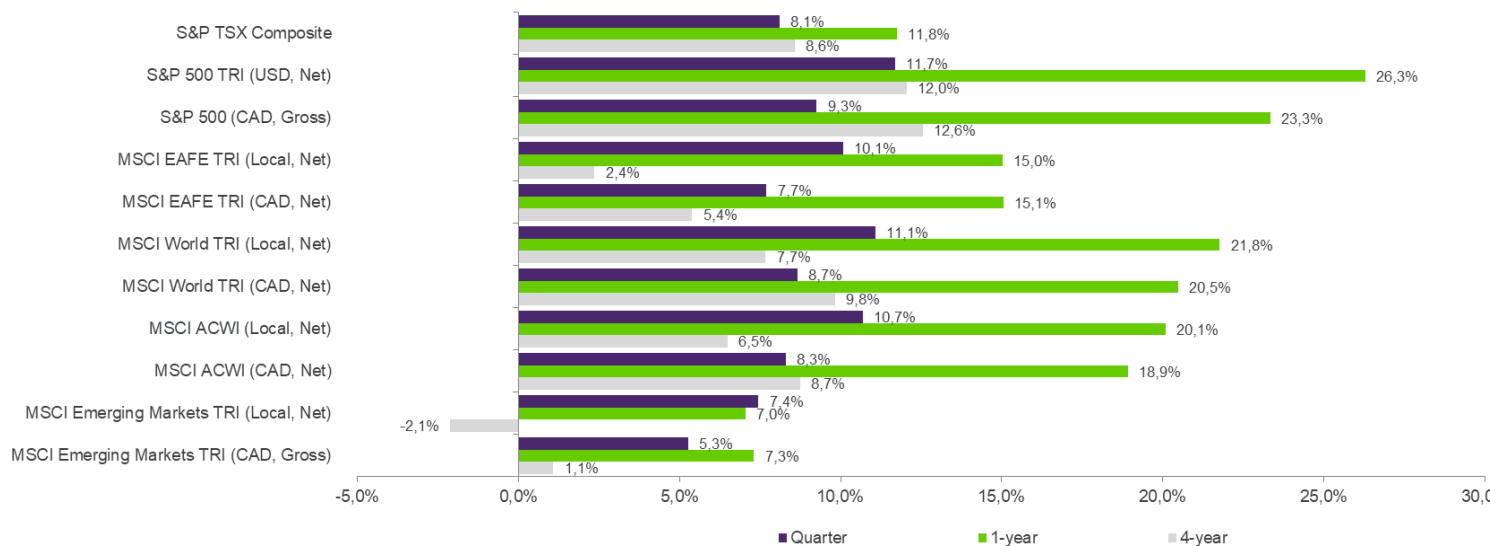


General Market Commentary

- The fourth quarter of 2023 brought a positive end to 2023 for investors. Following a negative third quarter, the final quarter of 2023 witnessed robust returns across most major asset classes.
- The primary catalyst propelling capital markets globally and across various sectors was the heightened expectations of interest rate cuts by central banks in 2024, and that these cuts would start earlier than prior expectations. This shift in market sentiment contributed significantly to the positive momentum and strong performance across diverse asset classes during the fourth quarter.
- In terms of equity sectors, the Energy sector was the only sector that posted a negative return, as the price of oil dropped due to supply factors. All other sectors posted positive returns for the quarter, especially Information Technology, Financials and Real Estate sectors.
- In terms of investment style, growth outperformed value during the quarter. In the U.S., the Russell 1000 Growth Index (CAD) posted a return of 11.3%, whereas the Russell 1000 Value Index (CAD) posted a return of 6.7%.
- Amid a backdrop of decelerating economic growth and potentially easing inflation, most major central banks opted to keep their policy rates unchanged. Consequently, the policy rates in Canada and the US remained at 5.00% and between 5.25% - 5.50%, respectively.
- Central bank's shift towards a more dovish stance caused bond yields to drop sharply and most major fixed income indices posting strong returns over the period. In the credit markets, investment grade credit and high-yield bonds, less influenced by rate fluctuations, slightly underperformed sovereign, and provincial bonds, but still posted strong returns, fueled by corporate earnings resilience.

Global Equity Market Performance



Canadian Markets

- The S&P/TSX Composite Index posted a return of 8.1%. The Canadian market underperformed most other developed market equity indices.
- All sectors, except for the Energy sector, posted positive returns for the quarter. The Financials sector emerged as the primary contributor to performance, posting a 12.8% return. This surge in performance was fueled by an optimistic economic outlook, facilitated by the decrease in yields. The Information Technology sector posted an impressive 24.0% return, making it the best performing sector in the quarter. Energy sector posted a loss of -1.3% due to a drop in oil price.
- The Bank of Canada maintained its policy rate at 5.00% in the quarter. While the policy rate remained unchanged, the Bank of Canada adopted a more dovish tone, signaling that the next likely move would be a reduction in the policy rate.
- Canadian economic growth, as measured by real GDP, contracted by -1.1% in the third quarter on an annualized term and falls significantly below the initial estimate of a relatively stable performance. This decline can be attributed to reduced oil exports and a slower rate of inventory accumulation.
- Canada's unemployment rate was reported at 5.8% in November, which has been trending up over the last few months. Inflation was reported at 3.1% year over year, in November, which has been trending down over the last few months.

US Markets

- US equities, as represented by the S&P 500 index, posted an impressive 9.3% return during the quarter, primarily fueled by substantial gains in select large technology related companies. This strong performance can also be attributed to decreasing yields and a more dovish stance from the U.S. Federal Reserve, as inflation shows signs of easing.
- All sectors recorded positive returns for the quarter with the exception of Energy sector, which posted a -9.0% return. The decline in the Energy sector was driven by a corresponding -19.2% drop in oil prices over the quarter. The Information Technology sector, which posted a 14.6% return, and the Real Estate sector with an impressive 16.2% gain, both benefiting from expectations of future interest rate cuts.
- U.S. economic growth, as measured by real GDP, grew by 4.9% in the third quarter on an annualized term. Despite higher interest rates, persistent inflation pressures, and various domestic and global challenges, the U.S. economy expanded at an even faster rate than anticipated in the third quarter, partly due to robust consumer spending. The unemployment rate in the U.S. was reported at 3.7% in November. Inflation was reported at 3.4% in December.
- The Federal Reserve maintained its policy rates within the range of 5.25% to 5.50% in the fourth quarter of 2023. In its statement, the Fed emphasized the decline in inflation and adjusted its forward views by lowering the median inflation projection for 2024.
- During the fourth quarter, investor sentiment was tilted towards higher risk assets, which made the US dollar depreciate against most international currencies, as the US dollar is viewed as a safe-haven asset.

International Markets

- The MSCI EAFE index, which includes the performance of developed countries outside of North America, returned 7.7% in CAD during the quarter.
- On the sector front, Information Technology was the top performer posting a 18.3% return, followed by the Materials sector returning 14.2%, which benefited from rising prices of industrial metals. The Energy sector pulled back from last quarter, posting a -2.1% return.
- In terms of regional performance, Europe, a major component of the MSCI EAFE Index, recorded an 8.3% return in CAD. Despite subdued economic indicators in the Euro zone, such as the overall stagnant GDP growth and contractions within Germany's economy in the third quarter, the equity markets in the Euro Area led the index, buoyed by global optimism amid substantial easing of inflation and a pause in monetary policy tightening.
- In contrast with the previous quarter, UK ended the quarter trailing other regions, posting a 4.2% return, mainly due to the energy sector's dominance in its index.
- The MSCI Pacific Index, representing the Pacific region, underperformed Europe with a 6.6% return. This quarter, Japan trailed for the first time this year with a 5.5% return, yet it still marked its fifth consecutive quarter of positive gains. The Pacific region, excluding Japan, along with Europe, benefited from more substantial easing of inflation and yields compared to Japan.

Emerging Markets Equity

- Emerging markets, represented by the MSCI EM index, once again underperformed the developed markets in the fourth quarter, posting a 5.3% return.
- The index suffered this quarter, continuing a trend seen throughout 2023, largely due to China's underwhelming economic performance. While the Chinese economy displayed some resilience with stronger-than-anticipated growth in Q3, driven by government stimulus measures, this positive aspect was overshadowed by persistent turbulence in the real estate market, which remains a significant source of concern for investors.
- In contrast with the previous quarter, the Information Technology sector contributed significantly to the index return, posting a 15.0% return, followed by the Utilities sector with a 10.1% return. The main detractors were the Real Estate sector, weighed down by the Chinese situation, and the Communications sector. Both sectors posted losses of -2.6% and -2.4% respectively.

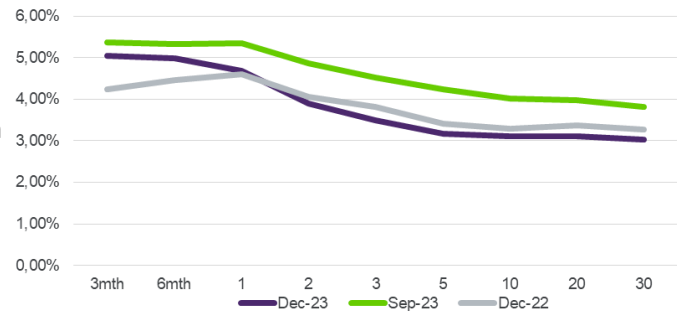
Canadian Fixed Income

Over the quarter, the inversion of the yield curve for government bonds became more pronounced, with long-term interest rates decreasing much more than short-term rates.

The FTSE Canada Bond Universe Index returned a strong 8.3% over the quarter. Long-term bonds, more sensitive to interest rate fluctuations, rallied during the quarter returning 14.8%.

Medium-term and short-term bonds posted comparatively lower returns of 8.3% and 4.1%, respectively. Canadian Investment grade credit and Canadian high-yield bonds posted returns of 7.6% and 6.1% respectively.

Canadian Sovereign Yield Curve



The Impact on Concert

- Following a negative third quarter, the final quarter of 2023 witnessed robust returns across most major asset classes. Increasing market expectations of interest rate cuts by central banks in 2024 led to a broad market rally globally. Fixed income markets also performed well overall, driven by investors evolving expectations for interest rates.
- Concert Funds concluded the quarter with absolute returns ranging from 6.5% to 6.8%, the Income Fund being the top performer. Considering that both global equities and fixed income markets registered strong returns, all Concert funds performed equally strong.
- In the fourth quarter, asset allocation decisions showed mixed results for Concert Funds. For the Global Equity and the Income Fund, asset allocation effect was slightly positive. For the Global Balanced Growth and the Canadian Balanced Growth, asset allocation effect was slightly negative, whereas it was neutral for the Balanced Yield Fund.
- Within equities, overweight position in US Equities was positive, as the US equity index outperformed other indices. On the negative side, overweight in Global equities, overweight in Emerging Markets, and overweight in Canadian Small Caps were detractors in all Concert funds.
- Within fixed income, overweight exposure to global and high-yield bonds negatively contributed to performance, as their respective indices underperformed the Canadian bond index during this quarter.
- Overall, underlying AGF component funds on an aggregate basis detracted from the performance of all Concert funds during the fourth quarter. AGF Emerging Markets, AGF Canadian Growth Equity Class, AGF Global Select and AGF Global Corporate Bond funds were the primary detractors from performance. AGF American Growth Class and AGF Emerging Markets Bond funds were slight contributors to Concert funds.
- Uncertainty remains the biggest factor driving market sentiment as evidenced by the volatility over the past two years. Therefore, enhanced diversification and a focus on high-quality investments are expected to continue to provide an edge to the Concert Funds.

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.
- ◆ The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) (including Canada and the US) and 24 Emerging Markets (EM) countries

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

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