April 27, 2020 - Market and Portfolio Strategy Update: ***Reducing exposure to Canadian Equities and adding to Precious Metal (Gold) Fund and to US Equities***

It is fair to say that markets have made significant improvements since reaching their year to date lows of about -32% year at March 23rd. At the end of last week, the S&P50 index (US market) was down only -12% in US dollar terms and even less at -4.0% in Canadian dollars following the drop in the loonie to 71 cents. Meanwhile and still in Canadian dollars, the TSX index and the international/emerging markets are also all down in the -14% range.

Unprecedented global central bank monetary stimulus and government fiscal support totalling around $15 trillion have certainly been the key catalysts to markets' recoveries. The lowering of central bank rates to near zero in most developed countries are also allowing these governments to borrow money with little short-term consequences or even concern for that matter, Canada included. It is certainly helpful that everyone is doing it at the same time and because of the lock-down, there is no immediate inflation consequence.

the $80 trillion global economy is now in sharp decline with the IMF projecting a -3% economic contraction for 2020, a rather conservative estimate that will likely be revised downward many times before the year is out. All in all, market levels seem overly optimistic.

The mid term outlook for Canada seems quite challenging; First and foremost and as a result of low global demand, our resource industry is facing an extended period of low commodity prices, oil in particular, which at current levels leave all western Canadian producers losing money on every barrel they produce. Shutting down production is for many the only alternative. This is severely impacting the Alberta economy and will be felt across Canada.

Furthermore, several Provinces, already overleveraged, will need to call on Ottawa for support if not bailout. The Province of Newfoundland and Labrador has already made this call and taken up bridge loans from the Bank of Canada. While the Federal government proudly points to having one of the lowest Debt to GDP ratios at about 34% ($700 billion versus a GDP of $1,740 billion), this ratio jumps to 67% when one adds provincial debt, which arguably we should, unless one seriously believes that Ottawa would let a Province go bankrupt. By the time we are done with Covid-19 and some $200 billion plus of what was unplanned spending, the collective Canadian Debt to GDP may well be in the 90-100% level, leaving little room post Covid-19 for any further stimulus, but instead constrained spending.

Meanwhile global corporate earnings, a main influence on stock market valuations in normal times, will be impacted in 2020 and again 2021, likely even longer. As one looks though a post vaccine recovery, it seems clears we will deal with a loss of global efficacy, overleveraged governments and indebted consumers throughout, plus an overhang of pandemic concerns.

The collapse of many small businesses, perhaps some larger corporations and even entire countries will also further constrain the recovery. A return to "normalcy" in the White House post the November election, would certainly be a welcome development on the geopolitical front and based on recent "WH evening comedy shows", this is looking increasingly likely, certainly a net positive.

Still on the corporate earnings front, one might have to wait until 2023 to see a return to normalized levels. Of course, within all the turmoil, a few corporations stand to benefit handsomely and expand their already dominating market share. These "winner-takes-all" companies such as Alphabet (Google), Amazon, Apple, Microsoft, Netflix and others encompass approximately 25% of the S&P 500 index, rendering the US market more attractive at this juncture. By contrast Canada's TSX index with a 33% exposure to financial services and 25% to resources, seems more challenged.

PORTFOLIO STRATEGY:

Having spent some portfolios reserves last month buying back into the depressed equity markets, we opted over the past week to lower exposure in Canadian equities and reinvest both in the Precious Metal Fund ("Gold Fund") and US equities. Overall, the portfolios remain underweighted equities, including an 8-10% exposure in the Gold Fund (up from 5-7%) and an overweight in US Equities. On the more conservative side, there is also a significant allocation to the London Life Real Estate Fund, which is discussed further on.

As readers know our investment in the Precious Metal Fund, first initiated some 4 years ago, was primarily as an insurance against geopolitical uncertainties. Today this investment may be also be viewed as an investment opportunity brought about by the massive printing of money by central banks. Essentially Gold does seem a timely investment in the preservation of capital. We could add silver, art and real estate to this list, and over time most other commodities though not until global demand returns.

This does not seem to have been lost on investors with gold prices rising 14% year to date to US$1,730 and pushing the Gold Fund up 20%. The outlook for this fund seems quite favourable considering 1) that gold prices remain on an uptrend, and 2) that with an average industry-wide extraction cost of $1,100 per ounce, there is nearly a 3 to 1 leverage on miners' cash flows to gold price.

We wish to also note that in our view this Precious Metal Fund has been well-managed, having outperformed its reference benchmark by an impressive 5% per year over the past 5 and 10 years (see Appendix C). For what was supposed to be a defensive position, the fund has performed well beyond expectations at about 26% per year (though very lumpy!!). Finally, most mining companies are today far better managed than they were 5 to 10 years ago one should add, providing the investor a better opportunity at a descent return, independent of the price of gold.

It is wise to nonetheless remember that investing in the gold sector is not without sudden risks that can cause price volatility including rapid drops. The foremost t risk is that of large sellers coming to market with orders that could significantly side-swap prices. As shown in gold tables in Appendix B and as a non-perishable commodity, 104,000 tonnes of gold reserves remain stored in vaults on behalf central banks, governments, and investors. Any of them may wish to liquidate at any time in order to capture the higher price and/or possibly meet some other cash needs. These reserves are in stark contrasts to annual demand of only 4,500 tonnes, half coming from jewelry. This annual demand is largely met by a global mining output of 3,700 tonnes and the balance from recycled gold (which will certainly increase in 2020). On the other side of this equation is the fact that any incremental increase in demand from global stock and bond investors ($200 trillion market cap) could lead to a new demand well beyond levels discussed above.

Real Estate Fund – Update: We include in Appendix A, an update commentary from the managers of the London Life Real Estate Fund in which Benchmark clients are invested. As you know the managers opted at mid March to temporarily close out the fund to both new contributions and redemptions.

This fund is nearly all invested in Canada with 45% in the office market, 19.7% in residential, 19.0% in industrial and only 13.6% retail, likely the sector that will be most affected through this pandemic. The fact the fund has also remained focused on retail properties with lead food and pharmaceutical tenants, essential services through the current times, should help mitigate the impact on the fund. Its 12.5% exposure to Alberta is also half what it was a few years ago. Our best guess is if this Fund had to reprice all properties today, it would be at a 10% discount. Whether the managers do this or not we do not know. They may just bide their time and allow valuations to improve over the next 6 to 12 months as the Canadian economy recovers somewhat. While the outlook for Canada is weak for reasons outlined earlier, the significant government cash infusion should allow most businesses and individuals to meet their rent obligations past the lock-down phase.

All in all, we do expect to realize the full dollar value of this investment by vaccination time, and hopefully a bit better. Overall portfolios are performing adequately with some of the funds in fact outperforming quite significantly. The Fiera Canadian Equity, Fiera Global Equity, and the International Opportunity Funds are certainly the stand-outs year to date, as is the Gold fund as noted earlier.

Marc

Appendix A –

Canada Life responds to COVID-19 uncertainty with temporary suspension of real estate funds

April 23, 2020

On March 20, 2020, we announced the temporary suspension of any contributions to, or transfers and redemptions from, the Great-West Life Canadian Real Estate Investment Fund No. 1 and the London Life Real Estate Fund 2.17G. The COVID-19 pandemic has created significant global economic disruption and extreme financial market turbulence. Governments have been forced to respond with unprecedented fiscal stimulus programs, targeting social support and credit markets. This response has also included various emergency orders that have heightened awareness, provided emergency powers and restricted general population circulation.

Valuation uncertainty

The velocity of these changes, together with the underlying virus uncertainty, both in duration and magnitude, is limiting the ability to accurately quantify the impact of these conditions on property markets. This has created material valuation uncertainty related to real property owned by the funds, which gives rise to a material risk that the funds' unit values may not be valued accurately. The temporary suspension mitigates the risk that investors buy and sell units at a price that does not reflect market value. As always, the goal is to protect the long-term interest of the funds and investors.

We are actively working to identify a process whereby valuation certainty can be returned as market conditions stabilize and appropriate market value indicators are established. It is premature at this juncture to speculate when that might be, as the situation remains dynamic. The temporary suspension will remain in place until an appropriate level of real property valuation certainty has been re-established and we are comfortable with the funds' liquidity positions.

Cashflow and operations

The funds continue to maintain adequate financial flexibility, retaining substantive cash holdings and the ability to generate additional cashflow through ongoing operations. We continue to implement a prudent and measured capital expenditure strategy, prioritizing life and safety projects, while remaining focused on long-term value creation. We are actively working within each of our jurisdictions to explore available government deferral programs to manage expenses. Over and above these factors, the funds continue to retain significant mortgage leverage capacity with their respective low loan-to-value positions, as well as the potential for property dispositions, subject to market conditions, should we deem those in the funds' long-term interests.

Rent relief requests increased in the month of April across our commercial, industrial and residential portfolios. Some of our tenants are struggling with the evolving economic disruption while others have been forced to close as a result of government instruction. Some of our residential tenants are coping with recent unemployment while others are self-isolating within their apartment units. Our team at GWL Realty Advisors is actively working with tenants to ensure they are aware of available federal and provincial programs, as well as assessing their needs and establishing rent-deferral programs to support them during this difficult time.

Fund positioning

Historically, the funds have provided healthy performance, driven by strong occupancy levels and contractual cashflow that benefits from a roster of covenant tenants. The portfolios continue to be well diversified by both geography and asset class, retaining a defensive asset mix relative to their Canadian peer group. The funds maintain a strong weighting to industrial and an overweight position to the multi-family sector and its non-discretionary nature. Conversely, the funds maintain material underweight positions to the retail sector, which appears to be more impacted by the events related to the pandemic. The funds' grocery anchored retail strategy is materially outperforming the balance of the sector.

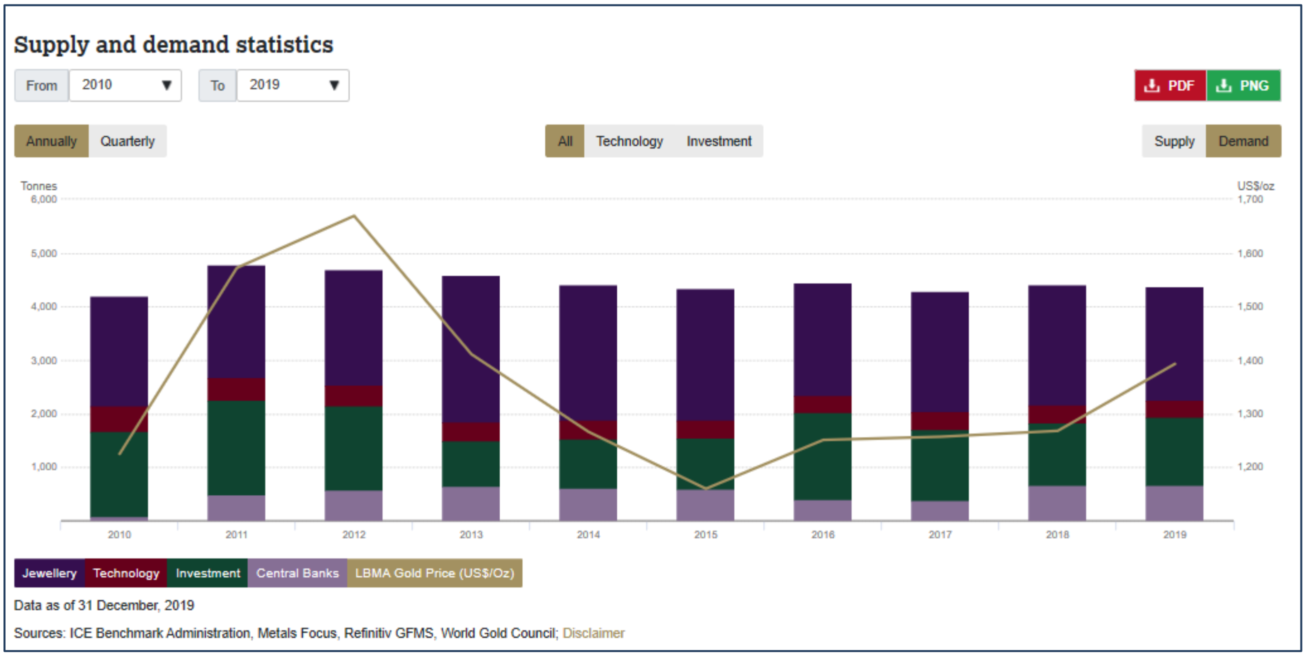
Looking forward, we believe that commercial real estate is well positioned to participate as the economy recovers. The sector's strong cash flow attributes, adaptability and potential for capital appreciation position it as an important part of asset allocation within a diversified investment portfolio. Finally, we urge you to continue to heed government direction to practice physical distancing. Much like our belief in real estate, we are confident in the resilience and adaptability of humankind.

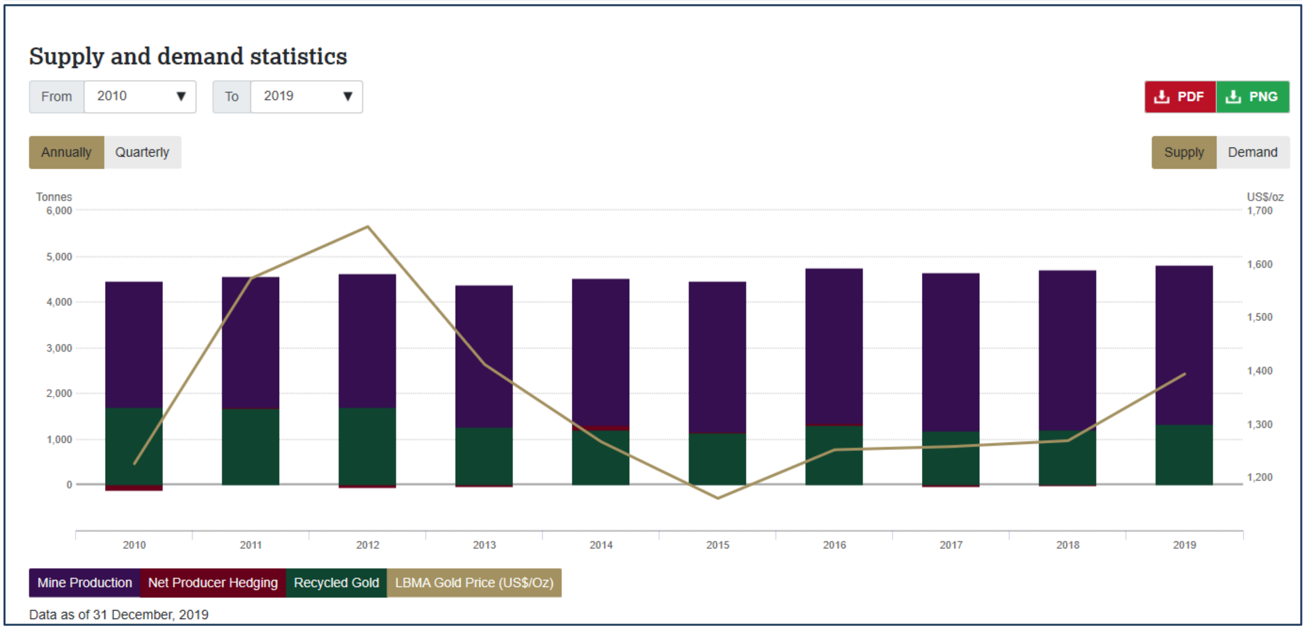
Appendix B –

Total above-ground stocks (end-2019): 197,576 tonnes

1. **Jewellery**: 92,947 tonnes, 47.0%
2. **Private investment**: 42,619 tonnes, 21.6%
3. **Official Holdings**: 33,919 tonnes, 17.2%
4. **Other**: 28,090 tonnes, 14.2%
5. **Below ground reserves**: 54,000 tonnes

Rank	Country	Gold holdings, 01/2018 (tonnes)	Gold's share of foreign reserves
1	United States	8,133.5	74.9%
2	Germany	3,373.6	68.9%
3	IMF	2,814.0	
4	Italy	2,451.8	67.3%
5	France	2,435.9	64.9%
6	China	1,842.6	2.3%
7	Russia	1,828.6	17.3%
8	Switzerland	1,040.0	5.3%
9	Japan	765.22	2.5%
10	Netherlands	612.45	66.3%
11	India	557.79	5.7%
12	Turkey	525.79	18.3%
13	ECB (European Central Bank)	504.77	-7.5%
14	Taiwan	423.63	3.7%
15	Portugal	382.51	63.7%
16	Saudi Arabia	322.90	2.6%


Supply and demand statistics
From 2010 To 2019
PDF PNG
Annually Quarterly
All Technology Investment
Supply Demand
Tonnes
US$/oz
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Jewellery Technology Investment Central Banks LBMA Gold Price (US$/Oz)
Data as of 31 December, 2019
Sources: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council; Disclaimer


Supply and demand statistics
From 2010 To 2019
PDF PNG
Annually Quarterly
Supply Demand
Tonnes
US$/oz
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019
Mine Production Net Producer Hedging Recycled Gold LBMA Gold Price (US$/Oz)
Data as of 31 December, 2019

Appendix C:

Precious Metals Fund (Mackenzie)

canada life

Fund facts

as at December 31, 2019

Asset class: Special equity
Fund code: LPMM
Asset category: Specialty
Fund inception date: July 1998
Segregated fund size: $130.54 million
Underlying fund: Mackenzie Precious Metals Class
Underlying fund size: $301.22 million

Total fund operating expenses

2018	2017	2016
0.066%	0.064%	0.066%

Volatility meter

Risk within all asset classes

Low — High

Risk within fund asset class

Equity style and capitalization overview

	Value	Blend	Growth
Large	●		
Mid	●		
Small	●		

Investment manager

Mackenzie Investments

Investment management style

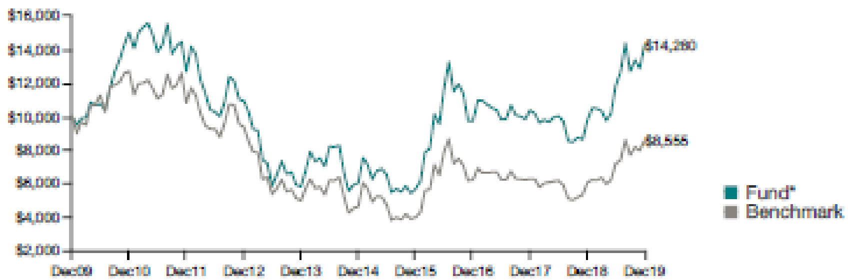
The Mackenzie Resource Team has a multi-level, flexible investment approach driven by an experienced, diverse team, combines top-down macroeconomic analysis with bottom-up stock selection. Macro analysis helps determine thematic tilt and sub-sector positioning.

Fund objective

To provide long-term capital appreciation. This Fund invests primarily in precious metals and minerals and equity or other securities of companies engaged in the precious metals or precious mineral business.

Historical performance as at December 31, 2019

This graph shows how a $10,000 investment in this fund would have changed in value compared with the benchmark: 100% S&P/TSX Global Gold Index



Compound returns as at December 31, 2019

	3 mth	1 year	2 year**	3 year**	4 year**	5 year**	10 year**
Fund*	12.60%	46.16%	17.33%	13.68%	25.98%	18.86%	3.63%
Benchmark	11.14%	41.31%	16.81%	11.25%	21.09%	13.21%	-1.55%

** Stated on an annualized basis

Calendar year returns

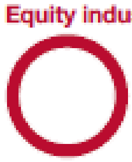
	YTD	2018	2017	2016	2015	2014
Fund*	46.16%	-5.82%	6.74%	71.45%	-5.82%	3.83%
Benchmark	41.31%	-3.45%	0.91%	56.16%	-13.50%	-7.31%

* Any performance shown prior to the fund's inception date is that of the underlying fund and is considered representative of this fund's performance.

Composition

- Canadian equity 53.5%
- Foreign equity 38.4%
- Cash and equivalents 2.3%
- Other 5.8%

Equity industry



- Materials 100.0%

Geographic split

- Canada 58.3%
- Australia 14.5%
- South Africa 12.4%
- United States 9.2%
- United Kingdom 3.5%
- Other 2.1%

Top holdings as at December 31, 2019

Barrick Gold Corporation	7.5%
Detour Gold Corporation	7.5%
Agnico-Eagle Mines Ltd.	7.4%
Gold Fields Ltd. Sponsored ADR	6.7%
Newmont Goldcorp Corp	5.9%
AngloGold Ashanti Ltd. Sponsored ADR	5.2%
Saracen Mineral Holdings Limited	4.1%
Evolution Mining Limited	4.0%
First Quantum Minerals Ltd	3.5%
Pretium Resources Inc.	3.5%
Total	**55.3%**