

Market Overview

In the third quarter, the Federal Reserve cut interest rates by 0.50%, the first reduction of this cycle, due to easing inflation and rising unemployment. The Bank of Canada also reduced its policy rate by 50 bps to 4.25% in the quarter. Despite some volatility, including a brief sell-off in early August, the S&P 500 achieved its fourth consecutive quarterly gain. U.S. stocks rose by 4.5% (C\$), with gains extending beyond mega-cap tech and AI-focused stocks. The Utilities sector led with a 17% gain (C\$), followed by Real Estate at 14.9% (C\$). The U.S. outlook remains cautiously optimistic, with markets anticipating a soft landing as easing extends into 2025.

Canadian stocks performed well and outpaced the U.S. this quarter, with the S&P/TSX Composite Index gaining 10.55% (C\$), driven by Real Estate (21.9%), Health Care and Financials (15.8%) sectors. Global stocks followed a similar trend, with the MSCI World Index up 5.1% (C\$), and value

stocks outperforming growth stocks, reflecting a shift in sentiment. Chinese markets rallied towards the end of the quarter, contributing to a more optimistic global outlook.

Commodities had mixed results, with WTI Crude Oil down 16.4% (US\$) due to global demand concerns, while precious metals performed well, with gold and silver maintaining double-digit gains.

The Canadian bond market, represented by the FTSE Canada Universe Bond Index, saw strong returns, nearly recovering from the 2022 drawdown, with the market pricing in more interest rate cuts. Both high-yield and investment-grade corporate bonds posted gains. U.S. bonds also gained, supported by the Fed's easing. While spreads widened slightly, they remained tight, indicating improved credit conditions.

Index and Currency Returns (%) Period Ended September 30, 2024

		Three Months	Six Months	One Year	Three Years	Five Years
Equities	S&P/TSX Composite Index	10.5	10.0	26.7	9.5	10.9
	S&P/TSX Equity Income Index	11.6	10.0	23.2	9.9	10.1
	S&P/TSX Small Cap Index	8.4	9.4	25.1	4.9	10.1
	S&P 500 Index (C\$)	4.5	10.2	36.2	14.3	16.4
	MSCI EAFE Index (C\$)	5.9	6.6	24.7	7.8	8.6
	MSCI World Index (C\$)	5.0	9.0	32.3	11.4	13.5
	MSCI World Value Index (C\$)	8.2	8.1	27.1	11.5	9.9
	MSCI World Growth Index (C\$)	2.2	9.8	37.4	10.7	16.4
Fixed Income	FTSE Canada Universe Bond Index	4.7	5.6	12.9	-0.1	0.6
	FTSE Canada All Corp Bond	4.7	5.8	14.0	1.5	2.1
	Bloomberg Barclays Global High Yield Index (C\$)	4.9	7.1	18.9	4.9	4.5
Currency	Canadian dollar vs US dollar	1.2	0.1	0.4	-2.1	-0.4
	Canadian dollar vs Euro	-2.7	-3.0	-4.7	-1.8	-1.5

Source: Morningstar, as at September 30, 2024

Fixed Income Update

The fixed income segment of the portfolio contributed positive returns and performed in line with the FTSE Canada Universe Bond Index. The top-performing fund for the quarter was 1832 AM Global Credit Pool on an absolute basis and performed in line with its benchmark (60% Barc US Credit (C\$H) / 40% Barc Global Agg (C\$H)). The Dynamic High Yield Bond Fund was the bottom-performing fund this quarter. Its defensive positioning and focus on higher-quality BB issuers limited its participation in the spread rally at the end of the quarter, negatively impacting overall results.

The core holdings within the fixed income segment both performed in line with the FTSE Canada Universe Bond index. The Dynamic Total Return Bond Fund benefitted from U.S. exposure as yields significantly fell and positions that took advantage of the yield curve steepening. The Dynamic Canadian Bond Fund benefitted from a higher running yield compared to the index and an overweight position to credit as spreads narrowed at the end of the quarter. Both funds were positioned with short duration, and this was a detractor as yields declined.

Equity Update

All regional allocations contributed positive returns this quarter led by the Canadian equity segment. With value and quality stocks leading this quarter, the underlying mandates focused in these areas contributed the most in absolute terms. The widely held Dynamic Dividend Advantage Fund was the top-performing fund driven by its exposure within sectors such as Healthcare and Financials as well as stock selection within the Energy sector. Mackenzie Bluewater Canadian Growth Fund was the lowest-performing fund within the Canadian equity allocation.

Within the U.S. equity segment, the value focused Mawer U.S. Equity Fund was the top performer and outpaced the S&P 500. Within international and U.S., the top-performing fund was the Dynamic Global Infrastructure Fund. This asset class has benefitted from the declining interest rates leading to an overall outlook moving forward. Dynamic Global Dividend Fund contributed the least to absolute performance and ended the quarter slightly negative. Primary detractors were positions in the Healthcare and Information Technology sectors.

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