdom performed better than the broad market, while Japan and Germany lagged.

From a style and market capitalization perspective, growth investing outperformed value investing, and small-caps performed in line with large-caps over the quarter.

Emerging Markets were strong, rising 10.0% in U.S. dollar terms for the three months ending March 31. However, the MSCI EM Index was down 7.1% in U.S. dollar terms over the past year, significantly lagging North American markets.

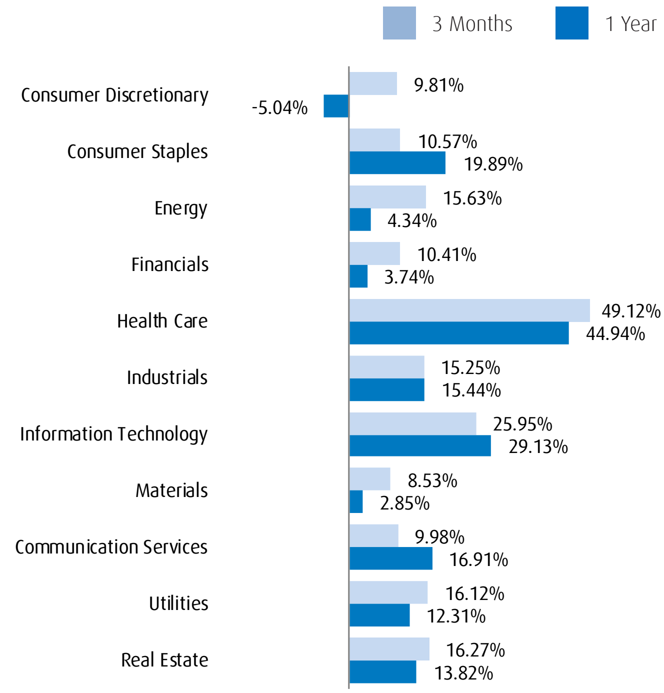
Fixed Income

One of the market's most significant stories was the abrupt change in tone from the central banks, which turned considerably more dovish over the quarter. Market interest rates moved lower as the Fed, the Bank of Canada, and the European Central Bank left their overnight rates unchanged.

During the quarter, the Canadian bond market (FTSE TMX Canada Universe Bond Index) returned a very respectable 3.9%, compared to the 0.7% return for the U.S. bond market (Bloomberg Barclays U.S. Aggregate Bond Index). Canadian long duration bonds outperformed, rising 6.9%, while mid-term bonds performed in line with the Index, and short-term bonds underperformed. Canadian corporate bonds performed in line with the FTSE TMX.

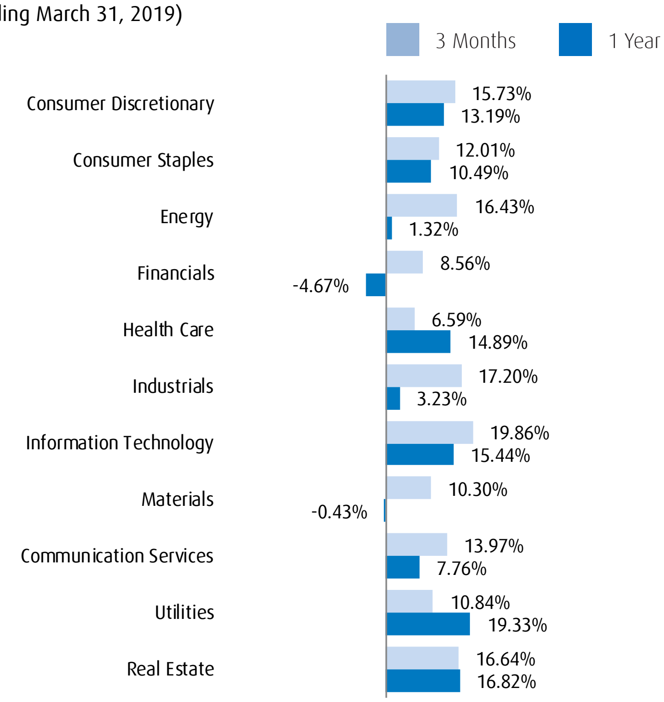
S&P/TSX Composite Sector Comparison

(ending March 31, 2019)



S&P 500 Sector Comparison

(ending March 31, 2019)



Source: BMO Capital Markets and Bloomberg

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