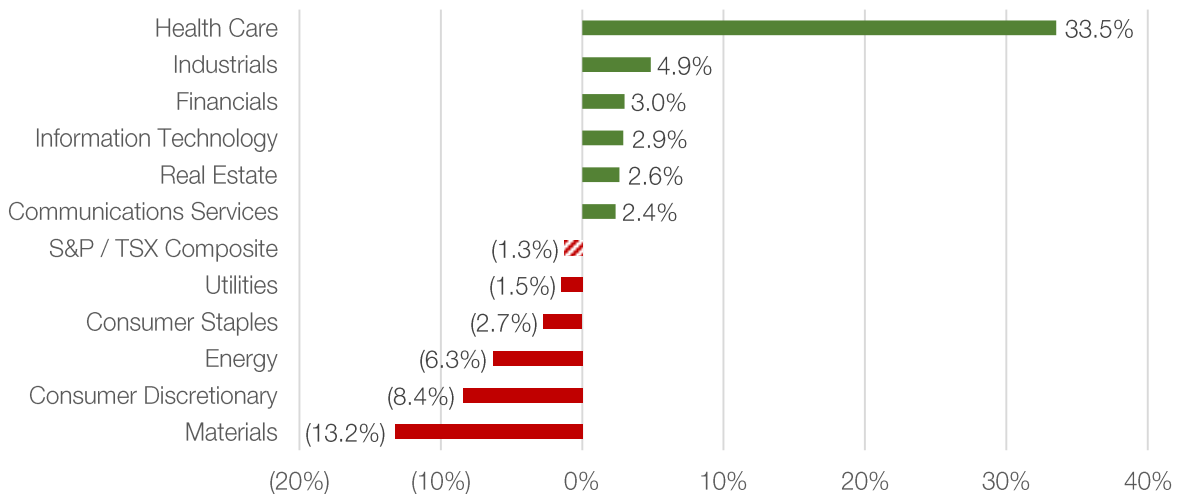


Q3 2018: Minor loss causes TSX to slip into negative territory for 2018 Health Care has phenomenal quarter but resource-related sectors drag market down in Q3

Q3 2018 Capped Sector Performance



Q3 2018 Highlights

- The S&P/TSX Composite returned -1.3% in Q3.
- Of the 250 stocks that were in the TSX Composite at some point during Q3, 103 (41%) recorded a gain.
- In Q3, the indices performed largely in line with each other except for a noticeable underperformance by the Small Cap Index.
- In Q3, the Canadian market underperformed the US market in home currency terms (US returned +7.2%) and in Canadian dollar terms (US market returned +5.4% in C\$ terms).
- Health Care posted massive gains in Q3 as cannabis stocks soared as Canadian legalization approaches.
- Industrials, Financials and Information Technology were other top performers. Financials helped prop up Q3 results due to its large weighting (34%) in the TSX.
- Materials, Consumer Discretionary and Energy were the weakest Q3 sectors. Poor commodity prices hurt the Materials sector. Energy commodity prices actually rose in Q3 but Energy stocks may have already anticipated this in their strong Q2 performance.
- During Q3, Industrials supplanted Materials as the third largest Canadian sector. For the first time in over ten years Materials is not among Canada's three largest sectors (Financials and Energy are the largest).

2018 Index Returns	Q3	YTD
S&P/TSX Composite	-1.3%	-0.8%
S&P/TSX 60 (Large Cap)	-1.4%	-0.8%
S&P/TSX Completion (Mid Cap)	-1.0%	-1.1%
S&P/TSX SmallCap	-3.4%	-6.0%

Q3 Biggest Contributors	Q3 Biggest Detractors
Royal Bank of Canada	Enbridge
Canadian National Railway	Canadian Natural Resources
Canopy Growth Corp	Suncor Energy
Canadian Pacific Railway	Goldcorp
Toronto-Dominion Bank	TransCanada Corporation
Thomson Reuters	Agnico-Eagle Mines
Brookfield Asset Mgmt	Barrick Gold
Alimentation Couche-Tard	Dollarama
Bank of Montreal	First Quantum Minerals
Bank of Nova Scotia	Magna International

Sector	Q3 Returns	Biggest Impacts
Health Care 2% of S&P/TSX Composite	+33.5%	<ul style="list-style-type: none"> Cannabis companies, which now represent nearly two-thirds of the sector, had a very strong quarter as Canada nears the date at which recreational marijuana use will be legal. Canopy Growth (+63%) led sector contributors as US alcoholic beverage company Constellation Brands committed a further CAD\$5 billion in investment for Canopy Growth. Aurora Cannabis (+33%) and Aphria (+52%) were the second and third largest contributors from the sector.
Industrials 11% of S&P/TSX Composite	+4.9%	<ul style="list-style-type: none"> Canadian National Railway (+8%) and Canadian Pacific (+13%) were the top two sector contributors as weekly railcar loadings in 2018 have consistently exceeded levels of the last three years. This was reflected in better-than-expected announced earnings during Q3 for both companies. Air Canada (+30%) was the sector's third leading contributor on a deal with Airma to re-acquire its Aeroplan loyalty program from the company.
Financials 34% of S&P/TSX Composite	+3.0%	<ul style="list-style-type: none"> The five big banks all delivered quarterly earnings beats in Q3. In order of sector contribution, #1 Royal Bank (+5%), #2 Toronto-Dominion Bank (+3%), #5 Bank of Montreal (+5%), #6 Bank of Nova Scotia (+3%) and #7 CIBC (+6%) all delivered low to mid-single digit percentage gains. Thomson Reuters (+11%) ranked third among sector contributors after announcing better-than-expected earnings and a plan for a \$9 billion share repurchase program. Brookfield Asset Management (+8%) was the fourth leading sector contributor on strong earnings.
Information Technology 4% of S&P/TSX Composite	+2.9%	<ul style="list-style-type: none"> Shopify (+11%) was the largest sector contributor in spite of earnings that disappointed investors. BlackBerry (+15%) was the second leading contributor as on the last day of Q3 it reported quarterly profits above analyst estimates, fueled by demand for its software used in self-driving vehicles. Constellation Software (-7%) led sector detractors, missing quarterly earnings expectations by 15%.
Real Estate 3% of S&P/TSX Composite	+2.6%	<ul style="list-style-type: none"> Canadian Apartment Properties REIT (+12%) and Brookfield Property Partners (+8%) were the leading sector contributors, partially due to the fact that they are two of the larger components in the sector.
Communications Services 5% of S&P/TSX Composite	+2.4%	<ul style="list-style-type: none"> Towards the end of Q3, globally, the Telecommunications Services sector was renamed Communications Services and merged with social media and internet stocks (from the Information Technology sector) and media and entertainment stocks (from the Consumer Discretionary sector). In Canada, Shaw Communications, Quebecor, Cogeco Cable and Cineplex moved from Consumer Discretionary to this newly constituted sector (increasing its size from three to seven constituents). Rogers Communications (+6%) was the leading sector contributor in Q3.
Utilities 4% of S&P/TSX Composite	-1.5%	<ul style="list-style-type: none"> Altagas (-24%) led sector detractors on less-than-enthusiastic market reaction to its reorganization plan designed to raise funds to pay for the recently completed \$8.4 billion acquisition of WGL Holdings.
Consumer Staples 3% of S&P/TSX Composite	-2.7%	<ul style="list-style-type: none"> Saputo (-12%) was the sector's leading detractor as high global inventories for certain dairy products and growing trade tensions surrounding the industry weighed on its shares' performance. Alimentation Couche-Tard (+13%), the leading contributor from the sector, unusually issued two quarterly earnings reports in Q3, beating analyst estimates both times.
Energy 19% of S&P/TSX Composite	-6.3%	<ul style="list-style-type: none"> In spite of better-than-expected earnings, large pipeline names Enbridge (-11%) and TransCanada Corp (-8%) were the biggest and fourth biggest detractors from the sector as political uncertainty regarding future pipeline prospects and rising interest rates weighed on these high-yielding stocks. In spite of a 4% increase in the S&P/GSCI Energy commodity price index in Q3, large production and integrated names Canadian Natural Resources (-11%), Suncor Energy (-7%) and Imperial Oil (-4%) took the second, third, and fifth spots, respectively, among sector detractors.
Consumer Discretionary 4% of S&P/TSX Composite	-8.4%	<ul style="list-style-type: none"> Dollarama (-20%) was the leading sector detractor as quarterly same store sales, revenues and earnings missed estimates and the company reduced full-year same store sales guidance. Magna International (-11%) was the second leading sector detractor as quarterly earnings missed analyst expectations and it reduced full-year sales and earnings guidance. While delivering better-than-expected quarterly earnings, online gambling firm The Stars Group (-33%) was the third leading detractor as it cut its full-year earnings guidance range (mid-point dropped 12%).
Materials 10% of S&P/TSX Composite	-13.2%	<ul style="list-style-type: none"> While gold prices only fell around 5% in Q3, Goldcorp (-27%), Agnico-Eagle Mines (-27%), Barrick Gold (-17%), Wheaton Precious Metals (-22%) and Franco-Nevada (-16%) were among the leading sector detractors. Positive market reaction to Barrick's acquisition of Randgold Resources helped Barrick deliver a smaller percentage loss than most of its industry counterparts. First Quantum Minerals (-24%) was the fourth leading sector detractor on weaker industrial metals prices, particularly copper, amid a slowdown in global demand.