Good reasons to be festive this holiday season.

2019 certainly proved to be a most generous year for investors with global stock market returns in the 22%+ range and even bond returns providing +7% or thereabouts. These fabulous returns further compound onto what was already a 10-year bull market since the 2008 financial crisis, notwithstanding all these returns were achieved with an inflation rate at 2% level or less. These past 11 years have undoubtably been the period of the most wealth creation in modern history. Therefore, this is certainly a holiday season to be financially cheerful about.

Overall Benchmark client portfolios and depending on each respective investment policies, will increase by 15 to 20% in 2019. This is quite pleasing considering we were able to achieve this all the while maintaining a certain level of caution within portfolios.

We turned more positive at mid November leading us to increase the equity exposure in portfolios, most notably adding beaten down European stocks via the Setanta European Equity Fund. As a result, we are finishing the year in an equity positive position. While this does not look like a large bet, we need to remind ourselves that after some 11 years of a bull market, most clients' investment policies have crept through various revisions, into an equity bias in contrast perhaps to 15 years ago and this, largely for the lack of other reasonable investment options. Consequently, there is no need to over-expose anyone into what remains largely a singular bet, that is stocks.

Fortunately for Benchmark investors access to the Great West Life Real Estate Fund provides a unique opportunity to invest into an alternative that has and continues to deliver steady 5 to 7% net returns to investors, and this independent of what might be the short or medium term market volatility. As clients know, this fund serves as the core position in the safe harbour portion of all portfolios in lieu of Bonds where current yields at about 2.5%, offer very little upside if not downside risk should interest rates rise. The GWL Real Estate fund provides clients (and us!!) great comfort as we enter 2020.

Within our selection of funds, the US and International funds outperformed quite nicely in 2019, most notably the JP Morgan International Equity Opportunity (about 10% above its reference MSCI EAFE index), the Invesco US Equity Fund (about 5% above the S&P500) as well as the Fiera Global Equity Fund (5% above the MS World Index). On the Canadian equity side, the funds trailed somewhat the more difficult to beat TSX other than the Montrusco Canadian Small Cap fund. In some ways this underperformance was offset by

the +35% performance of the Mackenzie Precious Metal (Gold) Fund in which portfolios have a 4 to 5% position and serves as a hedge against a sudden market surprise or shock. Since we initiated this “insurance” strategy some 3 years ago, this Gold fund has performed quite nicely at about +17% per year. It is a nice security to know we can rely on, should a surprise occur.

The primary rational for our more optimistic outlook after such a long up market returns and as we enter 2020, is that the long-awaited recession appears to be once again pushed off into the future with 2020 global economic signs indicating stabilizing as opposed to descending growth. Also adding to the comfort in this position, is all the cash that has been sitting on the sideline for so long, including that of Ultra-Wealthy investors as suggested and reported by global manager UBS Warburg.

Central Bankers meanwhile remain extremely accommodating with interest rates at near record low levels and this largely to prevent rocking their domestic economy into a recession. Consumerism remains firm while business confidence and spending are likely to improve now that Brexit appears to be heading to a resolution and the Trump team has achieved a phase 1 arrangement with China on their trade negotiations. The latter remains our #1 caution as we don’t expect the Xi government will be so kind to Donald Trump and Co. as we get closer to the 2020 US presidential election. Let’s see.

Low inflation combined with low central banks keeping rates have brought government bond yields below 2% in the US (US 10-year treasuries) and in negative yields in Germany, Denmark, Switzerland and Japan while France sits at near 0%. Therefore nearly 15% of the $130 trillion bond market currently trades at negative yields.

So unless someone likes the idea of investing with the assurance of getting less back in the future, the best alternative remains either investing in the $90 trillion global stock market or in the 10 $trillion in investable real estate market (of course that market has a value of well over $200 trillion). With corporate earnings holding their levels and, in some regions still growing, it is not difficult to understand why investors are unwilling to abandon the ship.

On this note, we wish you the very best over the holidays and for the year 2020. It will a year when the solving the environment challenges and limiting population growth will move to the forefront and in fact become one of the most serious investment considerations. These are issues that our fund managers and asset mix advisors already

take into consideration in their investment choices and recommendations. As a result, we are feeling relatively comfortable with how portfolios are positioned.

Cheers.

Marc

Marc Lalonde
Partner/Partenaire
Benchmark Investment Consulting
Off: 506-381-0932

Appendix 1 & 2 follow.

Appendix 1: A 20 year look back

It is always interesting to look back at market returns and recall what where the main drivers to positive and negative returns. Clearly the late 1990's bull market was the "tech bubble" when investors exuberance for new technology made them think only in terms of concept and price to revenue (as opposed to price to earnings)! Reality struck in the early 2000's with stock markets taking a 30 to 50% plunge. The rally that followed was largely fueled by low rate financing of cheap real estate in the USA, which eventually led to the financial crisis of 2008 when most financial institutions needed to be bailed out. Peak to trough the market then took another 40% shellacking. With all central banks led by the FED coming to the rescue, stock markets around the world have rallied, the USA in a dominant way with returns averaging near 16% per year over a now 11-year period. These returns are particularly extraordinary when once considers that inflation over that period has averaged under 2% for a real 14% annualized return.

ANNUAL MARKET ($Cdn) RETURNS to Sept. 30, 2019	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
FTSE Canada 91 day Tbills	1.7	1.2	0.5	0.5	0.8	0.9	1.1	0.9	1.0	0.4	1.3	3.7	4.4	3.7	2.5	2.3	3.0	2.7	5.3	5.2	4.8
FTSE Canada Universe Bond	9.7	1.7	-3.0	6.3	5.3	6.3	-1.3	5.5	6.7	7.3	10.3	4.6	1.6	4.0	9.0	4.8	8.1	8.5	8.9	6.1	1.7
S&P/TSX Composite Index	7.1	5.9	9.2	14.2	-8.4	20.4	7.1	9.2	-3.6	11.6	0.5	-14.4	22.8	9.2	29.3	18.9	22.5	-8.1	-22.8	50.4	25.9
S&P 500 Index	6.8	21.9	12.9	13.2	19.2	30.2	24.7	22.9	2.7	5.4	-5.8	-17.0	4.0	6.4	3.1	6.6	5.9	-20.1	-23.1	16.1	23.1
MSCI EAFE Index C$ - Net	1.1	6.2	13.3	4.4	9.6	13.3	29.3	7.4	-7.9	-1.2	4.4	-26.1	11.5	14.5	15.6	14.3	7.3	-15.2	-25.1	5.8	26.2
MSCI Emerging Markets C$	0.8	2.9	17.0	14.9	-2.8	13.8	5.9	10.8	-14.6	15.3	20.8	-28.7	41.7	16.1	35.2	18.4	24.3	8.6	-30.0	2.9	50.8
ANNUALIZED MARKET ($Cdn) RETURNS to Sept. 30, 2019	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**
FTSE Canada 91 day Tbills	1.7	1.4	1.1	0.9	0.9	0.9	0.9	0.9	0.9	**0.9**	0.9	1.1	1.4	1.6	1.6	1.7	1.7	1.8	2.0	**2.1**	2.3
FTSE Canada Universe Bond	9.7	5.6	2.7	3.6	3.9	4.3	3.5	3.7	4.1	**4.4**	4.9	4.9	4.6	4.6	4.9	4.9	5.1	5.3	5.4	**5.5**	5.3
S&P/TSX Composite Index	7.1	6.5	7.4	9.0	5.3	7.7	7.6	7.8	6.5	**7.0**	6.4	4.5	5.8	6.0	7.4	8.1	8.9	7.9	6.0	**7.9**	8.7
S&P 500 Index	6.8	14.1	13.7	13.5	14.7	17.1	18.2	18.7	16.9	**15.7**	13.5	10.6	10.1	9.8	9.3	9.2	9.0	7.1	5.3	**5.8**	6.5
MSCI EAFE Index C$ - Net	1.1	3.6	6.7	6.2	6.8	7.9	10.7	10.3	8.1	**7.1**	6.9	3.7	4.2	4.9	5.6	6.1	6.2	4.9	3.0	**3.2**	4.2
MSCI Emerging Markets C$	3.0	0.8	1.8	6.6	8.6	6.2	7.5	7.2	7.7	**4.9**	5.9	7.2	3.6	6.1	6.8	8.5	9.1	10.0	9.9	**7.3**	7.1

The Canadian stocks were less penalized in 2000 on as our domestic economy benefitted handsomely from the build-up of China and the global demand on commodities and the shortage of supply at the time. Most interestingly, on an annualized basis the TSX has still outperformed the S&P 500 over a 20-year period (8.7% versus 6.5%).

Since the financial meltdown Emerging markets have struggled (4.9%) even if most of its geographic exposure is in the faster growing Asian markets, China in particular. One factor to account for this is the shortfall in quality reporting. Of late there is also little enthusiasm for stock market investing under government control and adding to this a punitive trade war with Trump administration. At some point that will likely readjust, and Asian markets will become most attractive. In fact, Q4 2019 may well be that turning point with a 10% return on the quarter the strongest regional performance.