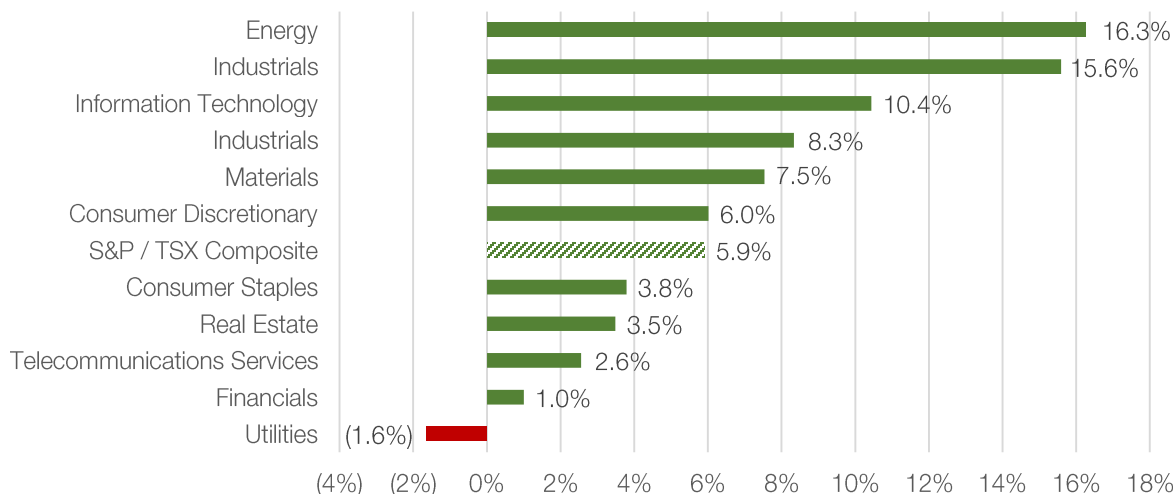


### Q2 2018: TSX records strongest quarter since Q4 2013 Energy, Health Care and Information Technology deliver double-digit percentage gains

#### Q2 2018 Capped Sector Performance



#### Q2 2018 Highlights

- The S&P/TSX Composite returned +5.9% in Q2.
- Of the 251 stocks that were in the TSX Composite at some point during Q2, 173 (69%) recorded a gain.
- In Q2, the indices performed largely in line with each other though there was a noticeable outperformance of Large Cap (TSX 60) over Mid Cap (Completion Index).
- In Q2, the Canadian market outperformed the US market in home currency terms (US returned +2.9%) and in Canadian dollar terms (US market returned +5.1% in C\$ terms).
- Ten of eleven market sectors posted gains in Q2 with Energy, Health Care and Information Technology all recording double-digit percentage gains. Information Technology was the only sector to rise in both Q1 and Q2 and with a 21.0% YTD gain, the sector is massively outperforming the Composite and far exceeding the performance of other sectors year-to-date.
- In a continuation of a trend from Q1, rising interest rates caused higher dividend yielding sectors to underperform. Utilities, Financials, Telecommunications Services and Real Estate were the worst performing sectors in Q2.

2018 Index Returns	Q2	YTD
S&P/TSX Composite	+5.9%	+0.4%
S&P/TSX 60 (Large Cap)	+6.2%	+0.6%
S&P/TSX Completion (Mid Cap)	+5.1%	-0.1%
S&P/TSX SmallCap	+6.0%	-2.7%

Q2 Biggest Contributors	Q2 Biggest Detractors
Suncor Energy	Bank of Nova Scotia
Enbridge	BCE
Canadian National Railway	Air Canada
Canadian Natural Resources	BlackBerry
Imperial Oil	CI Financial
Nutrien	Power Financial
Toronto-Dominion Bank	Brookfield Infrastructure
Canada Goose Holdings	Lundin Mining
Valeant Pharmaceuticals	Linamar Corporation
Cenovus Energy	Royal Bank of Canada

Sector	Q2 Returns	Biggest Impacts
<b>Energy</b> 20% of S&P/TSX Composite	+16.3%	<ul style="list-style-type: none"> <li>Energy was the top performing sector in Q2 as the S&amp;P/GSCI Energy commodity price index rose 14%, bringing the year-to-date increase in energy commodity prices to 20%. This was broadly beneficial to the sector.</li> <li>Large integrated and production names led sector contributors with Suncor Energy (+20%), Canadian Natural Resources (+17%), Imperial Oil (+28%), Cenovus Energy (+24%) and EnCana (+21%) taking the first, third, fourth, fifth and seventh spots, respectively, among sector contributors.</li> <li>Large pipeline names also benefited, though less so than producers, with Enbridge (+16%), TransCanada (+7%) and Pembina Pipeline (+13%) the second, sixth and eighth biggest contributors among sector constituents.</li> </ul>
<b>Health Care</b> 1% of S&P/TSX Composite	+15.6%	<ul style="list-style-type: none"> <li>Valeant Pharmaceuticals (+49%) was the sector's largest contributor on quarterly earnings that exceeded analyst expectations by 49% and an upgrade and 45% price target increase from Barclays.</li> <li>Canopy Growth (+14%), the sector's second largest contributor, ran up into the decision by Canada's Parliament to legalize recreational marijuana use.</li> </ul>
<b>Information Technology</b> 4% of S&P/TSX Composite	+10.4%	<ul style="list-style-type: none"> <li>Shopify (+20%), the largest sector contributor, gave back more than half its Q2 share price gains in the final seven trading days after a US Supreme Court ruling forcing online retailers (Shopify's customer base) to collect sales taxes.</li> <li>Constellation Software (+17%) and CGI (+12%) were the second and third largest sector contributors, respectively, in Q2.</li> </ul>
<b>Industrials</b> 10% of S&P/TSX Composite	+8.3%	<ul style="list-style-type: none"> <li>Canadian National Railway (+14%) and Canadian Pacific (+6%) were the first and third leading sector contributors as 2018 weekly railcar loadings have consistently exceeded levels of the last three years. CNR shareholders have also cheered operating stability since the abrupt replacement of its CEO in Q1.</li> <li>Bombardier (+39%) was the second leading sector contributor on the announcements of orders for 60 jets by airBaltic and 20 jets by Delta Airlines as well as several positive analyst rating changes during Q2.</li> </ul>
<b>Materials</b> 12% of S&P/TSX Composite	+7.5%	<ul style="list-style-type: none"> <li>Nutrien (+17%) led sector contributors as it disposed of its shares in Sociedad Quimica y Minera de Chile for gross proceeds of about US\$1 billion.</li> <li>Despite a Q2 decline of around 5% in gold prices, Kirkland Lake Gold (+39%), Franco-Nevada (+9%), Barrick Gold (+8%) and Agnico-Eagle Mines (+11%) were also leading sector contributors.</li> </ul>
<b>Consumer Discretionary</b> 6% of S&P/TSX Composite	+5.0%	<ul style="list-style-type: none"> <li>Outerwear maker Canada Goose Holdings (+79%) was the leading sector contributor as it announced a quarterly profit instead of an expected loss.</li> <li>Online gambling firm Stars Group (+34%) was the second leading contributor on positive reaction to its announced deal to acquire Sky Betting &amp; Gaming, diversifying it away from poker and advancing its sportsbook product offerings.</li> </ul>
<b>Consumer Staples</b> 4% of S&P/TSX Composite	+3.8%	<ul style="list-style-type: none"> <li>Loblaw Companies (+4%), Saputo (+6%) and Metro (+9%) were the leading sector contributors, respectively, in spite of earnings that in each case failed to impress the market.</li> </ul>
<b>Real Estate</b> 3% of S&P/TSX Composite	+3.5%	<ul style="list-style-type: none"> <li>Canadian Apartment Properties REIT (+15%) and Colliers International (+12%) were the leading sector contributors on positive market reaction to quarterly earnings announcements.</li> </ul>
<b>Telecommunications Services</b> 4% of S&P/TSX Composite	+2.6%	<ul style="list-style-type: none"> <li>Rogers Communications (+9%) was the leading sector contributor on quarterly earnings that exceeded analyst expectations by 20%. TELUS (+3%) was also a contributor.</li> <li>BCE (-4%) was the only sector detractor in Q2.</li> </ul>
<b>Financials</b> 33% of S&P/TSX Composite	+1.0%	<ul style="list-style-type: none"> <li>For banks, across-the-board quarterly earnings beats were offset by investor concerns about a weakening Canadian housing market. Toronto-Dominion Bank (+4%) led sector contributors but its capitalization gains were offset by a decline in that of Bank of Nova Scotia (-6%), the biggest sector detractor. Bank of Montreal (+4%), CIBC (+1%) and Royal Bank (-1%) moved little.</li> <li>Brookfield Asset Management (+6%), Fairfax Financial (+13%) and Thomson Reuters (+7%) ranked second, fourth and fifth among sector contributors.</li> </ul>
<b>Utilities</b> 4% of S&P/TSX Composite	-1.6%	<ul style="list-style-type: none"> <li>Brookfield Infrastructure Partners (-6%), Fortis (-3%) and Hydro One (-4%) were the leading sector detractors, but in general Utilities stocks seemed to move more in step with interest rate changes than stock-specific news in Q2.</li> </ul>