THE NEXUS REPORT
Third Quarter, 2016

Climbing a Wall of Worry

After struggling through 2015, the Canadian stock market has been red hot in 2016. The TSX Composite rose another 5.5% in the last quarter to be up 15.8% in the first nine months of the year.[1] The U.S. market also took wing in the third quarter after a tough start to the year. Over the last three months the S&P 500 generated a total return of 4.7% in Canadian dollar terms. An even more dramatic rebound came in international equity markets. EAFE[2], which represents international developed markets, bounced 7.3% during the quarter, and Emerging Markets gained 9.9%.

The strong gains this summer may be a bit confounding to many investors as there was no particularly good news to explain investor enthusiasm. In fact, the quarter was a wonderful example to illustrate the cliché in financial markets about how stocks sometimes "climb a wall of worry." As you will read below, the investment environment continues to be filled with uncertainty and it feels like most risks are to the downside. Yet, in the face of all sorts of investor angst, stocks enjoyed an impressive march higher.

Never A Dull Moment

Last quarter we wrote about two major political issues that have investors concerned – "Brexit" and the U.S. presidential election. Three months later these two stories remain central issues in the investment landscape.

In late June, the U.K.'s vote to leave the European Union ("EU") took the world by surprise. However, after a few days of market gyrations, investors seemed to calm down and markets rebounded quickly. Theresa May quickly replaced David Cameron as Prime Minister and the rhetoric around the event remained calm through the summer. Most observers seemed to think that the likely outcome to the referendum was a "soft" Brexit whereby the U.K. remained part of the EU for trade purposes, but gained greater independence politically. However, the issue has come right back to the fore over the last several weeks as May declared quite stridently that her mandate is for a "hard" Brexit. This is a scenario in which the U.K. severs all ties both politically and economically. In this case, the U.K. will gain complete control over immigration policy – perhaps the biggest priority for Brexit supporters – but it will lose its historic access to European markets. New trade deals will need to be negotiated with an organization that is unlikely to be generously accommodating after the snub by British voters. In response to this revelation the British pound has fallen to its lowest level in over 30 years. Much uncertainty shrouds the U.K. economy.

On this side of the Atlantic, little has happened in the last three months to calm investor nerves over the unusual race for President of the United States. Never in history has the battle for the Oval Office been waged by two less popular candidates. Many votes will be cast on the basis of who the voter dislikes the least. Needless to say, such a situation is not the recipe for a buoyant stock market.

At the time of writing it seems that momentum has shifted to Hillary Clinton, although there have been so many twists and turns in the campaign anything could change in the next few weeks. While we do not wish to recommend one candidate over the other, we do believe that Clinton is the less risky candidate in the eyes of investors. Trump's diatribes against long-standing trade deals like NAFTA and rhetoric around imposing punitive tariffs on Chinese imports harkens back to the disastrous Smoot-Hawley Tariff Act in 1930 that many believe was the catalyst for the Great Depression. Moreover, markets do not like uncertainty and Trump's shoot-from-the-hip style of politics is worrisome to investors. While Clinton's policy platform is not particularly friendly to business, she appears to be the "less bad" option in the eyes of most investors.

Slow Growth Endures

After a year of serial disappointment[3] in the Canadian economy, the September employment report undoubtedly gave some a renewed hope that our economy is improving. The headline number in the report – 67,000 new jobs created – blew away expectations for 7,500 new jobs. It was the strongest monthly report in four years and the first time in almost a year that Canada has enjoyed two consecutive months of job growth. A closer look at the details, however, leads one to be a bit less enthusiastic. A large part of the gain came from part-time jobs and also from a spike in the self-employed, a category that is notoriously unreliable and

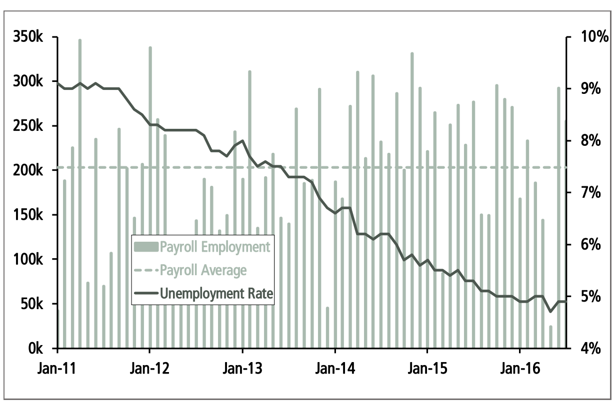
[1] Returns referenced in this paragraph are total returns in Canadian dollars.
[2] EAFE stands for "Europe, Australasia and the Far East".
[3] "Serial disappointment" is a phrase used by Bank of Canada Governor Poloz in a speech last year about the economy.

somewhat suspicious. As well, wages rose at the anemic rate of 1.6% year-over-year.

While not as good as it may have seemed at first, the jobs report is nonetheless a step in the right direction. Economic conditions do seem to be slowly improving. The Bank of Canada's recent Business Outlook Survey also signaled modest improvement as firms indicated an intention to hire and invest at the highest level in two years. While credit conditions remain tight for some firms, the mood among businesses has clearly improved a little.

We remain hopeful that the Canadian economy will soon gather momentum. However, an improvement in international trade will be an important piece of the puzzle. The weakened Canadian dollar was supposed to energize export-oriented manufacturers, but Canada continues to struggle on the trade front. Non-energy export volumes fell again in August, yet the overall trade deficit has declined noticeably from record levels in the spring. It's too early to call this good news, but the trend is in the right direction.

The U.S. economy continues to be supported by a very strong employment picture. September employment growth of 156,000 new jobs was slightly less than economist forecasts but the overall strength of the labour market remains intact. While the unemployment rate rose slightly, from 4.9% to 5.0%, this was because of an increase in the size of the workforce – a sign of increased optimism in the prospects for jobs.



Change in U.S. Non-Farm Payrolls & Unemployment Rate

Despite the ongoing strength in labour markets, and positive reports on the manufacturing sector, the U.S. economy continues its slow growth trajectory. Corporate profit growth remains weak and businesses seem reluctant to invest. The relatively high savings rate also suggests a change in consumer behaviour. Income gains are being saved rather than spent. Uncertainty over the U.S. election may be leading consumers to sit on their wallets, but the low interest rate environment may also have tempered expectations for what savings can earn. The U.S. recovery continues, but more slowly than we hoped.

Investment Outlook

The most important fundamental issue facing investors in the period ahead is the direction of interest rates. A relentless 35-year decline in rates has provided a generation of investors with bond returns that are higher than the long-term average. The interest rate decline has also acted as a tide lifting all boats in the equity market.

For years, many have thought rates could not go lower, yet they have continued to fall to levels never seen before. Over the last several months there has been a broadening consensus that the low may have been reached and higher rates lie ahead. Politicians are starting to weigh in as evidenced by a key speech recently delivered by British Prime Minister, Theresa May, who exclaimed that interest rates need to rise since they are unfairly hurting savers. In the U.S., many believe that the economy is in sufficiently strong shape that the Federal Reserve will start to guide rates higher in December.

If it proves true that the interest rate trend is about to reverse, there are several consequences for investors. On the fixed income side, returns are certain to be low for many years to come. Bonds will provide an important source of stability in portfolios, but they are not likely to produce any meaningful real return.

In the equity market, rising rates will also exert a powerful influence on returns. As an example, in the first six months of 2016 the consensus among equity investors seemed to be that rates would stay low forever. Stocks in the S&P 500 like telecoms and utilities, which have generous dividends, spiked higher as investors rushed into securities that resembled long-maturity bonds. Since July, however, the trend in equity markets has reversed. The bond-like sectors of the equity market have sold off and stocks such as U.S. banks, which benefit from higher rates, have started to rebound.

We can't help but think we may be on the precipice of a generational shift in markets. Volatility may well increase and the nominal returns in the future may not be quite so high as they have been during the golden years over the last three decades. Nonetheless, with a disciplined and patient investment approach we remain confident in our ability to generate good returns in client portfolios over time.

Asset Class Investment Review

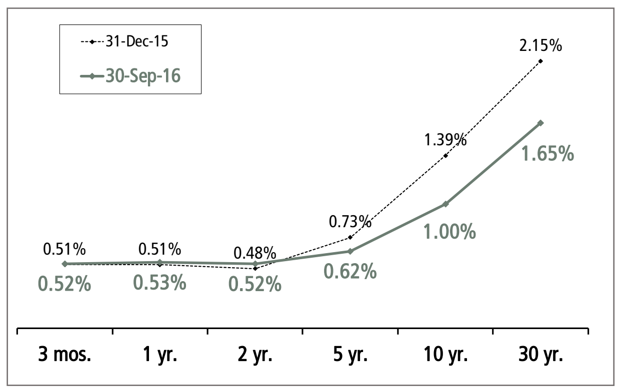
Fixed Income

The summer doldrums were alive and well in the bond market this past quarter. Yields traded in a very narrow range and closed the quarter slightly below where they began it. At the end of June, Canada 10-year bonds yielded 1.06% and they now yield 1.00%. In the intervening period, they traded as low as 0.95% and as high as 1.24%. With foreknowledge that conditions would be so benign (low returns and low volatility), it would have been a summer to remember for bond managers who love golf. Instead, it was spent restlessly watching for any economic data that might hint at a change in the more than 30-year trend of falling interest rates and parsing the press releases of various global central banks, hoping to divine some indication of a potential change in central bank policy.

While a steady interest rate market creates few trading opportunities, it does create excellent conditions for new issuance. Issuers with large borrowing programs, such as the Government of Canada or the Province of Ontario, must come to the market no matter the financing conditions. However, quiet, stable markets allow companies that borrow less frequently to scope out demand and choose maturities that are tailored to investor demand. This summer, many corporate borrowers took advantage of the record low rate environment and got their financing accomplished while rates were low and before any uncertainty arises from the forthcoming U.S. election. As investors, we took advantage of these conditions to switch out of some lower-rated Provincial bonds and into a variety of corporate securities of equal credit rating and higher yield.

As compared to any time in history, global interest rates are low.[4] And our core strategy remains unchanged. We remain positioned for a normalization of rates; meaning a gentle rise over the coming 24 months, that will bring 10-year yields at least above targeted inflation levels. We have a high-quality portfolio concentrated in bonds that mature in five to ten years. For now, central bankers have relentlessly driven down rates and inflated asset values (stocks, bonds, housing, etc.) Canadian government 10-year rates of 1.00% seem unattractive to us. But they are appealing to international investors who face the alternative of negative rates in German or Japanese bond markets. In our opinion, the U.S. recovery continues to move ahead, and the more it does, the less is the need for emergency-level interest rates. As we mentioned in our last review, we sense a growing opinion that rather than encourage investment and consumption, ultra-low rates are inflating asset prices to unsupportable levels, encouraging governments and individuals alike to take on worrisome amounts of debt and undermining the profitability of the banking system.

In the third quarter, the FTSE TMX Bond Universe Index (the Bond Universe) returned 1.2% and the trailing 12-month return was 6.3%. Our returns, using the bonds in our Income Fund as a proxy, were up 0.9% and 4.4% over the same periods.



Government of Canada Yield Curve

Equities

The third quarter was very kind to equity investors. As an indicator, the Equity Fund was up 7.4% in the quarter and up 10.3% over the past twelve months.[5] In the quarter, all our equity asset classes – U.S., Canadian and international equities – did very well.

In a change from recent history, the Canadian dollar weakened slightly over the quarter (less than 1%), but this nonetheless served to increase the return from our non-Canadian holdings.[6] For the year-to-date and last twelve months, however, the our currency is stronger, which had the effect of reducing the return of our U.S.

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[4] Are they ever! "According *to A History of Interest Rates* by Homer and Sylla, today's are the first substantially negative yields in at least 5,000 years " – Grant's Interest Rate Observer Sep 30, 2016.

[5] All the return data in the Equities section are total returns 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.

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

equity holdings by about 5 to 7 percentage points. We remind clients that, although currency swings can have big short-term effects, their impact over the long term for a diversified equity investor is not material.

Canadian Equities

Continuing a strong year-to-date streak, Nexus's Canadian stocks were up 7.4% in the quarter and up 19.7% over the last twelve months. This was ahead of the TSX Composite's 5.5% return in the quarter and 14.2% over twelve months.

For the quarter, most of our Canadian equities performed well. Also, in a reversal from recent quarters, not owning any Materials stocks in Canada was an assist relative to the TSX Composite. Of note in the quarter, Encana continued to have a big recovery (up 37%). Other strong contributors were Brookfield Infrastructure Partners and two of our Industrial holdings – CAE and Finning.

There were no substantial trades in the Canadian equity portfolio. Limited trading is a characteristic of our long-term oriented investment philosophy.

U.S. Equities

Nexus's U.S. equities had a very strong quarter, up 8.2% in the last 3 months and ahead of the S&P 500 index's 4.7% return. Largely, this was due to a partial reversal of the "lower for longer" interest rate theme from earlier in the year that saw U.S. "bond substitutes" (such as Utilities, Telecom, Consumer Staples and Real Estate) do much better than the S&P 500 overall in the first two quarters of the year. As explained last quarter, we hold a number of bond substitute-type equities in the portfolio, but they are all in Canadian part of the portfolio. We continue to trail the S&P 500 over the past twelve months, but the gap has narrowed. Our longer-term U.S. equity returns remain strong on an absolute basis and ahead of the S&P 500.

Our U.S. holdings that did particularly well were all our Info Technology holdings and Financials (especially PRA Group, but also Citigroup and JP Morgan) – again a reversal from earlier in the year.

During the quarter we sold DaVita. DaVita had been a long-held successful holding. We liked (and like) many of the characteristics of the renal care business and DaVita's position therein. A number of factors contributed to the sale, the most pertinent of which was our sense that regulatory and litigation risks for DaVita have escalated. There is a possibility that the company could become a target of the regulators and healthcare insurers, much as has occurred with some U.S. pharmaceutical companies.

Other Equity Investments

We continue to hold two non-North American equity investments within our Balanced and Equity Funds. These are externally-managed pooled funds called EQIT (international developed market equities) and EMEC (emerging market equities).[7]

After the shock of the Brexit vote in late June, which made for a poor first half of the year for EQIT, the fund experienced a big recovery in the third quarter. It was up 10.2% in the quarter and has returned 7.3% over the last twelve months. EMEC was also very strong, up 9.6% in the quarter and 19.4% for the twelve months. Surprising many, Europe has had better economic growth than the U.S this year. Also, emerging markets' economic growth continues to be well ahead of that of the developed world and the gap has started to widen again. Both funds have better dividend yields and substantially lower valuations than the S&P 500 and TSX Composite. For more information on EQIT and EMEC, please see the Nexus International Equity Fund section of this report.

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

Pooled Fund Reports

Nexus North American Equity Fund

The Nexus North American Equity Fund had a strong third quarter, gaining 7.4%, ahead of the 4.9% return of our benchmark. In the last 12 months, the Fund has returned 10.3%, but lagged the benchmark return of 13.2%. Our returns for 2, 5 and 10-year periods remain at or above the benchmark and are very attractive on an outright basis. More detail on the Fund's performance is laid out in the table below and a more detailed explanation of developments in equity markets appears earlier in the Asset Class Review section of this report.

In the last quarter, each of our major sectors (Canada, U.S. and International) produced strong nominal returns. With a 7.4% return, Canada was actually the low returner. Despite the challenges the country faces, and our modest expectations at the beginning of the year, Canadian returns continue to be a pleasant surprise. In the last twelve months our Canadian holdings are up 19.7%. Who knew that, next to New Zealand, Canada would be the top performing developed market so far in 2016? This quarter, our returns were aided by the strong performance of our utility holdings. In this sector, a longstanding holding of the Fund, Brookfield Infrastructure Partners, which owns and operates a range of infrastructure assets around the globe, returned 18.1%. In September, a Brookfield-led consortium agreed to purchase a large Brazilian natural gas utility from Petrobras. The acquisition is expected to generate attractive growing returns for many years to come.

In the U.S. returns also recovered. Our U.S. holdings generated an 8.2% return, well ahead of the benchmark. However, in the last year, our U.S. holdings have been a drag on performance, largely because of the burden from healthcare and financial services stocks. While healthcare has remained an underperformer, this quarter there was a noticeable improvement to our financial holdings. If interest rates gradually rise from their current ultra-low levels, and the pressure on banking industry net interest margins abates, we expect the earnings of our bank holdings, (JPMorgan, Citigroup, and M&T Bank) to increase. In addition to the recovery in financials in the third quarter, our Information Technology holdings also fared very well, led by Western Digital, HP Inc. and Hewlett Packard Enterprises, which each were up more than 25% in the quarter.

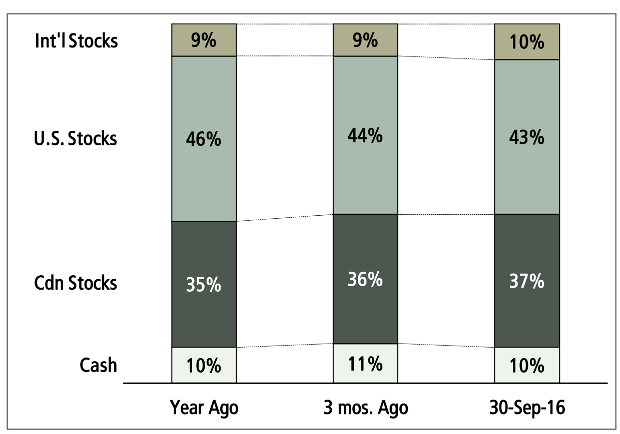
Our holding of the EQIT fund, which is invested in developed markets outside North America, returned 10.2% and outperformed its benchmark, the EAFE Index, which rose 7.3%. EMEC, which is invested in emerging markets, rose 9.6% which slightly trailed the 9.9% return of its benchmark. The fund maintains an allocation of approximately 10% of its equity exposure to markets outside North America and we are confident that this will provide important diversification to our North American investments.

Our 10% cash position is slightly less than it was at the end of the second quarter, and above our guideline of 5%. Our allocation to Canadian stocks is 37%, to U.S. stocks 43% and to international 10%. This is little changed from the previous quarter.

	Equity Fund	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter				
Fund	7.4%	7.4%	8.2%	10.0%
Benchmark	*4.9%*	*5.5%*	*4.7%*	
One Year				
Fund	10.3%	19.7%	6.3%	11.7%
Benchmark	*13.2%*	*14.2%*	*13.0%*	

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 September 30, 2016



Equity Fund Asset Mix

Nexus North American Balanced Fund

The Nexus North American Balanced Fund had a strong third quarter. Over the quarter, the Fund generated a 5.4% return at a time when its benchmark advanced 3.7%. In the last 12 months, the Fund returned 8.7%, which lagged the benchmark return of 11%. The returns for 2, 5 and 10-year periods remain higher than the benchmark and are very attractive on an outright basis. More detail on the Fund's performance is shown in the table below.

With respect to the bond market, in the third quarter, there were a number of central bank meetings and announcements. The Bank of Canada released its Monetary Policy Report in July, which downgraded its forecast for economic growth in Canada. In subsequent speeches given by Bank governors, we detect a tilt away from interest rate easing and toward greater fiscal stimulus as a means to get the economy growing at a better pace. In August, the Kansas City Reserve Bank hosted their annual central banking conference in Jackson Hole. In a speech at that meeting, Governor Yellen admitted that "the case for an increase in the federal funds rate has strengthened in recent months". And in September, the Bank of Japan, which has been at the forefront of radical monetary policies, announced still further changes, recommitting to even more asset purchases and introducing a target of 0% for their 10-year bond yield. Counterintuitively, a yield of 0 % for 10-year bonds would be an increase for Japan!

Despite these and other important developments, yields traded in a very narrow range and closed the quarter slightly below where they had begun it. At the end of June, Canada 10-year bonds yielded 1.06% and they now yield 1.00%. In the intervening period, they traded as low as 0.95% and as high as 1.24%. A more detailed explanation of developments in bond markets appears earlier in the Asset Class Review section of this report.

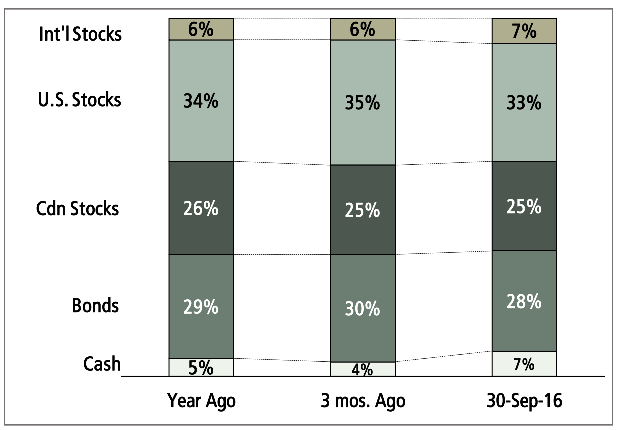
In equities, after a slow start to 2016, the returns of both our Canadian and U.S. holdings were quite strong and better than their benchmarks. Our Canadian holdings generated a 7.7% return and the U.S. side of the portfolio increased 7.5%. This was better than their respective benchmark returns of 5.5% and 4.7%. Our international holdings, managed by teams from JPMorgan Asset Management of London, also had a good quarter. The developed markets fund, EQIT, was up 10.2% and the emerging markets fund, EMEC, rose 9.6%. Both results were substantially better than their benchmarks and better that North American returns over the same period. EQIT and EMEC have now outperformed their respective benchmarks for the last two years and give us exposure to stock markets outside North America. A more detailed explanation of developments in equity markets appears earlier in the Asset Class Review section of this report.

The asset mix of the Fund is set up very closely to its target weightings. Cash is 7%, bonds are at 28%, and stocks are 65%.

	Balanced Fund	Bonds	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter					
Fund	5.4%	0.9%	7.7%	7.5%	10.0%
Benchmark	*3.7%*	*1.2%*	*5.5%*	*4.7%*	
One Year					
Fund	8.7%	4.3%	18.9%	6.5%	11.4%
Benchmark	*11.0%*	*6.3%*	*14.2%*	*13.0%*	

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 September 30, 2016



Balanced Fund Asset Mix

Nexus North American Income Fund

The Nexus North American Income Fund had another strong showing, increasing 1.6% this quarter, and returning 6.9% over the past year. The Fund bettered its benchmark, the Bond Index, which increased 1.2% over the quarter and has returned 6.3% in the last 12 months. More detail of the Fund's performance is set out in the table below and a more detailed explanation of developments in bond markets appears earlier in the Asset Class Review section of this report.

There was remarkably little volatility in trading levels over the quarter. Yields traded in a very narrow range and closed the quarter slightly below where they began it. At the end of June, Canada 10-year bonds yielded 1.06% and they now yield 1.00%. In the intervening period, they traded as low as 0.95% and as high as 1.24%.

While a steady interest rate market creates few trading opportunities, it does create excellent conditions for new issuance. Issuers with large borrowing programs, such as the Government of Canada or the Province of Ontario, must come to the market no matter the financing conditions. However, quiet, stable markets allow companies that borrow less frequently to scope out demand and choose maturities that are tailored to investor demand. This summer, many corporate borrowers took advantage of the record low rate environment and got their financing accomplished while rates were low and before any uncertainty arises from the forthcoming U.S. election. As investors, we took advantage of these conditions to switch out of some lower-rated Provincial bonds and into a variety of corporate securities of equal credit rating and higher yield.

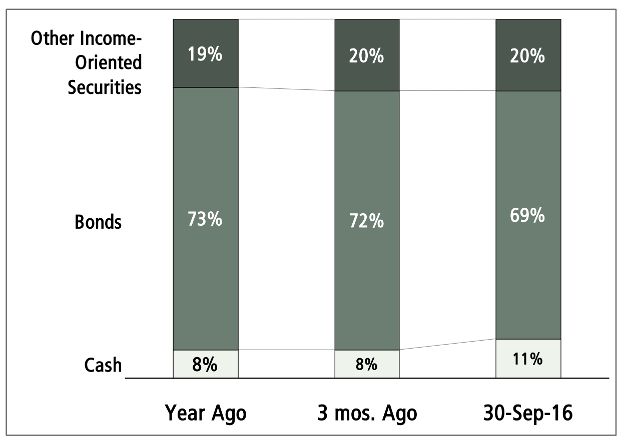
We continue to keep a maximum allocation to our holdings of "Other Income-Oriented Securities". Not only do theses holdings substitute for long duration bonds, but also they provide a measure of diversification in the portfolio. We have 17 different holdings in 9 industry sectors. Of the 19.7% allocated to this portion of the portfolio, 14.4 percentage points is Canadian and 5.3 percentage points is invested in the U.S. We remain committed to using high-quality income-producing equities as a method of augmenting the Fund's returns in an ultra-low interest rate environment. It is a strategy we remain fully confident in.

At the end of the third quarter, cash accounted for 11% of the Fund, "Other Income-Oriented Securities" for 19.7% and the balance, 69.3%, is in our core bond holdings.

	Income Fund	Bonds	Cdn Stocks	U.S. Stocks
Quarter				
Fund	1.6%	0.9%	5.6%	3.3%
Benchmark	*1.2%*	*1.2%*		
One Year				
Fund	6.9%	4.4%	20.7%	15.8%
Benchmark	*6.3%*	*6.3%*		

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 September 30, 2016



Income Fund Asset Mix

Nexus International Equity Fund

In the third quarter, the Nexus International Equity Fund ("NIEF") had a great return of 10.0%, and was ahead of its blended benchmark return of 8.0%. This was comprised of a great recovery for EQIT (up 10.2%) and a gain of 9.6% for EMEC. Over the past year, EQIT returned 7.3% and EMEC 19.4%. The third quarter was a huge beneficial swing from the prior quarter and a testament to remaining invested for the long term. Longer-term returns remain good: EQIT is up 8.9% per year and EMEC is up 10.2% per year over the past three years.

As a quick reminder, NIEF was launched a year ago. It is a pooled fund invested in international developed markets ("EAFE") and emerging markets ("EM").[8] It 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. Currently, the Fund's holdings are approximately 2/3 EQIT and 1/3 EMEC. EQIT and EMEC complement Nexus's North American equity exposure and offer additional diversification. The Nexus Balanced and Equity Funds continue to hold EQIT and EMEC directly.

The June Brexit vote and the lead-up thereto dominated headlines earlier in the year. As we highlighted last quarter, sentiment and markets can swing wildly in the short term, but corporate adaptability and attractive valuations are powerful forces over the long term, both of which we considered to be favourable for EQIT and EMEC at the end of June. We remain of this opinion. Nonetheless, "headline" issues will continue, and, whilst there is always the risk of some form of a real fundamental upset, this cannot be profitably predicted and longer-term investors should look through this.

Despite the headlines, Europe is actually doing quite well. Unemployment continues to decline (now 10.1% relative to a peak of 12.1% in July 2013) and the Euro Area Purchasing Managers' Index (a good leading indicator) predicts continued growth. Surprising many, GDP growth this year in Europe has been exceeding that of the U.S. In addition, Japan, albeit facing long-term structural issues, has a dynamic export sector.

Emerging market countries also have their issues. Russia, Brazil, and Turkey, to name a few, have hogged the headlines. Nonetheless, emerging markets as a whole continue to outgrow the developed world and the extent of this growth gap has increased over the course of 2016. Emerging markets equities have swung from one of the worst performing asset classes in 2015 to one of the best in 2016 (putting aside supposedly developed Canada, which managed to outpace emerging markets on the downside and in the recovery!).

We continue to like the longer-term prospects for EQIT and EMEC and consider them both to be attractively valued.

	International Equity Fund	EQIT	EMEC
Quarter			
Fund	10.0%	10.2%	9.6%
Benchmark	*8.0%*	*7.3%*	*9.9%*
One Year			
Fund	11.5%	7.3%	19.4%
Benchmark	*6.9%*	*4.3%*	*14.4%*

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 September 30, 2016

	Price / NTM Earnings(1)	Price / Book	Dividend Yield
Int'l Developed Markets (EAFE)	14.5x	1.5x	3.3%
Emerging Markets (EM)	12.4x	1.5x	2.6%
S&P 500 (U.S.)	16.8x	2.7x	2.1%

(1) Price to next 12 months earnings

Comparative Index Statistics – As at September 30, 2016

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