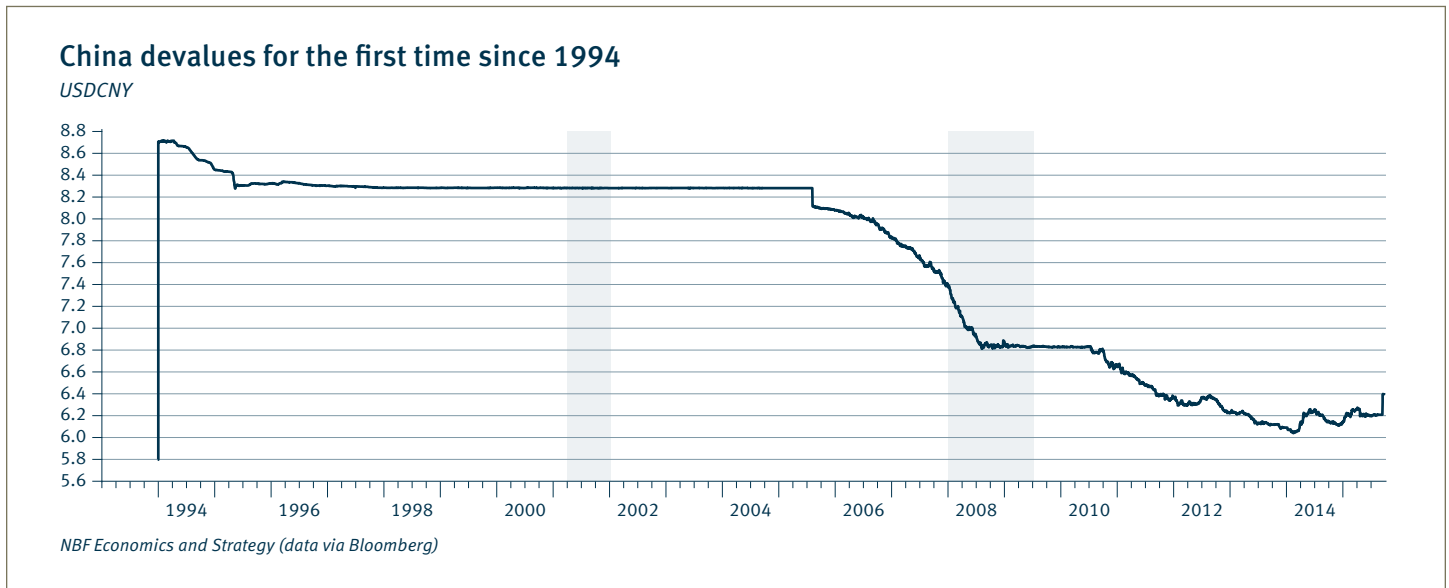


Investment Strategy

Global Economy

The summer of 2015 has turned out to be anything but relaxing for investors. Global financial markets remain volatile in the wake of China's August 11th surprise devaluation. Though it will take a few more weeks or months to fully assess the situation, we take solace from the fact that China is becoming more aggressive in its attempts to stimulate the domestic economy. The central bank is reducing the reserve requirement ratio for commercial banks. Plus, in order to broaden the investor base of the domestic stock market,

the government also announced that it will allow its state-run pension fund, one of the world's largest, to invest up to 30% of its total assets in equity markets. More measures are likely to be announced in the coming weeks to avoid a hard landing for the Chinese economy. Though global credit markets have tightened in recent weeks, corporate credit spreads are still well below those associated with an appreciable economic slowdown. We still peg global economic growth at just above 3% this year.



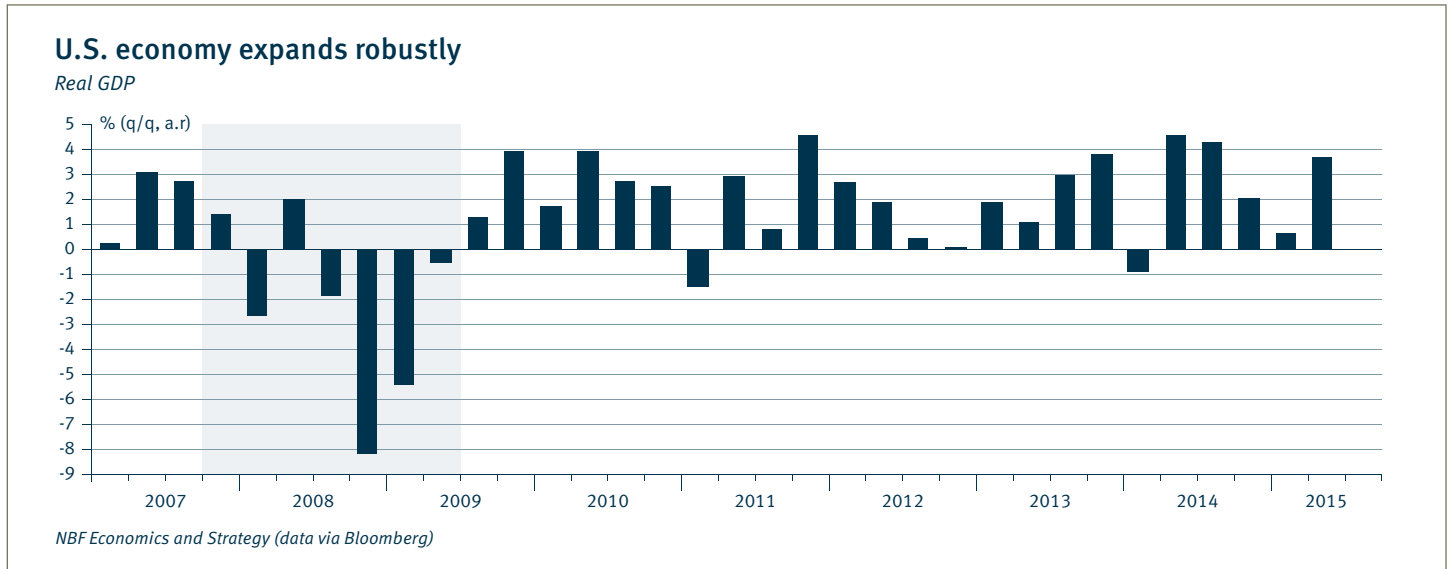
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United States

After a difficult start to the year, the U.S. economy is bouncing back nicely. Real GDP surged 3.7% in the second quarter. Such an above-potential rate of growth and the continued strength in employment get us ever closer to a first interest rate hike by the Federal Reserve (“the Fed”) in almost a decade. That, however, assumes financial

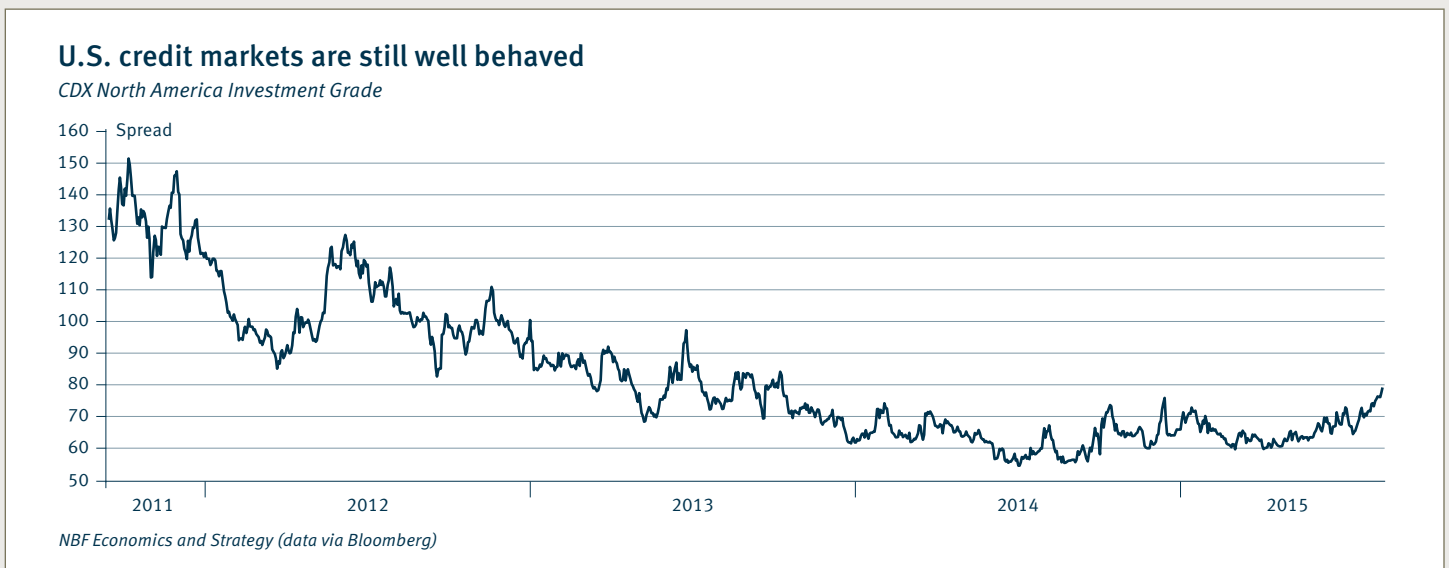
markets stabilize and Congress doesn't torpedo the economy again via a potential shutdown of government in the fall. The U.S. central bank remains on track to hike interest rates before year-end, but don't expect it to get aggressive when it starts tightening.



Financial Markets

The August correction of the S&P 500 ended the third-longest bull market in 50 years without a 10% pullback. The key to avoidance of a bear market is continued U.S. growth together with a low-inflation environment, which will allow the path of monetary normalization to be gradual. That is the environment today and, in our view, it is likely

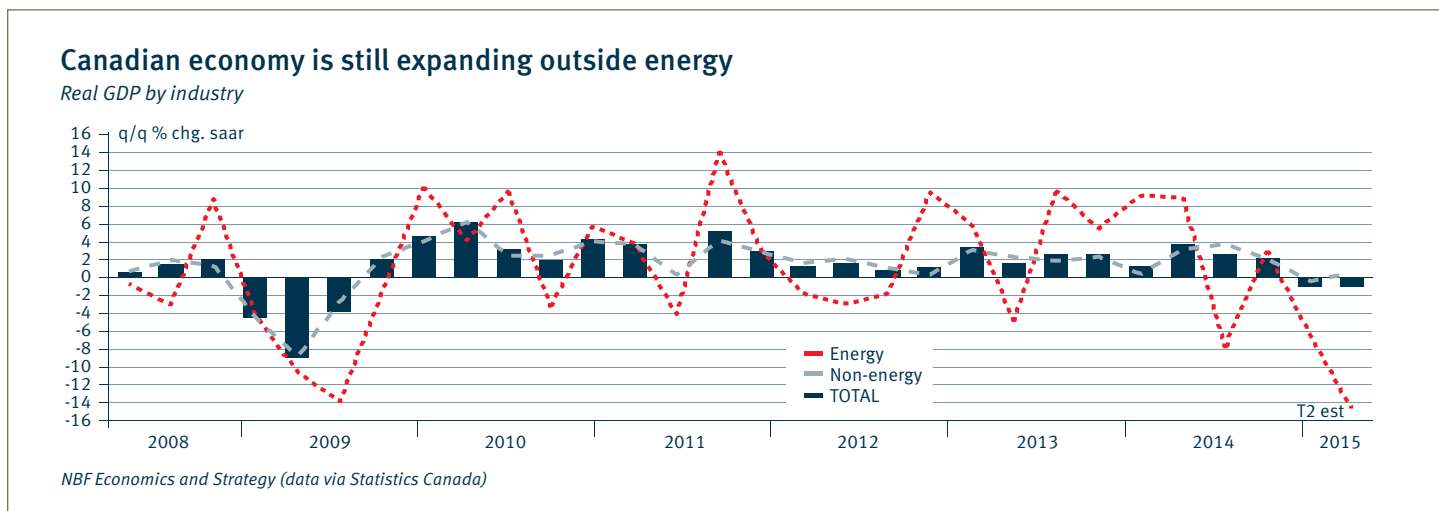
to persist for some time. U.S. financial conditions are tightening, but we are far from the stress normally associated with economic pain. We continue to expect the U.S. to grow more than 2% annualized in the coming quarters, a pace strong enough to limit the downside risk for corporate profits.



Canada

Current fears of a Canadian economic meltdown and surging credit losses seem to us exaggerated. The current downturn remains likely concentrated in energy – about 10% of the economy. Labour-market resilience in the three largest provinces (Ontario, Quebec and B.C.) continues to support household formation and home prices. Though export performance has disappointed in recent years in the aftermath

of lost market share, the much cheaper Canadian dollar, coupled with the U.S. resurgence, gives reason to be hopeful for the future. Given how overall growth will be dependent on exports, the Bank of Canada should do what it can to keep the loonie grounded via the extension of an accommodative monetary policy.



Investment Strategy

Market risks rose to an uncomfortable level in the third quarter. Just as financial markets were digesting the final act of the Greek tragedy and thinking that bluer skies were ahead of them, the Chinese government, in an effort to kick-start its exports and stabilize its stock market, unexpectedly decided to devalue its currency, sending risk assets into a tailspin. With China's economy not growing as fast as previously anticipated, commodity prices and commodity-linked markets suffered heavy losses.

However, in spite of the recent bout of volatility caused by the Chinese stock market correction, we think markets will stabilize and risk assets such as stocks will offer the best expected returns in the medium term. While most sharp corrections are caused by economic recessions or important global macro events, we don't see the current situation as a major threat to global growth. After all, everything points to strong economic activity in the United States, and the last round of monetary easing by the People's Bank of China should help turn the country's

economy around. As such, the downturn should be short lived. Our view is supported by historical data: after U.S. stock markets lose 10%, the average rebound three months later is 5%, while six months after the downturn the rebound averages 10%. As such, in light of the U.S. economy still leading the way in terms of growth in the developed markets and the ongoing strength of the greenback, we continue to favour USD-denominated foreign equities over their Canadian or emerging-market counterparts.

In fixed income, we maintain our underweight position as yields look unattractive. The Fed is still leaning towards a hike by the end of the year, though the rate of increase may prove less severe than expected in the previous quarters and financial markets will need to stabilize before any action is taken. As the Fed has said numerous times, the timing of monetary tightening will be totally data-dependent, and wage inflation is certainly on the radar as the U.S. labour market continues to improve.

Income Portfolio	Asset Class	Minimum/Maximum	Benchmark	Recommended Weighting	Change from Previous Quarter
Investor Profile: You want to preserve your capital or establish a source of periodic income to finance ongoing expenses. You do not find the stock market very attractive because of its volatility, but you are not against the idea of investing a small part of your portfolio in stocks, mainly to counteract the effects of inflation. Your tolerance for risk is low.	Cash equivalents	0% to 20%	5.0%	3.0%	0.0%
	Fixed-income (duration: 5 years) ¹	60% to 100%	70.0%	66.0%	0.0%
	Canadian equities	0% to 30%	7.5%	9.0%	0.0%
	U.S. equities		7.5%	11.0%	0.0%
	Foreign equities		5.0%	6.0%	0.0%
	Alternative investments ²	0% to 10%	5.0%	5.0%	0.0%
Conservative Portfolio					
Investor Profile: On the whole, you want your portfolio invested in fixed-income securities. Although you can tolerate limited volatility to ensure that your assets will grow, you prefer having a portfolio consisting mainly of fixed-income investments for reasons of stability. Your tolerance for risk is low.	Cash equivalents	0% to 20%	5.0%	3.0%	0.0%
	Fixed-income (duration: 5 years) ¹	45% to 80%	55.0%	51.0%	0.0%
	Canadian equities	20% to 45%	14.0%	15.5%	0.0%
	U.S. equities		14.0%	17.5%	0.0%
	Foreign equities		7.0%	8.0%	0.0%
	Alternative investments ²	0% to 15%	5.0%	5.0%	0.0%
Balanced Portfolio					
Investor Profile: You give equal importance to achieving growth in your investments and receiving income. You can tolerate moderate changes in market value to ensure growth, but you prefer having a mix of fixed income investments and equities for reasons of stability.	Cash equivalents	0% to 20%	5.0%	1.5%	0.0%
	Fixed-income (duration: 5 years) ¹	30% to 65%	40.0%	36.0%	0.0%
	Canadian equities	30% to 65%	17.5%	19.0%	0.0%
	U.S. equities		17.5%	22.0%	0.0%
	Foreign equities		10.0%	11.5%	0.0%
	Alternative investments ²	0% to 20%	10.0%	10.0%	0.0%
Growth Portfolio					
Investor Profile: Your main goal is capital growth. Although you can tolerate greater volatility in order to increase the value of your assets, you are not prepared to invest your entire portfolio in stocks. Your tolerance for risk is high.	Cash equivalents	0% to 25%	0.0%	0.0%	0.0%
	Fixed-income (duration: 5 years) ¹	25% to 45%	35.0%	28.0%	0.0%
	Canadian equities	40% to 75%	20.0%	21.5%	0.0%
	U.S. equities		20.0%	24.0%	-0.5%
	Foreign equities		15.0%	16.5%	0.5%
	Alternative investments ²	0% to 25%	10.0%	10.0%	0.0%
Maximum Growth Portfolio					
Investor Profile: You want to maximize the eventual return on your capital by investing all or most of your portfolio in the stock market. In doing so, you accept higher volatility of your investment returns in the hope that these returns will ultimately be higher. Your tolerance for risk is high.	Cash equivalents	0% to 30%	0.0%	0.0%	0.0%
	Fixed-income (duration: 5 years) ¹	0% to 30%	20.0%	11.5%	0.0%
	Canadian equities	55% to 100%	22.5%	24.5%	0.0%
	U.S. equities		22.5%	27.5%	-0.5%
	Foreign equities		20.0%	21.5%	0.5%
	Alternative investments ²	0% to 30%	15.0%	15.0%	0.0%

1 Dex Universe Index

2 Includes Hedge funds, Global real estate and Infrastructure, and Commodities.

FORECAST	Forecast				August 2015		December 2015		December 2016			
	2013	2014	2015	2016	Canada	U.S.	Canada	U.S.	Canada	U.S.		
	Gross Domestic Product %					Rate %						
Canada	2.0	2.4	1.3	1.6	Short-term rates (T-Bills, 91-Day)							
U.S.	1.5	2.4	2.5	2.6	0.37	0.02	0.21	0.29	0.41	1.38		
Inflation %					10-year bond yields							
Canada	0.9	1.9	1.2	1.7	1.27	2.04	1.46	2.37	2.03	2.71		
U.S.	1.5	1.6	0.3	2.1	2.01	2.72	2.16	3.00	2.61	3.23		
					Canadian dollar		U.S. \$0.76		U.S. \$0.75		U.S. \$0.72	

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