

Market Overview

The second quarter of 2021 was a turning point for many investors and consumers living in developed economies. Fatigue from the pandemic in these regions shifted to anticipation of a post-COVID economy. Over the quarter, many leading economic indicators confirmed the positive outlook of consumers and businesses in Canada, the U.S. and the Euro area. Globally, the fight against Covid-19 was marred by a tragic resurgence of cases and variants in certain emerging markets. The threat of the highly contagious Delta variant that initially weighed heavily only in certain emerging markets has now been detected in about 98 countries.

The supportive fiscal and monetary policies, supply chain disruptions and rising input costs have raised concerns of rising inflation rates. The Federal Reserve, however, argues that inflation pressures are transitory. Officials at the Fed are contemplating a winding down of the monetary stimulus measures, although the expected timeline for such action has not been disclosed.

The S&P/TSX Composite Index reached record highs over the quarter, closing with an 8.5% return in this period, and a

17.3% return on a year-to-date basis. Financials, Information Technology and the Energy sector chiefly contributed to the strong performance of the Canadian index. Health Care, the smallest sector in the index by market weight, was the only negatively performing sector over the second quarter. Compounding on the outperformance from the first quarter, the S&P/TSX Small Cap Index beat the S&P/TSX Composite Index by almost 2.5 percentage points on a year-to-date basis.

The S&P 500 Index (C\$) underperformed the S&P/TSX Composite Index, but still closed with 6.9% return over the quarter and 12.0% on year-to-date basis. MSCI EAFE (C\$) and MSCI Emerging Markets Index (C\$) returned 3.8% and 3.6% respectively. Depleting inventories and persistent demand pushed WTI crude oil prices to month-end highs that have not been reached since June 2018.

The Canadian bond market, as represented by the FTSE Canada Universe Bond Index, reverted some of its losses from the first quarter. The Canadian bond index returned 1.7% over the quarter and -3.5% on a year-to-date basis.

Index and Currency Returns (%) Period Ended June 30, 2021

		Three Months	Six Months	One Year	Three Years	Five Years
Equities	S&P/TSX Composite Index	8.5	17.3	33.9	10.8	10.8
	S&P/TSX Equity Income Index	9.8	25.6	47.8	10.0	9.5
	S&P/TSX Small Cap Index	9.2	19.8	57.7	9.2	7.3
	S&P 500 Index (C\$)	6.9	12.0	28.0	16.3	16.5
	MSCI EAFE Index (C\$)	3.8	6.1	20.8	6.6	9.7
	MSCI World Index (C\$)	6.3	10.1	27.0	13.3	14.3
	MSCI World Value Index (C\$)	3.4	11.9	26.3	7.1	9.6
	MSCI World Growth Index (C\$)	9.3	8.2	27.3	19.1	18.8
Fixed Income	FTSE Canada Universe Bond Index	1.7	-3.5	-2.4	4.2	2.6
	FTSE Canada All Corp Bond	1.3	-2.3	0.8	4.9	3.7
	Bloomberg Barclays Global High Yield Index (C\$)	1.5	-0.8	4.2	4.4	5.5
Currency	Canadian dollar vs US dollar	1.4	2.8	9.8	2.2	1.0
	Canadian dollar vs Euro	0.4	6.1	4.1	1.5	-0.5

Source: Morningstar, as at June 30, 2021

Fixed Income Update

All equity Strategies in the program earned a positive return this quarter and double-digit returns over a one-year period. 1832 Asset Management L.P.'s U.S. Equity Growth Strategy, a holding in all portfolios, outperformed the fund's U.S. equity segment benchmark, S&P 500 Index (C\$), over the quarter. While this Strategy is a laggard on a year-to-date basis, it is the highest performing equity holding over the quarter. Walter Scott & Partners' Quality Growth Strategy, a large equity holding in all portfolios, outperformed its benchmark, MSCI EAFE Index (C\$), over the quarter.

Canadian equities outperformed U.S. and international equities over the quarter and on a year-to-date basis. However, all the Canadian equity fund holdings underperformed the S&P/TSX Composite Index, the fund's Canadian equity segment benchmark, over the quarter.

Equity Update

All equity Strategies in the program earned a positive return this quarter and double-digit returns over a one-year period. 1832 Asset Management L.P.'s U.S. Equity Growth Strategy, a holding in all portfolios, outperformed the fund's U.S. equity segment benchmark, S&P 500 Index (C\$), over the quarter. While this Strategy is a laggard on a year-to-date basis, it is the highest performing equity holding over the quarter. Walter Scott & Partners' Quality Growth Strategy, a large equity holding in all portfolios, outperformed its benchmark, MSCI EAFE Index (C\$), over the quarter.

Canadian equities outperformed U.S. and international equities over the quarter and on a year-to-date basis. However, all the Canadian equity fund holdings underperformed the S&P/TSX Composite Index, the fund's Canadian equity segment benchmark, over the quarter. Baillie Gifford's Global Alpha Strategy and Epoch's Global Choice Strategy performed in line with their global equity segment benchmark- MSCI World Index (C\$).

Sub-advised Strategy Update (Six institutional managers quarterly)

1832 Asset Management L.P.

Diversified (Fixed Income)

During the quarter the strategy performed in line with its FTSE Canada Universe Bond benchmark. A higher relative allocation to securities in the Energy sector was a positive contributor. The strategy's overweight allocation to BBB-rated credit holdings supported absolute performance. While an underweight in AAA-rated securities also added to relative performance. Underweight overall duration relative to the benchmark was a detractor as yields, which had peaked in March, drifted lower into May and June. There were no material changes to portfolio positioning this quarter. The strategy's duration of 7.11 years remains in line with the previous quarter.

Jarislowsky Fraser Limited

GARP (Canadian Equity)

For the quarter, the strategy underperformed its S&P/TSX Composite benchmark. Primary detractor to performance was our stock selection in the Information Technology sector, which includes names such as Enghouse Systems and Open Text Corporation. Additionally, the absence of Royal Bank of Canada and Bank of Montreal, and our underweight position in Shopify detracted from performance. The main contributor to performance was our overweight position in Information Technology. Overweight positions in Gildan Activewear, SNC Group and Brookfield Asset Management also contributed to performance.

PIMCO

Diversified (Fixed Income)

For the quarter the strategy underperformed its Bloomberg Barclays Global Aggregate (CAD Hedged) benchmark as a result of duration and curve positioning in the U.S. In addition, short duration exposure in the U.K. and long duration exposure in Peru detracted from performance. The strategy emphasized sourcing duration from high quality countries U.S., Australia, Canada, and Denmark that have potential diversification benefits in a risk-off scenario. The strategy continues to take a cautious approach to investment-grade corporate credit given tight valuations. Senior securitized assets, particularly non-Agency mortgages as well as U.K. residential mortgages and Danish covered bonds are favoured. Positions are also held in U.S. TIPS and high-quality emerging market external debt.

Montrusco Bolton Investments Inc.

Small Cap (Canadian Equity)

For the quarter the strategy underperformed its S&P/TSX SmallCap benchmark. Non-exposure in the Energy sector was the principal detractor given the strong rally in crude prices. Underweight in Materials sector was the secondary detractor given the near double-digit benchmark return. However, security selection in Neighbourly Pharmacy and TFI International contributed to performance. Overall portfolio positioning was decreased in Materials and increased in Consumer Discretionary sectors.

Baillie Gifford & Co.

GARP (Global Equity)

During the quarter the strategy performed in line with the MSCI World Index. During this period, the largest contribution to performance came from exposure to the Healthcare sector, primarily U.S. based biotech companies such as Moderna and Novocure, as well as Cloudflare, Shopify and SEA Ltd. Stock selection within Emerging Markets detracted from performance, in particular share price weakness in Naspers and Ping An Insurance. Elsewhere, shares in U.K. based, but Asian-focused, insurer Prudential were also weak, as was European short-haul airline Ryanair. Portfolio positioning remains broadly consistent with the first quarter of 2021.

Epoch Investment Partners, Inc.

Value (Global Equity)

During the quarter the strategy performed in line with the MSCI World Index. Sector allocation provided a positive contribution based on our relative overweight to three key sectors, information technology, health care and communication services. Stock selection detracted from performance. T-Mobile US, Inc. was the top active weight and contributor to return for the quarter, while the bottom contributors included Las Vegas Sands Corp and Dollar Tree, Inc. in consumer discretionary, Philips N.V. in health care, Enel SpA and NextEra Energy, Inc in utilities. The portfolio also has no exposure to the Energy sector, which had relatively strong performance in the second quarter of 2021.

dynamic.ca/marquis

Researched by Dynamic Funds®

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical compounded total returns including changes in unit value and reinvestment of distributions and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Views expressed regarding a particular company, security, industry or market sector should not be considered an indication of trading intent of any mutual funds managed by 1832 Asset Management L.P. These views are not to be considered as investment advice nor should they be considered a recommendation to buy or sell. These views are subject to change at any time based upon markets and other conditions, and we disclaim any responsibility to update such views. © Copyright 2020 1832 Asset Management L.P. All rights reserved. Marquis Investment Program and Dynamic Funds® are registered trademarks of its owner, used under license, and divisions of 1832 Asset Management L.P.