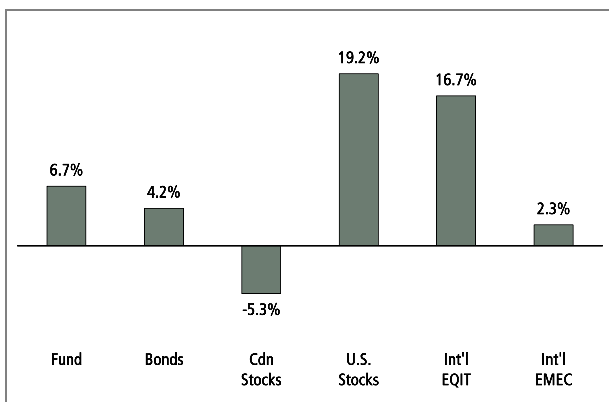
A Better Year than it Seemed

For most Canadian investors, 2015 felt like a terrible year. Headlines chronicled the collapse in oil prices, and the havoc that continues to wreak on the economy. Indeed, with a total return of -8.3%, the TSX Composite was one of the weakest markets in the world, and posted its worst results since 2011. However, many investors did not share the pain. In particular, Nexus client portfolios enjoyed solid gains in 2015. What is at the root of this dichotomy?

To start, the big losses in the Canadian market were felt primarily in the natural resources sectors. Energy and Materials stocks were decimated such that these sectors returned -22.9% and -21.0%, respectively. Other sectors of the Canadian market were not nearly so bad, and a few were even quite good.

Moreover, returns on non-Canadian equity investments were strong in 2015. To be sure, a sharp decline in the Canadian dollar provided a huge benefit to these investments. While this is not likely to repeat, it is one of the virtues of geographic diversification. It's impossible to forecast which market will be strongest in any given year, and often it turns out to be one that surprises investors. Similarly, foreign currency exposure provides an additional diversification benefit. When the Canadian economy struggles, as it did over the last year, a weaker loonie helps ease the pain by increasing the returns on our other investments. Conversely, when a strong Canadian dollar generates a headwind for non-Canadian investments, that typically occurs at a time when returns in Canada are good.



Nexus Balanced Fund – Component Returns for Year Ended December 31, 2015[1]

[1] Total returns for each asset class in C$.

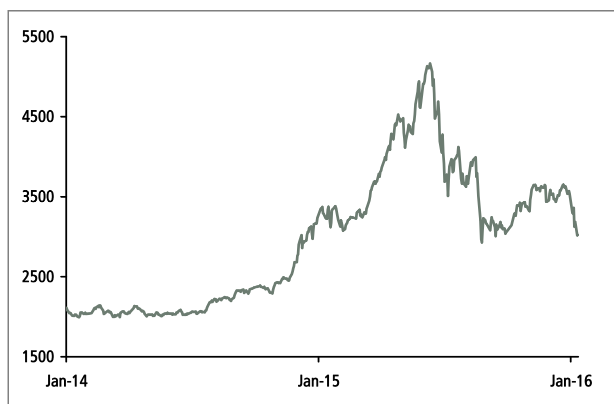
An Inauspicious Start to 2016

2016 started off with a bang. Not the celebratory kind that investors could enjoy, but rather a gut-wrenching tumble in stock markets around the world. The media have grimly highlighted the fact that the first five trading days of 2016 were the worst opening five days ever experienced in U.S. stock markets. Moreover, investors in other parts of the world have experienced similar pain. On a local currency basis, the Dow Jones was down 6.2% in this first week, the S&P 500 was down 6.0%, and the Stoxx Europe 600 (a composite of stocks across many European countries) shed 6.7%. Canada was a relative safe haven being down "only" 4.3%. After the recent downdraft, the TSX Composite is officially in a bear market, being down more than 20% from its September 2014 high. While the S&P 500 is only in "correction" territory (down 10% from its high), this is misleading due to the strong performance of a few large stocks. The average S&P 500 stock is down 22% from its high.

The catalyst for this sell-off seems to be worries about China. A further leg down in the principal Chinese stock markets has rattled investors. The Shanghai Composite plunged 10% during the first five days of 2016, and did so in dramatic fashion. During 2015, Chinese regulators established a "circuit breaker" mechanism to halt trading for 30 minutes when stocks plunge 5% and suspend it for the day when they plunge 7%. Twice in the first five days, trading in China triggered both the 5% and 7% thresholds. Investor angst was, and remains, palpable.

A clear concern is that the Chinese stock market is flashing warning signs that China's economic slowdown may be worse than many expect. For years, strong growth in China has been a key driver of global economic expansion. Recent data has investors worried that this important economy may be coming off the rails. Production growth has slowed in 18 of the last 19 quarters. There are many examples of how ham-handed government planning has generated excess capacity, unsold goods and services, insolvent banks, and a serious risk of credit crisis. However, we have written several times over the last year about how these observations are natural for an economy in transition. China is shifting from a high-growth to a moderate-growth economy, and from an investment-driven growth model to a consumption-driven growth model. We acknowledge that there are risks associated with this transition, but we expect China will slowly and successfully navigate its way.

We also contend that the Chinese stock market is not a useful leading economic indicator the way it is in developed markets. From July 2014 to July 2015, the valuation of Chinese stocks increased from 10 times trailing earnings to 25 times trailing earnings.[2] As this bubble inflated, no one predicted an imminent explosion in China's economic growth. Similarly, we don't think anyone should forecast a collapse in growth as the bubble deflates. The stock market is dominated by retail investors (in contrast with institutional investors in developed markets) and it is the only legally allowed "casino" in China. Local investors treat it as such.



Shanghai Composite Index

A Tale of Two Countries

As Charles Dickens wrote in 1859, "It was the best of times, it was the worst of times… it was the spring of hope, it was the winter of despair…"[3] If one allows a little poetic licence, and invokes a little imagination, it may be possible to see the North American investment landscape through this lens.

For Canada, the "winter of despair" may well be an apt description. Bank of Canada Governor Poloz recently described Canada's economic performance as a "serial disappointment". Economists expected moderate economic growth in 2015 of about 2%, and it likely grew at only 1%. Clearly, the deepening oil price collapse is a prime culprit, but our economy also had to deal with last winter's deep freeze, a major U.S. port strike, China's economic slowdown and various geopolitical issues such as the Greek debt crisis. Moreover, household debt in Canada is at record levels, limiting the ability of consumers to stimulate the economy.

Early in January, the Bank of Canada's Business Outlook Survey added to the despair by noting that the sharp decline in the commodity sector has spread to other parts of the economy. Despite all this gloom, however, expectations remain for a modest level of positive growth. As well, the beneficial effects of our dollar's decline typically take 18 to 24 months to manifest themselves. We've enjoyed little benefit to date, but economists, including Governor Poloz, believe our export-oriented industries may well enjoy this tailwind in 2016.

In contrast, the U.S. economy may well represent the "spring of hope". Most significantly, the U.S. labour market remains strong. A further 292,000 new jobs were added in December, making 2015 the second best year for job growth (after 2014) since 1999. To be sure, the U.S. economy faces challenges. Energy companies are suffering and major exporters are feeling the pain inflicted by a higher U.S. dollar (diminished competitiveness and foreign earnings that are worth less). Consumers have been reluctant to spend the windfall received from lower gasoline prices. Nevertheless, the U.S. Federal Reserve is sufficiently confident in U.S. growth that it began the process of raising interest rates in December. Expectations are for more interest rate increases in 2016. While we don't expect U.S. growth to be vibrant in 2016, we do remain optimistic that an accelerating recovery there will help Canada significantly, and will be a rare bright spot in the global economy.

Turbulent Times

Investors understandably are nervous about the period ahead. In times like these it is tempting is to do something. Anything. In fact, so long as one is invested in high quality companies, the most sensible approach is often to do nothing. The most critical decision every investor makes is with respect to asset mix. Most clients have some combination of bonds and stocks. Simplistically, bonds are to provide stability in times of turmoil and stocks are to provide long-term growth. The balance between the two should appropriately reflect each client's individual circumstances and risk tolerance. In difficult times, stocks will be volatile and bonds will be valuable. One day, commodity prices will recover, the Canadian dollar will strengthen, and economic growth will accelerate. There is no way to predict when this will happen, but when it does, stocks will shine and bonds will sour. By sticking to their plan, clients will be cushioned on the downside and positioned to benefit in the recovery. There is good reason to sleep well at night.

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[2] *The Globe & Mail,* January 8, 2016.

[3] The opening of Charles Dickens's novel, *A Tale of Two Cities.*

Asset Class Investment Review

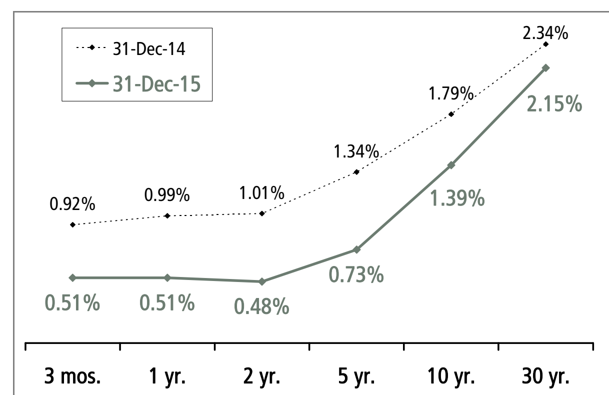
Fixed Income

Since the end of the third quarter, bond markets on both sides of the border were transfixed by the possibility of a change in the U.S. Federal Reserve's zero interest rate policy. Over many months, careful messaging about the factors that would drive the Fed's decision to perhaps raise rates meant that when the change ultimately did come on December 16th, it was well anticipated. However, given that it was the first increase in almost a decade, and many investors have spent their entire careers knowing only progressively lower central bank interest rates, it was still news.

Of course, due to weaker economic performance in Canada and continued soft commodity markets, the message from the Bank of Canada was different than that from the U.S. Fed. In fact, earlier in December, the Bank of Canada released a paper entitled, "Framework for Conducting Monetary Policy at Low Interest Rates." In both the paper, as well as the discussion by Governor Poloz that accompanied the release, the possibility of negative interest rates was discussed, thus shining a light on the divergent state of monetary policies between the two countries. These different approaches and sets of economic circumstances meant that the performance of the two markets differed markedly. As an example, over the course of 2015, Canadian five-year bond yields fell from 1.34% to 0.73%. In the U.S. however, five-year treasury bonds moved in the opposite direction, rising from 1.65% to 1.79%. Little wonder that the Canadian dollar declined almost 20% in 2015, from US$0.86 to US$0.72.

For Canadian bond investors, the reality of soft domestic economic performance – largely as a consequence of weak commodity prices – meant that rates fell all along the yield curve, but mostly in the short-end (see graph). In the fourth quarter, the FTSE TMX Canada Universe Bond Index (the Bond Index) returned 1.0% and finished the year with a return of 3.5%. Our return, using the bonds in the Income Fund as a proxy, trailed the Bond Index over the quarter, but beat the Bond Index over the year. For the quarter, the return was 0.7%. But for the year, our return was 4.2%.

We made only a few minor changes to the portfolio in the quarter. With the passage of time, we made some rebalancing trades to maintain a portfolio duration of slightly more than five years and we retained our emphasis on quality – investing new cash in high-quality municipal bonds issued by the Municipal Finance Authority of British Columbia and the Regional Municipality of York (each rated AAA). This emphasis on quality means lower interest income, but also means we have avoided the negative effects of widening credit spreads that have hurt bond returns, particularly for bonds with lower credit ratings.



Government of Canada Yield Curve

As for the overall direction of interest rates in 2016, we believe that, owing to improved U.S. and global economic performance, interest rates have now begun a slow journey back to more normal levels. Although there are many downside risks to the U.S and global economic recoveries, and Canada in particular continues to be beleaguered by weak commodity prices, we think that emergency levels of monetary liquidity are no longer required. For bond investors, that means continued low returns. More importantly perhaps, bonds will still provide short-term capital protection in the event of some unforeseen crisis.

Equities

The fourth quarter of 2015 felt miserable for equity investors, but the total return "print" was actually good. The Equity Fund returned 3.5% in the quarter and 6.9% for the year.[4]

However, a peek behind the glitzy wrapping reveals a more nuanced tale. Canadian equity returns were negative for the quarter and year. U.S. equity returns look good, but this was due to the weak Canadian

[4] All the return data in the Equities section are for the Equity Fund. Equity returns within the Balanced Fund were similar. For more specific performance, please refer to the Fund reports in this document or your client-specific report.

dollar. For the full year, the massive decline of the Canadian dollar improved our U.S. equity returns by 20%.[5] Strong international returns and a small positive return in emerging markets also helped.

The new year has started off poorly, due to both geopolitical and fundamental concerns. Although we don't attempt to forecast the economy or the markets, we are watchful but sanguine about the longer-term prospects for our investments.

Canadian Equities

Nexus's Canadian stocks were down 1.5% in the quarter and down 5.5% for the year. This was in line with the TSX Composite's -1.4% for the quarter and substantially better than its 8.3% loss for the year.

Poor Canadian market returns reflect Canada's high overall commodity orientation, disastrous current commodity prices and an all-round thrashing from the new Federal and Alberta governments that will dampen business enthusiasm for new investment in Canada for years to come.

Remarkably, the ten-year total returns from each of the TSX Energy and Materials sub-indices is negative. At some point, this must improve – the question is when.

In the quarter we sold Bombardier from the portfolio. We established a small position in early 2015 after it recapitalized with a new equity issue and changed management. We viewed it as an atypical, high risk, but potentially high return turnaround. Since then, it has become apparent that the equity raise was inadequate and Bombardier has been forced to raise additional funds by giving up a substantial portion of its future upside. While chastened by this, we recognize that it was a small holding and had a very minor impact on overall returns.

U.S. Equities

Nexus's U.S. equities were up strongly, returning 7.3% in the fourth quarter and 18.1% for the year. For both the quarter and year we trailed the S&P 500 index by about 3%. Slightly more than all of the full year return came from the weaker C$, so this was not a good year for underlying investment returns. Despite this, our longer-term U.S. equity returns remain very strong on an absolute basis and ahead of the S&P 500 over longer periods.

In the quarter, we established a new holding, PRA Group Inc. PRA purchases non-performing loans at a discount from the big banks and works to recover part of the loans for its own account. This may sound like a strange business, but it is one where PRA has a good track record and competitive position due to its expertise in valuing and collecting these loans, aided by regulatory barriers to entry. Regulatory issues (mainly affecting the banks, but also impacting PRA itself) have constrained the supply of new loans and made for a more attractive valuation for PRA – both of which we believe will prove temporary.

Another change in the quarter was that Hewlett-Packard divided into two entities, HP Inc. and Hewlett Packard Enterprises. HP is the consumer-oriented PC and printer business and HPE provides hardware and services to corporations. Both entities have been struggling and are trading at a low valuation. We think that they will recover.

Other Equity Investments

We continue to hold two non-North American equity investments within our Balanced and Equity Funds. These are two externally-managed pooled funds called EQIT (international developed market equities) and EMEC (emerging market equities).[6]

In a strong reversal from the third quarter, EQIT was up 8.8% in the most recent quarter and up 16.7% for the year. EMEC was up 3.8% in the quarter and up 2.3% for the year. As we are essentially holding EQIT and EMEC in lieu of Canadian equities, both have been a strong assist to our relative performance over the twelve months and testament to the benefits of diversification. For more information on EQIT and EMEC, please see the Nexus International Equity Fund section of this report.

[5] Except where indicated, all U.S. and international returns are measured in Canadian dollars.

[6] Both funds are managed by teams from JPMorgan Asset Management based in London, England.

Pooled Fund Reports

Nexus North American Equity Fund

Despite a prevailing mood of great unease, the final quarter of 2015 turned out to be a strong one. The Nexus North American Equity Fund lagged our benchmark, which rose 4.0%, but generated a respectable 3.5% return in a challenging environment. Over the year the Fund returned 6.9%, well ahead of our benchmark's return of 4.6%.

We are pleased the Fund has out-performed the benchmark over longer time periods. But we are just as pleased that it continues to do so with limited volatility. In the last ten years, the Fund generated an annual average return of 7.6%, comfortably above the 6.6% return from the benchmark. Over the same period, the volatility of our returns has been 12% less than that of the benchmark. More detail of the Fund's performance is set out in the table below.

Gutted by the returns of the energy and materials sector, as well as the substantial correction in the price of Valeant Pharmaceuticals, the TSX had a ghastly 2015, experiencing a loss of 8.3%. Our selections did better, experiencing a loss of 5.5% over the same period. That investors in our Fund had a positive experience in 2015, owed almost entirely to the weaker Canadian dollar. The S&P 500 generated a small positive return of 1.4% in U.S. dollars when dividends are included. But after adjusting for the effect of the weak Canadian dollar, returns ballooned. Our U.S. holdings generated an 18.1% return and the S&P 500 returned 21.0% when expressed in Canadian dollar terms.

A pleasant surprise in an environment of great international tumult has been the positive effect from our investments outside North America. In 2015, our investments in non-North American developed markets, EQIT, as well as in emerging markets, EMEC, each performed substantially better than the TSX. In fact, despite five years of extremely difficult economic and political conditions in Europe and Japan, EQIT has returned 10.9% per annum. Over that time the TSX has generated only a 2.3% annualized return. This is a reminder that sometimes the best returns come from being prepared to be contrary-minded and to differ from the consensus. A more detailed explanation of developments in equity markets appears earlier in the Asset Class Review section of this report.

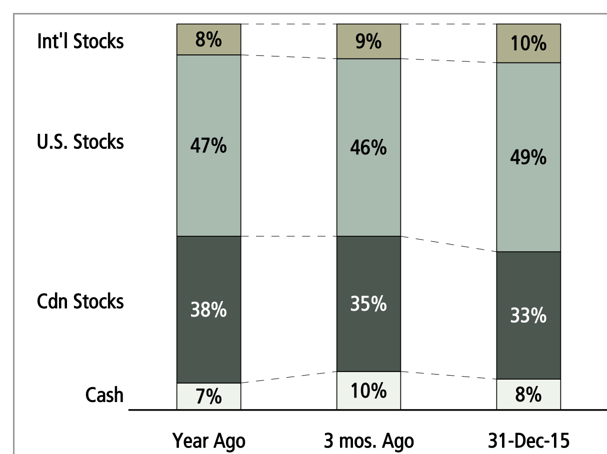
The current environment demands that our holdings have a higher-quality bias. Quality provides some measure of downside protection in a difficult world. It also positions the portfolio with strong companies that can take advantage of the weakness of their competitors in difficult times. Suncor's pursuit of Canadian Oil Sands is a current example of how a high-quality company can take advantage of a lower-quality competitor.

Our cash position is 8%, slightly less than it was at the end of the prior quarter and above our guideline of 5%. Our allocation to Canadian stocks is 33%, about where it was when we last reported, and our U.S. allocation is 49%. The balance of 10% is invested outside of North America through our holdings of EQIT and EMEC.

	Equity Fund	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter				
Fund	3.5%	-1.5%	7.3%	6.9%
Benchmark	*4.0%*	*-1.4%*	*10.6%*	
One Year				
Fund	6.9%	-5.5%	18.1%	10.2%
Benchmark	*4.6%*	*-8.3%*	*21.0%*	

Returns are presented before deduction of management fees. Benchmarks are (a) for the Fund: 5% FTSE TMX 91 Day TBill, 50% TSX, and 45% S&P 500 (in C$) (rebalanced monthly); (b) for Cdn Stocks: TSX; and (c) for U.S. Stocks: S&P 500 (in C$).

Investment Returns – As at December 31, 2015



Equity Fund Asset Mix

Nexus North American Balanced Fund

The Nexus North American Balanced Fund had a strong final quarter, advancing 3.0% in a challenging environment and beating the benchmark return of 2.3%. In 2015, the Fund has returned 6.7% – well ahead of the benchmark return of 2.6%. Our returns for 2, 3, 5 and 10 year periods also are higher than the benchmark and very attractive on an outright basis. More detail on the Fund's performance is laid out in the table below.

Beginning first with the bond market, the big news of the quarter was the long-awaited increase to the U.S. federal funds rate. This was the first increase in almost a decade and is likely to be followed by more increases in 2016 and 2017. However, the strategies of the U.S. Federal Reserve and our own Bank of Canada are now quite different. This divergence owes to differing economic recoveries. In the U.S., signs of economic improvement justify a gradual tightening of monetary conditions, whereas in Canada, low commodity prices remain a powerful drag on economic activity. Low rates and a policy of maintaining a weak Canadian dollar will remain the Bank of Canada's prescription for economic stimulus for some time yet. In the most recent quarter, the Bond Index generated a 1.0% return, but the bond component of the Fund returned 0.7%. The unfavourable performance is a continued result of our holdings having a shorter maturity profile than the Bond Index during a period of falling interest rates. A more detailed explanation of developments in bond markets appears earlier in the Asset Class Review section of this report.

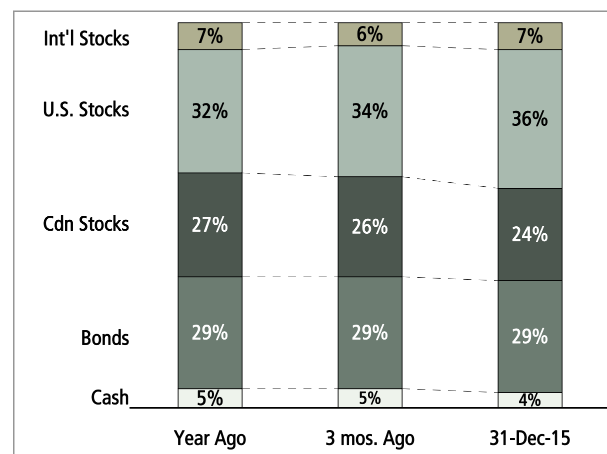
In equity markets, there were wide differences in returns between domestic and international markets. In the quarter, the performance of the Fund's Canadian equities was -1.5%, basically in line with the TSX Index which fell 1.4%. However, we did better than the TSX over the year. In 2015, our Canadian holdings lost 5.3% while the TSX lost 8.3%. On the brighter side, due to the decline in the Canadian dollar, investments outside Canada fared very well in 2015. In the quarter, our U.S. holdings rose 7.8%, trailing the S&P 500 which rose 10.6% when measured in Canadian dollars. For the year, our U.S. holdings returned 19.2%, while the S&P 500 returned 21%. In addition, both of our international fund investments, EQIT and EMEC, produced significantly positive returns and were a great alternative to Canadian equities. A more detailed explanation of developments in equity markets appears earlier in the Asset Class Review section of this report.

Due to differences in performance and deliberate portfolio decisions, our allocation to investments outside Canada has increased. Our overall asset mix is little changed from the prior quarter and the allocation between cash (4%), bonds (29%) and stocks (66%) remains very close to our long-term guidelines.

	Balanced Fund	Bonds	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter					
Fund	3.0%	0.7%	-1.5%	7.8%	7.0%
Benchmark	*2.3%*	*1.0%*	*-1.4%*	*10.6%*	
One Year					
Fund	6.7%	4.2%	-5.3%	19.2%	11.4%
Benchmark	*2.6%*	*3.5%*	*-8.3%*	*21.0%*	

Returns are presented before deduction of management fees. Benchmarks are (a) for the Fund: 5% FTSE TMX 91 Day TBill, 30% FTSE TMX Universe Bond, 40% TSX, and 25% S&P 500 (in C$) (rebalanced monthly); (b) for Bonds: FTSE TMX Universe Bond; (c) for Cdn Stocks: TSX; and (d) for U.S. Stocks: S&P 500 (in C$).

Investment Returns – As at December 31, 2015



Balanced Fund Asset Mix

Nexus North American Income Fund

Canadian interest rates fell modestly over the quarter, as investors realized that an acceleration of the economy was still not at hand, and that monetary policy would need to remain supportive for some time yet. The economy has not recovered well due to a number of factors. But low oil prices remain the most significant drag on economic performance. The Nexus North American Income Fund increased 1.2% this quarter, and returned 3.9% over the year. The Fund has fared slightly better than its benchmark, the Bond Index, which increased 1.0% over the quarter and 3.5% for 2015. More detail of the Fund's performance is set out in the table below.

While we continue to emphasize a portfolio of shorter-dated, higher-quality bonds, this quarter we increased the maturity of our portfolio from a duration of 4.3 years to a duration of 5.1 years. In essence, this is an acknowledgement that the Bank of Canada was more comfortable with very low rates and a weak currency than we had previously expected. Despite an increase in the U.S. federal funds rate in December, we now expect Canadian interest rate policy to remain highly accommodative for at least the first half of 2016. Importantly, we have made no changes to the underlying credit quality of our holdings, which remains very high. A more detailed explanation of developments in bond markets appears earlier in the Asset Class Review section of this report.

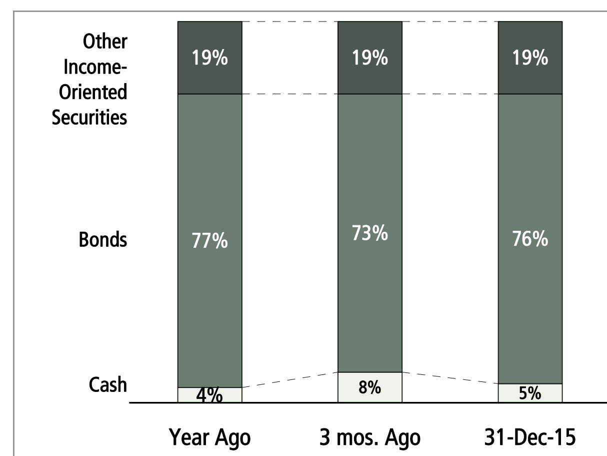
Looking at the "Other Income-Oriented Securities" in the portfolio, the sell-off in equity markets continued to work against these holdings. Thankfully, a portion of this weakness was offset by the positive effect of the declining Canadian dollar on the valuation of our U.S. investments. Diversification of both businesses and currencies has its benefits! Using high quality income-producing businesses as a method of augmenting returns in an ultra-low interest rate environment, is a strategy we remain fully committed to and confident in.

At the end of 2015, cash accounted for 5.5% of the Fund, "Other Income-Oriented Securities" for 19% and the balance, 75.5%, is in our core bond holdings.

	Income Fund	Bonds	Cdn Stocks	U.S. Stocks
Quarter				
Fund	1.2%	0.7%	-2.3%	18.4%
Benchmark	*1.0%*	*1.0%*		
One Year				
Fund	3.9%	4.2%	-6.3%	38.5%
Benchmark	*3.5%*	*3.5%*		

Returns are presented before deduction of management fees. Benchmarks are (a) for Fund: FTSE TMX Universe Bond; (b) for Bonds: FTSE TMX Universe Bond. In addition to bonds, up to 20% of the Fund's portfolio may be invested in equities.

Investment Returns – As at December 31, 2015



Income Fund Asset Mix

Nexus International Equity Fund

The fourth quarter was the first full quarter for the new Nexus International Equity Fund ("NIEF"), a pooled fund invested in international developed markets ("EAFE") and emerging markets ("EM").[7] NIEF holds two underlying funds – EQIT (invested in international developed market equities) and EMEC (invested in emerging market equities) – both of which are managed by JPMorgan Asset Management in the United Kingdom.

Prior to NIEF's launch, many Nexus clients had some exposure to these funds, either directly or as holdings within the Nexus Equity and Balanced Funds. The Balanced and Equity Funds will continue to hold EQIT and EMEC directly. NIEF serves the purpose of making the integrated "package" of EQIT and EMEC more accessible to our clients. Each of EQIT and EMEC had a $150K minimum investment, whereas NIEF can be purchased in any size. These investments complement Nexus's North American equity exposure and offer additional diversification. NIEF is currently comprised of 66% EQIT and 34% EMEC. The combination offers more growth than EQIT alone and less volatility than EMEC alone.

In the quarter, NIEF had a total return of 7.0%. This was comprised of a return of 8.8% for EQIT and 3.8% for EMEC. These returns are in line with their respective indices and are very satisfactory in light of the ongoing concerns and negative sentiment around EAFE and EM. Over the past year, EQIT is up 16.7% per year and EMEC is up 2.3%.

We continue to like the longer-term prospects for NIEF, both for developed and emerging markets. For developed markets, while Europe and Japan are, and will continue to be, areas of slow economic growth, many of the public companies in these areas operate globally and offer global growth exposure. As per JPMorgan estimates, corporate profitability for EAFE overall may well increase more than 10% in 2016. Profit growth will be aided by improving economic growth, declining unemployment in Europe, weak currencies, low oil prices, as well as central bank stimulus in Europe and Japan.

Emerging markets have experienced challenges, such as issues in China, divergent interest rate policies relative to the U.S. and low commodity prices. China certainly has issues, such as a high level of private debt, stock market volatility and a strong currency. Slower growth in China is a natural outcome of a maturing economy, not a fundamental issue. Even at 6% real GDP growth, which is below current levels, Chinese growth is the envy of the developed world. Demographics, urbanization, productivity increases and the weak currencies of most EM countries (other than China) are constructive long term. Nonetheless, the short-term headline challenges and ongoing geopolitical issues will add to volatility and may well reduce returns for a period of time. Longer-term investors should look through this.

Valuation levels are reasonable in EAFE and compelling in EM, as illustrated in the table below.

[7] "International developed markets" includes all developed markets outside of North America and is referred to as EAFE (Europe, Australasia and the Far East). "Emerging markets" include 23 developing countries, such as India, China, South Africa, Brazil, Taiwan, and South Korea.

	International Equity Fund	EQIT	EMEC
Quarter			
Fund	7.0%	8.8%	3.8%
Benchmark	*7.1%*	*8.2%*	*4.0%*
One Year			
Fund	n.a.	16.7%	2.3%
Benchmark	*n.a.*	*18.3%*	*1.5%*

Returns are presented before deduction of management fees. Benchmarks are (a) for Fund: 75% MSCI EAFE (in C$) and 25% MSCI Emerging Mkts (in C$) (rebalanced monthly); (b) for EQIT: MSCI EAFE (in C$); and (c) for EMEC: MSCI Emerging Mkts (in C$).

Investment Returns – As at December 31, 2015

	Price / NTM Earnings(1)	Price / Book	Dividend Yield
Int'l Developed Markets (EAFE)	14.7x	1.6x	3.2%
Emerging Markets (EM)	11.0x	1.3x	2.8%
S&P 500 (U.S.)	16.1x	2.6x	2.2%

(1) Price to next 12 months earnings

Comparative Index Statistics – As at December 31, 2015