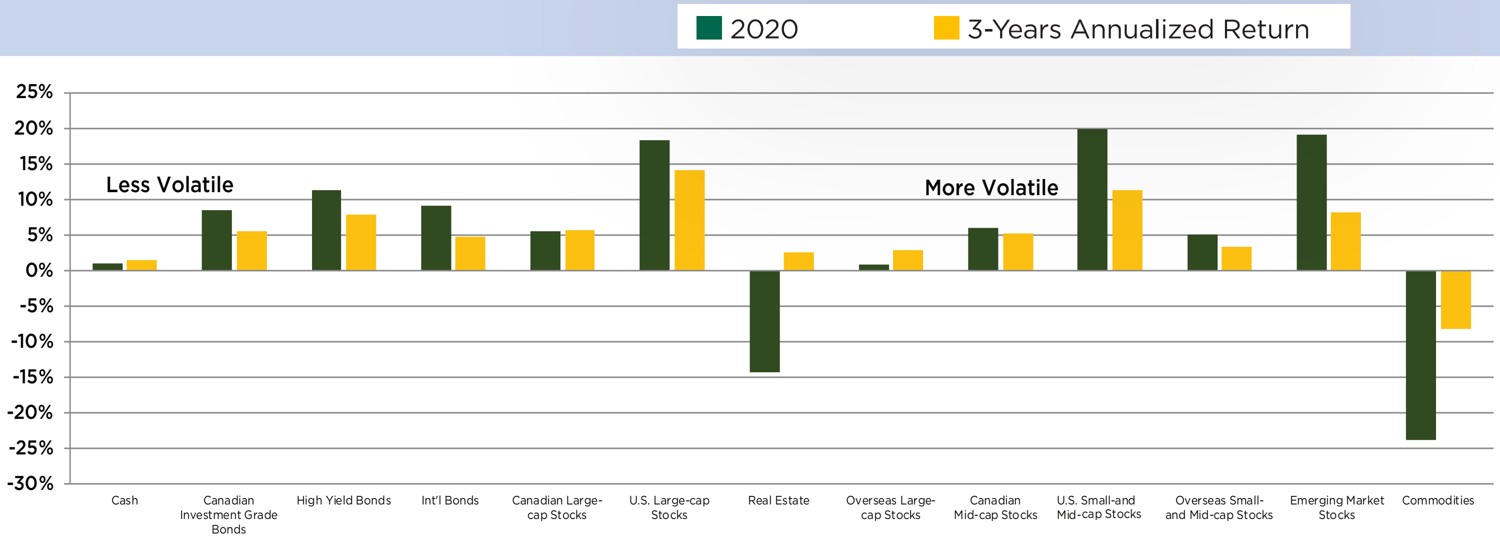
Stocks posted solid gains in a volatile year



Source: Morningstar Direct,12/31/20 Representative indexes are: Real Estate: S&P Canada REIT Index, High Yield Bonds: Barclays High Yield Canadians Index, Canada Large-cap Stocks: S&P/TSX Composite Index, U.S. Small- and Mid-cap Stocks: Russell 2500 Index, InternationalBonds: Barclays Global Aggregate Bond Index , Canada Bonds: FTSE TMX Canada Universe Bond Index,U.S. Large-cap Stocks: S&P 500 Index, Emerging Market Stocks: MSCI EM Index, Overseas Large-cap Stocks: MSCI EAFE Index, Canadian Mid-cap Stocks: S&P/TSX Completion, Commodities: S&P GSCI, Cash: FTSE TMX Canada Cdn Trsy Bill 91 Day. Past performance is not a guarantee of how the market will perform in the future. Indexes are unmanaged and are not available for direct investment. All returns expressed in local currency and include reinvested dividends.

QUARTERLY MARKET OUTLOOK: **FIRST QUARTER 2021**

Year in Review

Stocks finished 2020 with fairly healthy gains, taking an unprecedented path to get there. Domestic stocks lagged U.S. equities as 2020 was the fifth year in the past decade in which the S&P 500 posted a return of more than 15%, though the only one that contained a global pandemic, a record-breaking recession and a contentious presidential election. 2020 has ushered in a new economic and stock market expansion that we believe can extend for the next several years, but not without a few bumps along the way.

- **Deep recession gives way to a new expansion -** Canada and the U.S. endured the largest quarterly GDP decline in history, followed by the largest-ever rise in GDP as the economies emerged from the pandemic-induced shutdown. The unemployment rate began 2020 near multi-decade lows, surged to the highest level since the Great Depression and ended the year at the lowest level since the pandemic began.
- **Extreme conditions produced unprecedented market moves -** The stock market fell more than 30% in just 23 trading days, the fastest such bear-market decline in history. Equities regained the losses amid the quickest-ever recovery from a 30% drop. Additionally, oil prices briefly fell into negative territory, and 10-year Government of Canada bond yields dropped to an all-time low below 0.40%.
- **Broad-based gains -** Both stocks and bonds posted positive returns for the year, with domestic equities lagging given larger exposure to trailing financial services and energy sectors and smaller weights in technology and health care. U.S. small-cap stocks led the way, while U.S. large caps and emerging-market equities also returned more than 15% on the year. Diversified portfolios saw decent gains from bonds as well, as central bank stimulus pushed bond prices up and interest rates to historic lows.

▶ Action for Investors

Last year's extreme conditions highlight the importance of staying calm when the markets seem to be panicking, along with a disciplined investment strategy and diversified portfolio.

Diversification does not guarantee a profit or protect against loss in declining markets.

Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates and investors can lose some or all of their principal.

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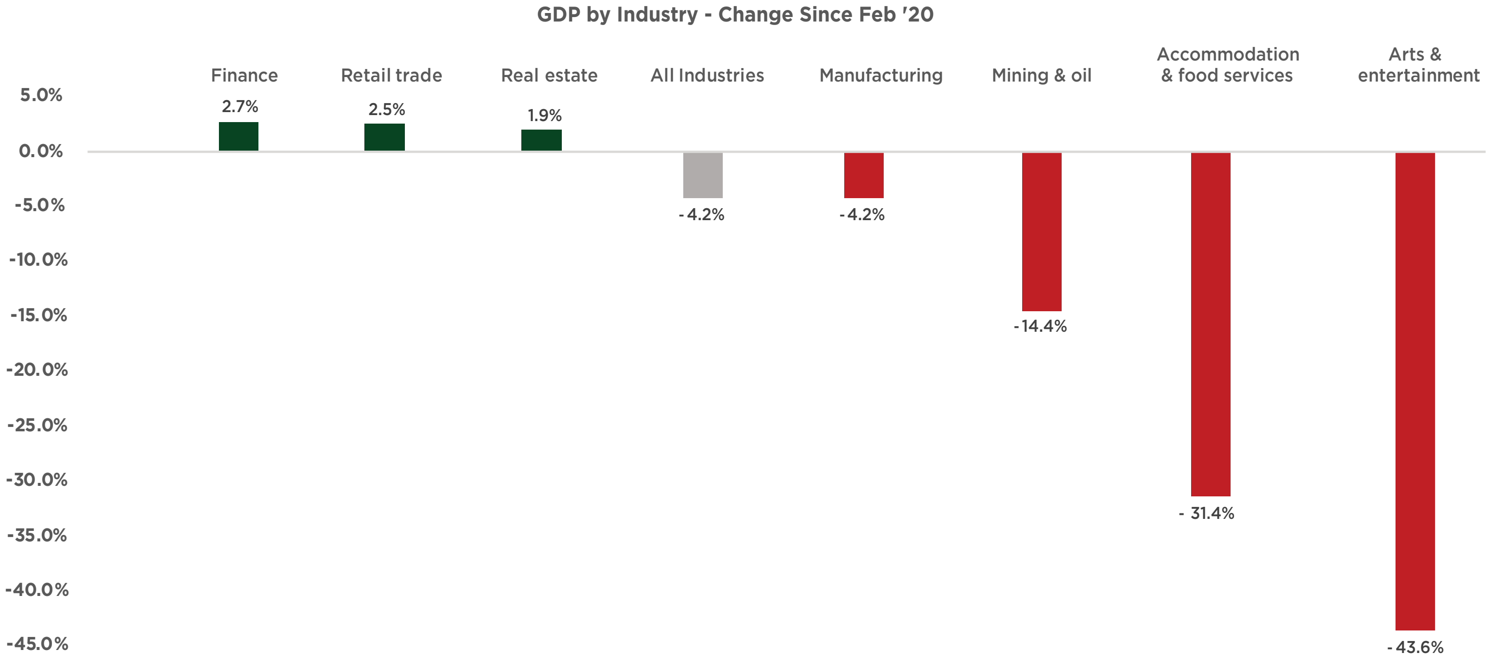
A strong rebound but still a lot of ground to cover



Source: Statistics Canada, Edward Jones calculations

Economic Outlook

We expect the domestic economy to make further progress this year in returning to its pre-crisis path. Widespread vaccine distribution, low interest rates and government aid should help extend the bull market. While the slack in the economy remains large, the outlook is improving, and 2021 could kick off a multi-year economic expansion. The trajectory of growth will be bumpy early on, but we project above-average GDP growth north of 4% for the full year.

- **A slow start to 2021 –** The recent surge in COVID-19 cases and new restrictions will likely take a toll on the economy and labour market in the months ahead. We expect a slowdown in first-quarter GDP as areas such as retail and leisure-hospitality remain depressed until the economy enters a post-vaccine phase.
- **Economic reopening accelerates in second half –** Beyond the first quarter, the outlook brightens as the vaccine rollout clears the way for a self-sustaining rebound in economic activity. We expect the economy to be closer to its normal state by year-end. A return to typical spending habits will further heal the labour market and facilitate a faster and more even economic recovery. We still think elevated household debt levels will curb a bit of the upward momentum in domestic GDP growth, but a synchronized global rebound should offer a lift to domestic export activity and cyclical industries.
- **Fiscal aid a bridge to the vaccine –** The recently announced C$100 billion spending plan by the Federal government provides a bridge, in our view, until a vaccine becomes widely available and economic activity normalizes. At about 17% of GDP, the unprecedented government support has prevented a more severe and prolonged downturn and bolstered household savings. This extra buffer could support spending while the labour market continues to recover.

Action for Investors

Owning a diversified mix of equity asset classes, including small-cap and international stocks, can position portfolios to participate in an up cycle, while an appropriate mix of bonds can help smooth out returns.

Diversification does not guarantee a profit or protect against loss in declining markets.

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Earnings on path to inflect higher and support budding bull market

S&P 500				S&P TSX Index			
Bear Market Bottom	Decline	Months to Return to New High	Market Return in next 12 Months After Reaching New High	Bear Market Bottom	Decline	Months to Return to New High	Market Return in next 12 Months After Reaching New High
'20	-34%	5	?	20	-37%	10	?
'09	-57%	34	21%	9	-49%	73	-1%
'02	-49%	38	-7%	2	-46%	42	13%
'87	-34%	14	9%	98	-32%	14	19%
'82	-27%	2	20%	90	-31%	73	2%
'74	-48%	48	13%	84	-20%	7	10%
'70	-36%	15	8%	82	-44%	11	-3%

Source: MorningStar Direct

Equity Outlook

Even after heading into 2021 on the back of a 60% rally, we think equities have more gas in the tank, thanks to a burgeoning economic recovery and government policy stimulus. That said, we think the market is vulnerable to bouts of volatility due to policy uncertainties, pockets of exuberance and potential disruptions in the vaccine timeline.

- **Stocks likely to remain focused on the post-vaccine recovery -** We expect a durable expansion over the next few years, setting the stage for an extended bull market. As the cycle advances, we anticipate a rotation in investment leadership. Periodic economic setbacks and vaccine disruptions could spark bouts of volatility, and we suspect U.S. tax and regulatory policy proposals under the new Biden administration may grab the market's attention later in the year.

- **Stimulus will be a tailwind -** We think central banks will keep monetary policy settings extremely accommodative in 2021 and beyond. The addition of fiscal stimulus will, in our view, keep a wind at the market's back, even amid virus-driven restrictions. We think additional fiscal aid and increased government spending will offer a lifeline to GDP until the economy can regain its stride in the second half of the year.

- **Full valuations suggest more moderate returns -** We think equities have a further upside ahead, but we expect more moderate returns ahead from Canadian and U.S. equities, compared with the 25% annual average for the S&P 500 over the past two years. We expect stretched valuations to normalize somewhat as earnings recover this year on the back of the economic rebound. Above-average price-to-earnings ratios are already pricing in a fairly healthy economic and earnings rebound, in our view, potentially reducing the cushion against periodic disappointments. 2004, 2010 and 2018 each experienced 20% S&P 500 earnings growth that was accompanied by a contraction in the P/E multiple, with the market delivering an average return of 7.2% in those years.

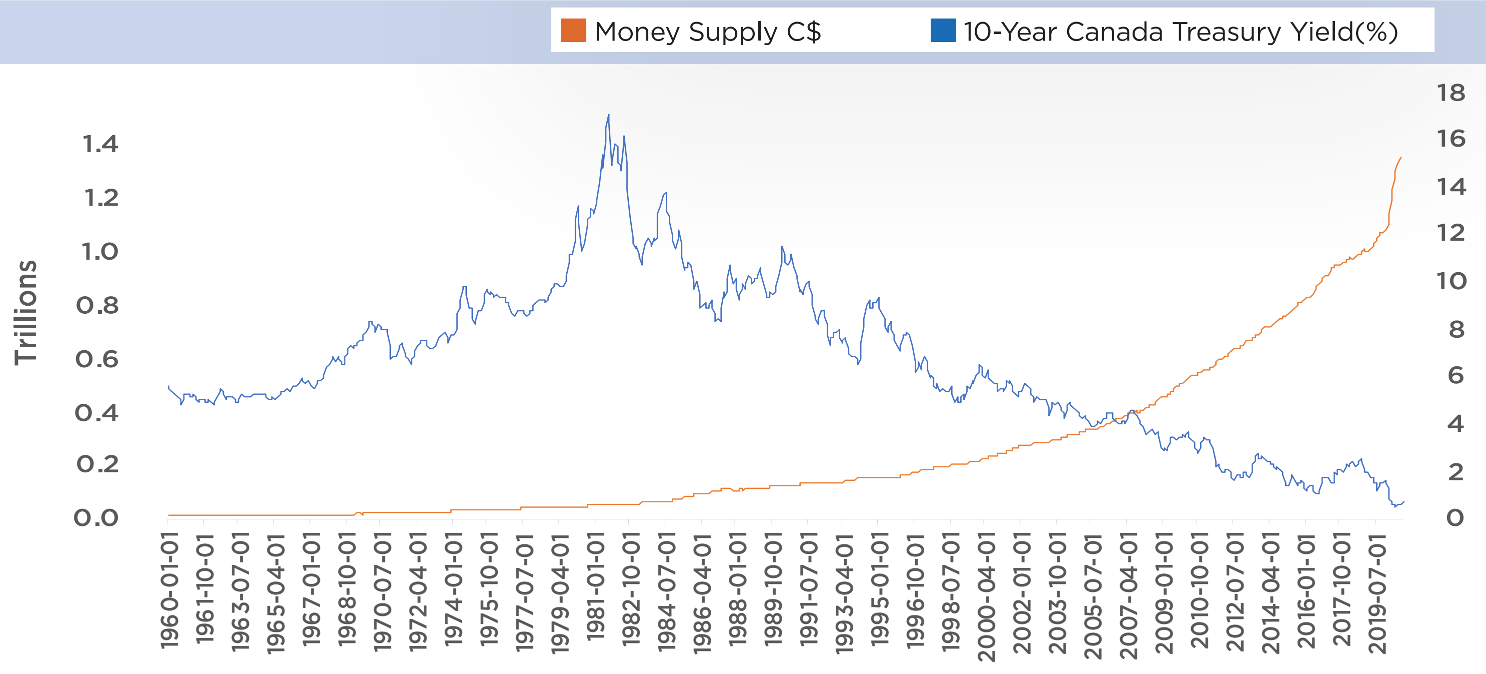
▶ Action for Investors

In the second half of the year, the bull market should broaden to economically sensitive investments that have lagged, including small-caps and international stocks. We also expect sector leadership to rotate beyond technology and growth stocks to include cyclicals and value investments, which may offer a boost to the TSX.

Investing in equities involves risks. The value of your shares will fluctuate and you may lose principal.

Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

Extraordinary montetary stimulus kept rates low



Source: FRED

Fixed-income Outlook

Ongoing central bank stimulus and a firming economic rebound will exert opposing forces on interest rates this year. While we think the Bank of Canada and the U.S. Fed can hold short-term rates at zero, longer-term rates should see a modest lift. Bond yields will remain muted by historical standards, but fixed income can help protect against spurts of market volatility.

- **Central bank stimulus will continue -** Significant monetary stimulus will 1) keep short-term rates near zero, 2) prevent longer-term rates from rising in lock step with the economic rebound, and 3) continue to supply liquidity to support investor risk appetite. We think this sets a backdrop for stocks to again outperform bonds this year. Central banks' approach to average inflation targeting will, in our view, keep stimulus in place longer into this expansion than in the past. But we expect the financial markets will eventually have to wrestle with the prospects of tighter monetary policy.

- **Slightly steeper yield curve -** We think longer-term rates will trend modestly higher, driven by a rebound in economic activity and expectations for increased fiscal stimulus. Ten-year Government of Canada bond rates have risen meaningfully in recent months but are still well below 1% while 10-year yields in the U.S. recently rose above 1% for the first time in nearly 10 months. We expect yields to remain well below historical levels, but we don't think we'll revisit the lows experienced in 2020 as longer-term rates see a boost as the economy gains traction later this year.

- **Debt and inflation are longer-term factors -** Slack in the labour market and economy will prevent inflation pressures from rising significantly in the near term. But central bank stimulus and improving demand raise the specter of higher inflation as the expansion matures. At the same time, we expect budget deficits and government debt to rise this year as fiscal policies loosen to combat the pandemic slowdown. Inflation and debt are likely to be an upward influence on rates longer term.

▶ Action for Investors

We think appropriate allocations to investment-grade bonds and exposure to high-yield bonds can offer some increased yield for fixed-income portfolios. Despite low rates, we believe a neutral allocation to fixed income will help protect portfolios against market volatility.

Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

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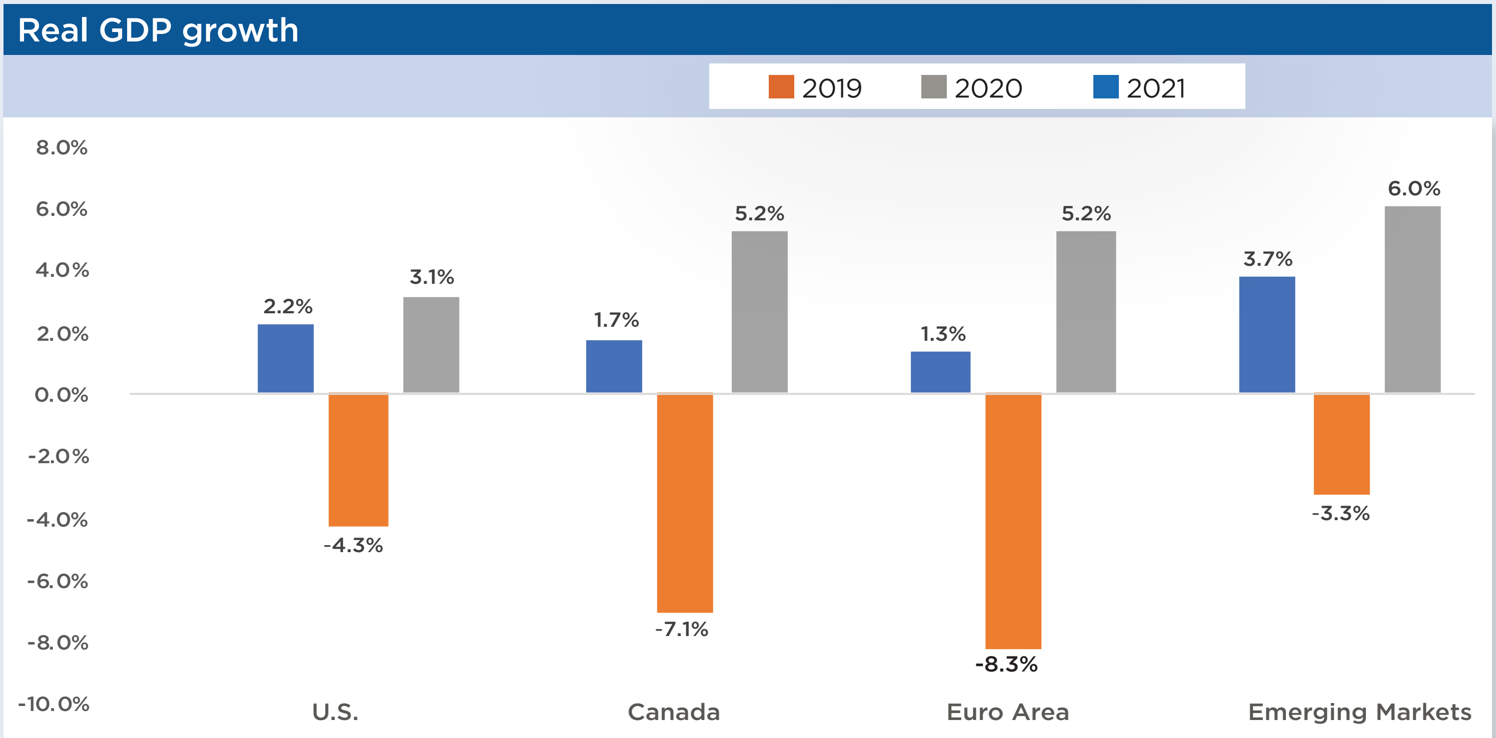


Source: IMF, World Economic Outlook, October 2020

International Outlook

We expect the global economy to enter a new expansionary cycle this year, supporting international equity market performance. Global growth will start the year on a weak note but accelerate later to likely the fastest pace in the last 10 years.

- **Global recovery to pick up the pace –** The second half of the year could see the first synchronized pickup in growth across regions since 2017. The resurgence of virus cases and renewed lockdowns in Europe likely resulted in negative GDP growth in Q4 2020. However, stronger fiscal and monetary policy coordination across Europe and an eventual vaccine distribution should help spur the recovery as economies emerge from lockdown. The varying speed of a vaccine rollout will likely shape the rebound across regions, but the general trend will be one of improvement.

- **China's swift return to pre-crisis levels –** China has led the way on COVID-19 containment and is the only major country expected to grow its economy in 2020 and 2021. Given the timing of its containment measures and policy stimulus, China appears slightly further into the new expansion. We expect solid economic growth across Asia as well, which should support emerging-market equity returns. While trade relations are likely to be less contentious this year, we suspect periodic tensions between the U.S. and China will trigger occasional market anxiety.

- **Global reflation a tailwind for the loonie –** We think the macroeconomic conditions will provide more support for the CAD in 2021 than they have over the last two years. The late 2020 appreciation largely reflected a broad-based depreciation of the U.S. dollar against major world currencies and pushed the CAD towards the top of its five-year range of around US $0.70 – US $0.82. We believe that further strengthening is possible as global growth accelerates with the rollout of vaccines, but a decisive breakout from this range will likely require much higher oil prices and a stronger Canadian economy.

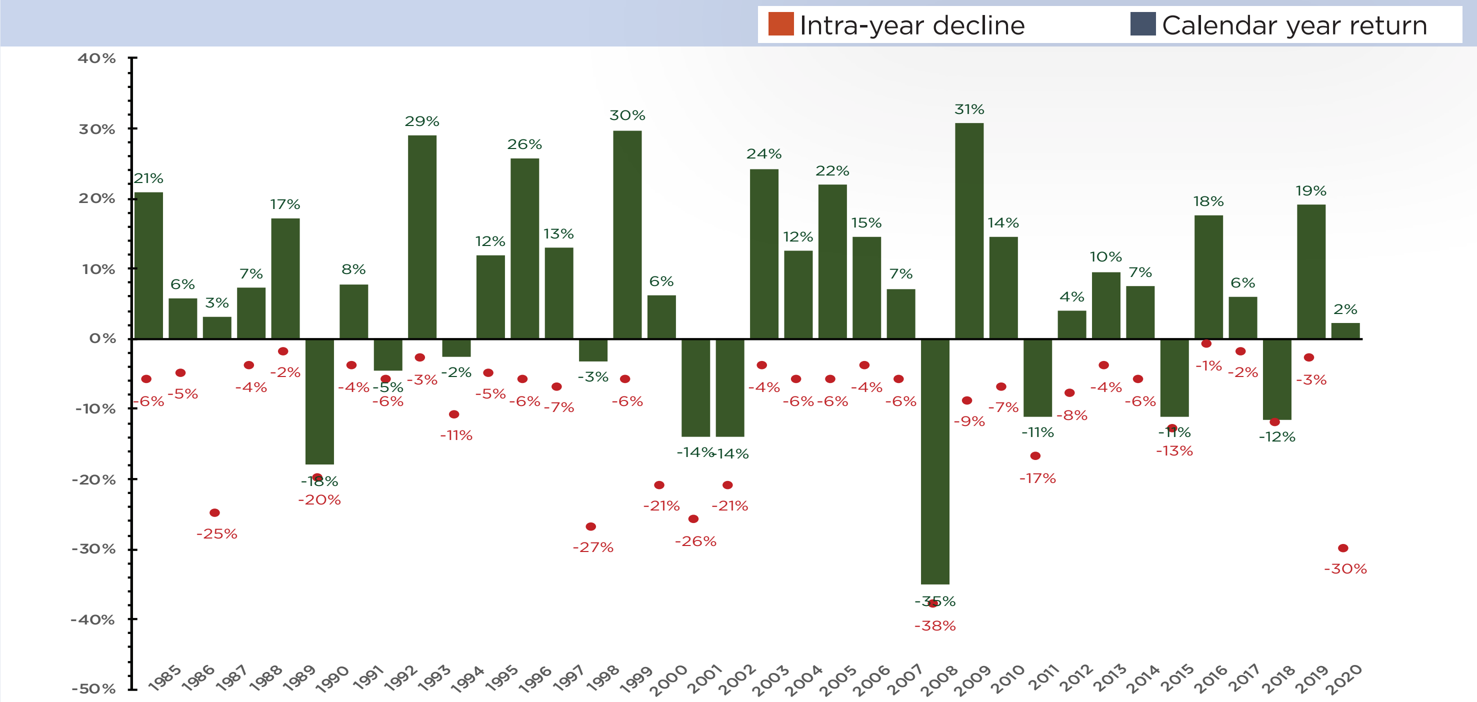
▶ Action for Investors

We recommend overweighing international equity investments based on our outlook for improvement in global growth and based on the domestic economic recovery challenges stemming from elevated household debt levels.

Investing in equities involves risks. The value of your shares will fluctuate and you may lose principal.

Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

Intra-year TSX declines vs. calendar year returns



Soure: Factset, 1989-2020.

QUARTERLY MARKET OUTLOOK: **FIRST QUARTER 2021**

Investing Lessons from 2020

The COVID-19 outbreak was an event no investor could have foreseen or planned for. Despite this, 2020 proved to be a year of resiliency for the financial markets. As shown in the graph, the TSX managed to eke out a gain, but the path there was volatile. As with other periods of market turmoil, 2020 provides some valuable investing lessons.

- **Keeping a long-term perspective –** Investors who aligned their decisions with their goals rather than the headlines kept a level head. Sticking to an investment plan meant experiencing a 37% drop and a 55% recovery in large-cap Canadian stocks. Since 1985, stocks have dropped an average of about 11% during the calendar year. But in 26 of those 36 years, they rebounded with yearly returns averaging almost 7%.

- **The power of a disciplined approach –** Systematic investing and rebalancing helped investors navigate volatility in 2020 without "timing" the market. A 60/40 equity/bond portfolio in February would have drifted to a 50/50 weight mix by March. Investors who trimmed overweight investments and reallocated to underrepresented areas over the course of the year not only boosted their equity exposure at depressed prices, but also helped position portfolios for a change in market leadership.

- **Being opportunistic in times of volatility –** The VIX, or "fear index," reached a new record high in March. While distressing for investors, extreme volatility historically is brief and has been followed by strong forward returns. Down markets create long-term opportunities to buy high-quality companies at a discount.

- **The importance of bonds –** Despite bond yields hovering near record lows even before the bear market began, high-quality bonds still demonstrated their value as a portfolio stabilizer, smoothing out returns and helping investors stay the course.

▶ Action for Investors

Leveraging the lessons learned from 2020, we recommend investors keep a long-term perspective, build well-diversified portfolios, rebalance frequently and take advantage of market swings by systematically investing at regular intervals.

Diversification does not guarantee a profit or protect against loss in declining markets.

Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates and investors can lose some or all of their principal.

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Target guidance by investment category

START HERE	Investment Category	Asset Class	Target Guidance in Range
Equity Investments	Aggressive[1]	Commodities & Emerging Markets	Middle
	Growth	Small- and Mid-cap Stocks (Canadian, U.S. and Overseas)	Middle
	Growth & Income	Canadian Large-cap Stocks,[2] U.S. Large-cap Stocks, Overseas Large-cap Stocks & Real Estate	Middle
Fixed-income Investments	Income	Canadian Investment-grade Bonds, GICs, International Bonds, High-yield Bonds & International High-yield Bonds	Middle
	Cash	Cash & Money Market	Middle

1 Alternative Investments and Stocks trading less than $4 align with the aggressive investment category, but they are not recommended.
2 Large-cap stocks that do not pay a dividend are in the Growth investment category.
Asset classes we don't recommend separately include alternative investments and micro-cap equities.

Asset Class Outlook

We believe well-diversified portfolios should be built by first identifying a targeted mix of equity and fixed-income investments based on your goals and comfort with risk, and then gaining exposure to a broad mix of the asset classes highlighted below.

Equity versus Fixed Income (Target = Middle) – We recommend a neutral allocation between equity and fixed income. Equity valuations were relatively high entering 2021, but we expect earnings growth to push stocks higher over the year. However, near-term economic growth is likely to be more challenging. Weaker economic signals and market setbacks should be expected, but diversification across fixed income can help provide stability for investment portfolios.

Domestic Versus International (International target = High) – With elevated household debt levels placing pressure on domestic growth and our expectation for global growth to accelerate, we favour U.S. and overseas equities. International diversification can also provide greater investment opportunities in a broader set of sectors than those that make up a significant portion of the domestic economy.

Asset Class Diversification

Aggressive (Target = Middle): We expect emerging market equities to benefit from the improved global economic prospects, supporting our overweight allocation. We don't think investors need additional exposure to commodities than gained through Canadian equities, and we recommend avoiding the asset class.

Growth (Target = Middle): We recommend overweighting U.S. small- and mid-cap stocks and underweighting Canadian small- and mid-cap stocks, which we believe can help diversify sector concentration within the domestic economy.

Growth & Income (Target = Middle): Monetary and fiscal policy should provide economic support until a vaccine can be broadly distributed, setting the stage for a new expansionary period, though not necessarily without pullback in the coming months. Overseas and U.S. large-cap equities can enhance sector diversification and prepare portfolios for rotating asset class leadership.

Income (Target = Middle): With continued strong monetary policy support from central banks, we expect rates to stay at historically low levels, though longer-term rates will drift modestly higher. We believe bonds will continue to provide a cushion during market pullbacks, supporting our neutral allocation recommendation overall. Within fixed income we recommend overweighting high-yield asset classes, given our positive economic outlook and the opportunity to generate higher income.

Cash (Target = Middle): Cash is unlikely to keep up with inflation, particularly as the BoC remains accommodative even as the economy improves. However, cash can provide a source for investment during pullbacks.

Investors should understand the risks involved in owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates, and investors can lose some or all of their principal. The prices of small-cap, mid-cap and emerging-market stocks are generally more volatile than those of large company stocks. Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

Investment Performance Benchmarks

It's natural to compare your portfolio's performance to market performance benchmarks, but it's important to put this information in the right context and understand the mix of investments you own. Talk with your advisor about any next steps for your portfolio to help you stay on track toward your long-term goals.

As of December 31, 2020

Benchmarks for Investment Categories				
Total Return	YTD	1-Year	3-Year	5-Year
Cash	0.4%	1.8%	1.2%	1.0%
Canadian Bonds	1.2%	9.6%	2.5%	3.7%
High-yield Bonds	2.0%	7.6%	7.3%	6.6%
International Bonds	0.7%	7.6%	1.6%	2.0%
Canadian Large-cap Stocks	2.5%	7.1%	7.4%	5.3%
U.S. Large-cap Stocks	1.7%	4.3%	13.4%	10.8%
Real Estate	8.3%	17.9%	11.5%	9.3%
Overseas Large-cap Stocks	1.8%	1.6%	8.3%	6.0%
Canadian Mid-cap Stocks	1.7%	2.9%	4.1%	2.8%
U.S. Small- and Mid-cap Stocks	-1.3%	-4.0%	9.5%	8.6%
Overseas Small-cap Stocks	2.3%	-3.6%	8.0%	8.7%
Emerging-market Stocks	-2.1%	-0.2%	7.6%	5.5%
Commodities	-4.2%	-16.3%	1.5%	-11.7%

Canadian Equity Sector Performance				
Total Return	YTD	1-Year	3-Year	5-Year
Basic Materials	0.4%	15.9%	1.7%	3.1%
Communication Services	2.0%	14.1%	7.4%	10.9%
Consumer Discretionary	2.7%	4.1%	7.3%	8.6%
Consumer Staples	5.8%	25.8%	8.8%	13.7%
Energy	1.2%	-6.0%	-2.6%	-5.3%
Financials	5.2%	6.6%	11.3%	9.0%
Health Care	-30.0%	-38.7%	-8.6%	-25.9%
Industrials	-1.5%	3.4%	13.6%	8.7%
Technology	3.4%	33.5%	25.0%	22.5%
Utilities	10.1%	33.1%	10.7%	10.2%
TSX Index	2.5%	7.1%	7.4%	5.3%

Source: Morningstar Direct, 12/31/2020. All returns expressed in local currency and include reinvested dividends. Performance represented by: Emerging Market Stocks: MSCI EM Index, Canadian Mid-cap Stocks: S&P/TSX Completion Index, U.S. Small- and Mid-cap Stocks: Russell 2500 Index, Overseas Small- and Mid-cap Stocks: MSCI EAFE Small Cap Index, Canadian Large-cap Stocks: S&P/TSX Composite Index, Real Estate: S&P Canada REIT Index, U.S. Large-cap Stocks: S&P 500 Index, Overseas Large-cap Stocks: MSCI EAFE Index, High Yield Bonds: Barclays HY Canadians Index, Canadian Bonds: FTSE TMX Canada Universe Bond Index, International Bonds: Barclays Global Aggregate Index. Past performance is not a guarantee of how the market will perform in the future. Indexes are unmanaged and are not available for direct investment. All returns in Canadian Dollar

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