SYMMETRY

2018 Year in Review

Executive Summary

Amid a broad market decline in equity markets, six of the seven Symmetry Portfolios posted negative returns in 2018. Symmetry Fixed Income was positive.

In comparison to their respective categories (i.e. peer groups):

- Symmetry Fixed Income and Symmetry Balanced portfolios were strong relative performers;
- Symmetry Conservative Income performed similarly to its category median;
- Symmetry Conservative, Moderate Growth, Growth and Equity portfolios ended the year below the category median.

With respect to the last four underperforming portfolios, key detractors from performance include:

- Starting asset mix: Symmetry's starting equity weight for these portfolios is higher than the category average and is therefore detrimental to relative returns in a down equity market;
- Underweight to U.S. large cap equities (one of the strongest performing asset classes in 2018) and a relative overweight to small cap equities (one of the weakest);
- Weak performance from some of our quantitative equity managers.

Taking a longer view, the majority of our portfolios remain ranked in the 2nd quartile or higher over 3 and 5 years (Series LB).

We expect 2019 to be volatile and uncertain, so being dynamic will be important. Symmetry's key advantages include the ability to make dynamic asset allocation and currency hedging decisions, the backstop provided by our risk budgeting framework, and our adoption of Alternative strategies that have broadened our ability to generate uncorrelated returns within the portfolios.

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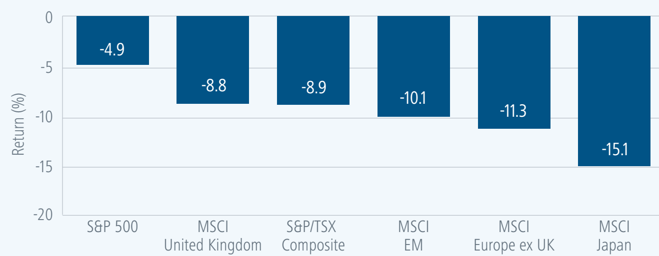
Market Performance

In stark contrast to 2017 (a year of strong positive equity market returns and extremely low volatility), 2018 saw equity markets fall and volatility pick up as concerns over inflation, rising interest rates, the impact of global trade tensions, and global economic growth weighed heavily on equity markets. In local currency terms, U.S. equities fell 4.9% while most other equity markets fell 9% or more. In fact, U.S equity returns were positive for the majority of the year, losing most of their value in December, while other equity markets had already turned negative by the end of Q3.

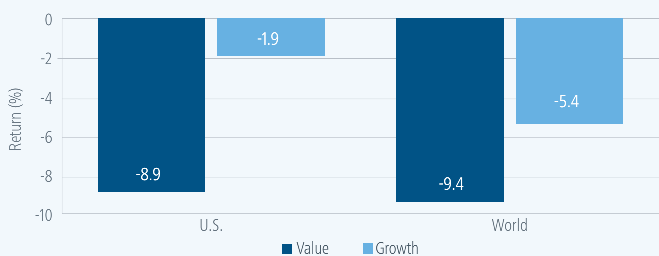
2018 Equity Markets Returns (local currency)



Source: Morningstar

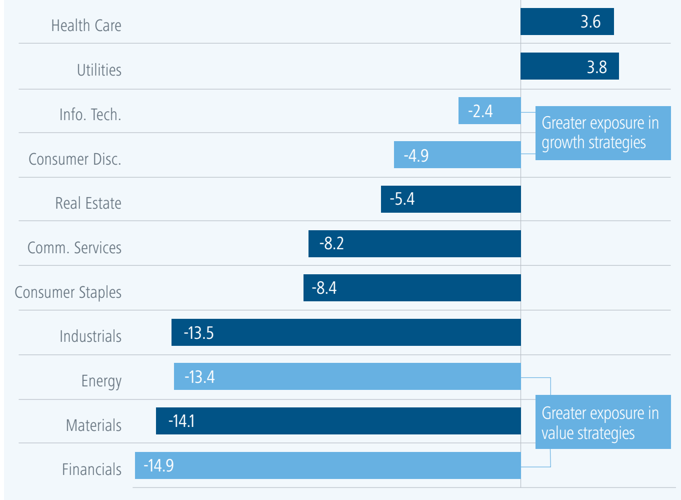
From a style perspective, we observed value stocks significantly underperform growth stocks, though both styles were negative. The Financials and Energy sectors were among the poorest performing sectors in 2018 and these tend to be found more prevalently in Value strategies. In contrast, Information Technology and Consumer Discretionary sectors, more commonly found in Growth strategies, fell considerably less.

2018 MSCI Value vs. Growth Indexes (local currency)



Index Sources: U.S. Value = Russell 1000 Value, U.S. Growth = Russell 1000 Growth, World Value = MSCI World Value, World Growth = MSCI World Growth. Source: Morningstar

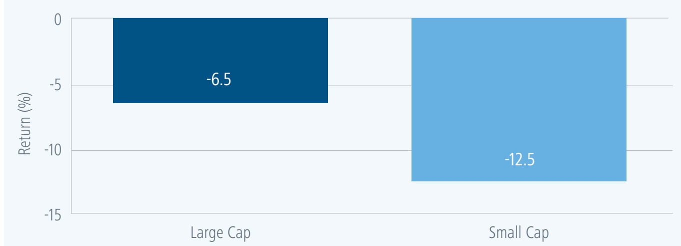
MSCI World Sector Returns (local currency)



Source: Morningstar

In 2018, we also saw large cap stocks significantly outperform small cap stocks, though again, both were negative for the year.

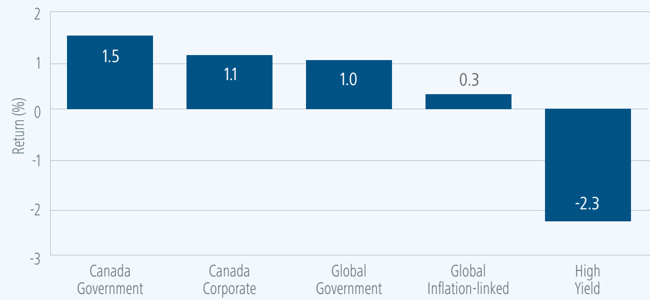
2018 MSCI World Large vs. Small Cap (local currency)



Source: Morningstar

As equity market risk increased and returns faltered, we saw money move into safer government bonds, which provided modest positive returns for 2018. Riskier bond asset classes like High Yield bonds were not immune to the flight to safety and ended the year in negative territory.

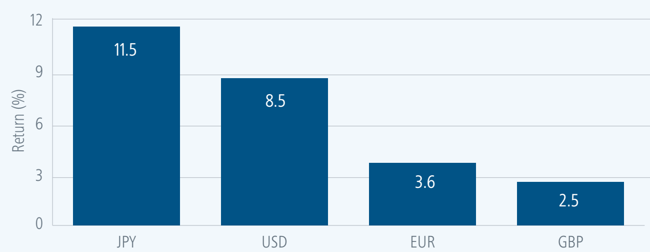
2018 Fixed Income Returns (local currency)



Fixed Income index sources: Canada Gov't = FTSE Canada All Government Bond Index, Canada Corporate = FTSE Canada All Corp Bond Index, Global Government = FTSE WBIG Gov't/Gov't Sponsored Bond Index, Global Inflation-linked = Bloomberg Barclays Global Inflation Linked Total Return Hedged USD, High Yield = ICE BofAML US High Yield Bond Index. Source: Morningstar

In currencies, the Canadian dollar depreciated against most major currencies. A large slide in oil prices during the fourth quarter helped drag the Canadian dollar lower. In contrast, continued economic strength in the U.S. alongside expectations for continued interest rate normalization by the Fed helped propel the U.S. dollar higher. The U.S. dollar and Japanese yen were also boosted by investors seeking safer currencies as equity markets were in turmoil.

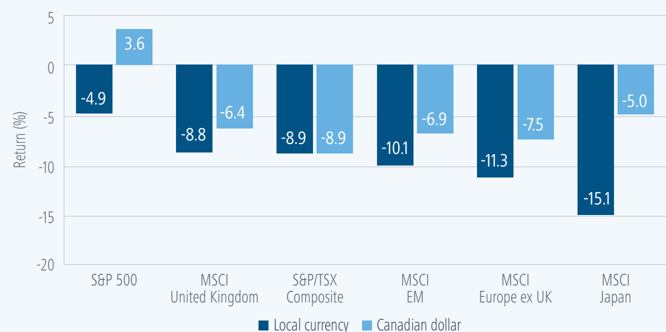
2018 Currency Spot Returns vs. CAD



Source: Bloomberg

As a result, Canadian-dollar-denominated equity market returns were better.

2018 Equity Market Returns



Source: Morningstar

Symmetry Performance Overview

Symmetry Portfolios, LB, Annualized Returns ending December 31, 2018

	1YR	3YR	5YR
Fixed Income	0.3	1.5	2.1
Conservative Income	-2.5	1.9	2.7
Conservative	-3.5	1.7	2.7
Balanced	-4.2	1.7	3.0
Moderate Growth	-5.6	1.7	3.0
Growth	-7.7	1.5	3.2
Equity	-9.5	1.5	3.6

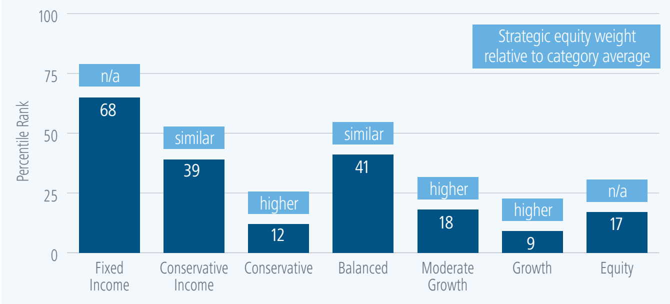
Source: Mackenzie Investments

Focusing on the one-year period above, returns were negative for six of seven portfolios as equity markets were down significantly (Symmetry Fixed Income, which gained 1% in 2018, is comprised mostly of bond assets).

In contrast to previous years when diversification rewarded performance, diversification hurt Symmetry in 2018. Funds with outsized concentrations in U.S large-cap growth equities and U.S. dollars were rewarded with strong relative performance. These positions can make up large parts of some traditional balanced portfolios in Canada but are less prominent in Symmetry. We decompose the sources of return in the next section.

Although we strive to deliver positive returns, there will be years when markets are down, and Symmetry's returns are negative. In addition to absolute returns discussed above, another way we measure the success of each Symmetry portfolio is by how well it performs relative to its Morningstar category (i.e. against all other similar investment options our investors can choose from). Symmetry's relative performance in 2018 was mixed, with some portfolios doing quite well versus competitors and others not as well. This was not unexpected since some portfolios have a lower equity weight than the average fund in their category, and some have a higher weight. In a down year for stocks, having a lower equity weight is an advantage.

Symmetry Portfolios, Series LB, 2018 Percentile Rank (higher the better)



Source: Morningstar, Mackenzie Investments

Symmetry, Series LB, Percentile Rank (higher is better)

	1YR	3YR	5YR
Fixed Income	68	81	42
Conservative Income	39	47	38
Conservative	12	52	45
Balanced	41	27	41
Moderate Growth	18	33	23
Growth	9	28	18
Equity	17	23	11

Source: Morningstar, Mackenzie Investments

The chart above shows the one-year performance percentile rank of each Symmetry Portfolio (Series LB) in its category. The Fixed Income Portfolio performed well over the year, beating 60% of its peers. The Conservative Income and Balanced Portfolios also performed relatively well, despite the negative equity market environment, in part because their neutral equity weights are at or slightly below their category averages. In contrast, the Conservative, Moderate Growth and Growth portfolios are deliberately positioned with higher-than-average equity weights within their respective categories, so they suffered relatively more from negative equity returns. In the long-run, we expect that holding relatively more equities in these portfolios to be additive to relative performance, but on occasion they will underperform their category median when equity markets are down sharply, as they were in Q4.

Finally, performance of the 100% Equity Portfolio was disappointing. In the latter half of the year, we added a small amount of fixed income to the portfolio's asset mix as we began tactically underweighting equities. This action helped limit downside returns. Unfortunately, weak performance from some of our equity managers and Symmetry's diversification away from U.S. equities led to large drags on relative performance. These factors are discussed in detail in the following section.

Stepping back and taking a longer-term perspective, despite a disappointing year for some of our Symmetry portfolios, longer term relative category performance remains positive, especially in our more conservative offerings, as seen below.

In conclusion, while the one-year results are disappointing, the one-year returns are a snapshot of performance taken on one specific date – December 31st – that came at the end of several months of weak markets, so the "calendar effect" is very strong in these numbers. Since December 31, equity markets have rebounded and so have Symmetry's trailing returns. Moreover, a longer-term view adds perspective to recent performance.

Performance Discussion

The construction of each Symmetry portfolio can be decomposed into three major allocation decisions: 1) strategic asset allocation, which sets our long-term exposures to a diverse set of asset classes, 2) tactical asset allocation, shorter term in nature, which dynamically adjusts our strategic weights up or down based on market assessments, and 3) manager selection, which is where we select vehicles that provide exposure to the asset classes selected in steps one and two. In 2018 we saw neutral value added from our tactical asset allocation decisions and negative value added from our strategic asset allocation decisions. Prior to 2018, both strategies were positive contributors since their initial implementation in 2015 and remain positive even after the impact of the past year. On the manager side, fixed income manager performance was positive, while equity manager performance detracted in 2018. The following performance discussion addresses each major allocation decision.

Asset Allocation

The primary detractor was our underweight to U.S. equities in favour of diversifying our exposure to other markets, including Emerging Markets. Early in the year, we were overweight EM equities. It was a very profitable position in 2017, but much less so in 2018 due to the large divergence in returns between U.S. equities and the rest of the world in 2018. Although this position added nicely to returns in December, the month ended before the trade could offset more of the drag from the rest of the year.

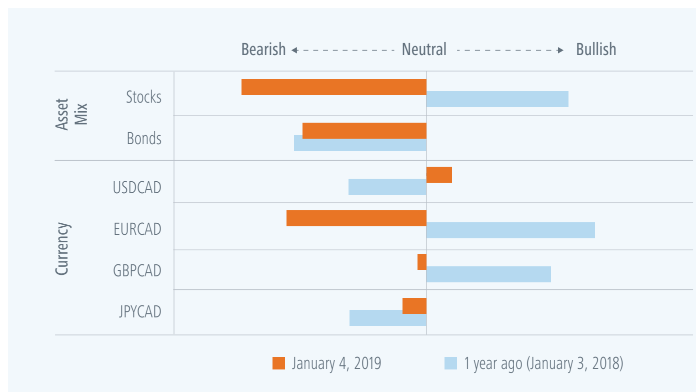
A secondary driver was our overweight to small cap stocks, as they underperformed large cap stocks. Small cap stocks may be more volatile at times, but they help diversify the sources of return for our portfolios and are a less efficient asset class than the large cap space, meaning that there are more opportunities for our managers to add alpha.

On a positive note, several decisions paid off in 2018. The portfolios started the year with an overweight to equities, a position that had boosted performance over the previous two years. As the year progressed and our perception of equity market risk increased, we eliminated the overweight and transitioned to an underweight position by mid-year. Entering December, the portfolios were underweight equities by an average of 4%, which contributed to performance as equity markets sold off significantly during the month.

In currencies, our positioning in the U.S. dollar and yen added value. We entered the year underweight the yen and U.S. dollar. Both currencies have often been negatively correlated with equity market movements and due largely to increased market volatility at the beginning of the year, our positions detracted from returns. On the U.S. dollar, we moved into an overweight position during the third quarter, helping recoup losses incurred during the first half of the year. On the yen, we began eliminating our underweight position during the second quarter. Exposure to these "safe haven" currencies typically reduces equity risk for Canadian investors and was an additional move we made in the lead-up to Q4 weakness.

Throughout the year, we maintained an underweight exposure to government bonds, which also helped shorten duration in a rising rate environment. This position added value in 2018 with solid gains earned during the first three quarters of the year followed by some given back in the final quarter as yields fell and bond prices rose. In addition, globally diversifying our sovereign bond exposure added some value as some markets like Canada, Germany and the UK saw yields at the long end of the interest rate curve fall.

Even though 2018 was a difficult year for our diversified approach, we continue to believe that it has long-term merits from both a risk and return perspective, as evidenced in previous years. A diversified program will struggle under conditions that reward concentration, such as we saw in 2018. To abandon diversification and chase winners is not a successful strategy and as such, we continue to take a broader approach to sourcing returns.



Managers

Manager performance was mixed for the year. Overall, our fixed income managers added value, while some of our equity managers detracted.

In fixed income, the portfolios benefitted from strong performance from the high yield sleeve managed by the Mackenzie Fixed Income Team. Some exposure to leveraged loans in place of high yield debt was additive to returns as loans finished the year in positive territory whereas high yield debt returns were negative. The mandate also benefited from overweight exposure to Canadian high yield issuers which returned +2.0% and outperformed U.S. high yield. The core Canadian bond mandates managed by the Mackenzie Fixed Income Team and 1832 Asset management also added value over the year, primarily due to lower duration within their mandates.

In equities, starting with a review of styles, our portfolios tended to have a slightly greater value tilt, and value strategies significantly underperformed growth strategies in 2018. In the long run, a properly measured and implemented value tilt has proven to add alpha. In addition, one could argue that it also makes economic sense, i.e. purchasing assets at attractive prices should lead to better performance over the long run versus purchasing assets at overvalued levels (provided of course managers have a proper assessment of intrinsic value).

By manager, there were some strong performers, including the U.S. Mid-Cap Growth mandate managed by Mackenzie's Phil Taller and the Canadian Growth mandate managed by Mackenzie's Bluewater Team. Within U.S. Mid-Cap Growth, stock selection was a huge contributor to outperformance, particularly in Health Care and Consumer Staples. Meanwhile, Bluewater's Canadian Growth mandate benefitted from an overweight to the Industrials sector and an underweight to the Financials sector. Strong stock selection within the Financials and Energy also contributed to returns. On the flip side, the biggest detractors to our portfolios were mandates with a quantitative or value focus. These grow in importance as the equity weight rises across the seven Symmetry portfolios. In particular, the Global Equity mandate managed by the Mackenzie Systematic Strategies Team and the International Equity mandate managed by the Mackenzie Cundill Team were large detractors. The Systematic Global Equity mandate was hurt by stock selection, most notably in Technology and Consumer Discretionary stocks. Cundill's deep value style significantly underperformed in this risk-off environment and was additionally hurt by stock selection in Energy and Consumer Staples. Symmetry was not unique – across the industry most quantitative and value mandates had a challenging year. However, it is worth noting that three of our quantitative and value mandates delivered positive alpha: CC&L Investment Management's Canadian QCore and Emerging Market Equity mandates and the Mackenzie Multi-Asset Strategies Team's Canadian Smart Beta mandate.

Portfolio Changes

Asset Allocation: Towards the end of May, Symmetry began investing in Mackenzie's newly launched fund, the Mackenzie Multi-Strategy Absolute Return Fund (MSARF). This investment effectively expands Symmetry's diverse array of investment strategies to include liquid alternative strategies - strategies widely used by institutional investors and the more sophisticated pension plans. The key benefits of adding the Fund to Symmetry include: 1) adding a return stream that is much less dependent of equity and bond returns, thus helping to smooth total portfolio returns, 2) adding asset classes like commodities and emerging currencies to complement equity and bond exposures, and 3) maintaining portfolio liquidity as the investment vehicles within the new Fund are highly liquid. As the mutual fund regulatory environment loosens to allow more sophisticated investment vehicles, the Multi-Asset Strategies team will look ways to enhance the opportunity set of investments for Symmetry.

Tactical Shifts: Around mid-year, we migrated our tactical cross-equity views to MSARF. This enhancement to Symmetry significantly increases the breadth of views that we can draw from, which expands the opportunity set and spreads out the sources of risk. When we started implementing our cross-equity views, we were trading off six regional markets; Canada, US, Eurozone, UK, Japan and EM. By migrating to MSARF, we have moved from six regional markets to eighteen regional, country, and style specific markets. For example, if our current view on the overall EM market is neutral, but we are positive Mexico and negative South Africa, we can now capitalize on those opportunities. The same applies to the Eurozone, where previously, we were only over or underweighting the whole region; now we can express specific views on France, Germany, Spain and Italy, for example. By using the same approach and models already employed, adding granularity allows us to significantly increase our expected alpha in our relative country equity selection. As we work through 2019, we will look to further enhance our investment process and toolkit as we look for ways to better isolate different sources of value add.

Managers: In mid-May, Mackenzie's Arup Datta, head of the Mackenzie Global Quantitative Equity Team (MGQE) in Boston, joined Symmetry's Emerging Markets equity manager lineup, replacing JP Morgan. Arup joined Mackenzie in December 2017 and is a quantitative equity veteran with a 25-year track record of working with well-known U.S. based institutional managers. Arup and his team bring a disciplined, institutional quality, quantitative approach to investing, and a strong track record. Their smaller asset base allows them to be nimbler and provides greater capacity to execute their views. Finally, this change allows us to expand Symmetry's EM exposure by adding a dedicated small cap sleeve, where we believe the ground remains fertile for alpha generation. So, the team is managing two distinct sleeves in Symmetry: EM large cap and EM small cap.

Team Update

We added two new members to the Mackenzie's Multi-Asset Strategy team in 2018. With these additions, the team now counts 30 years of direct pension experience from some of the largest globally recognized pension plans, widely considered thought leaders in total portfolio risk management, asset allocation and alternatives.

Alex Bellefleur, MEc, CFA

Chief Economist and Strategist. Alex is responsible for conducting macro research to support investment products managed by the Multi-Asset Strategies Team, as well as presenting macro views to our clients.

Before joining Mackenzie Investments, Alex was the Head of Global Macro Strategy & Research at Pavilion Global Markets Ltd, where he led the team responsible for producing global macro research on currencies, interest rates, equity indices and commodities for institutional clients. During his eight years at Pavilion, he contributed articles to major publications including the Financial Times. Before Pavilion, he was an international sub-sovereign debt analyst at Moody's Investors Service.

Alex has a Bachelor of Economics degree from the Université Laval, Quebec and a Master of Economics from the University of British Columbia. He is also a CFA Charterholder. Alex is fluent in French, English and Italian.

Blair Ireland, MMath, CFA

Vice President, Investment Management. Blair is responsible for portfolio management and oversight of various multi-asset class portfolios, as well as ensuring the team is utilizing best-in-class methods for alpha research, risk forecasting and portfolio construction.

Blair joins us from Citadel LLC, where he was a Senior Quantitative Researcher from 2013 to 2017, leading a team responsible for the research, implementation and portfolio management of macro strategies across currencies, commodities, fixed income and equity indices. Prior to that, he spent five years at the CPP Investment Board and was a Portfolio Manager on the Global Tactical Asset Allocation team, overseeing the fixed income and commodity strategies. He joined Mackenzie Investments in 2018.

Blair has both a Bachelor of Mathematics (Computer Science & Statistics) and Master of Mathematics (Statistics – Finance) from the University of Waterloo. He is also a CFA Charterholder.

Looking Forward

While 2018 performance was disappointing and frustrating, it provided us with the opportunity to review our processes and strongly reconfirm that our approach to managing money remains intact and our belief in that approach remains as fervent as ever. There are five pillars upon which our belief rests: Diversification, Systematization, Risk Budgeting, Innovation, and Active Management.

Diversification

If you know the future, diversification is senseless – just buy the winners and start spending your riches! But of course, no one knows what's coming so we believe diversification remains the single best strategy for long-term success. This is not only our strong belief, it is codified into "The Fundamental Law of Active Management", which states (in part) that for a given level of skill, the odds of success rise along with the breadth of investment options. Symmetry will always seek a broad selection of return drivers, so that if one goes wrong it won't sink the ship.

Systematization

We seek to diversify, but we don't do it blindly, nor do we rely on "instinct" or "gut feel". We rely on models we have researched, built and tested thoroughly over the years to guide our investment decisions. Our models can be grouped into three buckets: valuation, macroeconomic factors, and sentiment. Each bucket provides us with an organized and quantifiable way to allocate assets that is supported by decades of external research and, most importantly, is repeatable in a way that trading on "gut feel" is not. We research, test, monitor, and re-test our models continuously using live market data to ensure we are properly capturing and integrating all available signals and continuously working to separate those signals from market "noise". Because our allocation decisions are based on sound models that combine quantitative tools with extensive data and portfolio manager experience, we believe they will deliver healthy returns over the medium term.

Risk Budgeting

Once you accept the wisdom of diversification, you still need to determine where to diversify and by how much. You need a coherent way to knit all these decisions together into a portfolio that has the best likelihood of delivering on its objectives. Here, our risk budgeting process is critical. Establishing a risk budget for every portfolio provides a "living" framework to guide total portfolio decision-making; "living" because it is a real-time connection to evolving market conditions that ensures each portfolio is always operating with the appropriate amount of risk. This process – allocating that risk budget among the various return drivers – ensures we have systematic, logical and appropriately scaled positions which leads us to a repeatable way to build and manage each total portfolio.

Innovation

We are always scanning the landscape for new approaches that we can use to enhance returns and reduce risk. To be among the best in our industry is like climbing up a down escalator – once you stop moving, you sink! Our early adoption of liquid alternatives is one key area where we have led the Canadian mutual fund market. By building a set of unique liquid-alternative investment vehicles for use within Symmetry, we gain access to investment vehicles that aim to deliver returns without depending on the direction of broad stock and bond markets. This innovation will help spread out risk and can offer potential downside protection, especially in significant equity market selloffs.

Another example of innovation is our recent implementation of a "portable alpha" strategy. This is now allowing us to separate the decision to seek attractive security selection alpha outside of the U.S. from the decision to over- and under-weight various market betas around the world. For example, instead of selling U.S. equities to add to an EM equity manager that we feel is a very good stock picker in a less efficient market, we could allocate to this active EM equity manager, then use a futures contract to completely hedge that additional EM market beta exposure and replace it with an S&P500 future to retain exposure to the US equity market but in a very cheap and passive way. In that way, we have "ported" the attractive EM security selection alpha onto U.S. market beta. Any decision to underweight the U.S. market as a whole versus other markets is now separated from the alpha-seeking decision described above. This eliminates the difficult tradeoff in asset allocation between on the one hand allocating to managers in less efficient regions where is more evidence of success, but on the other hand having to underweight the highly efficient U.S. equity market.

Active Management

We are active in implementing our views. Our flexibility to adjust portfolio exposures very quickly to changing market conditions is an important lever that we use to add value over time. Our strong systematic process within our tactical models allows us to update and adjust positions frequently – on a weekly basis at minimum – and is a very robust feature for the Symmetry investor. In late 2018 we broadened out the number of markets, currencies and asset classes we trade on a tactical basis, which should provide more opportunity for return. In particular, we feel that currencies are still highly underutilized in the Canadian retail mutual fund market, and they can be an extremely powerful tool to manage portfolio risk and to exploit investment opportunities. Coming from large pension institutions where currency management is a normal part of the investment process, the Multi-Asset Strategies Team has brought advanced risk management and alpha generating solutions to Symmetry.

2019 Outlook and Strategy

After a long run of calm and generally up-trending equity markets, 2018 proved to be considerably more volatile, with three violent, successive selloffs in February, October, and December. The gradual return of inflation was an important theme throughout the first three quarters of 2018, interrupted briefly by a large drop in crude oil prices in Q4 which sent ripples through the currency and bond markets.

As we pointed out in previous quarters, growth is decelerating globally. The deceleration appeared first in emerging markets and then in European and Asian developed markets, landing finally in the U.S. later in the year. Until recently, U.S. resilience was underpinning the outperformance of U.S. assets relative to the rest of the world. As the Federal Reserve's tightening campaign is now more advanced, interest rate-sensitive sectors of the U.S. economy have begun to slow down. This is the case, notably, of the housing sector, where activity has decelerated considerably. Indicators of growth in the manufacturing sector are also coming back down to earth, indicating that after a strong 2018, U.S. growth is joining the rest of the world in moderating.

Barring further fiscal stimulus, we expect slower U.S. growth in 2019. It has become apparent that the "sugar rush" experienced by the U.S. economy, following an unusual, late-cycle fiscal stimulus, is disappearing. As mentioned above, interest rate-sensitive sectors of the economy are also slowing. Corporate capital expenditures, an area of strength for the U.S. economy one year ago, are now softening considerably. This suggests that the interest rate normalization process is beginning to be felt in the real economy. We do not view the U.S. economy moving into outright contraction, but we think growth in 2019 will be much slower than the levels registered in 2018.

Mackenzie's Multi-Asset Strategies Team's key tactical views in early 2019 include the following:

- Underweight position on equities relative to cash;
- Underweight position in bonds relative to cash;
- Overweight in the U.S. dollar relative to the G5 basket of currencies.

In Q1 of 2018, the Multi-Asset Strategies Team went to a neutral position on equities relative to cash. This was a significant change, as we had held a profitable overweight in global equities since Q2 of 2016. In recent outlooks, we wrote of several cross currents playing out in the markets, with positive and negative forces roughly balancing each other out. In early October 2018, the Multi-Asset Strategies Team began to see the balance of risks as having become negative, pointing to the need for a cautious asset mix. This led us to shift to our underweight position in equities relative to cash.

This change has been driven by a few factors. Macroeconomic indicators, while remaining in expansion territory, are now pointing to slower growth ahead. With tighter monetary conditions and fiscal stimulus waning, we expect growth to remain positive, but to be considerably lower than in 2018. In our view, earnings growth will likely be slower in 2019, reducing the support to equity markets coming from macroeconomic factors. On the equity valuation front, the recent fall in share prices has improved the attractiveness of most metrics. However, our assessment of equity valuations remains somewhat expensive. Finally, our modeling of behavioral investor sentiment shows a recent deterioration relative to the last few years. All in all, we believe this warrants an underweight position in equities.

Meanwhile, we continue to believe that there is a likelihood that the Fed will raise interest rates later in 2019. Our underweight position on longer-term government bonds relative to cash has generally been profitable, though there was some give-back in Q4 of 2018. We feel that market pricing of potential interest rate cuts later this year is excessive. The U.S. economy, while having peaked last year, remains reasonably healthy. We acknowledge the risks coming from elevated corporate debt burdens, but the consumer side of the economy has deleveraged and remains solid. Left unchecked by modestly higher short-term interest rates, the extremely tight U.S. job market has begun to spark wage growth, which remains a key part of the Federal Reserve's reaction function. Given current pricing in the U.S. yield curve, we believe this makes fixed income assets fairly unattractive relative to cash.

In terms of currencies, we continue to hold an overweight position in the U.S. dollar relative to the broader basket of currencies. Our FX views are out of consensus, as most strategists appear to expect the U.S. dollar to depreciate in 2019. While we recognize that the U.S. dollar valuation versus G10 peers appears to be high relative to historical averages, our macro and sentiment models for the currency are positive. On the flipside, we hold an underweight position in the euro. We continue to believe that the Eurozone will be challenged on the growth front, limiting the European Central Bank's ability to normalize interest rates. We believe this could disappoint a consensus of strategists which persists in expecting Eurozone interest rate normalization and a rally in the euro.

Rounding out the outlook, we also expect Canada to slow down. The Canadian economy has already begun this process. This has been particularly evident in Canadian consumer spending, which has come back down to earth from the elevated levels of growth reached in 2017. This has coincided with a topping out of housing markets in Toronto and Vancouver, suggesting that interest rate hikes by the Bank of Canada have begun to work their way through the system. In our view, this likely will continue into 2019.

China already has slowed down abruptly and is now considering applying stimulus – this will be something to watch in 2019. The Chinese economy responded negatively in 2018 to policy efforts to de-risk and de-leverage the financial system. The government cracked down on the shadow banking system, leading to much slower credit growth. Historically, after sharp economic slowdowns, the Chinese government has tended to stimulate to avoid a hard landing of the economy and maintain job and income growth, two key factors ensuring social stability in China. This would suggest that stimulus is now imminent. The Chinese government has, in fact, cut taxes in recent months, with a view to bolstering consumption. However, the results of this tax cut have so far been muted. Moreover, the efforts to de-leverage and de-risk the financial system are somewhat constraining the government's ability to stimulate. We will be watching the evolution of this tension in China in early 2019. For now, it does not appear that China is re-accelerating meaningfully.

Europe remains stuck in the slow lane. Market participants had hoped that 2018 could build on a robust 2017 for Europe, with a stronger footing for more sustainable expansion. Once again, markets were disappointed, as European growth underwhelmed. Global trade tensions hurt export-driven European economies such as Germany, while political instability in Italy and the U.K. undermined domestic confidence. Several European equity market indices are now in bear market territory as a result, and forward-looking expectations for the region are much lower than they were at the beginning of last year.

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On September 28, 2012, the Symmetry Fixed Income Portfolio changed its objectives to permit the Fund to seek fixed-income exposure by investing either directly in fixed income securities or through other mutual funds. The past performance before this date was achieved under the previous objectives.

On September 28, 2012, the Symmetry Equity Portfolio Class changed its objectives to permit the Fund to seek equity exposure by investing in other mutual funds on more than a temporary basis or by investing directly in securities. The past performance before this date was achieved under the previous objectives.

Percentile rankings are from Morningstar Research Inc., an independent research firm, based on the Morningstar Canadian Fixed Income, Canadian Fixed Income Balanced, Canadian Neutral Balanced, Global Neutral Balanced, Global Equity Balanced and Global Equity categories, and reflect the performance of the Symmetry Fixed Income Portfolio, Symmetry Conservative Income Portfolio, Symmetry Conservative Portfolio, Symmetry Balanced Portfolio, Symmetry Moderate Growth Portfolio, Symmetry Growth Portfolio and Symmetry Equity Portfolio Class, Series LB for the 1-, 3-, 5- and 10-year periods as of December 31, 2018. The percentile rankings compare how a fund has performed relative to other funds in a particular category and are subject to change monthly. Canadian Fixed Income funds for the Symmetry Fixed Income Portfolio, Series LB, for each period are as follows: one year – 510; three years – 416; five years – 344; 10 years – 155. Canadian Fixed Income Balanced funds for the Symmetry Conservative Income Portfolio and Symmetry Conservative Portfolio, Series LB, for each period are as follows: one year – 534; three years – 438; five years – 358. Canadian Neutral Balanced funds for the Symmetry Balanced Portfolio, Series LB, for each period are as follows: one year – 665; three years – 568; five years – 449; 10 years – 159. Global Neutral Balanced funds for the Symmetry Moderate Growth Portfolio, Series LB, for each period are as follows: one year – 1373; three years – 1052; five years – 776. Global Equity Balanced funds for the Symmetry Growth Portfolio, Series LB, for each period are as follows: one year – 1082; three years – 850; five years – 574. Global Equity funds for the Symmetry Equity Portfolio Class, Series LB, for each period are as follows: one year – 1721; three years – 1230; five years – 897; 10 years – 451.

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