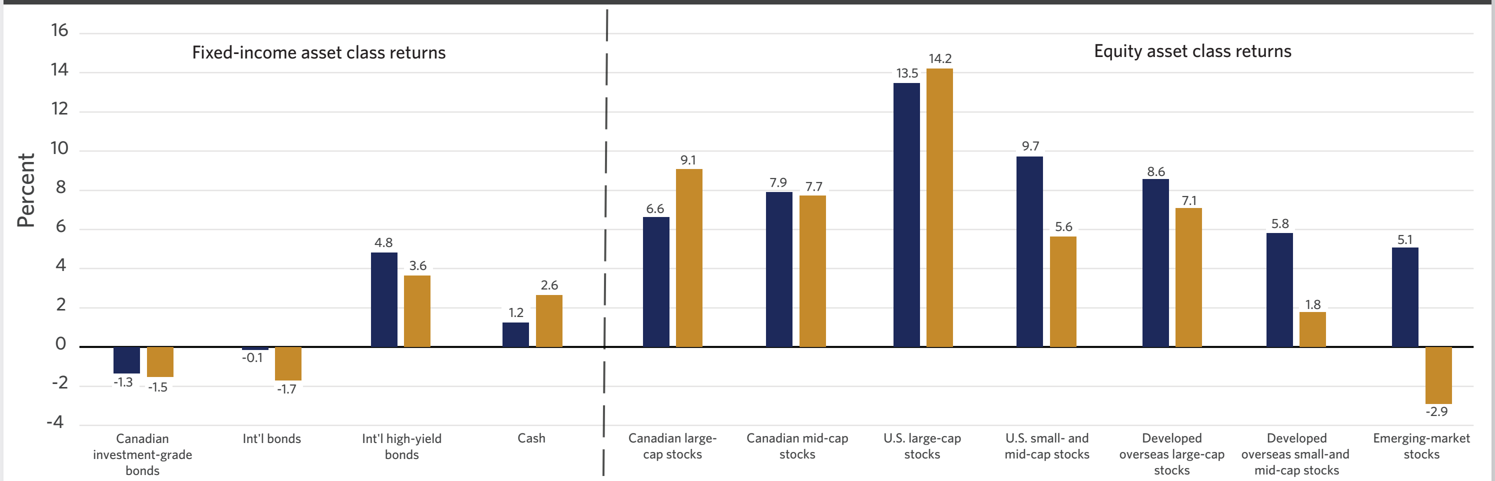
Quarterly market outlook: **Second quarter 2024**

Asset Class Performance: Q1 2024



Source: Morningstar Direct, 3/31/2024. Total returns in CAD. Canada large-cap stocks represented by the S&P/TSX Composite Index. U.S. small- and mid-cap stocks represented by the Russell 2500 Index. International bonds represented by the Bloomberg Global Aggregate Bond CAD Hedged Index. International high-yield represented by the Bloomberg Global High Yield Index. Canadian investment-grade bonds represented by the Bloomberg Canada Aggregate Bond Index. U.S. large-cap stocks represented by the S&P 500 Index. Emerging market stocks represented by the MSCI EM Index. Overseas large-cap stocks represented by the MSCI EAFE Index. Canadian mid-cap stocks represented by the S&P/TSX Completion Index. Overseas small- and mid-cap stocks represented by the MSCI EAFE SMID Index. Cash represented by the FTSE Canada 91 Day Treasury Bill Index. Past performance does not guarantee future results. An index is unmanaged, is not available for direct investment and is not meant to depict the performance of an actual investment. Investing in equities involves risks. the values of your shares will fluctuate and you may lose principal. Mid- and Small-cap stocks tend to be more volatile than large company stocks. . Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events. Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

Looking back at the 1st quarter

Equity markets picked up where they left off in 2023, continuing their trend higher while higher bond yields pressured investment-grade bond returns.

Equity markets march higher; bonds pressured by higher yields – Equity markets rallied in the first quarter, with each of our recommended equity asset classes finishing higher led by U.S. large-cap stocks. U.S. large-cap stocks posted a 13.5% gain for the quarter while Canadian large-cap stocks gained 6.6% as both countries' indexes rose to new all-time highs. Government bond yields rose in the first quarter, with the 10-year Government of Canada yield rising nearly 0.4 percentage points to 3.47% pressuring investment-grade bond returns. Unlike bouts of equity-market volatility in 2023 which were accompanied by rising bond yields, resilient economic activity and healthy corporate profit growth, particularly in the U.S., helped stocks continue their trend higher in the first quarter despite rising bond yields.

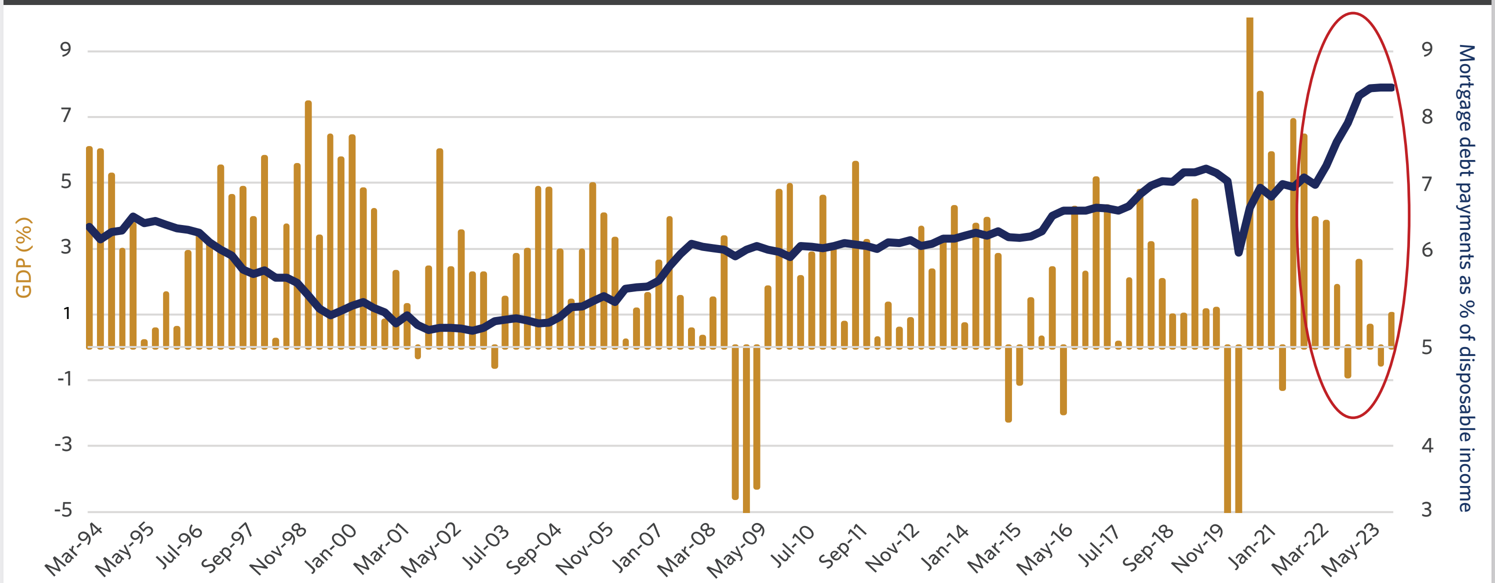
Broadening participation helped lift equity markets higher – 2023 was a year characterized by narrow leadership, with a handful of U.S. mega-cap technology companies accounting for a large portion of the S&P 500's gains. The technology, communication services and consumer discretionary sectors of the S&P 500 each returned over 40% in 2023, while no other sector returned more than 18%. The first quarter saw continued strength in technology and communication services with each sector higher by over 12%. However, cyclical sectors such as industrials, energy and financials saw strong performance as well, each rising by 11% or better. Similarly, the energy and industrials sectors of the TSX returned over 11% in the first three months of the year. We'd look for broadening leadership to continue in 2024, with some of last years laggards potentially playing catch-up.

Domestic inflation trends lower; U.S. higher-than-expected – Domestic Consumer Price Index (CPI) inflation continued to trend lower in the first quarter, with headline CPI falling from a 3.4% year-over-year rate in December 2023 to 2.9% in March. Core measures of inflation such as CPI Trim and CPI Median, which are closely monitored by the Bank of Canada, declined as well, posting the lowest year-over-year readings since 2021. Despite the trend lower in domestic inflation, U.S. inflation was higher-than-expected over the same time period, leading markets to lower expectations for Federal Reserve rate cuts in 2024 and driving bond yields higher in the U.S. and Canada.

▶ Action for investors

Broadening market leadership highlights the importance of maintaining diversification across multiple regions, styles and sectors. Work with your financial advisor to help ensure your portfolio is appropriately diversified and aligned to your long-term goals.

Domestic GDP growth has weakened recently



Source: FactSet, Statistics Canada.
Past performance is not a guarantee of future results.

Economic outlook

Imminent recession risks have faded, though the economy has lost some momentum recently. We think the expansion can continue, but consumers face some fatigue amid still-high interest rates and some softness in the labour market. Sustained moderation in inflation will be a necessary condition that should allow central banks to dial back rates in the second half of the year, helping support GDP growth.

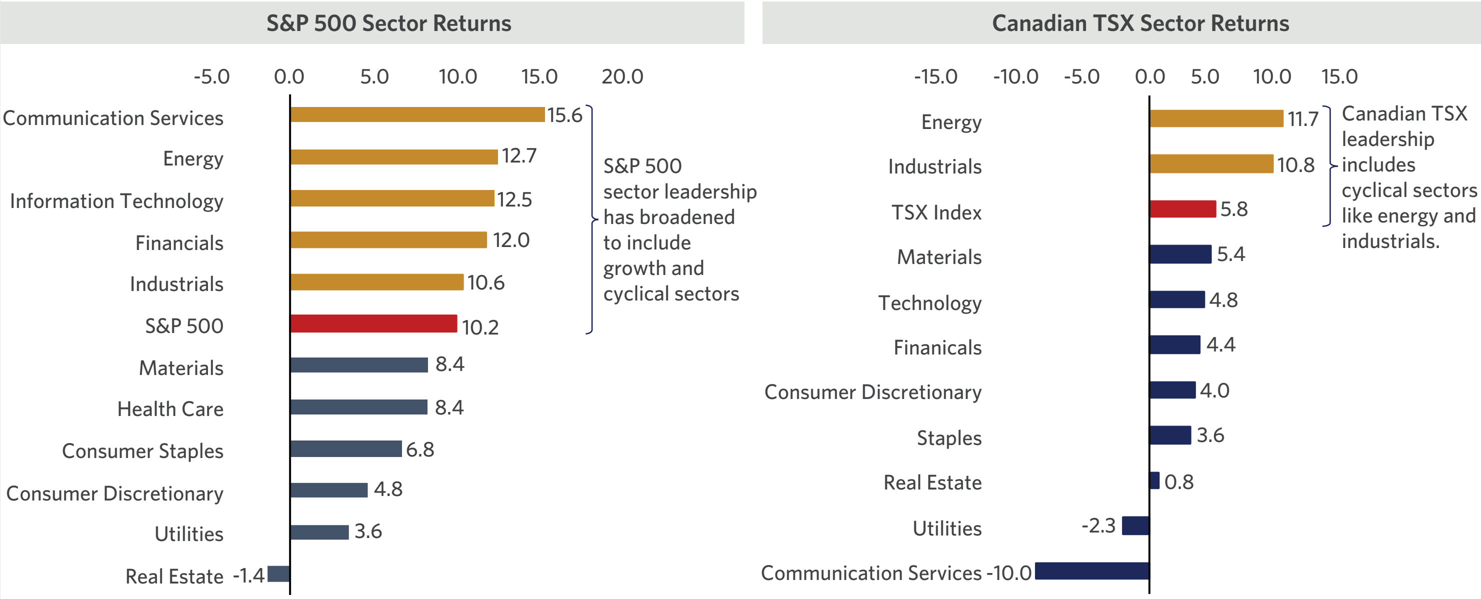
The inflation fight isn't over – Domestic and U.S. inflation has receded, though there's still plenty of work to be done to reach the Bank of Canada's and U.S. Fed's desired targets. While recent housing and goods production trends tell us inflation's decline should continue, we wouldn't rule out a few hiccups along the way. With both GDP and inflation cooling more notably in Canada to start 2024, we think the Bank of Canada will look to cut rates in the second half of the year.

Labour market slack emerges – Despite a recent uptick in the unemployment rate and choppy monthly job creation, the labour market remains a positive for the economy. We don't see job growth completely drying up or a significant spike in unemployment, but slowing wage growth will temper the pace of household spending, which has already been facing the headwind of higher mortgage costs. Lower rates later this year should offer some relief, and while we expect employment conditions to soften ahead, we're starting from an extremely healthy position, which we think will limit the damage to household consumption and thus the overall economy. Meanwhile, in the U.S., growth has been stronger with a particularly encouraging sharp jump in labour force productivity, which can support GDP growth even as payroll gains and wages moderate. Recent improvement in U.S. business investment suggests that productivity gains could continue in the near term, while artificial intelligence could introduce a longer-term productivity boom, something last seen in the strong economic expansion of the 1990s.

▶ Action for investors

We think U.S. economic growth will outpace that of Canada and global developed economies, supporting earnings growth and an overweight allocation to U.S. large-cap equity. Future central bank rate cuts and potentially lower yields favour extending duration within bond allocations.

2024 YTD sector returns, S&P 500 & Canadian TSX (%)



Source: FactSet, as of 3/31/24

Equity outlook

Stock markets continued to rally in the first quarter of 2024, with the TSX up by around 6% and the S&P 500 higher by nearly 10%. Underneath the surface, we have started to see some broadening of market leadership alongside U.S. mega-cap technology stocks.

Market volatility may be likely after a strong rally – The TSX has rallied over 21% and the S&P 500 over 25% since late October through the end of the first quarter, without a correction of 5% or higher. After strong performance in the first quarter of 2024, we would expect market volatility or a pullback to emerge, perhaps as uncertainty around the path of inflation and the Bank of Canada (BoC) and the Fed lingers. However, we would not expect any market correction to morph into a more severe bear market (a pullback of 20% or more). These down markets tend to occur when the economy is headed towards a recession, or central banks are raising rates – neither of which is in place today. Thus, market volatility may be an opportunity to add to or diversify portfolios, particularly for those investors who may not have fully participated in the recent rally.

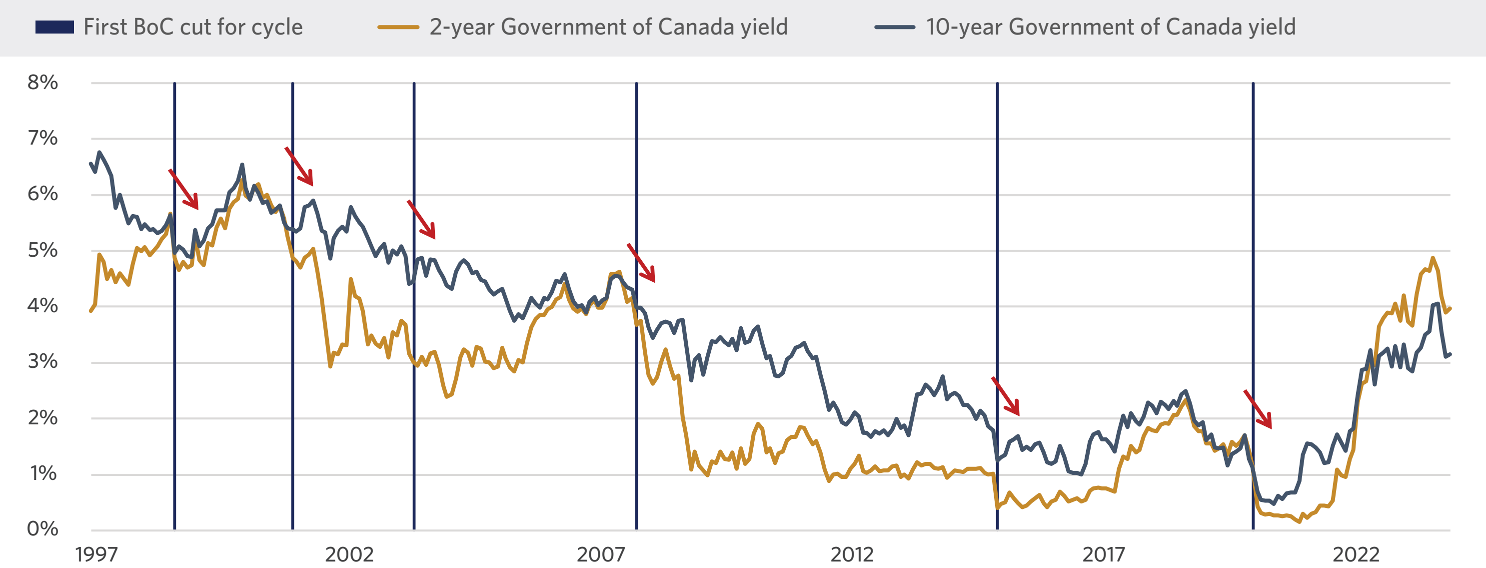
Continue to see broadening of market leadership – While the U.S. mega-cap technology theme has certainly continued to see momentum in the first quarter of 2024, there have also been encouraging signs that market leadership may be expanding. From a sector perspective, in the U.S., while technology and communication services are still top performers, cyclical sectors like energy, financials and industrials are also outperforming the S&P 500 index. Similarly, among Canadian TSX sectors, energy and industrials are both outperforming the broader index. These sectors tend to do well when economic growth is steady or improving, which we believe is the case for both the Canadian and U.S. economies in the back half of 2024. From a size perspective, small-cap and mid-cap stocks are starting to play catch up with large-cap stocks as well. In our view, this broadening in leadership may continue over the next year, especially as both the BoC and the Fed potentially pivot to rate cuts and earnings growth also broadens across sectors.

▶ Action for investors

We recommend overweighting U.S. equities in your portfolio, specifically U.S. large-cap and U.S. small- and mid-cap stocks, which we believe can continue to outperform in the year ahead, driven by both growth and cyclical sectors, as U.S. earnings growth continues to expand over the next twelve months. We would use periods of market volatility or pullbacks as opportunities to add to or diversify portfolios, as we see the broadening of market leadership continuing to play out in the year ahead.

Investing in equities involves risks. The value of your shares will fluctuate and you may lose principal.
Mid- and Small-cap stocks tend to be more volatile than large company stocks.

Short- and long-term Government of Canada yields tend to decline when the BoC starts cutting rates



Source: Bank of Canada

Fixed-income outlook

Yields have risen in recent months, driven in part by the slowing pace that inflation is declining. While higher yields have impacted bonds prices - weighing on Canadian and U.S. bonds – Canadian government bond and U.S. Treasury yields generally remain well below highs for the cycle. We expect the Bank of Canada and Federal Reserve to start cutting rates soon, which should drive short-term rates lower, steepening both yield curves.

Bank of Canada (BoC) maintains policy rate at 5% - CPI eased to 2.9% in March, still above the BoC's 2% target, but continuing a slower trend lower. The central bank noted that employment continues to grow more slowly than the population, and wage pressures may be easing. Our expectation is for rate cuts to start in June, provided that inflation continues its downward trend.

The Federal Reserve signals three rate cuts this year – At its March meeting, the Fed updated its economic projections, maintaining expectations for three rate cuts this year. If inflation continues to moderate, as is expected, the Fed should be able to pivot to less restrictive monetary policy soon. We expect Fed rate cuts to start in the second half of the year if inflation continues to ease.

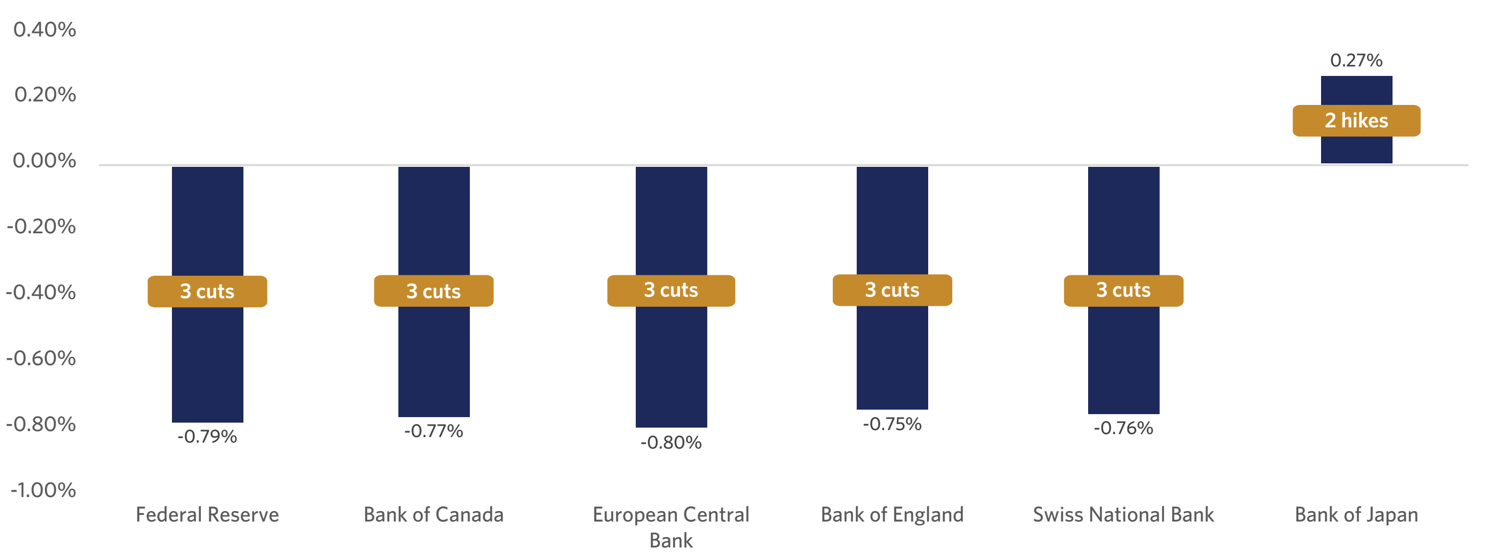
The yield curve could steepen – As the timing of BoC and Fed rate cuts becomes clearer, short-term yields could decline. We expect short-term rates to fall more than long-term rates, steepening both the Canadian and U.S. yield curves, which have been inverted for nearly two years. This could increase reinvestment risk for short-term bonds and GICs as investors might have to reinvest maturing principal at lower rates. Maturing bonds and GICs could be a source of funds to reallocate to underrepresented asset classes of a well-diversified portfolio.

▶ Action for investors

We recommend underweighting fixed income relative to your long-term strategic asset allocations, as we expect U.S. stocks to outperform over the near term, particularly relative to International bonds. Within Canadian investment-grade bonds, extending duration by adding to intermediate- and long-term bonds and bond funds can help reduce reinvestment risk by locking in rates for longer.

Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

Most major central banks are poised to embark on a coordinated easing cycle
Expected change in central bank policy rates by year-end



Source: Bloomberg, Edward Jones, 3/27/24

International outlook

U.S. equity markets continued to outperform domestic and overseas stocks through the first quarter, but leadership is starting to broaden with several global markets hitting fresh record highs. These include the German DAX, the French CAC, and Japan's Nikkei in addition to the TSX. While the U.S. will likely maintain its economic and earnings growth advantage, easier central bank policy in the months ahead brighten the overseas outlook.

Central banks prepare for rate cuts - Global inflation will likely remain on a downward path the rest of 2024, allowing central banks to pivot to rate cuts. The Swiss National Bank became the first major central bank to cut rates in this cycle. Our view is the Fed will follow suit, cutting rates in the second half of the year while the BoC and ECB could cut rates as soon as June. While the Bank of Japan (BoJ) raised rates, it is only exiting negative rates, and policy will stay accommodative. In our view, the coordinated global easing cycle will help sustain the expansion and reaccelerate growth.

U.S. economy leads, but overseas growth likely past its worst - The eurozone economy has stalled over the past four quarters, while Japanese growth has downshifted. On the other hand, the U.S. economy has been boosted by strong consumption and a notable uptrend in productivity. U.S. growth will likely continue to lead this year, but we expect global rate cutting to drive a recovery in manufacturing activity, lifting overseas growth prospects. The 32% discount in overseas developed equity valuations relative to U.S. stocks and attractive dividend yields justify in our view a neutral allocation to overseas stocks despite weaker economic and earnings momentum.

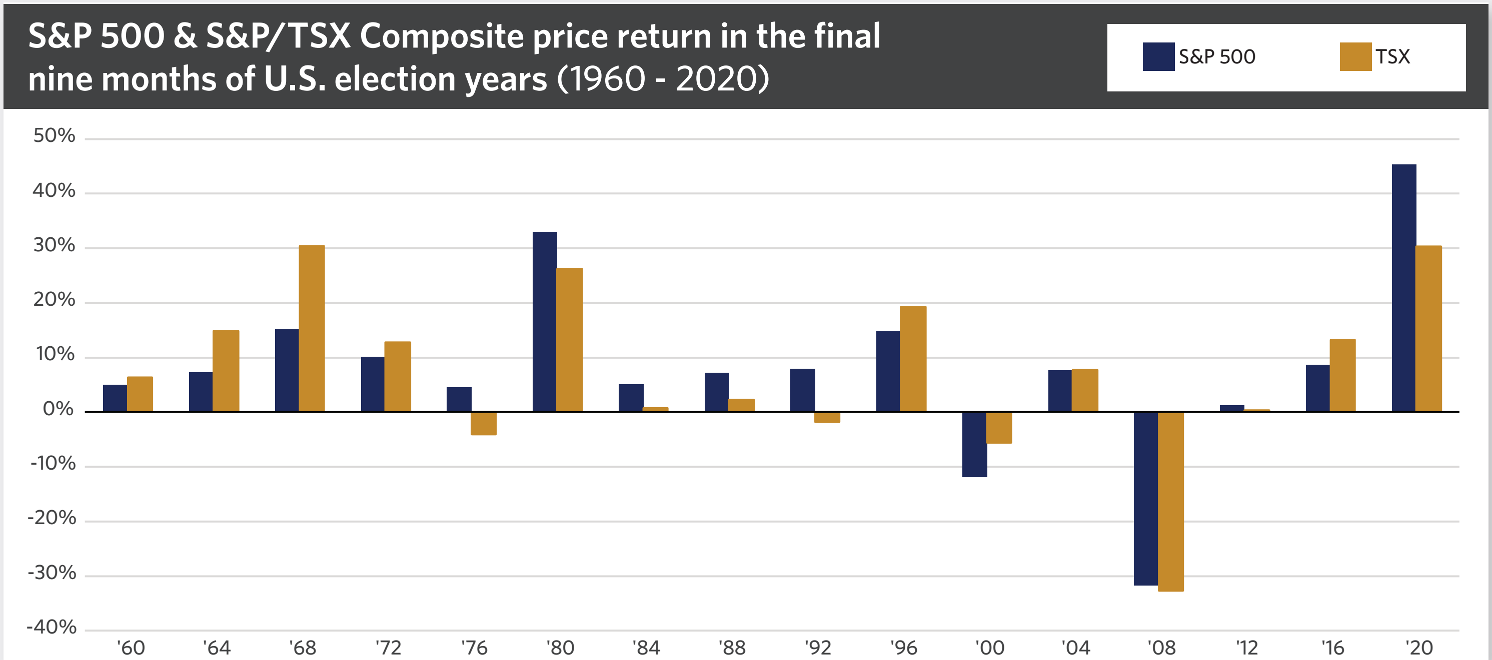
China headwinds persist - China activity appears to be regaining some momentum as policymakers are taking incremental steps to support the economy. However, ongoing pressures in the property sector, which accounts for 30% of China's GDP, as well as a challenging regulatory landscape, will continue to weigh on relative performance, in our view.

▶ Action for investors

We recommend underweighting emerging-market and Canadian equities, staying neutral with overseas developed equities, and overweighing U.S. stocks.

Investing in equities involves risks. The value of your shares will fluctuate and you may lose principal.Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

S&P 500 & S&P/TSX Composite price return in the final nine months of U.S. election years (1960 - 2020)



Morningstar Direct, Edward Jones. Price return of the S&P 500 and S&P/TSX Composite Indexes. Past performance does not guarantee future results.

U.S. presidential elections & the markets: How do markets fare?

The 2024 U.S. presidential election will likely grab investors attention as uncertainty stemming from its outcome could spur bouts of volatility in markets. However, history shows the stock market tends to perform well in election years, irrespective of political outcomes.

Stocks have fared well in U.S. election years – In the past 16 U.S. elections, the S&P 500 has returned an average of 8.1% in the final nine months of an election year, with returns positive 88% of the time. The TSX has returned an average of 7.5% in the final nine months of election years with returns positive 75% of the time. We would acknowledge that this year's election has the potential to be contentious, which could spur bouts of short-term market volatility. However, one unique aspect of this year's election is that both of the likely candidates have already served a term in office. To that end, U.S. and Canadian markets have performed well under both Donald Trump and current president Joe Biden, with the S&P 500 returning roughly 16% per year from 2017 – 2020 and 12.7% per year from 2021 through the end of March 2024. The TSX returned roughly 6.6% per year from 2017 – 2020 and about 11% per year from 2021 through the end of March 2024. Market familiarity with both candidates should provide investors added confidence that stocks could continue to perform well under either party.

Economic growth and fundamentals are more important drivers of market returns – Over the long-term, we believe economic growth and fundamental variables such as corporate earnings and interest rates have a more powerful influence on markets than politics. To that end, we expect the U.S. economic backdrop to remain supportive to equity markets in 2024. Our view is for U.S. economic growth to slow from above trend levels, but remain positive, the Fed to begin cutting rates in the second half of the year and for corporate profit growth to accelerate in 2024. In our view, this backdrop creates a positive environment for equity markets, particularly in the U.S., regardless of who wins the election. This supports our overweight recommendation to U.S. large-cap and U.S. small- and mid-cap stocks.

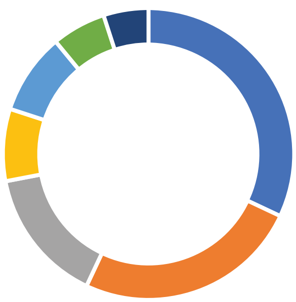
▶ Action for investors

As we approach U.S. election day, we recommend using any pockets of market volatility spurred by political uncertainty as an opportunity to add to quality investments in line with your long-term goals.

Strategic asset allocation guidance

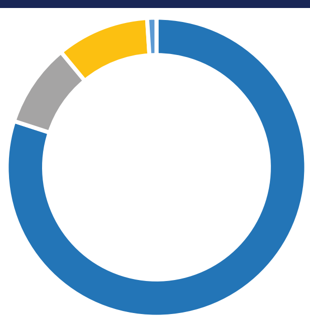
Our **strategic asset allocation** represents our view of balanced diversification for the fixed-income and equity portions of a well-diversified portfolio based on our outlook for the economy and markets over the next 30 years. The exact weightings (neutral weights) to each asset class will depend on the broad allocation to equity and fixed-income investments that most closely aligns to your comfort with risk and financial goals.

Equity diversification



- Canadian large-cap stocks
- U.S. large-cap stocks
- Overseas large-cap stocks
- Canadian mid-cap stocks
- U.S. small- and mid-cap stocks
- Overseas small- and mid-cap stocks
- Emerging market stocks

Fixed-Income diversification



- Canadian investment-grade bonds
- International bonds
- International high-yield bonds
- Cash

Opportunistic portfolio guidance

Our **opportunistic portfolio guidance** represents our timely investment advice based on our global outlook. We expect this guidance to enhance your portfolio's return potential, relative to our long-term strategic portfolio guidance, without taking on unintentional risk.

		Underweight	Neutral	Overweight
Asset allocation guidance				
Equity		•	•	●
Fixed income		●	•	•
Equity	Canadian large-cap stocks	●	•	•
	U.S. large-cap stocks	•	•	●
	Developed Overseas Large-cap Stocks	•	●	•
	Canadian mid-cap stocks	•	●	•
	U.S. small- and mid-cap stocks	•	•	●
	Overseas small- and mid-cap stocks	•	●	•
	Emerging market stocks	●	•	•
Fixed income	Canadian investment-grade bonds	•	●	•
	International bonds	●	•	•
	International high-yield bonds	•	●	•
	Cash	•	●	•
Equity sector guidance				
Communication services		●	•	•
Consumer discretionary		•	•	●
Consumer staples		•	●	•
Energy		•	●	•
Financial services		●	•	•
Health care		•	●	•
Industrials		•	•	●
Materials		●	•	•
Real estate		•	●	•
Information technology		•	●	•
Utilities		•	•	●
Canadian investment-grade bond guidance				
Interest rate risk (duration)		•	•	●
Credit risk		•	●	•

Investors should understand the risks involved in owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates, and investors can lose some or all of their principal. The prices of small-cap, mid-cap and emerging-market stocks are generally more volatile than those of large company stocks. Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events.

Quarterly market outlook: **Second quarter 2024**

Investment performance benchmarks

It's natural to compare your portfolio's performance to market performance benchmarks, but it's important to put this information in the right context and understand the mix of investments you own. Talk with your financial advisor about any next steps for your portfolio to help you stay on track toward your long-term goals.

As of March 31, 2024

Asset class performance

Total returns	Q1 2024	3-year	5-year
Canadian large-cap stocks	6.6%	9.1%	9.9%
Canadian mid-cap stocks	7.9%	7.7%	8.6%
U.S. large-cap stocks	13.5%	14.2%	15.3%
U.S. small- and mid-cap stocks	9.7%	5.6%	10.2%
Developed overseas large-cap stocks	8.6%	7.1%	7.6%
Developed overseas small- and mid-cap stocks	5.8%	1.8%	5.3%
Emerging-market stocks	5.1%	-2.9%	2.5%
Canadian investment-grade bonds	-1.3%	-1.5%	0.3%
International bonds	-0.1%	-1.7%	0.4%
International high-yield bonds	4.8%	3.6%	3.3%
Cash	1.2%	2.6%	2.0%

Canadian equity sector performance

Total returns	Q1 2024	3-year	5-year
Information technology	4.8%	1.6%	19.0%
Financials	5.5%	8.9%	10.7%
Consumer staples	4.0%	15.0%	11.1%
Consumer discretionary	4.5%	4.8%	9.7%
Communication services	-8.5%	-0.6%	1.1%
Health care	18.4%	-31.7%	-27.6%
Industrials	11.1%	11.4%	13.3%
Materials	5.8%	6.3%	8.8%
Real estate	1.7%	2.0%	2.2%
Utilities	-1.1%	-1.4%	6.2%
Energy	13.1%	24.4%	12.5%

Source: Morningstar Direct, 3/31/2024. 3- and 5-year returns annualized. Equity sectors of the S&P/TSX Composite. Total returns in CAD. Canada Large-cap Stocks represented by the S&P/TSX Composite Index. U.S. small- and mid-cap Stocks represented by the Russell 2500 Index. International Bonds represented by the Bloomberg Global Aggregate Bond CAD Hedged Index. International high-yield represented by the Bloomberg Global High Yield Index. Canadian investment-grade bonds represented by the Bloomberg Canada Aggregate Bond Index. U.S. Large-cap stocks represented by the S&P 500 Index. Emerging Market Stocks represented by the MSCI EM Index. Overseas Large-cap Stocks represented by the MSCI EAFE Index. Canadian Mid-cap stocks represented by the S&P/TSX Completion Index. Overseas small- and mid-cap stocks represented by the MSCI EAFE SMID Index. Cash represented by the FTSE Canada 91 Day Treasury Bill Index. Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment.

