

Quarterly Investment Update

Second Quarter 2018

DAVID R. JOHNSON, CFP, CLU, CH.FC
SENIOR FINANCIAL ADVISOR/ MANULIFE SECURITIES INCORPORATED
LIFE INSURANCE ADVISOR, CERTIFIED FINANCIAL PLANNER - D.R. JOHNSON FINANCIAL SERVICES INC.

STEVEN D. JOHNSON, CFP, PFP
FINANCIAL ADVISOR/ MANULIFE SECURITIES INCORPORATED
LIFE INSURANCE ADVISOR, CERTIFIED FINANCIAL PLANNER - D.R. JOHNSON FINANCIAL SERVICES INC.

MANULIFE SECURITIES INCORPORATED
D.R. JOHNSON FINANCIAL SERVICES
MARSLAND CENTRE, 20 ERB ST.W, SUITE 502
WATERLOO, ONTARIO N2L 1T2
PH: 519-884-4650
FAX:519-884-0150

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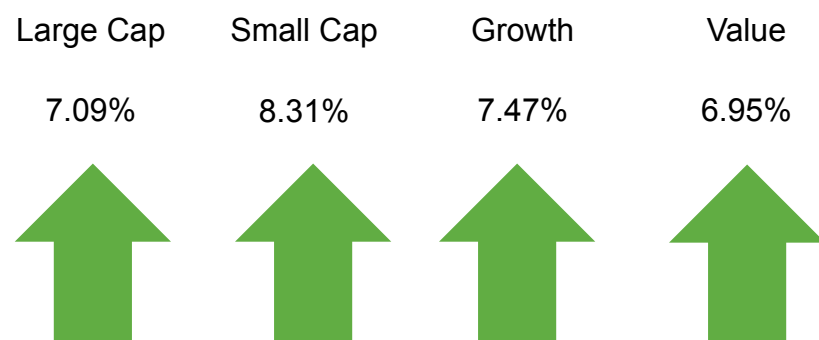
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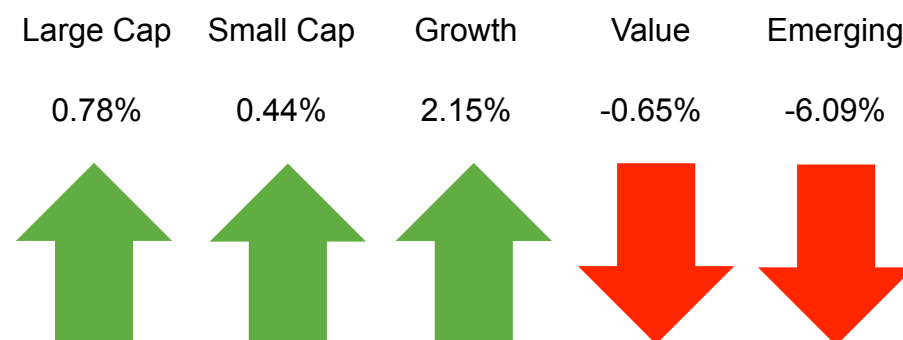
Market Update: A Quarter in Review

June 30, 2018

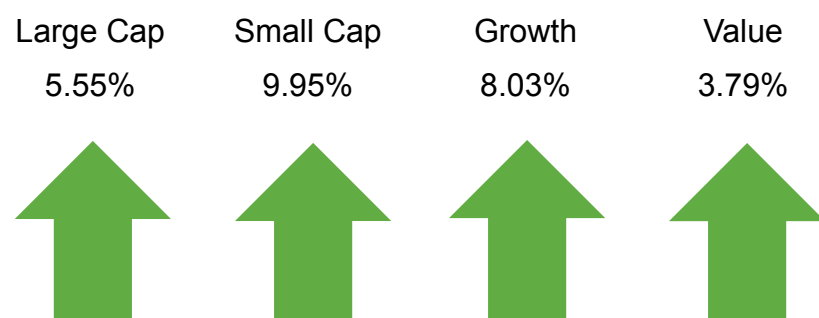
CANADIAN STOCKS



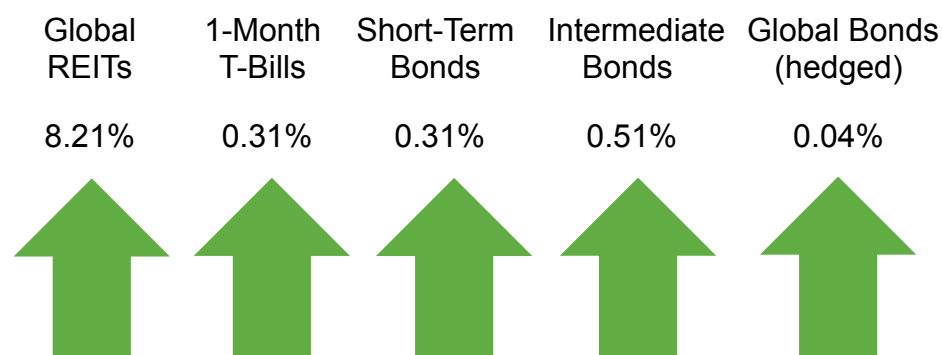
INTERNATIONAL STOCKS



US STOCKS



REAL ESTATE AND FIXED INCOME



Data is in Canadian dollars. Market segment (index representation) as follows: Canadian stocks: Large Cap (S&P/TSX 60), Small Cap (MSCI Canadian Small), Growth (MSCI Canadian Growth), Value (MSCI Canadian Value); US stocks: Large Cap (S&P 500), Small Cap (Russell 2000), Growth (Russell 3000 Growth), Value (Russell 3000 Value); International stocks: Large Cap (MSCI EAFE [net div]), Small Cap (MSCI EAFE Small Cap [net div]), Growth (MSCI EAFE Growth [net div]), Value (MSCI EAFE Value [net div]), Emerging Markets (MSCI Emerging [net div]); Real Estate: Global REITs (S&P Global REIT [net div]); Fixed Income: 1-Month T-Bills (FTSE TMX Canada 30 Day T-Bill), Short Term Bonds (FTSE TMX Canada Short-Term Bond), Intermediate Bonds (FTSE TMX Canada Universe Bond), Global Bonds-Hedged (FTSE World Government Bond Index 1-5 Years [hedged to CAD]). S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2018, all rights reserved. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Canadian fixed income data provided by FTSE TMX Global Debt Capital Markets Inc., all rights reserved. FTSE fixed income indices © 2018 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance does not guarantee future returns.

Survey of Long-Term Performance

June 30, 2018

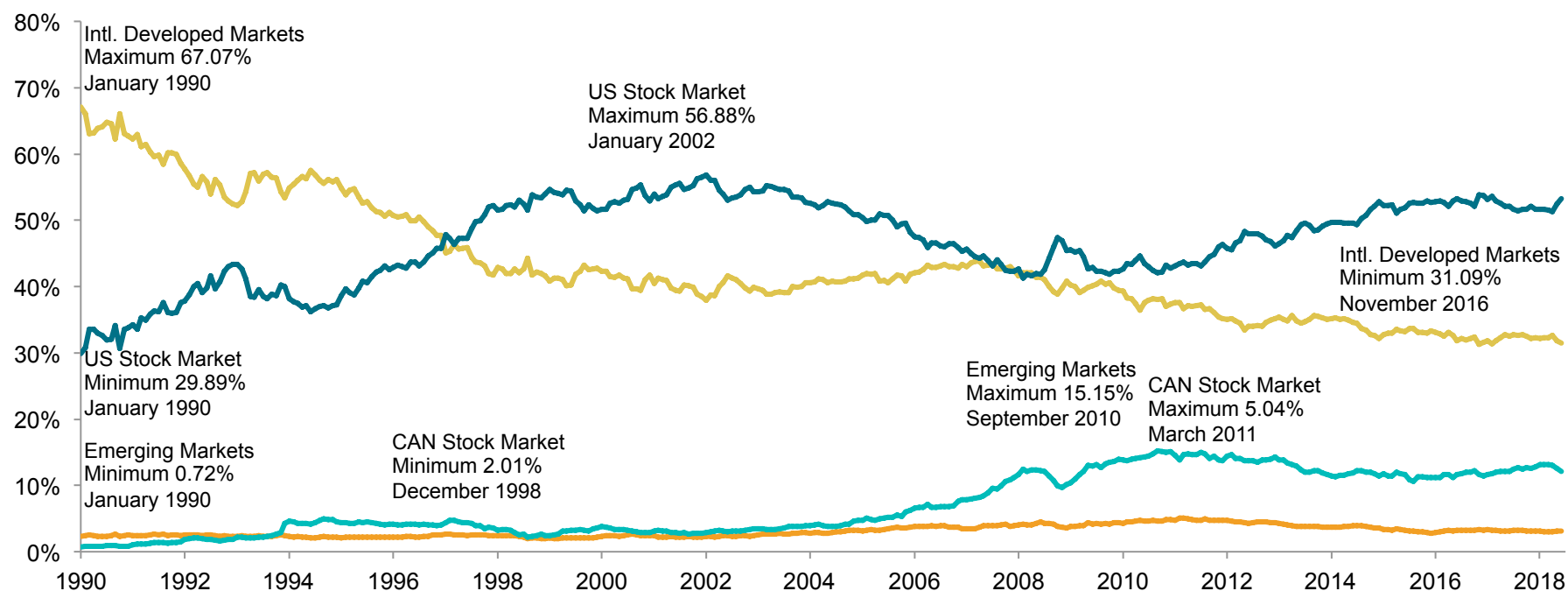
Asset Class	Index	Annualized (%)					Since Inception	Inception date
		1 Year	3 Years	5 Years	10 Years	20 Years		
CANADIAN STOCKS								
Large Cap	S&P/TSX 60	11.45	7.65	10.02	4.15	6.71	8.66	Feb-87
Small Cap	MSCI Canadian Small	7.80	5.73	6.66	3.87	6.76	8.51	Jul-90
Growth	MSCI Canadian Growth	9.84	3.98	9.06	1.05	5.88	7.17	Jan-82
Value	MSCI Canadian Value	11.76	9.88	9.03	6.73	8.13	10.90	Jan-82
US STOCKS								
Large Cap	S&P 500	15.94	13.85	18.59	13.01	5.88	11.34	Feb-51
Small Cap	Russell 2000	19.18	12.87	17.59	13.45	7.44	12.07	Jan-79
Growth	Russell 3000 Growth	24.15	16.60	21.44	14.66	5.71	11.60	Jan-79
Value	Russell 3000 Value	8.72	10.34	15.44	11.40	6.23	12.39	Jan-79
INTERNATIONAL STOCKS								
Large Cap	MSCI EAFE (net div.)	8.31	6.70	11.29	5.49	3.76	9.24	Jan-70
Small Cap	MSCI EAFE Small Cap (net div.)	13.90	12.03	16.34	9.62	7.35	7.24	Jan-93
Growth	MSCI EAFE Growth (net div.)	10.91	8.24	12.33	6.11	3.21	9.22	Jan-75
Value	MSCI EAFE Value (net div.)	5.68	5.07	10.18	4.80	4.15	11.68	Jan-75
Emerging Markets	MSCI Emerging Markets (net div.)	9.60	7.45	9.75	4.95	7.95	10.74	Jan-88
REAL ESTATE								
Global REITs	S&P Global REIT (net div.)	5.39	7.66	11.10	8.13	7.39	8.45	Jul-89
FIXED INCOME								
Canadian T-Bills	FTSE TMX Canada 1-Month T-Bill	0.94	0.63	0.73	0.78	2.19	5.99	Jun-73
Canadian Short-Term Bonds	FTSE TMX Canada Short-Term Bond	0.36	0.71	1.74	2.92	4.13	7.46	Jan-80
Canadian Bonds	FTSE TMX Canada Universe Bond	0.76	1.97	3.48	4.50	5.26	8.64	Jan-80
Global Bonds (hedged)	FTSE World Government Bond Index 1-5 Years (hedged to CAD)	0.32	0.90	1.50	2.42	3.55	6.03	Jan-85

Data is in Canadian dollars. MSCI EAFE Small Cap Index return is price-only prior to January 1999 data inception. MSCI Emerging Markets Index return is gross dividends prior to January 1999 data inception. S&P Global REIT Index return is gross dividends prior to January 2001 data inception. S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2018, all rights reserved. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Canadian fixed income data provided by FTSE TMX Global Debt Capital Markets Inc., all rights reserved. FTSE fixed income indices © 2018 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Value of Stock Markets around the World

January 1990–June 2018

	Number of Countries	Number of Stocks	Total Value	Weights		
				June 30, 2018	Change from Previous Year	01/90-06/18 Average
Canada	1	310	1.77 Trillion	3.1%	↓ -2.5%	3.1%
United States	1	2,437	30.43 Trillion	53.3%	↑ 3.2%	46.9%
Developed Markets	21	3,286	18.00 Trillion	31.5%	↓ -3.7%	42.9%
Emerging Markets	24	2,876	6.92 Trillion	12.1%	↓ -3.0%	7.0%
Total	47	8,909	57.12 Trillion	100.0%		



Global market capitalization weights are not static; they change across time.

Data is in US dollars and values are beginning of month. The proxies for the Canadian and US equity markets are based on the respective country markets from the MSCI All Country World IMI Index. The international developed market proxy is the MSCI All Country World IMI ex USA ex Canada Index. The proxy for emerging markets is the MSCI All Country World IMI Index (Emerging Markets). MSCI data copyright MSCI 2018, all rights reserved.

The Randomness of Quarterly Returns

June 30, 2018

This table shows from top to bottom the highest returning asset classes each quarter over the last 17 quarters. Each asset class is color coded based on the legend below.

	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q1 2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Highest Return	6.41	4.99	13.77	14.37	0.14	6.26	10.18	4.54	9.02	10.68	6.68	10.37	3.48	3.90	7.63	4.36	8.21	?
	4.16	1.31	9.16	13.00	0.02	0.66	8.75	1.39	6.41	8.05	4.54	6.21	3.48	3.68	7.11	1.85	6.77	?
	2.87	1.06	2.70	11.49	-0.71	0.15	8.56	1.13	5.60	5.98	1.64	4.73	1.11	1.41	4.99	0.94	6.01	?
	1.99	0.71	0.70	11.01	-0.79	0.12	4.36	0.38	5.11	5.45	0.12	2.41	0.45	0.61	4.45	0.26	0.78	?
	1.21	0.50	0.23	4.15	-1.26	-0.91	0.98	0.12	4.93	1.29	-0.56	1.24	0.23	0.28	3.16	0.10	0.51	?
	0.79	0.23	0.02	2.58	-1.63	-4.10	0.11	-0.77	3.31	1.19	-1.90	0.47	0.13	0.16	2.02	0.04	0.31	?
	0.45	-0.59	-0.94	0.82	-1.71	-7.86	-0.06	-5.23	3.11	0.12	-2.86	0.21	-0.99	-1.84	0.21	-3.06	0.04	?
Lowest Return	0.23	-1.19	-1.47	0.20	-9.19	-12.28	-1.40	-8.96	1.41	0.06	-3.44	0.13	-1.64	-2.61	-0.04	-4.52	-6.09	?

Canadian Stocks
US Stocks
International Developed Markets
Emerging Markets
Global REITs
Canadian 1-Month T-Bills
Canadian Bonds
Global Bonds

The lack of a pattern indicates that picking which asset classes will be the best or worst performers is virtually impossible.

Portfolios combining these various investments will avoid extreme returns.





Data is in Canadian dollars. Indexes represented as follows: Canadian stocks (S&P/TSX Composite Index), US stocks (Russell 3000 Index), International Developed Markets (MSCI EAFE Index), Emerging Markets (MSCI Emerging Markets Index), Global REIT (S&P Global REIT Index), Canadian 1-Month T-Bills (FTSE TMX Canada 30 Day T-Bill), Canadian Bonds (FTSE TMX Canada Universe Bond Index), Global Bonds (FTSE World Government Bond Index Canada 1-5 Years (hedged to CAD)). S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2018, all rights reserved. S&P data copyright 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Canadian fixed income data provided by FTSE TMX Global Debt Capital Markets Inc., all rights reserved. FTSE fixed income indices © 2018 FTSE Fixed Income LLC. Indexes are not available for direct investment. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Currency

June 30, 2018

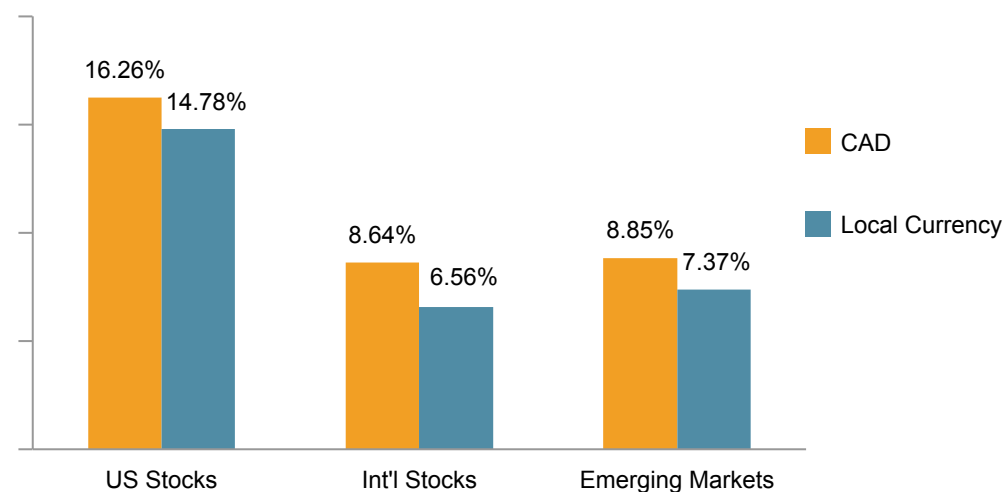
CHANGE IN FOREIGN EXCHANGE RATES (%)

FX/\$CAD

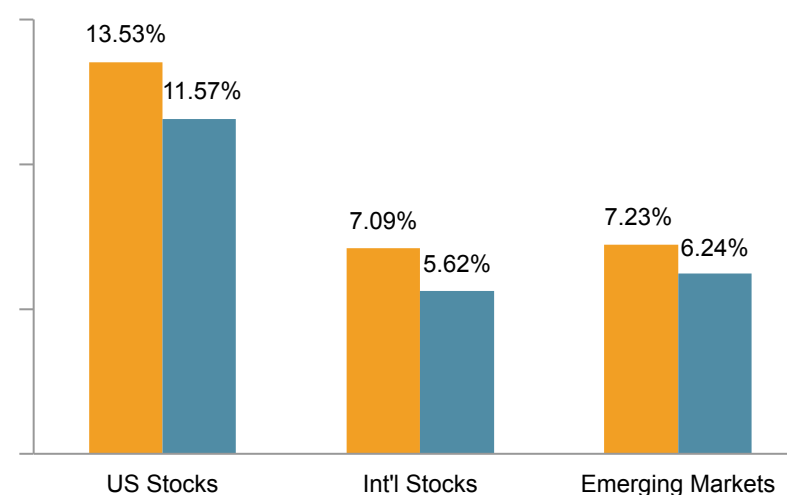
Currency	Q2 2018	One Year	Three Years
 \$ US Dollars	2.04%	1.37%	1.72%
 € Euro	-3.15%	3.65%	3.30%
 £ Pounds	-4.01%	2.72%	-4.03%
 ¥ Yen	-1.93%	2.98%	5.17%

IMPACT OF CURRENCY FLUCTUATIONS

Annual Returns in CAD and Local Currency



Three-Year Annualized Returns in CAD and Local Currency





Data is in Canadian dollars. The market for the United States, International Developed Markets, and Emerging Markets is defined as: Russell 3000 Index, MSCI EAFE Index, and MSCI Emerging Markets Index, respectively. MSCI data copyright MSCI 2018, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.



MSCI Country Returns in Canadian Dollars and Local Currency

June 30, 2018

SECOND QUARTER 2018 RETURNS

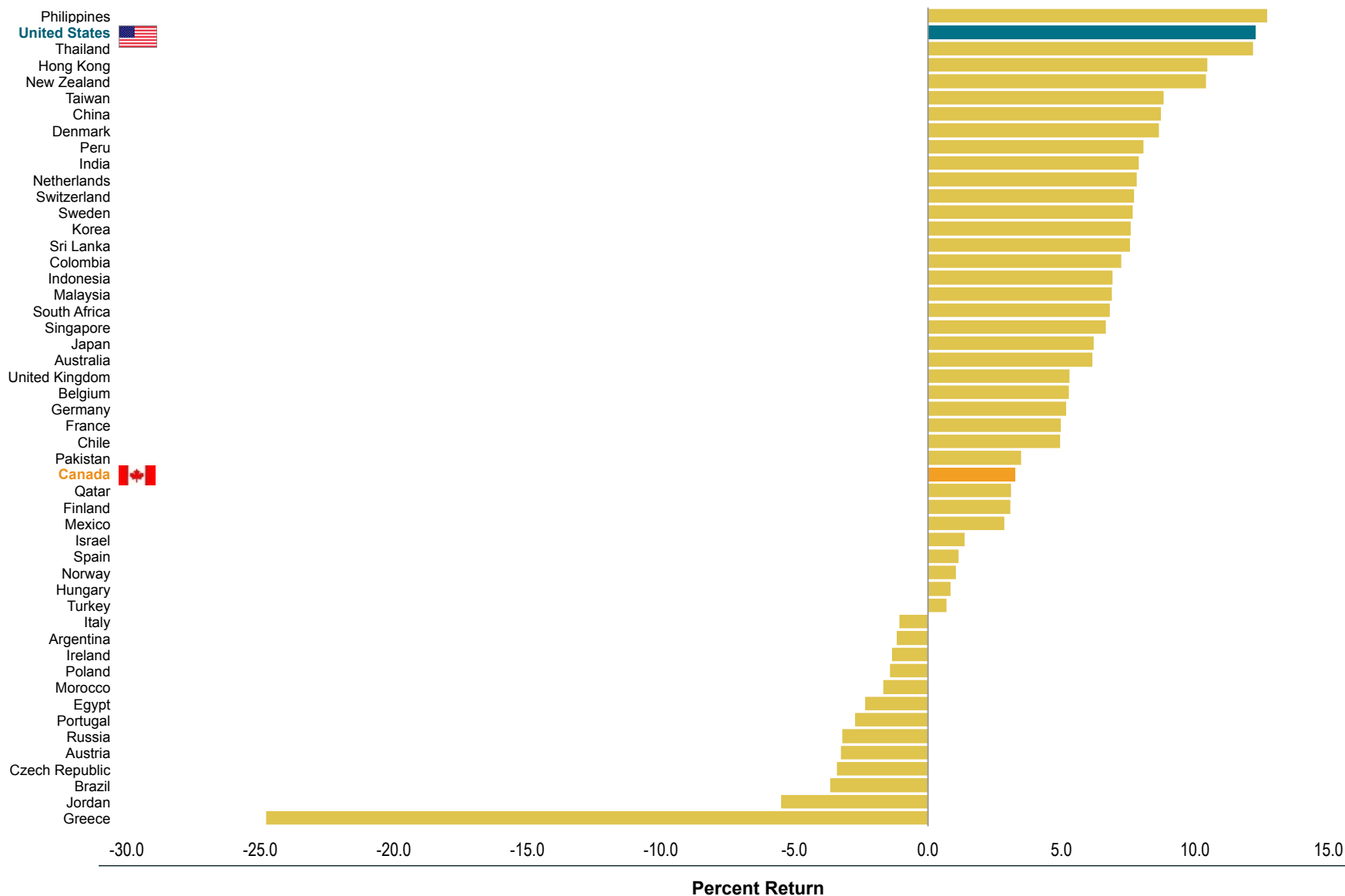
	Return in CAD	Return in Local Currency	Impact of Currency
1. Israel	13.27%	15.75%	-2.48%
2. Colombia	8.64%	11.96%	-3.32%
.			
 5. Canada	7.03%	7.03%	-
 6. United States	5.66%	3.56%	2.10%
.			
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.			
.			
.			
46. Turkey	-24.46%	-14.39%	-10.08%
47. Brazil	-24.89%	-14.78%	-10.11%

ONE YEAR RETURNS IN CAD AND LOCAL CURRENCY

	Return in CAD	Return in Local Currency	Impact of Currency
1. Peru	32.47%	31.91%	0.56%
2. Norway	30.13%	25.00%	5.13%
.			
 8. United States	16.01%	14.53%	1.48%
.			
 16. Canada	11.29%	11.29%	-
.			
.			
.			
.			
46. Turkey	-25.45%	-4.28%	-21.17%
47. Pakistan	-28.81%	-18.57%	-10.23%

MSCI Country Returns

Country Rankings—Ten-Year Annualized Returns as of June 30, 2018



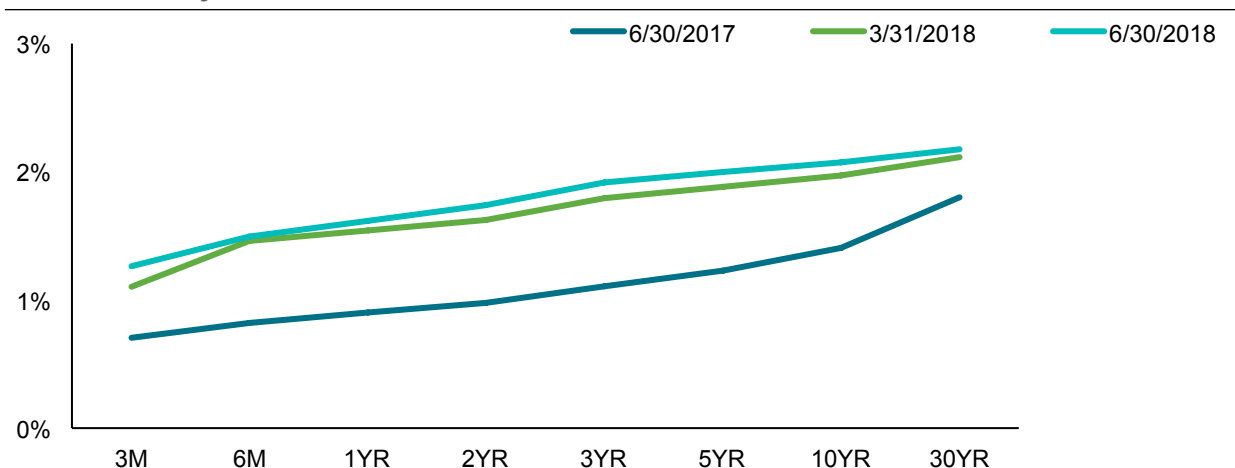
Data in Canadian dollars gross of fees. MSCI data copyright MSCI 2018, all rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Bond Returns

June 30, 2018

Index	Return (%)		
	Q2 2018	One Year	Three Years Annualized
FTSE TMX Canadian 30 Day T-Bill	0.31%	0.94%	0.63%
FTSE TMX Canada Short-Term Bond Index	0.31%	0.36%	0.71%
FTSE TMX Canada Mid-Term Bond Index	0.24%	-0.11%	1.54%
FTSE TMX Canada Long-Term Bond Index	0.92%	1.84%	3.96%
FTSE TMX Canada Universe Bond Index	0.51%	0.76%	1.97%
FTSE World Government Bond Index 1-5 Years (hedged to CAD)	0.04%	0.32%	0.90%

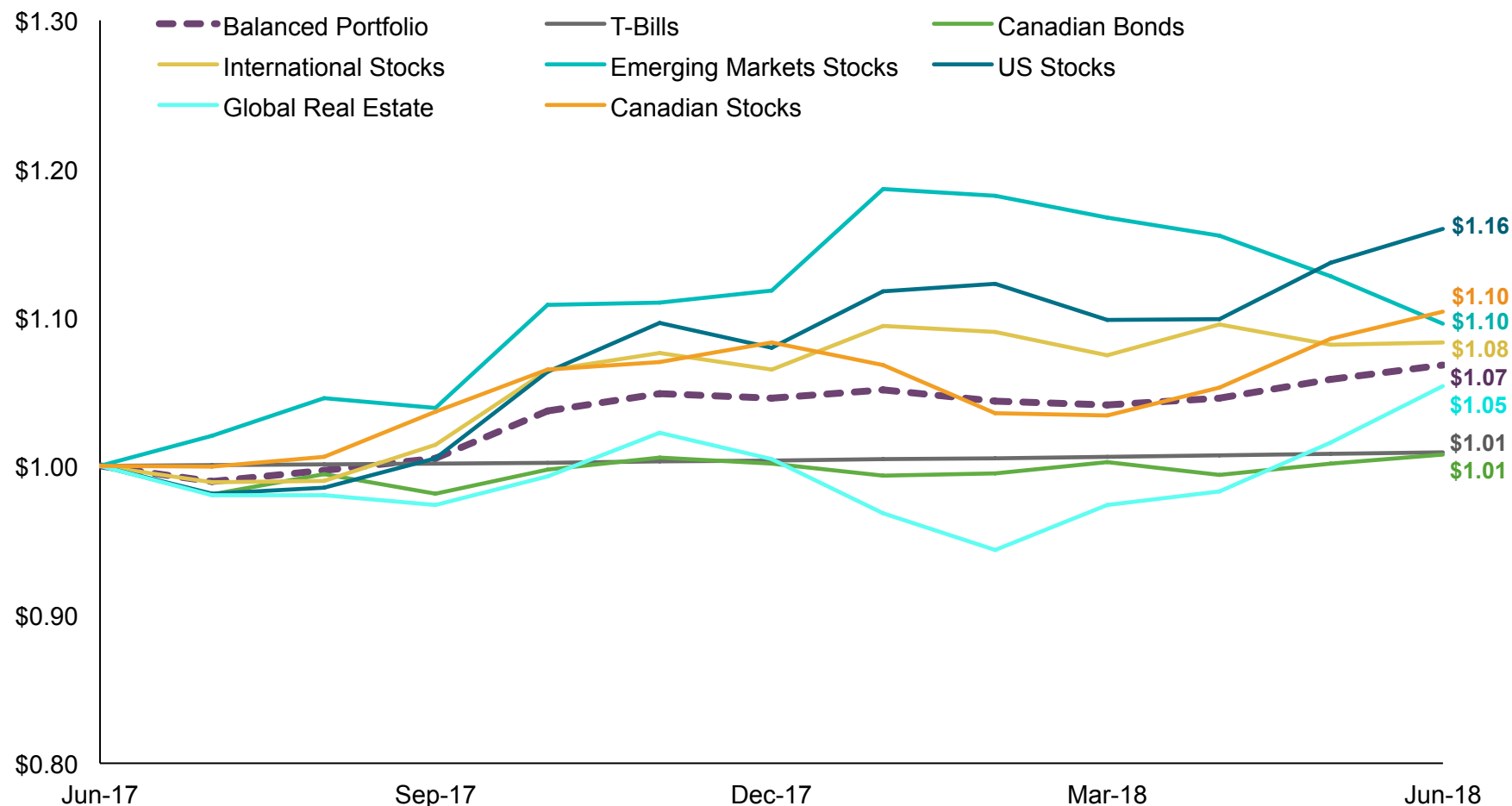
CAN Treasury Yield Curve



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Growth of Wealth

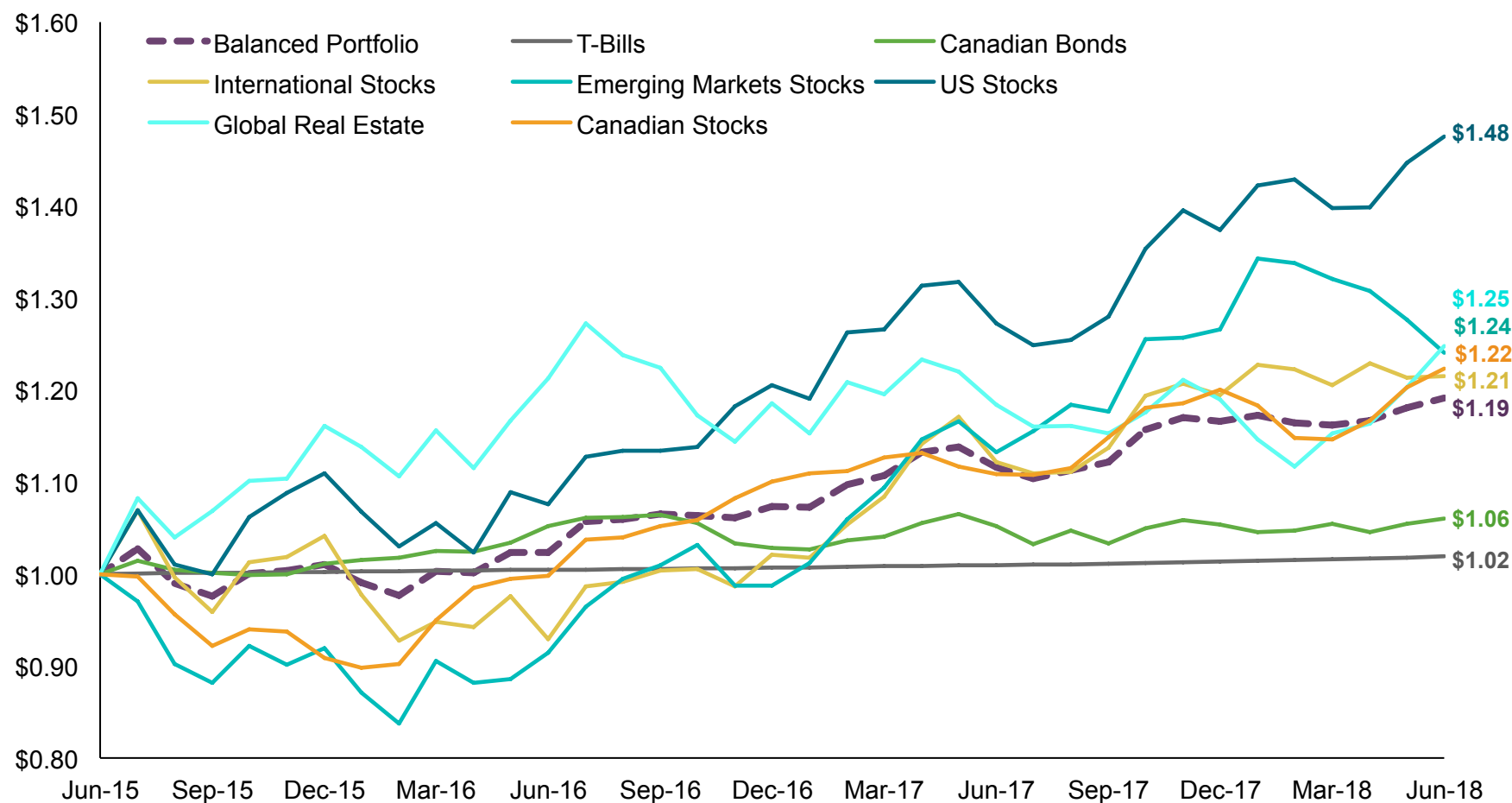
One Year as of June 30, 2018



In Canadian dollars. T-Bills is FTSE TMX Canada 30 Day T-Bill, Canadian Bonds is FTSE TMX Canada Universe Bond Index, International Stocks is MSCI EAFE Index (net div.), Emerging Markets Stocks is MSCI Emerging Markets Index (gross div.) from 01/1988 to 12/1998 and MSCI Emerging Markets Index (net div.) from 01/1999, US Stocks is S&P 500 Index, Global Real Estate is S&P Global REIT Index (gross div.) from 07/1989 to 12/2000 and S&P Global REIT (net div.) from 01/2001 and Canadian Stocks is S&P/TSX Composite Index. Balanced Portfolio is 10% T-Bills, 30% Canadian Bonds, 20% Canadian Stocks, 15% US Stocks, 15% International Stocks, 5% Emerging Markets Stocks and 5% Global Real Estate. Canadian fixed income data provided by FTSE TMX Global Debt Capital Markets Inc., all rights reserved. MSCI data copyright MSCI 2018, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Growth of Wealth

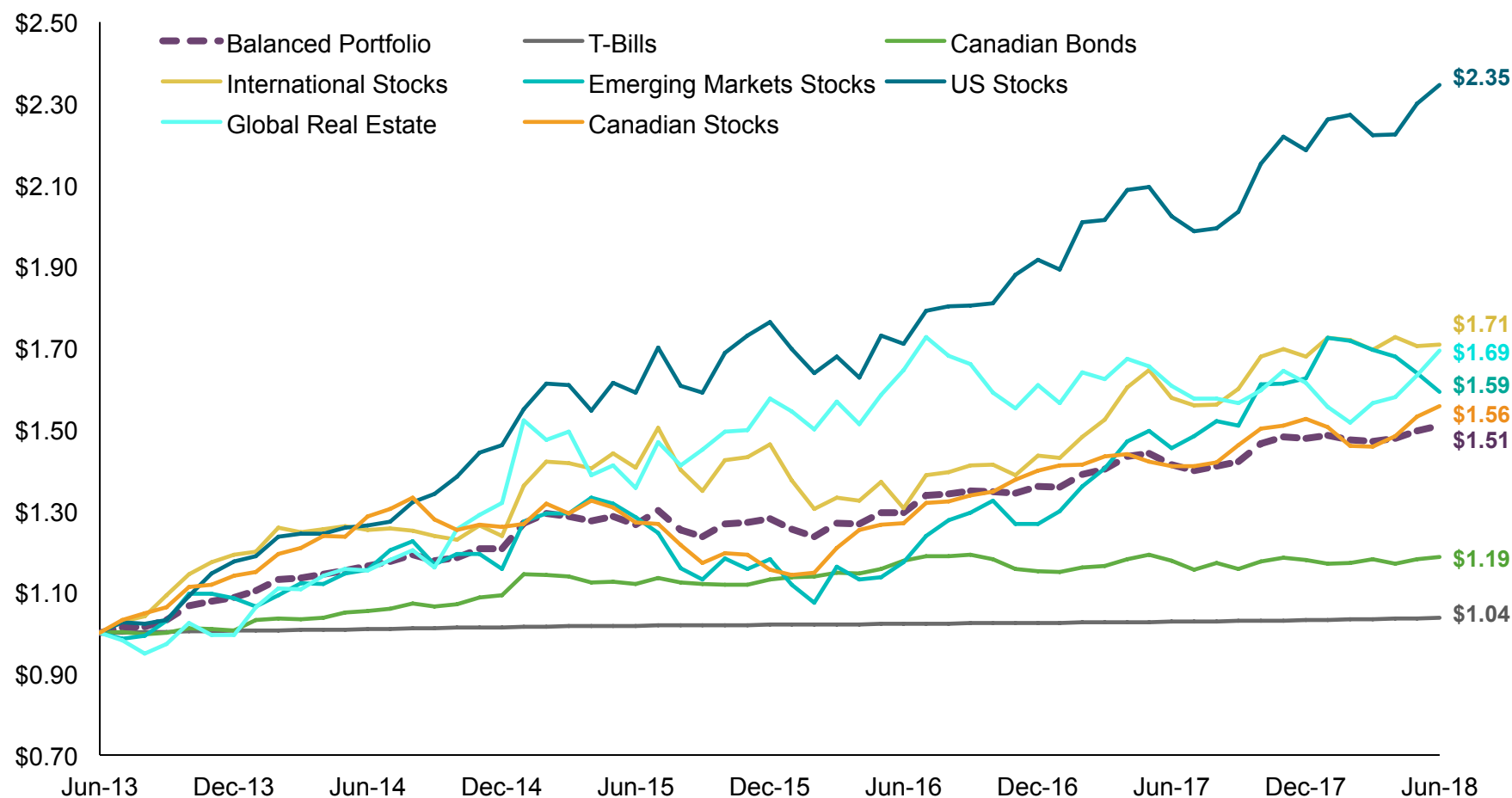
Three Years as of June 30, 2018



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Growth of Wealth

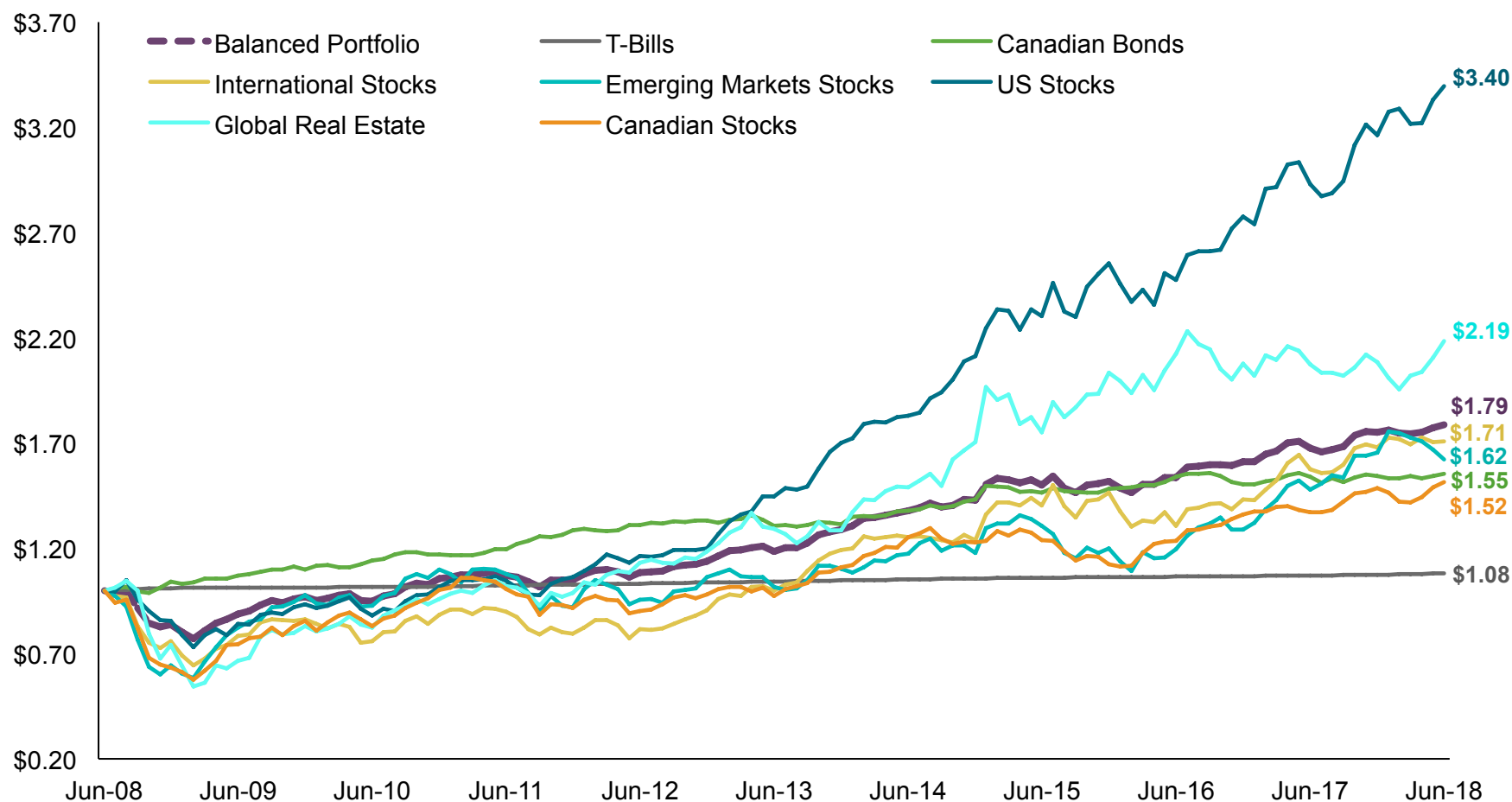
Five Years as of June 30, 2018



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Growth of Wealth

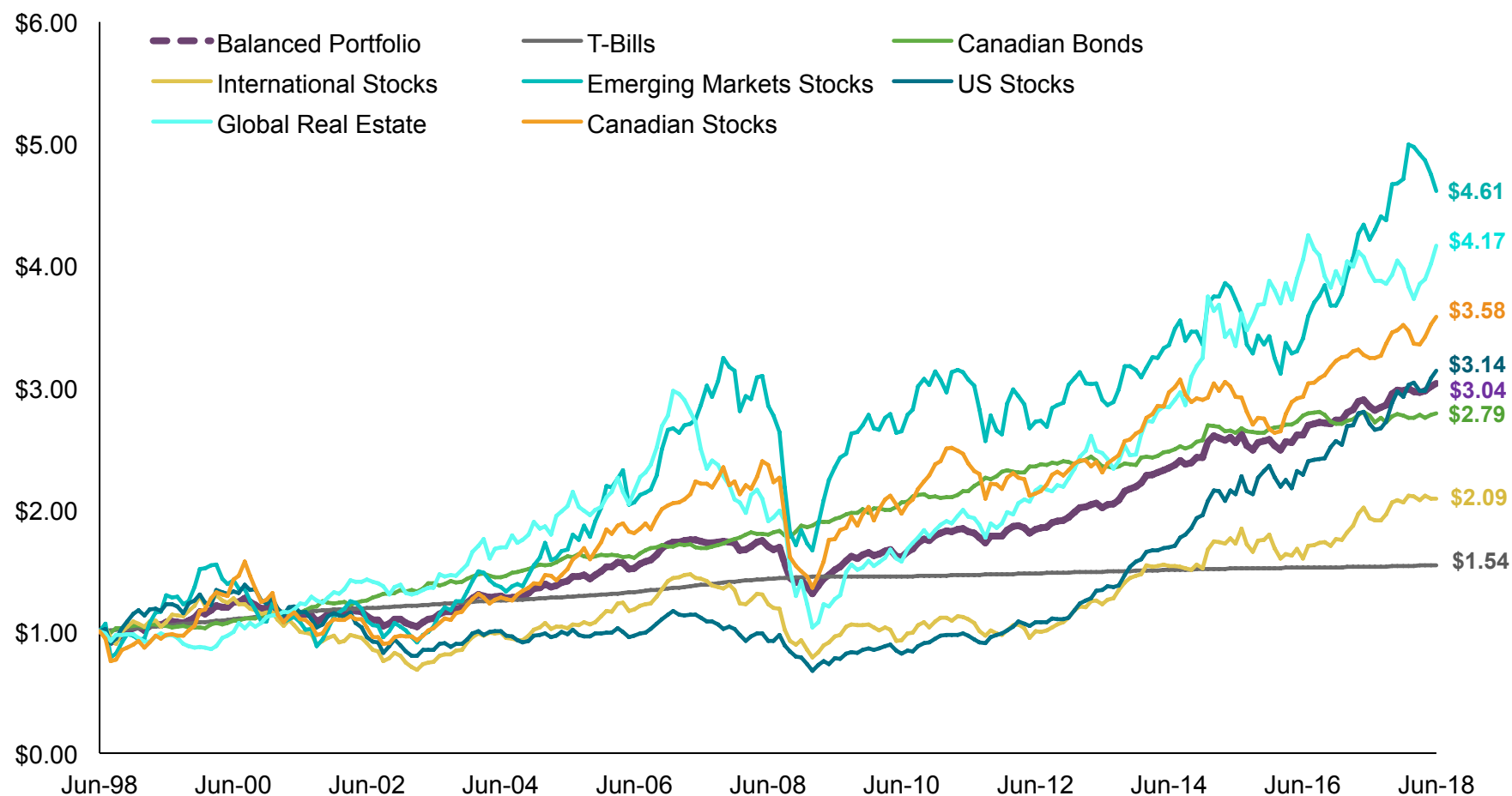
Ten Years as of June 30, 2018



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Growth of Wealth

Twenty Years as of June 30, 2018



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E+R=O, a Formula for Success¹

Second Quarter 2018

Combining an enduring investment philosophy with a simple formula that helps maintain investment discipline can increase the odds of having a positive financial experience.

“The important thing about an investment philosophy is that you have one you can stick with.”

David Booth

Founder and Executive Chairman
Dimensional Fund Advisors

AN ENDURING INVESTMENT PHILOSOPHY

Investing is a long-term endeavor. Indeed, people will spend decades pursuing their financial goals. But being an investor can be complicated, challenging, frustrating, and sometimes frightening. This is exactly why, as David Booth says, it is important to have an investment philosophy you can stick with, one that can help you stay the course.

This simple idea highlights an important question: How can investors, maintain discipline through bull markets, bear markets, political strife, economic instability, or whatever crisis du jour threatens progress towards their investment goals?

Over their lifetimes, investors face many decisions, prompted by events that are both within and outside their control. Without an enduring philosophy to inform their choices, they can potentially suffer unnecessary anxiety, leading to poor decisions and outcomes that are damaging to their long-term financial well-being.

When they don't get the results they want, many investors blame things outside their control. They might point the finger at the government, central banks, markets, or the economy. Unfortunately, the majority will not do the things that might be more beneficial—evaluating and reflecting on their own responses to events and taking responsibility for their decisions.

e+r=o

Some people suggest that among the characteristics that separate highly successful people from the rest of us is a focus on influencing outcomes by controlling one's reactions to events, rather than the events themselves. This relationship can be described in the following formula:

e+r=o (Event + Response = Outcome)

Simply put, this means an outcome—either positive or negative—is the result of how you respond to an event, not just the result of the event itself. Of course, events are important and influence outcomes, but not exclusively. If this were the case, everyone would have the same outcome regardless of their response.

Let's think about this concept in a hypothetical investment context. Say a major political surprise, such as Brexit, causes a market to fall (event). In a panicked response, potentially fueled by gloomy media speculation of the resulting uncertainty, an investor sells some or all of his or her investment (response). Lacking a long-term perspective and reacting to the short-term news, our investor misses out on the subsequent market recovery and suffers anxiety about when, or if, to get back in, leading to suboptimal investment returns (outcome).

To see the same hypothetical example from a different perspective, a surprise event causes markets to fall suddenly (e). Based on his or her understanding of the long-term nature of returns and the short-term nature of volatility spikes around news events, an investor is able to control his or her emotions (r) and maintain investment discipline, leading to a higher chance of a successful long-term outcome (o).

1. Jack Canfield, *The Success Principles: How to Get from Where You Are to Where You Want to Be* (New York: HarperCollins Publishers, 2004).

E+R=O, a Formula for Success¹

(continued from page 14)

This example reveals why having an investment philosophy is so important. By understanding how markets work and maintaining a long-term perspective on past events, investors can focus on ensuring that their responses to events are consistent with their long-term plan.

THE FOUNDATION OF AN ENDURING PHILOSOPHY

An enduring investment philosophy is built on solid principles backed by decades of empirical academic evidence. Examples of such principles might be: trusting that prices are set to provide a fair expected return; recognizing the difference between investing and speculating; relying on the power of diversification to manage risk and increase the reliability of outcomes; and benchmarking your progress against your own realistic long-term investment goals.

Combined, these principles might help us react better to market events, even when those events are globally significant or when, as some might suggest, a paradigm shift has occurred, leading to claims that “it’s different this time.” Adhering to these principles can also help investors resist the siren calls of new investment fads or worse, outright scams.

THE GUIDING HAND OF A TRUSTED ADVISOR

Without education and training—sometimes gained from bitter experience—it is hard for non-investment professionals to develop a cogent investment philosophy. And even the most self-aware find it hard to manage their own responses to events. This is why a financial advisor can be so valuable—by providing the foundation of an investment philosophy and acting as an experienced counselor when responding to events.

Investing will always be both alluring and scary at times, but a view of how to approach investing combined with the guidance of a professional advisor can help people stay the course through challenging times. Advisors can provide an objective view and help investors separate emotions from investment decisions. Moreover, great advisors can educate, communicate, set realistic financial goals, and help their clients deal with their responses even to the most extreme market events.

In the spirit of the $e+r=0$ formula, good advice, driven by a sound philosophy, can help increase the probability of having a successful financial outcome.

Adapted from “E+R=O, a Formula for Success,” The Front Foot Adviser, by David Jones, Vice President and Head of Financial Adviser Services, EMEA.

Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.

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