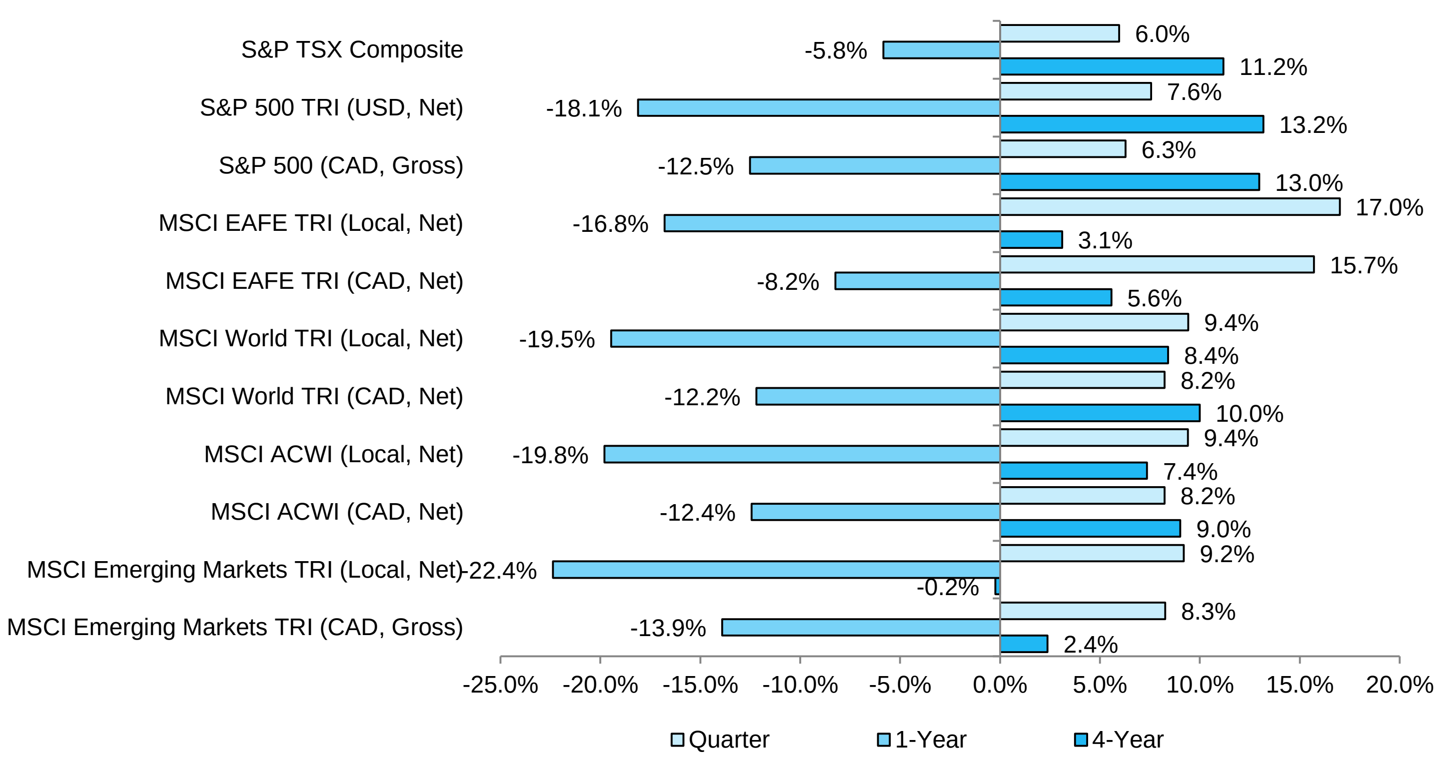
General Market Commentary

- Despite three consecutive quarters of market downturns amid global macro and geo-political headwinds, the year ended with a strong rally across global equity markets as investors increasingly discounted that policy rates are nearing their terminal point i.e., point where central banks are expected to end the rate hikes.
- Over the fourth quarter, global central banks maintained their contractionary monetary policy position to curtail decades high inflationary environment by raising their policy rates. Consequently, this higher interest rates trendline slowed global economic growth, increased recession risk and instilled bearish sentiments into investors going into 2023.
- During the fourth quarter, most equity sectors performed well across all major equity indices, with some exceptions such as Consumer Discretionary, which underperformed due to inflation inducing a loss in purchasing power for consumers. Energy was the top performing sector with a rebound in global oil prices.
- In terms of investment style, value outperformed growth in the fourth quarter. Russell 1000 Value Index (CAD) posted a return of 10.9% in Q4, whereas the Russell 1000 Growth Index (CAD) posted a return of 0.8% in Q4.
- Within fixed income markets, the Canadian government bond yield curve shifted upwards led by long bond yield rising more than short bond yields with investors in both Canada and US expecting another 25-50 bps rate hike in the first quarter of 2023. Credit spreads tightened with the Canadian corporate sector outperforming the Federal and Provincials sectors in the fourth quarter. Within global bond markets, high yield and investment grade corporates outperformed government bonds.

Global Equity Market Performance



Canadian Markets

- The Canadian stock market as represented by the S&P/TSX Composite Index, posted a return of 6.0% over the fourth quarter. The resource-based Canadian economy benefitted from the rise in energy prices during the fourth quarter. However, negative macro economic headwinds including higher borrowing costs are expected to negatively impact growth in 2023. The Index ended the year with a return of -5.8%.
- Most sectors posted positive returns with the exception of the Healthcare (-10.9%) and Utilities (-7.4%) sectors. Information Technology was the top performing sector posting a return of 12.6%. Largest contributors to the strong performance of the index were the Energy, Materials and Industrials sectors returning 8.9%, 8.2% and 7.3%, respectively. Although the Financials sector posted a positive return, it underperformed the S&P/TSX Composite Index posting a return of 3.4%.
- Inflation remained at multi-decade high throughout the last quarter of 2022 but showed signs of plateauing. Consequently, the Bank of Canada continued to raise its interest rate with two incremental 0.50% increases: one in late October and the other in early December, bringing the policy interest rate to 4.25%. The Bank's objective is still to bring down inflation to the target rate of 2% annually.
- The Canadian dollar strengthened against the USD this quarter (1.2%), detracting value on foreign investments for unhedged investors.

US Markets

- The S&P 500 Index returned 6.3% over the quarter, ending the year with a stock rally, mainly due to strong corporate earnings, a strong labor market and inflation near its peak. The Index posted an annualized return of -12.5% in 2022.
- From a sector perspective, the Energy and Industrials sectors were the best performers with respective returns of 21.3% and 17.8%. The Energy sector closed off a stellar year with solid returns from oil giants like ExxonMobil, Chevron and Valero. The main detractors to performance of the index were the Consumer Discretionary and Telecommunications sectors, which posted returns of -11.2% and -2.6%. The Consumer Discretionary sector was particularly hit by Amazon and Tesla, the two top constituents of the Index, plunging in value in reaction to massive layoffs and hiring freezes plaguing the US tech industry.
- Over the quarter, the Federal Reserve raised its rates twice: once in early November by 0.75% and then in early December by 0.50%, bringing up the federal funds rate to the 4.25% to 4.50% range.
- The USD ended the year strongly having appreciated in relation to most major currencies, mainly due to the Fed's aggressive rate hikes throughout the year. However, the USD slightly weakened against many major currencies during the fourth quarter, including the Canadian Dollar, the Euro and the British Pound.

International Markets

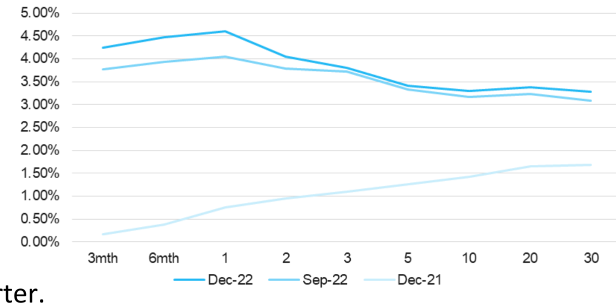
- In a reversal of trend of past several quarters, developed international markets outperformed the Canadian and the US markets. The MSCI EAFE Index posted a strong return of 15.7% over the fourth quarter of 2022 to bring the full-year performance to -8.2%.
- Unlike prior quarter, all of the index's sector returns were positive. Sector contribution was primary led by the Financials sector with a strong performance of 22.2%. It was also supported by Industrials and Materials, posting returns of 17.4% and 19.0%. Sectors underperforming the index included Telecommunications, Healthcare and Consumer Staples sectors with returns of 8.6%, 12.6% and 9.1%.
- Gas storages in Europe have subsided as winter has been quite mild in the first few months and strict regulations were applied, although the continent could still face gas shortages going into 2023 as resupplies will be scarce and costly. The ongoing war in Ukraine, nearing the one-year timestamp, is still a global cause for concern regarding supply chain shortages as the country is attempting to rebuild its economy with the help of the West amidst Russia's continuing military campaign.
- In the UK, unprecedented inflation levels and rising interest rates are weighing significantly on consumer's purchasing power. The country's economy was heavily shaken up by Prime Minister Liz Truss' failed tax-cutting budget, followed by her resignation. The Bank of England has raised the UK base interest rate to a current 3.5% during the fourth quarter.
- The Bank of Japan continued to go against the trend of its peers yet again by maintaining its rates low and relaxing its yield tolerance for 10-year government bonds in December, with the goal of providing stimulus to their economy.

Emerging Markets Equity

- In a reversal of trend of past several quarters, emerging markets outperformed most developed markets in the fourth quarter. The MSCI Emerging Markets Index returned 8.3% over the quarter. The index posted an annual return of -13.9% in 2022, underperforming developed markets.
- All sectors posted positive returns this quarter. The Information Technology and Telecommunications sectors were the top contributors to the strong performance in this quarter, posting returns of 10.5% and 12.2%, respectively. The main detractor to performance was the Financials sector, returning 5.6%.
- The Chinese economy bounced back from an unfavorable year as President Xi Jinping was reelected for a third term and the Zero-Covid Policy was dropped following public protests. Many of its staple stocks like JD.com Inc., Alibaba Group Holdings Ltd. and Tencent Holdings Ltd. recovered from previous massive losses. Still, the country's economic growth for 2022 was incombered by a huge real estate crisis, supply shortages, globally weaker exports, and geopolitical tensions with the West over Taiwan.
- A weaker USD against helped further boost returns from emerging market equities in Q4.

Canadian Fixed Income

Canadian Sovereign Yield Curve



Canadian government bond yields across all maturities shifted higher in the fourth quarter led by the long end. The shape of the Canadian yield curve remains inverted at year end, which has typically been a precursor of a recession. Over the period, the FTSE Canada Universe Index returned +0.1%. Short-term bonds outperformed long-term bonds returning 0.67% compared to -1.0% for long bonds. In terms of sectors, corporates outperformed Federal and Provincial sectors in the fourth quarter. High yield outperformed investment grade corporates in the fourth quarter in a risk-on environment.

The Impact on Concert

- Global capital markets indices across both equities and fixed income posted negative absolute returns with some major indices in bear market territory in 2022. In this difficult market environment, Concert Funds also posted negative absolute returns in the fourth quarter and in 2022. However, Concert Funds performance from a benchmark relative standpoint was strong with four out of five funds outperforming their respective benchmarks. Relative to peers, all five Convert funds posted first quartile performance in 2022.
- Within fixed income allocations, rising yields during 2022 have caused duration-sensitive core bond allocations to detract from total portfolio returns. Concert's diversification into global fixed income was a positive contributor to performance and offset the weakness in the domestic fixed income market. Concert has position in global fixed income through the AGF Total Return Bond Fund, AGF Global Corporate Bond Fund and the AGF Emerging Markets Bond Fund. AGF Total Return Bond Fund, which is able to tactically allocate across global fixed income sectors
- Within equity allocations, Concert funds reduced its exposure to emerging markets equities through the AGF Emerging Markets Equity Fund. In 2022, emerging markets equities underperformed developed market equities and this was positive for Concert Funds. Concert Funds overweight position to Canadian equities was also broadly positive as Canadian equity market was one of the best performing in 2022. US equity market position through the AGFiQ US Sector Class Fund was a positive contributor.
- Diversification and underlying equity exposures with a quality focus have led to strong relative performance through 2022. Concert funds have been positioned well as we face an uncertain environment in 2023.
- In light of changing macroeconomic conditions in the current cycle, LifeWorks has updated various longer-term capital market assumptions, which led to several asset mix changes in the Concert funds over the course of 2021-2022. New asset allocation changes are being considered within the context of updated capital market assumptions.

Investment Clarifications

- The S&P/TSX Composite Index is a capitalization-weighted index designed to measure market activity for securities listed on the Toronto Stock Exchange. It is an index of stocks considered to be generally representative of the Canadian equity market.
- The S&P 500 Index is a market capitalization-weighted index of roughly 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.
- The MSCI EAFE Index is an index that covers 21 international markets apart from Canada and the United States. The acronym stands for Europe, Australasia, and the Far East, and represents the equity markets of developed markets outside of North America.
- The MSCI World Index is a market capitalization-weighted index of 1,500+ stocks from 23 countries (including the United States and Canada) and covers 85% of the free float-adjusted market cap of each country. It is considered representative of stocks in global developed markets.
- The MSCI Emerging Markets Index captures large-and-mid cap representation across 26 Emerging Markets (EM) countries, and represents the equity markets of emerging countries and economies.
- The FTSE Canada Universe Bond Index measures the performance of investment grade domestic government and corporate bonds.
- The FTSE Canada Canadian Treasury Bill 91 Day Index tracks the performance of the Government of Canada 91-Day Treasury Bills.

Mutual funds are offered by PFSL Investments Canada Ltd, mutual fund dealer. The head office is in Mississauga, Ontario