

Put Diversification to Work

No single asset class is consistently among the top performers, and the best and worst performers can change from one year to the next. A diversified portfolio of different asset classes provides the opportunity to participate in potential gains of each year's top asset classes while aiming to lessen the negative impact of those at the bottom.

| ASSET CLASS | INDEX |
|------------------------|---|
| Canadian Small Cap | BMO Small Cap Index |
| U.S. Equities | S&P 500 Index |
| Canadian Equities | S&P/TSX Composite Total Return Index |
| Canadian Bonds | FTSE Canada Universe Bond Index |
| International Equities | MSCI EAFE Index |
| Emerging Markets | MSCI Emerging Markets Free Index |
| U.S. Small Cap | Russell 2000 Index |
| Global Bonds | Barclays Global Aggregate Bond Index |
| Canadian Home Prices | Teranet-National Bank Composite House Price Index - Composite 11 |
| Balanced Portfolio | 40% FTSE Canada Universe Bond Index, 30% S&P/TSX Composite Total Return Index, 30% MSCI World Index |

Calendar year returns (in Canadian dollars)

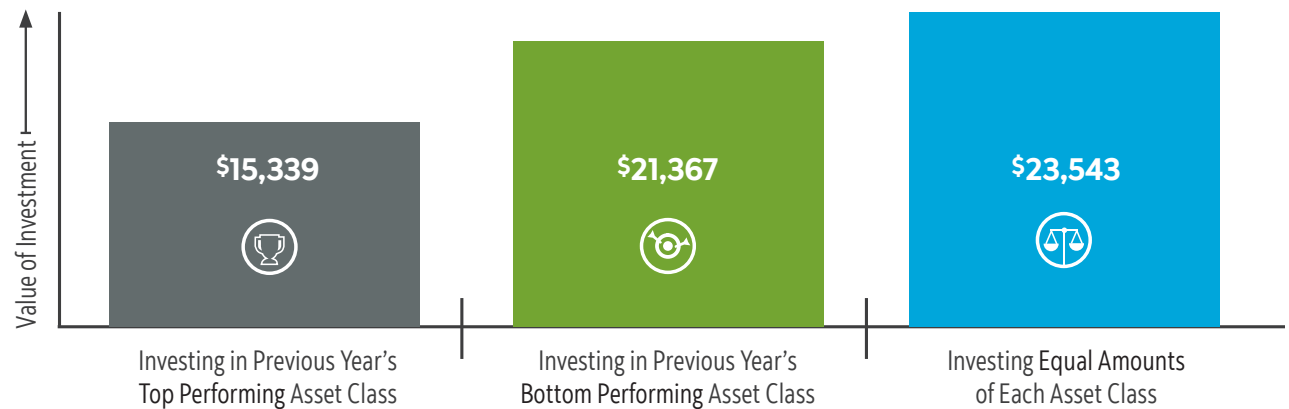
| % | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| HIGHEST | 38.5% | 9.7% | 16.0% | 48.1% | 23.9% | 21.6% | 35.4% | 28.7% | 7.7% | 24.8% |
| | 20.2% | 8.3% | 15.3% | 41.3% | 14.4% | 19.5% | 21.1% | 17.4% | 4.2% | 22.9% |
| | 17.6% | 6.8% | 13.8% | 31.6% | 11.2% Balanced Portfolio | 16.2% | 17.1% | 13.8% | 2.5% | 19.2% |
| | 13.0% | 4.6% | 13.4% | 13.3% Balanced Portfolio | 10.6% | 14.6% | 12.3% | 9.1% | 1.4% | 19.2% |
| | 10.1% Balanced Portfolio | 0.4% Balanced Portfolio | 7.9% Balanced Portfolio | 13.0% | 9.7% | 6.5% | 8.2% Balanced Portfolio | 8.9% | -2.0% Balanced Portfolio | 16.5% |
| | 9.1% | -1.8% | 7.2% | 7.8% | 8.8% | 4.4% Balanced Portfolio | 8.1% | 8.2% Balanced Portfolio | -3.0% | 16.1% Balanced Portfolio |
| | 6.7% | -8.7% | 3.6% | 4.3% | 7.0% | 3.5% | 7.7% | 7.1% | -5.6% | 12.9% |
| | 3.5% | -9.6% | 3.1% | 3.9% | 5.4% | 2.4% | 1.7% | 6.4% | -6.5% | 6.9% |
| | 2.6% | -14.2% | 2.5% | 3.8% | 4.1% | -8.3% | -1.5% | 2.5% | -8.9% | 1.5% |
| LOWEST | 0.0% | -16.2% | 2.0% | -1.2% | -0.1% | -13.8% | -2.0% | 0.3% | -18.2% | 1.4% |

Source: Morningstar. Priced in Canadian currency, as at December 31, 2019. Assumes reinvestment of all income and no transaction costs or taxes. Annual returns compounded monthly. The asset classes are represented by their indicated indices and the balanced portfolio is hypothetical in nature. This information is for illustrative purposes only. It is not possible to invest directly in an index.

Chasing Winners Can Be Costly

Over time, chasing performance can have a negative impact on the value of a long-term portfolio. This chart shows that consistently investing in the previous year's top performing asset class can have a significant drag on performance versus investing equally in each asset class.

\$1,000 invested each year over a 10-year period



Source: Morningstar. For illustrative purposes only. Hypothetical investment value as of December 31, 2019. Assumes reinvestment of all income and no transaction costs or taxes. Calculated in Canadian dollars. It is not possible to invest directly in an index.

Going Global

At less than 5%, Canada represents a tiny portion of the global stock market, and is dominated by the financials, energy and materials sectors. A diversified portfolio that includes foreign stocks can take advantage of greater sector diversification.

For illustrative purposes only. Chart demonstrates sector weightings in the respective index. Sources: Morningstar. MSCI All-Country World Index as at December 31, 2019. S&P/TSX Composite Index as at December 31, 2019.

Global Investing Enhances Sector Diversification

Canada (S&P/TSX Composite Index)

World (MSCI All-Country World Index)

