

		<u>Dec. 2018</u>	<u>4Q 2018</u>	<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
U.S. Large Cap Equities	S&P 500	-9.03%	-13.52%	-4.38%	9.26%	8.49%	13.12%
U.S Mid Cap Equities	Russell Midcap	-9.92%	-15.37%	-9.06%	7.04%	6.26%	14.03%
U.S. Small Cap Equities	Russell 2000	-11.88%	-20.20%	-11.01%	7.36%	4.41%	11.97%
Master Limited Partnerships (MLP)	Alerian MLP	-9.36%	-17.30%	-12.42%	-1.06%	-7.31%	9.58%
U.S. Real Estate Equities	Dow Jones U.S. Select REIT Index	-8.59%	-6.61%	-4.22%	1.97%	7.89%	12.05%
Global Equities	MSCI All Country World Index	-7.04%	-12.75%	-9.42%	6.60%	4.26%	9.46%
International Developed Equities	MSCI EAFE	-4.85%	-12.54%	-13.79%	2.87%	0.53%	6.32%
Emerging Market Equities	MSCI Emerging Markets	-2.66%	-7.47%	-14.58%	9.25%	1.65%	8.02%
U.S. Taxable Fixed Income	Barclay's U.S. Aggregate	1.84%	1.64%	0.01%	2.06%	2.52%	3.48%
U.S. Tax-Exempt Fixed Income	Barclay's Municipal Aggregate	1.20%	1.69%	1.28%	2.30%	3.82%	4.85%
High Yield Fixed Income	Barclay's U.S. Corporate High Yield	-2.14%	-4.53%	-2.08%	7.23%	3.83%	11.12%
Floating Rate Loans	S&P/LSTA Leveraged Loan	-2.54%	-3.45%	0.44%	4.83%	3.05%	8.57%
International Fixed Income	Barclay's Global Aggregate Ex-U.S.	2.22%	0.91%	-2.15%	3.15%	-0.01%	1.74%

- All major global equity indexes fell sharply in December. The unfavorable results were attributed to a number of factors, but in particular, investors shed “risk assets” for “safe havens” in response to increased economic and policy uncertainty.
- U.S. equities declined 9.0% during the month; the sell-off lowered the S&P 500's forward P/E ratio to 14.4x (25-year average is 16.1x).
- Midstream MLPs were susceptible to oil price volatility in December, yet the asset class ended 2018 attractively priced and yielding +8%.
- U.S. REITs are slightly expensive relative to U.S. equities; the asset class lost less than half that of the S&P 500 in the fourth quarter.
- International developed equities and emerging markets equities were negative in December and for the year. The indexes were negatively impacted by the unresolved Brexit deal, U.S. tariffs, a resilient U.S. dollar, and lower forecasted economic growth rates.
- U.S. investment grade bonds were broadly positive in December; taxable and municipal bonds gained 1.8% and 1.2%, respectively.
- High yield bonds and leveraged loans performed less well in December, but are better priced after the repricing risk.
- Global bonds gained 2.2% in December, but ended the year down 2.2% on U.S. dollar strength (USD +5.0% in 2018).

Economic Update

The Canadian economy ended 2018 generally healthy, but recent data suggests weakness in the quarters ahead. On the positive side, the country's unemployment rate hovered near a 40-year low throughout 2018, and job creation remained strong. On trade, Canada closed out 2018 having successfully renegotiated its trade policy with the U.S. and Mexico. GDP grew by an estimated 2.2% in 2018. This is roughly a point lower than the 3.1% growth rate in 2017, but still a reasonable rate of expansion. On the negative side, looking ahead to 2019, the federal government's fall economic statement projected 2% growth. That rate seems optimistic when we consider the pullback in crude oil prices, a weak local currency, lower expected global growth, an unresolved U.S./China trade deal, tighter monetary policy, high household debt, and cyclical downturns that could meaningfully slow global growth.

Interest Rate Update

Canada raised its benchmark interest rate by 0.25% to 1.75% in October, the third incremental rate increase in 2018 and the highest rate since 2008. The policy interest rate was left unchanged at the December 5th meeting.

Date Range	CAD to USD	+/-
December	0.7527 – 0.7329	-2.6%
4Q 2018	0.7751 – 0.7329	-5.4%
12-Months	0.4953 – 0.7329	-7.8%

USD to CAD	30-Days	90-Days
High	1.37539	1.37539
Low	1.32577	1.29358
Average	1.34874	1.32487
Volatility	0.41%	0.34%

