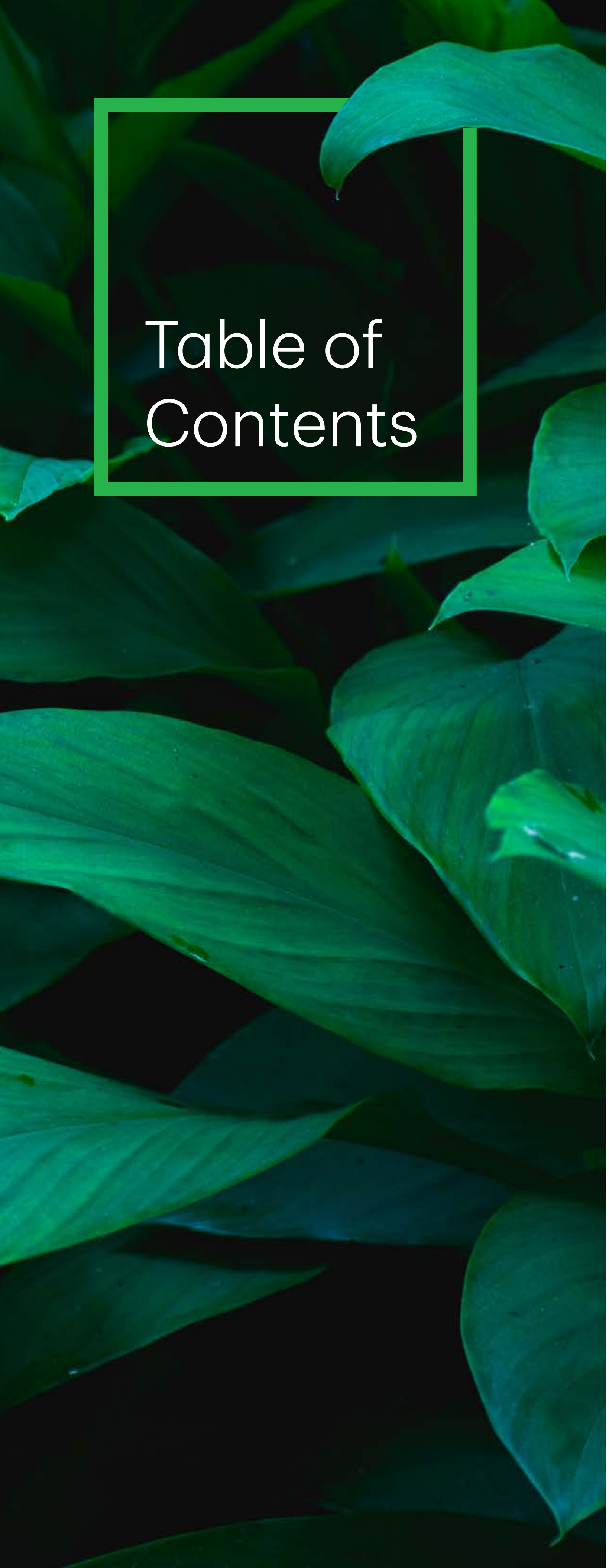
TD Greystone Asset Management

The Strategist

Spring 2019

Where are late-cycle investment opportunities?

Is a recession imminent?



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Spring Overview

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The roller-coaster ride continued for investors with equity markets achieving their highest quarterly returns in 10 years.[1] From its Christmas Eve low, the S&P 500 (U.S. dollars) was up 20%. In China, the mainland CSI 300 Index returned an astounding 29% (Canadian dollars) in the first quarter, responding to stimulus measures. Canadian bond markets also participated with mid-single digit returns for broad bond benchmarks, outperforming global fixed income markets. For balanced investors, despite the returns being a recovery from last quarter, this magnitude of gains has not been witnessed since the initial rebound from the global financial crisis.

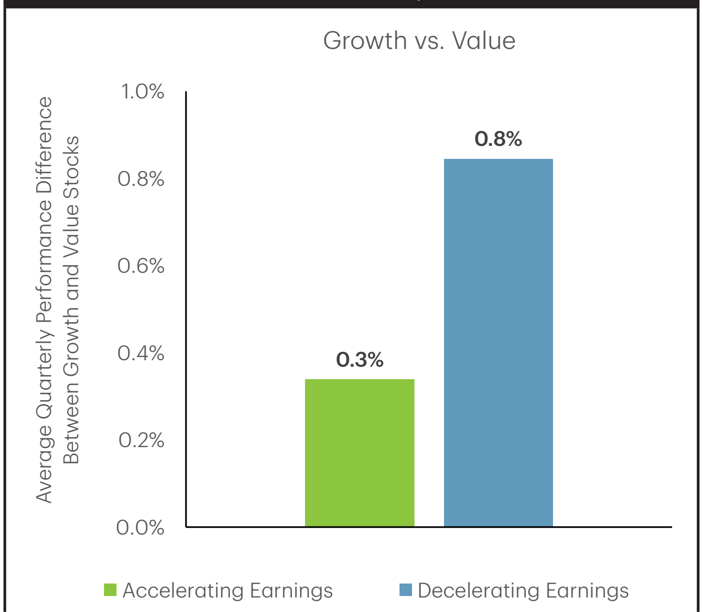
While the quarter is a welcome relief from a challenging 2018, the flip side of the coin for investors is that valuations are no longer a tailwind and, consequently, long-term expected returns should be more muted going forward. The stockpile of global bonds with negative yields is approaching $10 trillion[2] and we do not believe that falling yields will provide capital gains until the next recession. In equity markets, the price-to-earnings discount that was available in most markets last quarter has returned to normal levels. Headlines from real asset markets indicate that select managers are experiencing difficulty deploying capital due to an inability to source profitable assets.[3]

Debate around a looming recession has also intensified despite strong equity returns. Global economic data has slowed significantly, inflation rates remain low, interest rates are falling, and global central banks are signaling that rate hikes will be off the table for the foreseeable future. Inverted bond yield curves (where longer-term bonds yield less than short-term bonds) are also being looked at as an ominous sign, given their presence prior to historical recessions. In our view, the odds of a global recession may have increased; however, we do not believe it is on the horizon for the next 12-18 months and the cycle may be prolonged amid lower interest rates. The extended cycle view is anchored in both our fundamental macro-economic outlook and a deeper look at fixed income market indicators.

Looking at fixed income markets, while low yields and the inverted yield curve are gaining notoriety in the press, the reality is that a flat-to-inverted U.S. yield curve provided false recession signals in 1966, 1986, 1995 and 1998.[4] What is key about each of those periods is that the broader yield curve out to 30-year bonds did not invert, which mirrors the case today. Credit markets are also not signaling signs of stress, with high yield spreads (an indicator of corporate bond default risks) returning to lower levels. It is also worth remembering that an inverted yield curve alone is not the only pre-condition for a recession.

Fundamentally, the global economy is clearly exhibiting late cycle dynamics. Growth is expected to be slower but central bank activity, positive trade developments, loose financial conditions, and a strong U.S. consumer are likely to keep global economic activity from stalling. Sentiment is starting to reflect the slowdown and we believe there is a greater probability that economic growth in 2019 will surprise to the upside versus the downside. We continue to remind ourselves that late-cycle returns can be very strong and there is a risk in becoming overly defensive too early.

Growth Fares Better Late Cycle



Source: Factset. June 1995 - March 2019.

[1] As measured by the S&P 500 in local currency.
[2] Bloomberg LLP.
[3] Wall Street Journal Property Report.
[4] Bloomberg LLP.

Asset Class Total Returns

Calendar Year						Q1-2019
2013	2014	2015	2016	2017	2018	3-month
Glo. Eq 35.2	Long Bonds 17.5	Glo. Eq 18.9	Cdn. Eq 21.1	EM Eq 28.3	Real Estate 7.8	Cdn. Eq 13.3
Cdn. Eq 13.0	Glo. Eq 14.4	Infrastructure 11.5	Infrastructure 8.6	Glo. Eq 14.4	Infrastructure 7.8	Glo. Eq 10.0
Infrastructure 12.9	Infrastructure 10.6	Real Estate 7.8	EM Eq 7.3	Infrastructure 10.1	Mortgages 2.4	EM Eq 7.6
Real Estate 10.6	Cdn. Eq 10.6	Mortgages 4.0	Real Estate 6.1	Cdn. Eq 9.1	Bonds 1.4	Long Bonds 6.9
EM Eq 3.9	Bonds 8.8	Long Bonds 3.8	Glo. Eq 3.8	Real Estate 7.2	Cash 1.4	Bonds 3.9
Mortgages 1.3	Real Estate 7.0	Bonds 3.5	Long Bonds 2.5	Long Bonds 7.0	Long Bonds 0.3	Mortgages 2.7
Cash 1.0	EM Eq 6.6	EM Eq 2.0	Mortgages 1.8	Bonds 2.5	Glo. Eq -0.5	Real Estate 1.2
Bonds -1.2	Mortgages 6.0	Cash 0.6	Bonds 1.7	Mortgages 0.9	EM Eq -6.9	Infrastructure 0.6
Long Bonds -6.2	Cash 0.9	Cdn. Eq -8.3	Cash 0.5	Cash 0.6	Cdn. Eq -8.9	Cash 0.4
Market Portfolio[5]						
			4.9	10.4	-0.3	7.3

Asset Class Proxies

- S&P/TSX
- MSCI World (Net)[1]
- MSCI Emerging Markets (Net)[1]
- Infrastructure[2]
- Real Estate[3]
- Custom Mortgage Benchmark[4]
- FTSE Cda 91 day T-bill
- FTSE Cda Universe
- FTSE Cda LT Overall

Source: TD Greystone Asset Management, FactSet, Preqin. As at March 31, 2019. Returns in Canadian dollars, excluding Infrastructure (U.S. dollars). Gross of investment management fees. May be subject to rounding. Past performance is not indicative of future performance.

[1] MSCI, net of foreign dividend withholding taxes.

[2] Infrastructure returns are the Preqin Infrastructure Quarterly Index up to its most recent publication, Q2 2018, and are Greystone Infrastructure Fund (Canada) LP returns thereafter. Infrastructure returns are presented in US$.

[3] Real estate returns are the MSCI/REALpac Canada Annual Property Index - All Assets up to its most recent publication, Q4 2018, and are Greystone Real Estate Fund Inc. returns thereafter.

[4] Custom Mortgage Benchmark: FTSE Cda Short Term Overall 60%, FTSE Cda Mid Term Overall 40% + 0.5% per annum.

[5] The Market Portfolio is the Greystone Balanced Plus fund.

Risk reduction will likely occur first in our fixed income portfolios, where a late cycle lens results in a neutral to underweight bias for credit risk. Credit exhibits similar downside risks to equity markets in periods of stress, yet has limited capital gains potential given current spread levels. We are looking for opportunities to increase interest rate exposure but are conscious of pricing in the bond market, which in our view would require a recession to validate current yield levels.

Equities are likely to see softening profitability as higher input costs and slower growth bring margins down from peak levels. Looking through the ups and downs, and focusing on sustainable earnings growth will, in our view, help navigate through late-cycle dynamics. As growth becomes scarce, history has shown that companies able to deliver earnings growth can maintain premium valuations.

Prudent deployment of capital in real assets is increasingly important as allocations increase among investors. Our counsel to the market has been to continue with strategic allocations into real assets due to the potential diversification benefits in the next downturn. In the private debt and mortgage segment, we continue to see attractive lending opportunities in early stages of the real estate development life cycle. In commercial real estate, we view redevelopment of existing assets as an accretive avenue to place capital. Finally, in global infrastructure, we continue to believe that the mid-market segment benefits from the absence of larger global pension players. An ability to access these pockets of low capital availability will help investors reach their target allocations while also achieving suitable expected returns.

From a multi-asset positioning lens, we are not in a defensive posture but have neutralized active risk and hold equity/credit targets at the benchmark. If markets return to the stable dynamics that prevailed prior to 2018, we believe that active management from underlying strategies will provide good potential for added value. If the roller-coaster ride continues, a neutral active risk positon will allow us to harvest asset allocation opportunities as they surface.

Canadian Short-Term

Softer economic data pushed markets towards lower interest rate expectations. Global central banks and the Bank of Canada ("BoC") followed suit and pivoted away from higher interest rates in the first quarter. Market pricing for higher overnight interest rates, which prevailed as recently as September, turned to expectations for rate cuts by the end of 2019.

In addition to moving expectations for future interest rates lower, the U.S. Federal Reserve (the "Fed") indicated that the unwind of their balance sheet would halt in September 2019. Unwinding the balance sheet would in effect have increased the supply of bonds, which all else equal would have pushed bond prices down and yields up. The change in balance sheet policy along with lowering overnight rate expectations combine for a more accommodative outlook.

We will be monitoring the effects of the Fed's balance sheet activities on money supply in the United States. While the balance sheet effects are uncharted territory for markets, there is a possibility that recent announcements will increase money supply. Higher money supply levels, in a period of low unemployment (tight economic capacity), have the potential to create higher inflation down the road.

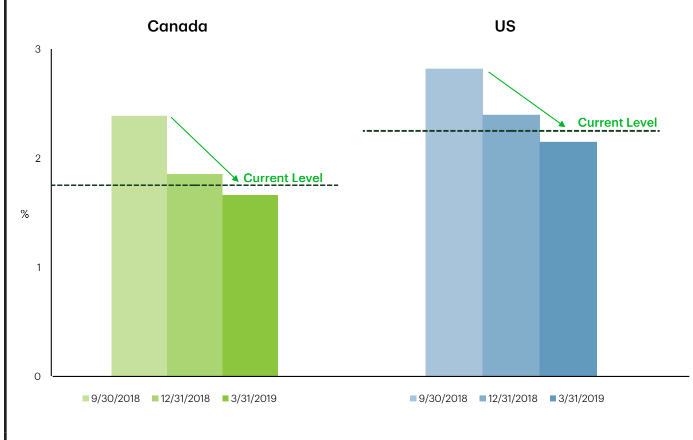
In recent quarters, we observed strong value add opportunities for money market investors over the FTSE Canada 91 Day T-Bill Index. Expectations for higher BoC rates resulted in attractive yield enhancement potential for one-year paper compared to 30-day and 90-day paper. As future rate expectations have fallen, so have yield enhancement opportunities from extending terms. The yield pickup from provincial T-bills and bankers acceptances has also fallen. As a result, we recommend a lower risk posture in money market portfolios.

While central banks have moved markets away from higher rate expectations, we believe that the next move from the Fed and BoC will be an increase to overnight rates. Low yields and accommodative financial conditions have likely extended the economic cycle, and inflation may pick up once again as headwinds from 2018 subside. Fed officials are also mapping out a potential shift from inflation targeting to price-level targeting, which would allow for rates to remain lower for longer in the face of inflation.

Watch For...

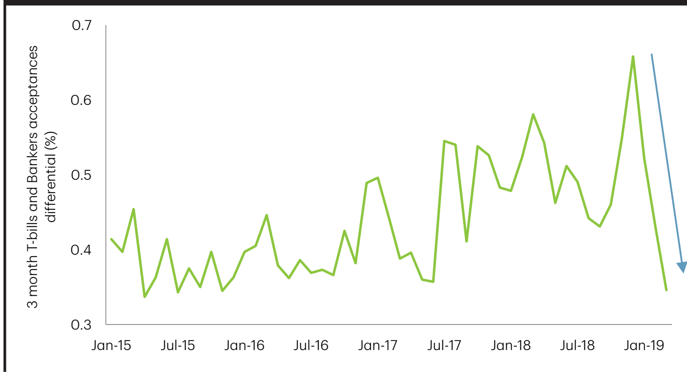
- Increase in U.S. money supply as the Fed balance sheet unwind comes to an end
- Adoption of price-level inflation targeting from the Fed

Change in December 2019 Overnight Rate Forecast



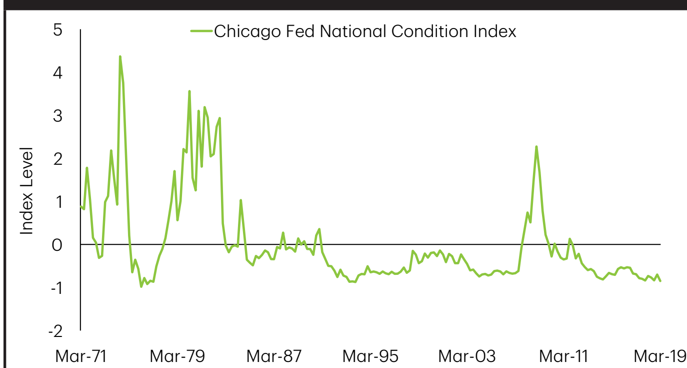
Source: Bloomberg.

Yield Pick Up from T-bills and Bankers Acceptances Deteriorated



Source: Bloomberg.

Financial Conditions are Still Loose



Source: Bloomberg.

Rates of Return Periods ended March 31, 2019 (Annualized Compound C$)

(%)	Q1-2019	1 Year	3 Years	5 Years	10 Years
FTSE Canada 91 Day T-Bill Index	0.4	1.5	0.9	0.8	0.8

Canadian Bonds

A flattening yield curve supported our view that we are in the late stages of the economic cycle. The yield curve has also become the latest indicator of choice for pundits and has amplified recession chatter across the market. In our view, the curve structure does not guarantee an imminent recession. As at quarter end, the yield curve appeared similar to what was witnessed in 1998, which was one of four times the yield curve inverted without a subsequent recession. A common thread amongst historical false yield curve signals has been that the broader yield curve out to 30 years has not inverted, which has been the case most recently.

Corporate bonds continued to exhibit an elevated correlation with the stock market, as spreads (an indicator of risk premiums) narrowed in lock-step with strong equity returns this quarter. Improving investor sentiment tightened spreads considerably and allowed corporate bonds to recapture nearly half of the widening that took place in late 2018.

Combining the equity-like behavior with the observation that corporate bonds historically underperform during the late stages of the economic cycle suggests to us that credit risk should be at or below strategic targets. This is bolstered by the fact that the upside to corporate bonds is capped, unlike equities, which can participate in a continuation of the economic cycle.

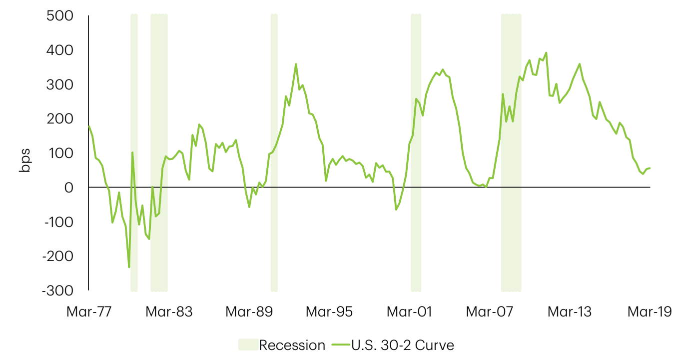
Given our late-stage diagnosis of the economic cycle, our portfolio bias for interest rate exposure is transitioning from an underweight to an overweight. We are conscious of bond market pricing as current yields would likely require a pending recession in order to be justified. Technical indicators and the Bank of Canada's recent accommodative tone suggest the yield curve could steepen with rates moving slightly higher overall. As a result, the portfolio is modestly underweight duration with a steepening bias. We will look to increase duration if interest rates return to their cycle highs.

Overall, investors should brace for softer fixed income returns in the quarters ahead, given low prevailing yields and tighter corporate bond spreads.

Watch For...

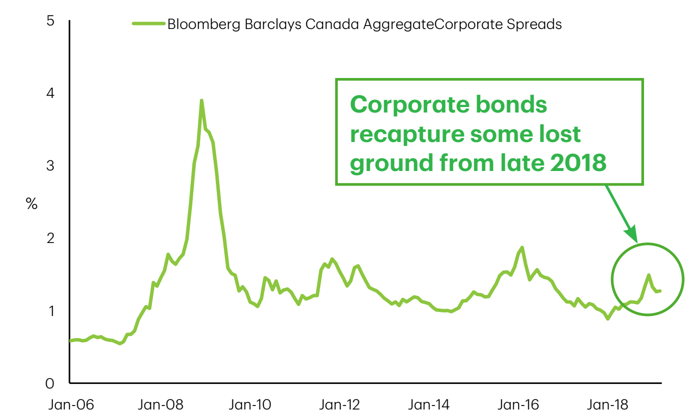
- Corporate bond liquidity coming into focus in case of an equity sell-off
- Continued outperformance of pipelines as mandated oil production cuts fade into the rear-view mirror

30-2 Yield Curve Remains Positive



Source: Bloomberg.

Credit Spreads Remain Narrow



Source: Bloomberg Financial L.P. Barclays.

Rates of Return Periods ended March 31, 2019 (Annualized Compound C$)

(%)	Q1-2019	1 Year	3 Years	5 Years	10 Years
FTSE Canada Universe Bond Index	3.9	5.3	2.7	3.8	4.4

Commercial Mortgages

Commercial mortgage origination activity reached $55 billion in 2018, a 9.8% increase from the previous year.[1] We anticipate commercial mortgage lending to be strong for strategically located real estate assets in major markets throughout 2019.

There is growing demand from investors and mortgage lenders to formally integrate Environmental, Social and Governance ("ESG") criteria in the investment process for direct commercial mortgages. Integrating ESG into the mortgage sourcing, underwriting and management process is important for risk management. Strong ESG scores are likely to yield long-term, stable cash flow from the potential mortgage investment and strengthen the longevity of the underlying real estate.

From an environmental perspective, consideration to energy rating (i.e. ENERGY STAR) and building certifications (i.e. LEED®, BOMA BEST®) need to be considered when assigning values to the underlying properties. The lender should identify and monitor sustainability related risk factors of the properties by engaging borrowers throughout the loan term.

Ensuring properties meet or exceed all health and safety regulations, indoor air quality measurements, and responsible contracting policies are important social factors in tenant retention and overall stability of income.

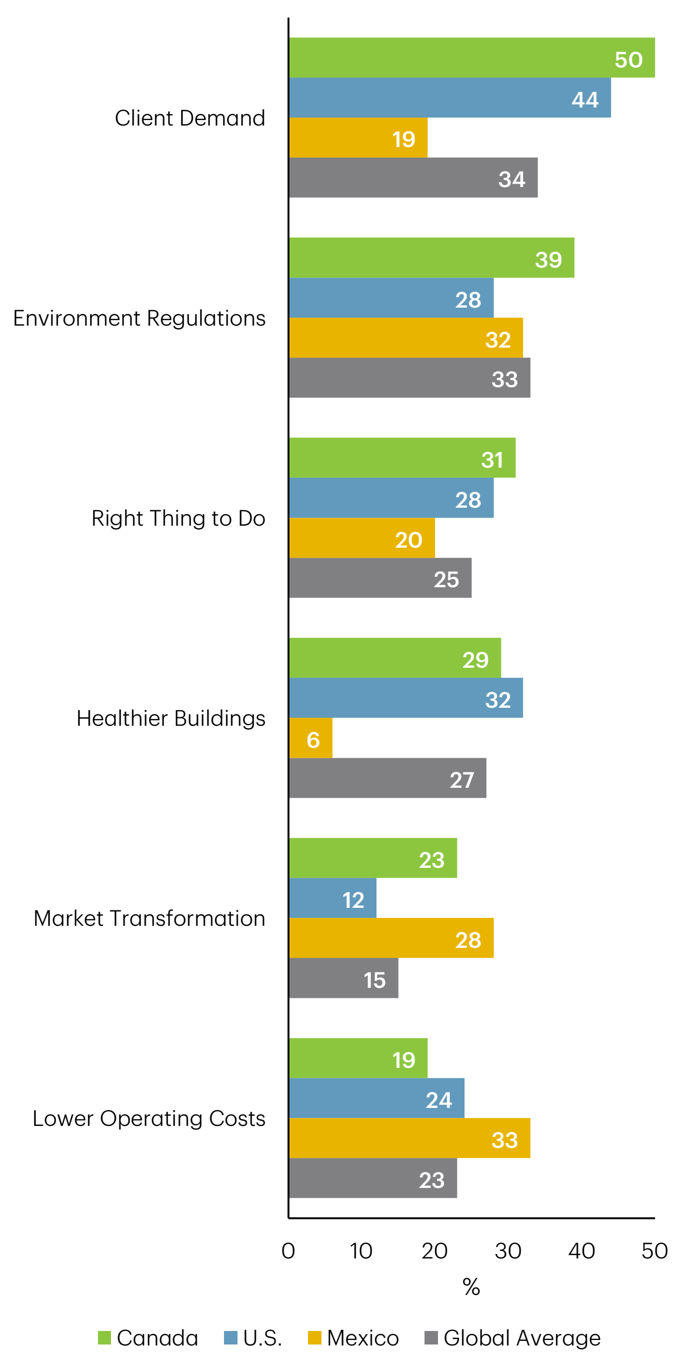
Mortgage lenders should support the continuous improvement of sustainability best practices, and value the integrity and accountability of their borrowers and other service providers. Reporting on the progress and creating greater transparency are integral to the overall governance of a sustainability strategy.

ESG factors are an important consideration in underwriting the underlying real estate of a mortgage investment. Investments in the real estate's sustainability can improve operational efficiency by reducing utility and insurance costs, thereby benefitting the tenant, the landlord, and ultimately the lender. Numerous studies confirm that, on average, sustainably designed and managed buildings have higher occupancy and lower lease turnover. Finally, a more sustainably managed building can protect an asset from financial risk and asset obsolescence.

Watch For...

- Demand from investors and lenders to improve building efficiencies and other sustainability factors
- Stability in tenants and building performance with green building certifications

Top Triggers Driving Future Green Building Activity in North America



Source: Dodge Data & Analytics, 2018.

[1] CMLS Financial.

Rates of Return Periods ended March 31, 2019 (Annualized Compound C$)

(%)	Q1-2019	1 Year	3 Years	5 Years	10 Years
Greystone Mortgage Benchmark*	2.7	4.9	2.3	3.1	4.1

* FTSE Cda Mid Term Overall 40% + FTSE Cda Short Term Overall 60% + 50bps per annum.

International Equity

International equity markets rebounded in the first quarter of 2019 with all regions and sectors posting positive returns. However, as economic data generally continued to disappoint globally during the first quarter, the equity market fundamentals continued to weaken.

The European Central Bank was the last of the major central banks to join the global easing cycle that is currently unfolding. It extended the forward guidance for rate hikes until year-end, introduced a new series of targeted longer-term refinancing options, and revised the forecast for growth down from 1.7% to 1.1% for 2019. The European banking sector will continue to experience headwinds to profitability with rates lower for longer, but this is likely reflected in the price as market valuations are down to levels seen in 2008 and mid-2016.

Ambiguity continues over the outcome of Brexit, and the deadline has been extended beyond March. The situation remains fluid in the United Kingdom with little confidence in predicting an outcome either way. Uncertainty over the outcome continues to weigh on domestically focused companies; however, 75% of revenues from these companies are foreign and the MSCI UK Index has outperformed the broader EAFE Index so far this year.

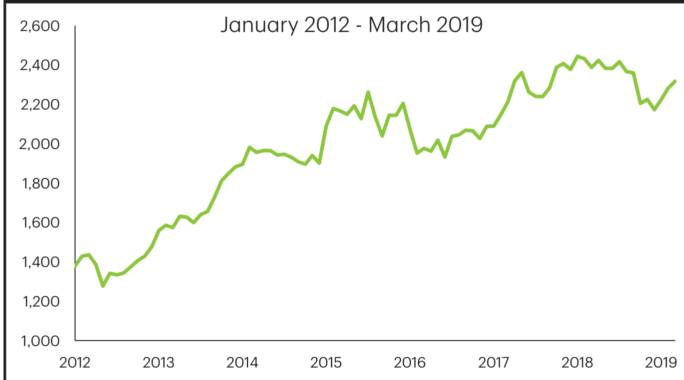
The U.S.-China trade dispute has weighed heavily on trade in International markets and caused weakness in sentiment indicators for manufacturing in particular. Some industries have been hit harder than others, with the hardest hit industries including the auto and auto parts industries. Headway was made in U.S.-China trade negotiations with China proposing expanding concessions; however, no deal has been signed to date.

The outlook for earnings growth in particular continues to be revised down and is currently expected to be flat over the next 12 months in international markets. As the business cycle continues to mature, the risk reward for cyclical stocks is not as great as other points in the cycle. As a result, we continue to take profits from good performing stocks, tilt the portfolio to stocks with higher quality attributes and moderate the overweight to cyclical stocks.

Watch For...

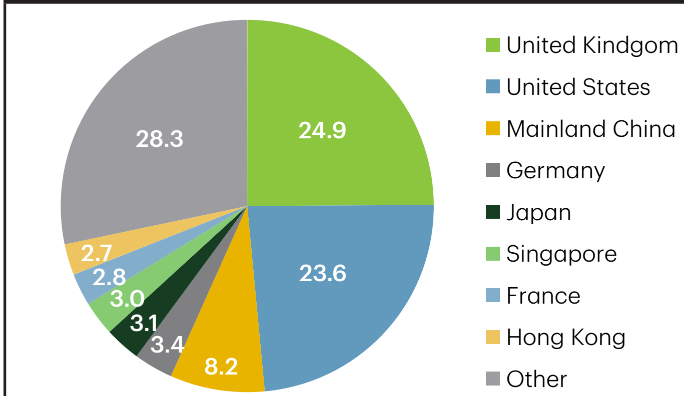
- China fiscal stimulus to flow through supporting growth in international markets
- Earnings revisions to stabilize and turn positive

MSCI EAFE Index (Canadian Dollars)



Source: MSCI, FactSet.

MSCI UK Revenue Exposure By Country (%)



Source: FactSet. As at March 29, 2019.

Rates of Return Periods ended March 31, 2019 (Annualized Compound C$)

(%)	Q1-2019	1 Year	3 Years	5 Years	10 Years
MSCI EAFE (Net) Index	7.6	-0.2	8.4	6.3	9.6

U.S. Equity

U.S. equities have recouped much of the losses they suffered in the final months of 2018 as central banks have signaled a willingness to delay interest rate increases for the foreseeable future. In fact, Q1-2019 marked the best first quarter for the S&P 500 since 1998 and its highest quarterly gain since 2009. All 11 sectors posted positive price performance during the quarter, led by China/trade exposed Technology names, Industrials, as well as Real Estate, which has been the best performing sector over the last year.

An inverted yield curve has historically been a sign that a cyclical peak in prices is approaching, but perhaps not imminently. In the last three cycles, the yield curve inverted on average 16 months before the earnings cycle peaked and 18 months before the associated stock market peaks. While the inverted yield curve is a signal to bear watching closely, there could still be further upside in equities. We see the market as being in the late cycle. We maintain a preference for quality growth companies with positive business momentum, which is most pronounced in the Consumer Discretionary and Industrial sectors. For Consumer Discretionary, we see the U.S. consumer benefiting from less upward pressure on borrowing costs, healthy consumer balance sheets, contained inflation and rising income levels. And while we expect business momentum to be driven by economic growth, our Industrials exposure is more balanced between cyclical and defensive companies.

In January, we pointed out that the trailing price/earnings multiple of the S&P 500 contracted by 19% in the fourth quarter and that, based on history, a quick recovery might be expected. Year to date, U.S. equity multiples have climbed approximately 24% and finally pushed the S&P 500 beyond the technical resistance at 2,800 that it has struggled with since last fall. Expectations for the coming earnings season seem sufficiently low, which may imply a further rally in U.S. equities where overall positioning is in line with the benchmark weighting leaning underweight.

S&P 500 Index (U.S. Dollars)

Source: S&P. Factset.

S&P 500 Trading Near Previous High

Source: S&P, Bloomberg L.P., FactSet Research Systems Inc., TD Greystone Asset Management.

Watch For...

- Resolution of the U.S.-China trade conflict and tariff escalation
- Continuation of U.S. Federal Reserve 'patience' communique
- Signs of cost pressures impacting operating margins

Rates of Return Periods ended March 31, 2019 (Annualized Compound C$)

(%)	Q1-2019	1 Year	3 Years	5 Years	10 Years
S&P 500 Index	11.2	13.5	14.7	15.2	16.6

Canadian Equity

After a double-digit negative return in Q4-2018, the S&P/TSX Composite rebounded with a double-digit positive return in Q1-2019. That was good enough to be the best quarter since Q2-2009, which was the bottom of the financial crisis. The rally, alongside other global equity markets, was widespread with all sectors moving higher. Health Care (driven by cannabis stocks) was the best sector and Materials (held back by gold stocks) was the weakest.

Crude oil prices continued to inch higher, ending the quarter at $60 per barrel. For Canadian producers, the discount received for Canadian heavy oil has remained historically tight after Alberta's imposed production cuts late last year. Despite the improved outlook, Canadian exploration & production stocks underperformed the rally in oil prices. Investors are still looking for clarity on takeaway capacity, and upcoming provincial (i.e. Alberta) and federal elections are definitely catalysts towards that.

Signs of an economic slowdown have once again put Canadian banks back in the headlines. Steve Eisman, the money manager made famous in the book and movie, The Big Short, is now targeting Canadian banks as short candidates citing a weakening housing market as a potential catalyst for their downfall. While there is always a risk of a hard landing for the housing market, current concerns need to be put into perspective. Gross impaired loans remain at multi-year lows and recent updates by the banks show no indication of an impending spike. It should also be noted that historical spikes have been at a time when interest rates were much higher. With continued robust jobs data and strong immigration, we remain in the camp that Canadian banks remain well positioned to ride out any economic softness.

From a valuation perspective, despite the TSX's recent surge, price-to-earnings levels are still below historical averages. Expected earnings growth for 2019 has been cut to 6% but may see a bump up in the second half of the year as analysts revise their expectations higher for energy stocks should oil prices maintain current levels.

Watch For...

- As Canada's economy has global exposure, focus remains on the outcome of U.S.-China trade talks
- Positive revisions to energy stocks as oil pricing used in street estimates is below current market prices

S&P/TSX Composite Index (Canadian Dollars)

Source: S&P, FactSet.

Gross Impaired Loans (Annual since 1982)

Source: Company Reports, RBC Capital Markets.

Rates of Return Periods ended March 31, 2019 (Annualized Compound C$)

(%)	Q1-2019	1 Year	3 Years	5 Years	10 Years
S&P/TSX Composite Index	13.3	8.1	9.3	5.4	9.5

Real Estate

The first quarter of the calendar year tends to be when struggling retailers determine their next steps after evaluating holiday season sales. While store closures (e.g. Payless, Home Outfitters, Rona) always draw headlines, there have actually been fewer store closures compared to previous years. Moreover, Canada continues to attract new retailers that are replacing struggling brands, particularly in Toronto and Vancouver, which are among the world's top cities for new international entrants.

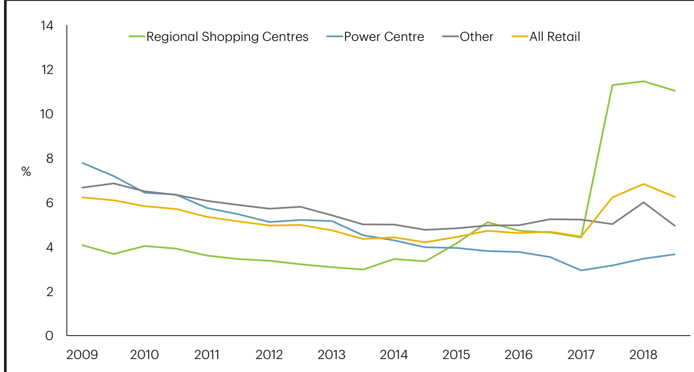
Entering 2019, the national retail vacancy rate declined by 0.5% to 6.3%, after rising briefly due to Sears exiting the market.[1] Several Sears locations have been marked for potential development or conversion to other uses, which has helped stabilize occupancy levels.

In addition to a declining vacancy rate, retail market fundamentals remain positive in Canada. Mall productivity continues to rise, as 27 of the top 30 shopping centres experienced positive growth in sales per square foot over 2018.[2] In general, Canadian shopping centres have seen a positive trend in sales productivity since 2010.

Physical retail locations remain critical to any retail strategy, even as consumers continue to gravitate to online shopping. Recent surveys show that opening a physical store can drive a brand's web traffic by as much as 37%, while closing a store reduces traffic to the website.[3] An omni-channel presence allows a retailer to have increased brand awareness, better connections with consumers and encourages in-store shopping, which is still considerably more profitable for retailers.

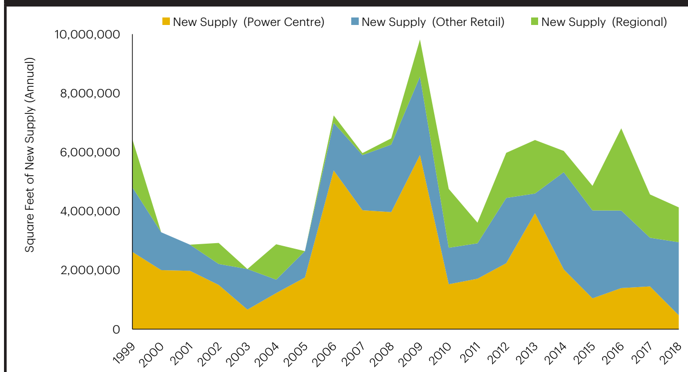
On the supply side, new construction has slowed, particularly for power centres that are viewed as more vulnerable to the growth of e-commerce. Approximately 4.1 million square feet of new retail supply came to market in 2018, well below the five-year annual average of 5.7 million square feet.[4] Developers and landlords are more focused on providing experiential and service-oriented retail space that ensures strong and recurring foot traffic. Going forward, we expect to see a greater proportion of retail space being dedicated to food and beverage, and entertainment uses.

Retail Vacancy Rate



Source: CBRE Limited.

Retail New Supply in Canada (By Type)



Source: CBRE Limited.

Watch For...

- Emergence of new retailers entering and expanding their footprint in Canada
- Greater retail construction anchored to mixed use developments
- Landlords exploring densification strategies for their existing shopping centres (power centres and enclosed malls)

[1] CBRE Limited.
[2] Retail Council of Canada.
[3] ICSC.
[4] CBRE Limited.

Rates of Return Periods ended December 31, 2018 (Annualized Compound C$)

(%)	Q4-2018	1 Year	3 Years	5 Years	10 Years
MSCI/REALpac Canada Annual Property Index - All Assets*	2.6	7.8	7.0	7.2	8.5

* Most recently reported period.

Infrastructure

Persistently low interest rates of the recent past have driven institutional investors to increase allocations to real assets, including infrastructure. According to Preqin, this rise in demand for infrastructure has led to over US$80 billion raised for unlisted private infrastructure in 2018 and over US$100 billion is expected for 2019. However, despite greater demand for infrastructure, fundraising has been dominated by only a few funds. Increasingly, capital is aggregating to a select number of fund managers, highlighted over the last five years with the top five managers representing ~40% of the capital raised. With the launch of two mega, closed-end funds targeting US$20 billion, nearly 60% of the expected capital to be raised could be held by only five managers.

This aggregation of capital has forced larger fund managers to increase the scale of projects they target. Some of the largest managers have now launched "core" or "super-core" funds as increasing competition for the largest assets may lead to compressed returns. In Preqin's latest infrastructure report, over 50% of investors are targeting single digit returns, with 32% targeting 7% or less.

This market dynamic may create opportunity for mid-market infrastructure projects, which represents a greater opportunity set. Preqin reported that in 2018, 77% of the transactions completed had enterprise values of less than US$500 million and 45% were less than US$100 million.

Larger assets are often sold via broadly marketed auctions seeking to maximize price. Mid-market assets are more likely to transact on a relationship basis, presenting an opportunity to acquire assets at attractive risk-adjusted returns.

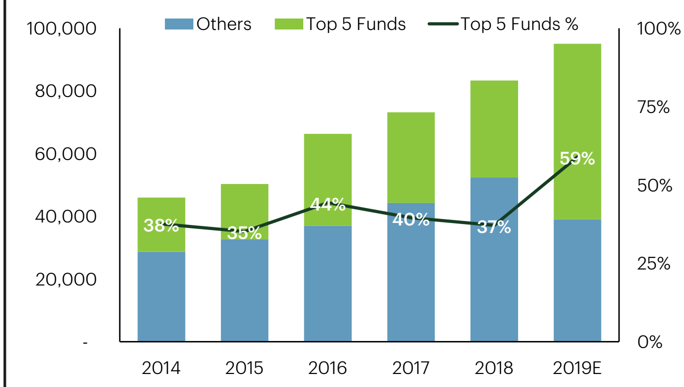
In addition, mid-market infrastructure often benefits from a regulatory and legal framework that is comparable to larger assets. For example, high-quality government counterparties are just as likely to participate in mid-market assets. This is a distinct advantage versus mid-market equities, which tend to be smaller companies that may have disadvantaged business models due to a lack of scale, or limited distribution capabilities.

The opportunity to acquire high-quality, mid-market infrastructure is much greater than in mid-market equities, leading to the opportunity to build a high-quality, contracted portfolio at attractive risk-adjusted returns, and avoiding potential return compression within the large-cap segment of the market.

Watch For...

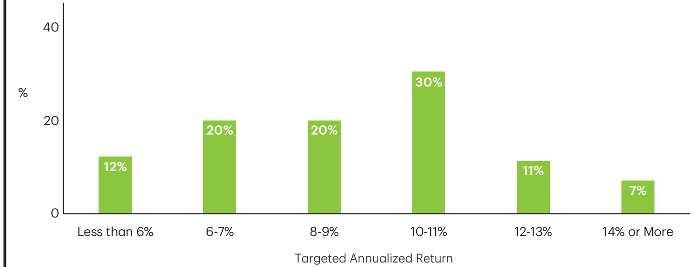
- Continued negotiations around BREXIT and U.S.-China trade may find partial resolutions in the later part of this year, potentially creating a more stable environment for foreign investment in infrastructure.

Infrastructure Fundraising - Top 5 Funds



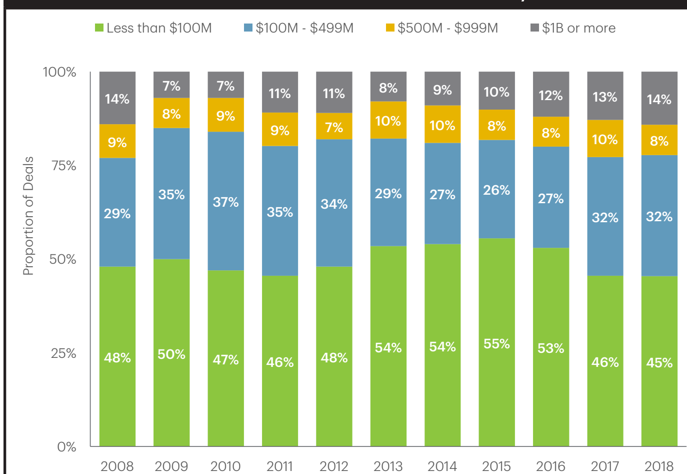
Source: Preqin.

Investors' Targeted Annualized Absolute Returns for Their Infrastructure Portfolios in the Next 12 Months



Source: Preqin.

Infrastructure Transaction Value by Deal Size



Source: Preqin.

Rates of Return Periods ended March 31, 2019 (Annualized Compound US$)

(%)	Q1-2019	1 Year	3 Years	5 Years	10 Years
Infrastructure Fund Benchmark	1.9	8.0	8.0	n/a	n/a

* Infrastructure Fund Benchmark is an absolute gross return of 8% USD over a rolling four year period.

Asset Class Rates of Return

Annual Compound C$ (Periods Ending March 31, 2019)

Total Returns (%)			Annualized				
Major Asset Class Indices & Greystone Pooled Funds*	**Q1-19**	**YTD**	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**
Balanced Funds							
Greystone Balanced Fund	8.5	8.5	6.0	7.1	8.5	5.4	7.7
Balanced Benchmark[1]	7.8	7.8	6.5	5.7	7.6	5.3	6.8
Greystone Balanced Plus Fund	7.3	7.3	6.1	7.2	8.6	5.6	n/a
Balanced Plus Fund Benchmark[2]	6.9	6.9	7.5	6.3	8.0	5.5	n/a
Fixed Income Funds							
Greystone Canadian Fixed Income Fund	4.0	4.0	5.4	3.5	3.2	2.5	3.8
FTSE Canada Universe Bond	3.9	3.9	5.3	3.3	2.7	2.2	3.8
Greystone Long Bond Fund	7.0	7.0	7.3	6.3	4.9	3.6	6.5
FTSE Canada Long Term Overall Bond	6.9	6.9	7.3	6.2	4.7	3.3	6.4
Greystone High Yield Fund	3.8	3.8	4.5	3.5	6.6	4.3	4.4
High Yield Fund Benchmark[3]	7.0	7.0	5.0	4.2	9.6	5.6	4.7
Greystone Real Return Bond Fund	5.1	5.1	3.8	3.7	2.3	1.2	3.7
FTSE Canada Real Return Bond	5.1	5.1	3.7	3.5	2.2	1.1	3.6
Greystone Bond Plus Fund	3.8	3.8	5.9	4.1	3.7	3.0	0.0
FTSE Canada Universe Bond	3.9	3.9	5.3	3.3	2.7	2.2	0.0
Greystone Corporate Bond Fund	4.1	4.1	5.2	4.0	4.2	3.4	4.1
FTSE Canada All Corporate Bond	4.0	4.0	4.9	3.3	3.6	2.8	3.9
Greystone Short Bond Fund	1.8	1.8	3.7	1.9	1.8	1.7	0.0
FTSE Canada Short Term Overall Bond	1.7	1.7	3.5	1.5	1.4	1.4	0.0
Greystone Short Bond Plus Fund	1.7	1.7	4.3	3.0	2.8	2.6	0.0
FTSE Canada Short Term Overall Bond	1.7	1.7	3.5	1.5	1.4	1.4	0.0
Greystone Money Market Fund	0.5	0.5	1.8	1.4	1.1	1.0	1.0
FTSE Canada 91 Day T-Bill	0.4	0.4	1.5	1.1	0.9	0.8	0.8

* Greystone Pooled Fund returns are calculated gross of investment management fees and includes administrative, trading and custodian expenses.
[1] Current benchmark is FTSE Cda 91 Day T-Bill 3%, FTSE Cda Universe Bond 37%, S&P/TSX Composite 20%, S&P 500 20%, MSCI EAFE (Net) 20%.
[2] Please refer to the Disclosures page for the benchmark details.
[3] Current High Yield Fund Benchmark: 50% ML US HY Master II Trust Hedge to CAD + 50% ML CAD and USD HY Canadian Issuers Hedge to CAD.

Annual Compound C$ (Periods Ending March 31, 2019)

Total Returns (%)			Annualized				
Major Asset Class Indices & Greystone Pooled Funds*	**Q1-19**	**YTD**	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**
Duration Funds							
Greystone 3 Year Duration Fund**	2.0	2.0	3.9	1.9	1.7	1.6	2.2
Greystone 8 Year Duration Fund**	4.7	4.7	6.7	3.7	3.2	2.7	4.7
Greystone 15 Year Duration Fund**	6.8	6.8	7.4	6.8	5.3	3.9	7.4
Greystone 20+ Year Duration Fund**	11.1	11.1	9.3	9.8	6.7	4.3	10.0
Canadian Equity Funds							
Greystone Canadian Equity Fund	11.9	11.9	4.8	4.5	7.1	2.4	4.4
S&P/TSX Composite	13.3	13.3	8.1	4.9	9.3	5.1	5.4
Greystone Canadian Equity Income & Growth Fund	13.9	13.9	11.2	6.3	8.1	4.2	4.6
Canadian I&G Fund Benchmark[4] (Primary)	13.7	13.7	10.2	5.5	9.4	5.6	6.1
S&P/TSX Composite (Secondary)	13.3	13.3	8.1	4.9	9.3	5.1	5.4
Greystone Canadian Equity Small Cap Fund	12.4	12.4	-8.8	-7.2	3.2	-0.3	-1.9
S&P/TSX SmallCap	10.7	10.7	-1.8	-4.2	5.9	2.9	0.2
U.S. Equity Funds							
Greystone U.S. Equity Fund	12.4	12.4	16.6	16.4	17.8	13.8	17.5
Greystone U.S. Income & Growth Fund	10.3	10.3	19.3	15.7	17.0	14.0	17.6
S&P 500	11.2	11.2	13.5	11.8	14.7	11.9	15.2

* Greystone Pooled Fund returns are calculated gross of investment management fees and includes administrative, trading and custodian expenses.
** Name change effective January 1, 2018.
[4] Current Canadian I&G Fund Benchmark: S&P/TSX Capped Composite 80%, Communication Services 5%, Utilities 5%, Oil & Gas Storage & Transportation 5%, Equity Real Estate Investment Trusts 5%. Prior to April 1, 2014 the benchmark was S&P/TSX Capped Composite 70%, Financials 10%, Communication Services 10%, Utilities 10%.

Annual Compound C$ (Periods Ending March 31, 2019)

Total Returns (%)			Annualized				
Major Asset Class Indices & Greystone Pooled Funds*	**Q1-19**	**YTD**	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**
International Equity Funds[5]							
Greystone International Equity Fund	10.8	10.8	-1.7	7.8	11.2	6.3	9.7
MSCI EAFE (Net)	7.6	7.6	-0.2	5.2	8.4	4.5	6.3
Greystone International Income & Growth Fund	10.7	10.7	3.8	11.0	11.5	7.7	8.8
International I&G Fund Benchmark[6] (Primary)	7.6	7.6	-0.2	5.2	8.4	3.8	5.2
MSCI EAFE (Net) (Secondary)	7.6	7.6	-0.2	5.2	8.4	4.5	6.3
Greystone China Income & Growth	27.2	27.2	3.4	23.6	24.9	15.1	n/a
CSI 300 (Net)	28.3	28.3	-1.9	9.2	8.2	-0.1	n/a
Global Equity Funds[5]							
Greystone Global Equity Fund	10.6	10.6	6.0	11.1	13.2	9.7	13.7
Greystone Global Income & Growth Fund	10.1	10.1	10.0	12.6	13.8	10.5	12.5
MSCI World (Net)	10.0	10.0	7.8	8.8	11.9	8.4	10.9
Real Estate and Mortgages							
Greystone Real Estate Fund Inc.	1.2	1.2	7.7	9.8	9.2	8.4	7.9
Greystone Real Estate LP Fund	1.4	1.4	5.6	7.7	6.8	5.7	n/a
Greystone Mortgage Fund	1.4	1.4	5.4	4.6	4.3	4.0	4.7
Mortgage Fund Benchmark[7]	2.7	2.7	4.9	2.5	2.3	2.2	3.1
Infrastructure							
Greystone Infrastructure Fund (Canada) LP**	-1.6	-1.6	9.3	10.3	n/a	n/a	n/a
Infrastructure Fund Benchmark[8]	-0.3	-0.3	11.9	8.1	n/a	n/a	n/a

* Greystone Pooled Fund returns are calculated gross of investment management fees and includes administrative, trading and custodian expenses.
** The Infrastructure fund is priced semi-annually at the end of June and December in US$, therefore returns are presented in US$. Interim valuations may be done as the result of special situations. Performance is calculated based on the last available price obtained from the semi-annual or interim valuation. Performance reflects the last semi-annual price or interim valuation.
Master: The Master Fund is priced monthly in USD and includes any working capital within the Master Fund, as well as the current USD value of the most recent valuation of the underlying investments. Valuations of the investments held in the Master Fund are done semi-annually in the local currency of the investment. Interim valuations may be done as the result of special situations. At each monthly pricing period, the investment valuations are converted to USD at the rate in effect at the pricing date.
Feeder: The Feeder Funds are priced monthly in U.S. dollars and reported to clients in Canadian dollars and include working capital held within the Feeder Funds as well as the updated monthly value of the units held in the Master Fund. The value of the Feeder Funds' investment in the Master Fund is determined based on the updated monthly price of the Master Fund.
[5] International Equity and Global Equity funds and MSCI EAFE and World indices performance is net of foreign dividend withholding taxes.
[6] Current International I&G Fund Benchmark: MSCI EAFE (Net). From April 1, 2008 to September 30, 2015 the benchmark was MSCI EAFE High Dividend Yield (Net).
[7] Current Mortgage Fund Benchmark: FTSE Canada Short Term Overall 60%, FTSE Canada Mid Term Overall 40% + 0.5% per annum. From October 1, 2007 to September 30, 2009 the benchmark was FTSE Canada Conventional Mortgage.
[8] Infrastructure Fund Benchmark is an absolute gross return of 8% USD over a rolling four year period plus currency effect.

Annual Compound C$ (Periods Ending March 31, 2019)

Total Returns (%)			Annualized				
Major Asset Class Indices & Greystone Pooled Funds*	**Q1-19**	**YTD**	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**
Target Date Funds							
Greystone Retirement Plus Fund	5.9	5.9	6.8	7.0	7.4	5.4	n/a
Retirement Plus Benchmark[9]	5.7	5.7	7.3	5.9	7.1	5.0	n/a
Greystone 2020 Target Date Plus Fund	6.1	6.1	6.8	6.9	7.4	5.4	n/a
2020 Target Date Plus Benchmark[9]	5.7	5.7	7.2	5.8	7.0	5.0	n/a
Greystone 2025 Target Date Plus Fund	6.1	6.1	6.8	7.2	7.6	5.5	n/a
2025 Target Date Plus Benchmark[9]	5.7	5.7	7.3	6.1	7.2	5.1	n/a
Greystone 2030 Target Date Plus Fund	6.7	6.7	7.2	7.5	7.9	5.9	n/a
2030 Target Date Plus Benchmark[9]	6.3	6.3	7.6	6.3	7.5	5.4	n/a
Greystone 2035 Target Date Plus Fund	7.2	7.2	7.3	7.9	8.7	6.4	n/a
2035 Target Date Plus Benchmark[9]	6.8	6.8	7.8	6.6	8.3	5.9	n/a
Greystone 2040 Target Date Plus Fund	8.2	8.2	7.9	9.0	10.2	7.4	n/a
2040 Target Date Plus Benchmark[9]	7.7	7.7	8.3	7.4	9.7	6.7	n/a
Greystone 2045 Target Date Plus Fund	8.4	8.4	8.0	9.3	10.6	7.7	n/a
2045 Target Date Plus Benchmark[9]	7.9	7.9	8.4	7.7	10.2	7.1	n/a
Greystone 2050 Target Date Plus Fund	8.5	8.5	8.0	9.6	10.9	7.9	n/a
2050 Target Date Plus Benchmark[9]	8.1	8.1	8.4	7.9	10.5	7.3	n/a
Greystone 2055 Target Date Plus Fund	8.3	8.3	8.0	9.7	10.9	8.0	n/a
2055 Target Date Plus Benchmark[9]	8.1	8.1	8.6	8.0	10.7	7.4	n/a

* Greystone Pooled Fund returns are calculated gross of investment management fees and includes administrative, trading and custodian expenses.
[9] Target Date Plus Fund benchmarks are determined on a quarterly basis based on the strategic asset mix for the subsequent quarter. Details regarding changes to the Target Date Funds benchmark compositions is available upon request.

Glossary of Terms

Absorption	**Absorption:** The rate at which available properties are sold in a specific real estate market in a given time period.
Bearish/Bullish	**Bearish:** A sentiment that the performance of the market, a specific security, or an industry will fall moving forward. **Bullish:** A sentiment that the performance of the market, a specific security, or an industry will rise moving forward.
BoC	**The Bank of Canada:** The Bank of Canada is the central bank of Canada. (Related terms - See central bank rate and monetary policy.)
BoE	**The Bank of England:** The Bank of England is the central bank of the United Kingdom. (Related terms - See central bank rate and monetary policy.)
BoJ	**The Bank of Japan:** The Bank of Japan is the central bank of Japan. (Related terms - See central bank rate and monetary policy.)
Bond market rally/sell-off	**Bond market rally:** A period of sustained increases in the price of bonds, typically following a period of flat or declining prices. **Bond market sell-off:** A period of increased selling of bonds, which leads to decreases in the price of bonds and yields increasing.
Bond yield curve	**Yield curve:** A line that plots the interest rates of bonds at a set point in time. The bonds have equal credit quality, but differing maturity dates. **Steepening of the yield curve:** An increase in the gap between the yields on short-term bonds and long-term bonds, which will make the curve appear steeper. **Flattening of the yield curve:** A decrease in the gap between the yields on short-term bonds and long-term bonds, which will make the curve appear flatter. **Inverted yield curve:** A situation in which a yield curve flattens to the point that short-term rates are higher than long-term rates. An inverted yield curve typically precedes a period of recession.
Bond yield	**Real yield:** An investment return that has been adjusted to account for inflation. **Nominal yield:** Also referred to as the nominal rate, coupon yield, or coupon rate; it is the interest rate that a bond issuer is obligated to pay to the bond purchaser. This rate is fixed and applies to the life of the bond. **Back-up in bond yields:** A term for the movement in bond yields which makes bonds more expensive to issue. A back-up is characterized by an increase in bond yields and a decrease in price.
bps	**Basis points:** One hundredth of one percent, used for describing small changes in figures such as interest rates.
Brownfield	**Brownfield: An infrastructure asset that is fully operational.**
Cap rate	**Capitalization rate:** A rate of return on a real estate investment property based on the expected income that the property will generate.
CBRE Limited	**CBRE Limited:** A Fortune 500 and S&P 500 company headquartered in Los Angeles that is the world's largest commercial real estate services firm. CBRE Limited offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

Central bank rate – in U.S. Fed Funds rate, in Canada Overnight rate	**Central bank rate:** The rate of interest the central bank charges on the loans and advances to a commercial bank. **Federal funds rate:** The interest rate at which a depository institution lends funds maintained at the U.S. Federal Reserve to another depository institution overnight. The federal funds rate is generally only applicable to the most creditworthy institutions. **Overnight rate:** The interest rate at which a depository institution lends funds to another depository institution (short term) or the interest rate the central bank charges a financial institution to borrow money overnight. The overnight rate is the lowest available interest rate and, as such, it is only available to the most creditworthy institutions.
China's City Tier System	**First Tier cities:** Refers to China's "Big Four" cities: Beijing, Shanghai, Shenzhen, and Guangzhou **Second Tier cities:** Refers to capital cities of each province or coastal cities such as Tianjin, Chongqing, Chengdu, Wuhan, Xiamen; cities tend to be located primarily in Central China **Third Tier cities:** Refers to mid-tier cities from more developed provinces and some cities within less developed provinces (mostly in central or western China); cities tend to lag behind first and second tier cities in terms of economic growth and development, although many of them are still considered to be very significant economically and historically **Fourth Tier cities:** Refers to less developed cities from more developed provinces and more developed cities from less developed provinces; cities tend to represent the majority of China's urban population and combined income
Class A Office	**Class A Office:** The most prestigious commercial real estate buildings competing for premier office users with rents above average for the area.
CMHC	**Canadian Mortgage and Housing Corporation:** A Crown corporation of the Government of Canada, through the 1944 National Housing Act.
CMLS Financial	**CMLS Financial:** One of Canada's largest independently owned mortgage companies, providing a wide range of commercial lending services, residential mortgages, and institutional services.
CMBS	**Commercial mortgage-back securities:** A type of fixed-income security that is collateralized by commercial real estate loans.
Commercial mortgage	**Commercial mortgage:** A mortgage loan that is secured by commercial property.
Commercial real estate	**Commercial real estate:** Property that is used solely for business purposes, usually classified into the following categories: office, retail, industrial, multi-family, land and miscellaneous.
Consensus expectations	**Consensus expectations:** A figure or prediction based on the combined estimates of the analysts covering a specific company, marketing or economic event. Common consensus expectations include earnings per share and gross domestic product.
Contagion	**Contagion:** A situation where a shock in a particular economy or region spreads out and affects others. Contagion can cause economic crises or booms at a global level.
CRB Index	**Commodity Research Bureau Index:** An index that measures the overall direction of commodity sectors. The CRB was designed to isolate and reveal the directional movement of prices in overall commodity trades.
Credit risk	**Credit risk:** The risk that a borrower will default on any type of debt by failing to make required payments.

Credit spread	**Corporate credit spread:** The difference in yield of investment grade corporate bond relative to a risk-free rate, usually measured in basis points (bps) **High yield credit spread:** The difference in yield of non-investment grade corporate bond relative to a risk-free rate, usually measured in basis points (bps) **Option Adjusted Spread (OAS):** The difference in yield of a corporate bond relative to a risk-free rate, which is adjusted to take into account an embedded option, usually measured in basis points (bps)
Cyclical/Defensive sectors	**Cyclical sectors:** Sectors where performance will rise and fall with the stages of the business cycle. These sectors tend to perform well when the economy is in expansion, and poorly when the economy is in recession. Cyclical sectors include: Materials, Technology, and Industrials. **Defensive sectors:** Sectors that remain stable during various stages of the business cycle. These sectors tend to perform better than the market during recessions and worse than the market during expansions. Defensive sectors include: Telecom, Utilities, and Consumer Staples.
DJIA	**The Dow Jones Industrial Average:** The DJIA is a price-weighted average of 30 significant stocks traded on the NYSE and the NASDAQ.
Dovish/Hawkish	**Dovish:** A sentiment that generally favours low interest rates in order to encourage growth within an economy. **Hawkish:** A sentiment that generally favours relatively high interest rates in order to keep inflation in check. (Related term - See Monetary Policy.)
Duration	**Duration:** Degree of sensitivity of the market value of a fixed income instrument (e.g. mortgage, bond) to changes in interest rates.
Earnings	**Analysts' earnings estimates:** An estimate for a company's future quarterly or annual earnings. Used in company valuation. **Earnings per share (EPS):** The portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.
ECB	**The European Central Bank:** The central bank of the European Union. (Related terms - See central bank rate and monetary policy.)
EU	**The European Union:** A group of European countries that participates in the world economy as one economic unit and operates under one official currency, the euro.
Emerging markets	**Emerging markets:** A nation's economy that is progressing towards becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body.
Expansion/Recession	**Expansion:** A period when business activity surges and gross domestic product expands until it reaches its peak. **Recession:** A period of significant decline in activity across the economy, lasting longer than a few months.
Fed	**U.S. Federal Reserve:** The central bank of the United States. (Related terms - See central bank rate and monetary policy.)
Flight to quality	**Flight to quality:** The action of investors moving their capital away from riskier investments to the safest possible investment vehicles.
FOMC	**The Federal Open Market Committee:** The branch of the Federal Reserve Board that determines the direction of monetary policy.

G8	**The Group of Eight:** The G8 refers to the group of eight highly industrialized nations that hold annual meetings to foster consensus of global issues. Members: France, Germany, Italy, U.K., Japan, U.S., Canada, and Russia.
GDP	**Real gross domestic product:** A macroeconomic measure of the value of economic output adjusted for inflation/deflation. **Nominal gross domestic product:** A macroeconomic measure of the value of economic output at current market prices.
GoC bond yield	**Government of Canada bond yield:** The amount of return an investor will realize on a Government of Canada bond.
Greenfield	**Greenfield:** An infrastructure asset under development (prior to being operational).
GTA	**Greater Toronto Area:** The city of Toronto and the four regional municipalities that surround it: Durham, Halton, Peel, and York.
Hard/Soft landing	**Hard landing:** An economic state wherein the economy is slowing down sharply or is tipped into outright recession after a period of rapid growth. **Soft landing:** A term used to describe a rate of growth high enough to avoid recession, but slow enough to avoid high inflation.
Headwind/Tailwind	**Headwind:** A condition or situation that will make growth more difficult. **Tailwind:** A condition or situation that will help move growth higher.
High beta stocks/low beta stocks	**High beta stocks:** A stock with a market beta of greater than one, meaning that the security will be more volatile than the market. **Low beta stocks:** A stock with a market beta of less than one meaning that the security will be less volatile that the market.
IMF	**International Monetary Fund:** The IMF is an international organization created for the purpose of promoting global monetary and exchange stability, facilitating the growth of international trade, and assisting in the establishment of multilateral system of payments for current transactions.
Inflation/Deflation	**Inflation:** A general increase in prices and fall in the purchasing value of money. **Core inflation:** A measure of inflation that excludes items that face volatile price movements, such as energy and food products. **Headline inflation:** The raw inflation figure as reported through the Consumer Price Index. **CPI:** The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services such as transportation, food, and medical care. **Core PCE:** Core Personal Consumption Expenditures is a measure in the change of price of consumer goods and series excluding food and energy prices. **Deflation:** The reduction of the general level of prices in an economy.
Leasing activity	**Leasing activity:** Refers to both the expiry of existing leases and the new leases signed at a property.
LIBOR	**London Interbank Offered Rate:** A benchmark rate that some of the world's leading banks charge each other for short-term loans.
Market correction/ Market pullback	**Market correction:** A reverse movement, usually negative of at least 10% in a stock, bond, commodity, or index to adjust for an overvaluation. **Market pullback:** A falling back of a price from its peak. This price movement might be seen as a brief reversal of the prevailing upward trend.

Margin Pressure	**Margin Pressure:** A term for the effect of certain internal or market forces on a company's operating, gross or net margins.
Market valuation	**Market valuation:** The process of determining the current worth of the overall market. **Market price-to-earnings (P/E) ratio:** A market valuation technique that divides the total value of all the market's constituents by their combined earnings. The resulting ratio gives insight into whether the market may be over or under priced. **Cheap market valuation:** A statement about the pricing of financial assets within a market. Cheap would imply a market P/E ratio lower that it has historically been, meaning that investors are paying less for each dollar of earnings than in the past. **Expensive market valuation:** A statement about the pricing of financial assets within a market. Expensive would imply a market P/E ratio higher than it has historically been, meaning that investors are paying more for each dollar of earnings than in the past.
Monetary policy	**Monetary policy:** Monetary policy is used by a central bank of a country to control the circulation and value of a nation's currency. **Quantitative easing:** A monetary policy in which a central bank purchases government or other securities from the market in order to lower interest rates and increase the money supply. **Quantitative tightening:** Tight monetary policy is a course of action undertaken by a central bank to constrict spending in an economy that is seen to be growing too fast, or to curb inflation when it is rising too quickly.
MSCI/REALpac Canada Property Index – All Assets	**MSCI/REALpac Canada Property Index – All Assets:** The most common benchmark for Canadian real estate funds.
MSCI EAFE Index	**The MSCI EAFE Index:** A stock market index designed to measure the equity market performance of developed markets outside of the U.S. and Canada. The acronym stands for Europe, Australasia and Far East.
MSCI World Index	**The MSCI World Index:** A stock market index of over 1,600 global stocks, it is commonly used as a benchmark for world or global stock funds.
Multiples	**Multiples:** A term for a measure of some aspect of a company's financial position, determined by dividing one metric by another metric.
New construction	**New construction:** Construction of entirely new structures and/or significant extensions to existing structures whether or not the site was previously occupied.
OECD	**Organisation for Economic Cooperation and Development:** OECD is a group of 30 democratic countries that support free market economies; they discuss and develop economic and social policy.
Oil price	**Brent Oil:** A major trading classification of sweet light crude oil, which serves as a major benchmark price of oil worldwide. **Western Canadian Select (WCS):** One of North America's largest heavy crude oil streams used as a benchmark for emerging heavy, high acidic crudes. **West Texas Intermediate Oil (WTI):** WTI, also known as Texas light sweet, is a grade of oil used as a benchmark in oil pricing.
OPEC	**Organization of the Petroleum Exporting Countries:** OPEC is a cartel that aims to manage the supply of oil in an effort to set the price of oil on the world market, with the hopes of avoiding fluctuations that may affect both oil purchasing and producing economies.
P/E Ratio	**Price-to-earnings ratio:** A valuation ratio of a company's current share price compared to its per-share earnings. (Related term - See market valuation.)

PBOC	**The People's Bank of China:** The central bank of the People's Republic of China. (Related terms - See central bank rate and monetary policy.)
Purpose-built rental properties	**Purpose-built rental properties:** Multi-unit residential properties constructed for the purpose of renting out the units in the rental housing market; these properties include apartment buildings.
REITS	**Real Estate Investment Trust:** A security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages.
Rental rate	**Rental rate:** A periodic charge per unit for the use of a property; the period may be a month, quarter or year.
Risk-on/Risk-off	**Risk-on/Risk-off:** An investment setting in which price behavior responds to, and is driven by, changes in investor risk tolerance. Risk-on/Risk-off refers to changes in investment activity in response to global economic patterns. A risk-on situation occurs during a period of low perceived financial risk, thus encouraging investors to take on risk. A risk-off situation occurs during periods of high perceived financial risk, thus encouraging investors to reduce risk.
S&P 500 Index	**The S&P 500 Index:** The S&P 500 is an American stock market index made up of the 500 largest companies by market capitalization, listed on the NYSE and NASDAQ.
S&P/TSX Index	**The S&P/TSX Index:** An index of the stock prices of the largest companies on the Toronto Stock Exchange.
Sovereign credit risk	**Sovereign credit risk:** The credit rating of a country or sovereign entity. This rating provides insight into the level of risk associated with a particular country.
Stock market volatility	**Stock market volatility:** The vigorous fluctuation of share prices within the stock market.
TMX FTSE 91-day Treasury Bills	**TMX FTSE 91-day Treasury Bills:** A benchmark used to track the performance of Government of Canada Treasury Bills.
TMX FTSE Canada Bond Universe	**TMX FTSE Canada Bond Universe:** A benchmark which is designed to track the performance of the Canadian bond market.
Top-line revenue growth	**Top-line Revenue Growth:** A reference to the growth in the gross sales or revenues of a company.
Vacancy rates	**Vacancy rate:** A numerical value calculated as the percentage of all available units in a rental property that are vacant or unoccupied at a particular time.
World Bank	**World Bank:** The World Bank is a United Nations international financial institution that provides loans to developing countries for capital programs.

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Figures shown in this report are in Canadian dollars except as noted, and may be subject to rounding error. Returns are gross of investment management fees.

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Current benchmark weights and indexes are noted on each asset class page. Benchmark returns reflect any index and weighting changes made since inception. Index returns include reinvestment of dividends, if applicable, but not the deduction of any fees or expenses, which would reduce returns.

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Current Balanced Fund benchmark: FTSE Canada 91 Day T-Bill 3%, FTSE Canada Universe Bond 37%, S&P/TSX Composite 20%, S&P 500 20%, MSCI EAFE (Net) 20%. History:

- Apr 2014 – Sep 2018: FTSE Canada 91 Day T-Bill 3%, FTSE Canada Universe Bond 37%, S&P/TSX Composite 24%, S&P 500 18%, MSCI EAFE (Net) 18%.
- Nov 2003 - Mar 2014: FTSE Canada 91 Day T-Bill 3%, FTSE Canada Universe Bond 37%, S&P/TSX Composite 35%, S&P 500 12.5%, MSCI EAFE (Net) 12.5%.
- Jan 2001 - Oct 2003: FTSE Canada 91 Day T-Bill 3%, FTSE Canada Universe Bond 37%, CPMS Cap 10 35%, S&P 500 12.5%, MSCI EAFE (Net) 12.5%.
- Apr 2000 - Dec 2000: FTSE Canada 91 Day T-Bill 3%, FTSE Canada Universe Bond 37%, CPMS Cap 10 40%, S&P 500 10%, MSCI EAFE (Net) 10%.
- Oct 1999 - Mar 2000: FTSE Canada 91 Day T-Bill 5%, FTSE Canada Universe Bond 40%, CPMS Cap 10 40%, S&P 500 7.5%, MSCI EAFE (Net) 7.5%.
- Jan 1997 - Sep 1999: FTSE Canada 91 Day T-Bill 5%, FTSE Canada Universe Bond 40%, S&P/TSX Composite 40%, S&P 500 7.5%, MSCI EAFE (Net) 7.5%.
- Jan 1996 - Dec 1996: FTSE Canada Universe Bond 50%, S&P/TSX Composite 50%.

Current Balanced Plus Fund benchmark: FTSE Cda Universe 22.9%, Custom Mortgage Index 8%, S&P/TSX Composite 17.5%, S&P 500 11.3%, MSCI EAFE (Net) 11.3%, MSCI World (Net) 11.3%, MSCI/REALpac Canada Annual Property Index - All Assets 10%, Custom Infrastructure Index 7.7%. Details regarding changes to the Balanced Plus Fund benchmark compositions is available upon request.

MSCI/REALpac returns are not immediately available at quarter-end; therefore, the prior quarter's index return is used in this report.

The Infrastructure fund is priced semi-annually at the end of June and December in U.S. dollars. Interim valuations may be done as the result of special situations. Performance is calculated based on the last available price obtained from the semi-annual or interim valuation and daily FX movement.

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[1] Strategic Insight Managed Money Advisory Service – Canada (Spring 2018 report, AUM effective December 2017), Benefits Canada 2018 Top 40 Money Managers report (May 2018 report, AUM effective December 2017; Assets under management as of December 31, 2018 for Greystone).
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