

# Financial Markets Summary

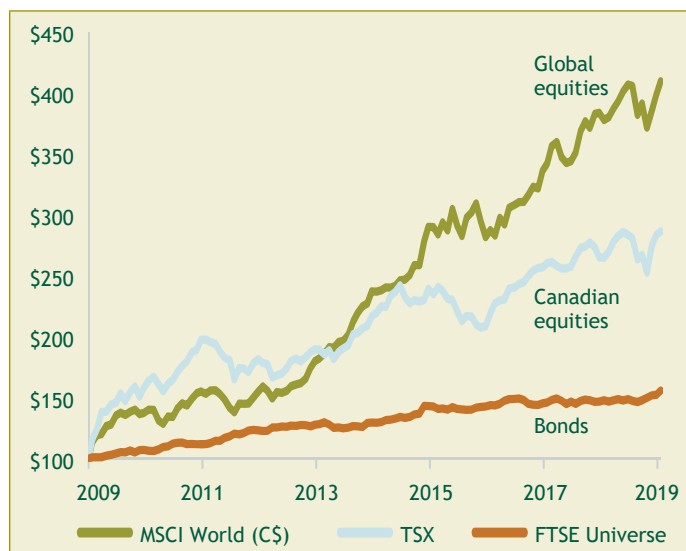
March 31, 2019

## PORTFOLIO MARKETS SUMMARY

The first quarter of 2019 saw equities perform strongly—the TSX and the MSCI World indices gained 13% and 10% respectively in Canadian dollars over the period—in contrast to the previous quarter when equity markets experienced significant declines in value. The first quarter rally was fueled by a welcome respite from recent interest rate increases and more stimulative policies globally. Most importantly, the US Federal Reserve’s change in tone saw the US central bank signal a pause in interest rate increases for the foreseeable future after hiking rates over the past three years. This was well received by investors that feared the Fed would increase rates too much and trigger a recession. Equity investors responded by driving up stock prices. In addition to the Fed, the Bank of Canada, which has also increased interest rates in recent years, held rates steady and signaled it would not be raising rates in the near term. In China, the government’s use of the available tools to support its economy looks to be working, which is good for equities.

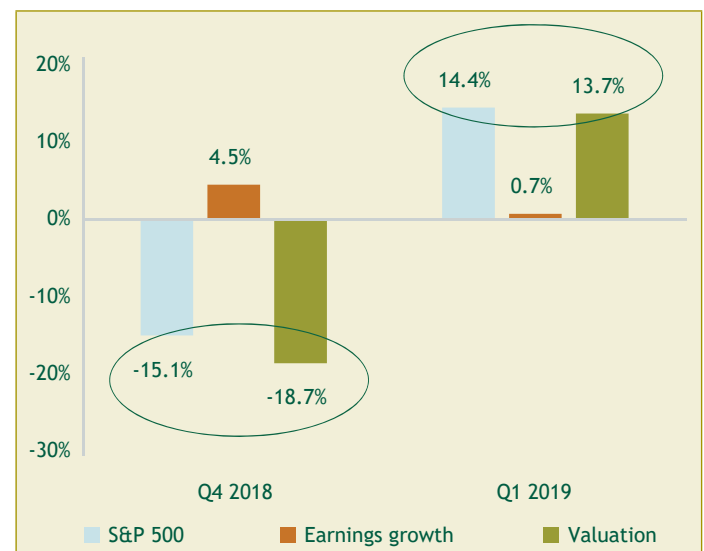
Fixed income securities also started the year with strong returns, and, like equities, their performance was driven by central banks pausing interest rate rises. This lower-for-longer interest rate outlook resulted in bond yields falling and bond prices rising. As the current bull market celebrated its tenth anniversary in March, the performance of equity and bond markets this quarter reminds us of the importance of staying invested. Since the lows of the financial crisis a decade ago, equities and bonds have returned over 250% and 50% respectively—while holding cash has returned less than 10%.

### Growth of \$100 CAD since March 9, 2009



Source: MSCI, S&P, FTSE

### Valuations have had the largest effect on equities’ performance



Source: Thomson Reuters Datastream, S&P, IBES

## PORTFOLIO STRATEGY

At the start of the first quarter we took advantage of the stock market weakness to add to our portfolios’ allocations of Canadian small cap equities. We’ve had an underweight allocation to Canadian small caps for a while, and elected to buy them at a significant discount. In addition, we believe China’s actions to support its economy could help commodity prices and the commodity-exposed TSX small cap equity index. Despite the rally in equity and bond markets, our investment process continues to indicate slowing global economic growth—we remain defensively positioned and expect further market volatility as investors react to data and as expectations shift between a recession and a reacceleration of economic growth.

Within fixed income, we continue to like higher quality investment-grade and government debt. We believe the additional yield investors receive for holding riskier bonds doesn't adequately compensate for the higher risk at this point in the business cycle. In addition, in the event of further market declines the higher quality debt should better preserve capital.

It was a busy quarter for our alternative asset managers: our infrastructure team acquired new hydro assets, our real estate team bought an office building in Vancouver and our private loans team extended a loan to a company in BC. We continue to believe that over the long term, alternative asset classes such as these can provide investors with a strong source of diversification and risk-adjusted returns.



This material, including any attachments, is provided to you for your informational purposes only and is considered private and confidential. This material is intended for the use of the recipient only and no matter contained herein may be used, disseminated, distributed, reproduced or copied by any means, in whole or in part without express prior written consent of CC&L Private Capital. Certain information contained herein is based on information obtained from third-party sources that CC&L Private Capital considers to be reliable. While we consider such information to be reliable, CC&L Private Capital makes no representation as to, and accepts no responsibility for, the accuracy, fairness or completeness of such information produced by third parties and contained herein. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of capital may occur. All opinions, estimates and projections contained in this material constitute CC&L Private Capital's judgment as of the date of this material, are subject to change without notice. This material has been prepared without regard to the particular individual financial circumstances and objectives of persons who receive it and nothing in this material constitutes legal, accounting, tax or individually tailored investment advice. As such, as you consider this material, you should consult with independent professionals in those areas regarding your individual circumstances. This information is not an offer to sell or a solicitation of an offer to buy any securities and is not to be used as a sales communication

This material may contain information obtained from third parties including: Merrill Lynch, Pierce, Fenner & Smith Incorporated (BofAML), S&P Global Ratings, and MSCI.

Source: Merrill Lynch, Pierce, Fenner & Smith Incorporated (BofAML), used with permission. BofAML permits use of the BofAML indices related data on an "As Is" basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the BofAML indices or any data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing, and does not sponsor, endorse, or recommend Connor, Clark & Lunn Private Capital Ltd. or any of its products.

This may contain information obtained from third parties, including ratings from credit ratings agencies such as S&P Global Ratings. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THEIR CONTENT, INCLUDING RATINGS. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. MSCI makes no express or implied warranties or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. This report is not approved, reviewed or produced by MSCI.