

MARCH 31, 2017

Chorus II Corporate Class Moderate Low Volatility Portfolio

Portfolio Asset Allocation (%)



	Target	Real		Target	Real
FIXED INCOME	60.0	54.6	GROWTH	40.0	45.5
Canadian Bond			Canadian Equity		
- Canadian Bond†	16.3	13.4	- Dividend Growth†	5.6	5.1
- Enhanced Bond†	16.3	13.5	- Canadian Equity Income†	5.6	5.1
- Short-Term Income†	8.2	7.4	- Canadian Equity†	2.8	2.6
Foreign Bond			American & Overseas Equity		
- IBrix Global Bond†	4.1	5.7	- American Equity Value†	2.0	2.7
- Global Tactical Bond†	3.6	2.6	- Overseas Equity Value†	1.2	2.8
- Global Inflation Linked Bond†	1.5	1.8	- American Equity Growth†	0.0	1.0
- Floating Rate Income†	1.0	1.0	- Overseas Equity Growth†	0.0	1.5
Canadian Preferred Shares			Global Equity		
- Canadian Preferred Share†	9.0	9.1	- Global Dividend†	6.3	6.2
			- IBrix Low Volatility Global Equity†	4.5	4.4
			- Global Equity Value†	3.6	3.5
			- Global Equity Growth†	2.7	2.6
			- Global Infrastructure†	0.9	0.9
			Global Small Cap Equity		
			- Global Small Cap Equity†	2.4	5.0
			Emerging Markets Equity		
			- Emerging Markets†	1.2	1.0
			- IBrix Low Volatility Emerging Markets†	1.2	1.0

Overview

Stock markets continued to climb at the start of this year, while strong economic prospects significantly boosted confidence indexes in several countries. In the process, several central banks adopted a less concerned tone by announcing that they would stop introducing new economic stimulus measures for a while. The US Federal Reserve raised its key interest rate a second time (after increasing it last December) and indicated that the probability of further hikes in 2017 was high. Meanwhile, the Bank of Canada said that the Canadian economy was more robust than expected, although it remained cautious with respect to future actions.

It is worth noting that, at the end of the quarter, changes in the geopolitical environment had sown doubt in the minds of investors. Aside from conflicts in the Middle East and the possibility of conflict with North Korea, the difficulties faced by the Trump administration in carrying out its campaign promises and the upcoming election in Europe caused stock markets to fall slightly over the last few weeks and pushed down interest rates observed on bond markets.

Annual Compound Returns (%)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception
Series A	1.0	2.9	3.1	8.2	3.9	4.8	-	5.1
Series T4	1.0	2.9	3.1	8.2	4.1	4.9	-	5.2
Series T6	1.0	2.9	3.1	8.2	4.1	4.9	-	5.2

For the most part, stock markets all over the world demonstrated significant growth over the quarter, with Asia-Pacific markets posting the strongest gains. In general, securities that lagged in the fourth quarter of 2016 posted the highest returns of the quarter.

In the bond markets, investor confidence helped the highest-risk assets record the strongest returns. Despite the key interest rate hike in the US, bonds generated positive returns over the quarter, albeit lower than returns on equity.

Portfolio Performance (first quarter 2017)

At March 31, 2017, the Chorus II Corporate Class Moderate Low Volatility Portfolio (Class A shares) posted a return of 2.90% compared with 2.99% for its benchmark¹. Unlike the index, the Portfolio's return is determined after deducting fees and expenses. With respect to growth assets, foreign equity funds posted noteworthy performances, while Canadian markets fell back. Despite the divergence of central bank policies around the world, international bonds posted higher returns than their Canadian counterparts. This was very positive for Canadian preferred shares, which rose sharply over the quarter.

- **TARGET ALLOCATION - INCOME: 60 %**
(ACTUAL ALLOCATION: 54.4 %)

The fixed-income component made a positive contribution to the portfolio's performance during the quarter. The Canadian Preferred Share Fund was the top contributor for the quarter with a 7.76% return. Also worth noting is the contribution of the Enhanced Bond Fund, which was one of the best in its category with a return of 1.41%.

- **TARGET ALLOCATION - GROWTH: 40 %**
(ACTUAL ALLOCATION: 45.6 %)

Capital appreciation assets generated a positive return for the portfolio, with the exception of one Canadian equity fund. The Global Equity Growth Fund contributed the most to performance, with a return of 7.45% while the 7.41% return posted by the Overseas Equity Value Fund set it apart, placing it in the second quartile.

Dynamic portfolio management – Tactical interventions

Decisions regarding allocations between the various asset classes are founded on short-term forecasts based on observed market trends. Between the beginning and end of the quarter, our positioning changed as market sentiment fluctuated between optimism and concern. All in all, the portfolio benefited from higher exposure to risky assets. The rotation from North American equity and small caps to overseas markets proved profitable.

¹The benchmark is composed of the following: 41% FTSE TMX Canada Universe Bond index; 11% FTSE TMX Canada Short Term Bond Index; 8% S&P/TSX Preferred Share Index (total return); 11% S&P/TSX Composite Index (total return); 5% S&P/TSX Composite Dividend Index (total return); 24% MSCI World Index (total return).