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THE CM GROUP INVESTMENT FOCUS

A review of 2019's second quarter global market performance may be just what you need to propel you through the last bit of summer. You might find it to be a great compliment to your current summer reading list. The colorful graphs and data filled charts read on a beautiful morning in August, usually with a fresh cup of coffee, is a great morning for us in The CM group.

It also helps that most of the performance numbers from that quarter are positive, but it's real value is to show the reward of longer term strategies. Which is also what the bonus article by our friend's at Dimensional outlines.

As a reminder, we are always available for questions on these newsletters and don't be afraid to pass them on to friends.

Have a great August,

Enjoy.

"Tell us what is important to you that requires planning, money and time?"

-The CM Group

2019 Quarterly Investment Update

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The Uncommon Average

Page 14

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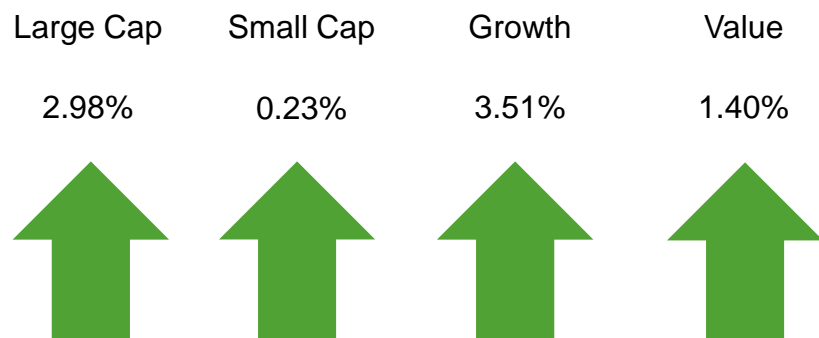
Quarterly Investment Update

Second Quarter 2019

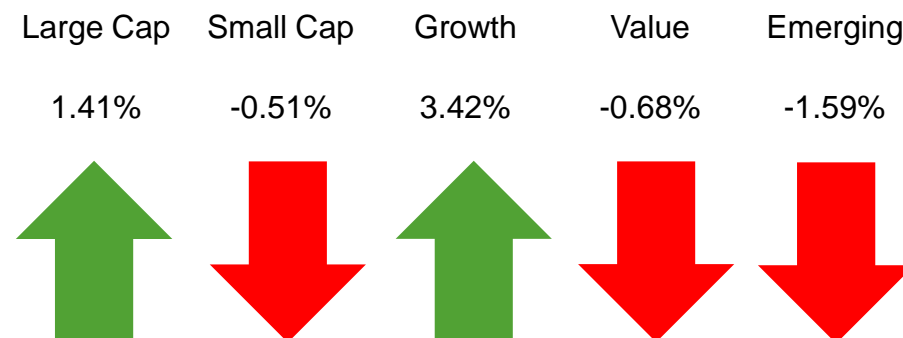
Market Update: A Quarter in Review

June 30, 2019

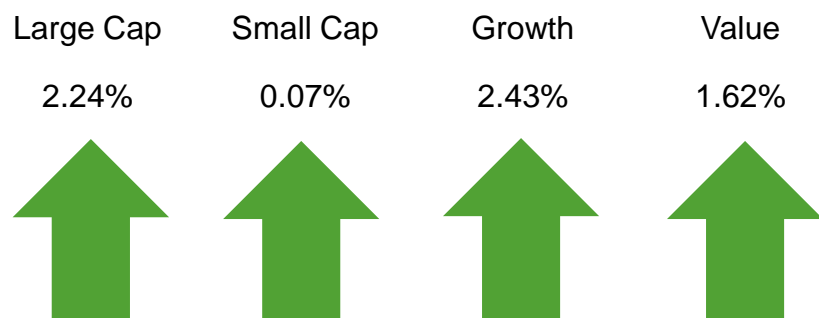
CANADIAN STOCKS



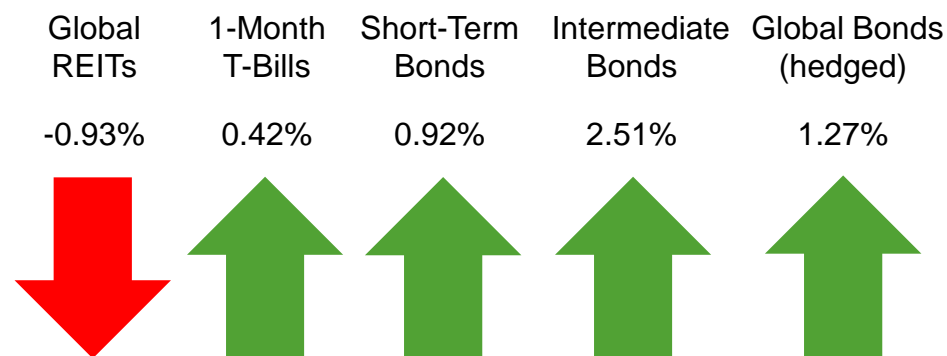
INTERNATIONAL STOCKS



US STOCKS



REAL ESTATE AND FIXED INCOME



Data is in Canadian dollars. Market segment (index representation) as follows: Canadian stocks: Large Cap (S&P/TSX 60), Small Cap (MSCI Canadian Small), Growth (MSCI Canadian Growth), Value (MSCI Canadian Value); US stocks: Large Cap (S&P 500), Small Cap (Russell 2000), Growth (Russell 3000 Growth), Value (Russell 3000 Value); International stocks: Large Cap (MSCI EAFE [net div]), Small Cap (MSCI EAFE Small Cap [net div]), Growth (MSCI EAFE Growth [net div]), Value (MSCI EAFE Value [net div]), Emerging Markets (MSCI Emerging [net div]); Real Estate: Global REITs (S&P Global REIT [net div]); Fixed Income: 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Short Term Bonds (FTSE Canada Short-Term Bond), Intermediate Bonds (FTSE Canada Universe Bond), Global Bonds-Hedged (FTSE World Government Bond Index 1-5 Years [hedged to CAD]). S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2019, all rights reserved. S&P data copyright 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance does not guarantee future returns.

Survey of Long-Term Performance

June 30, 2019

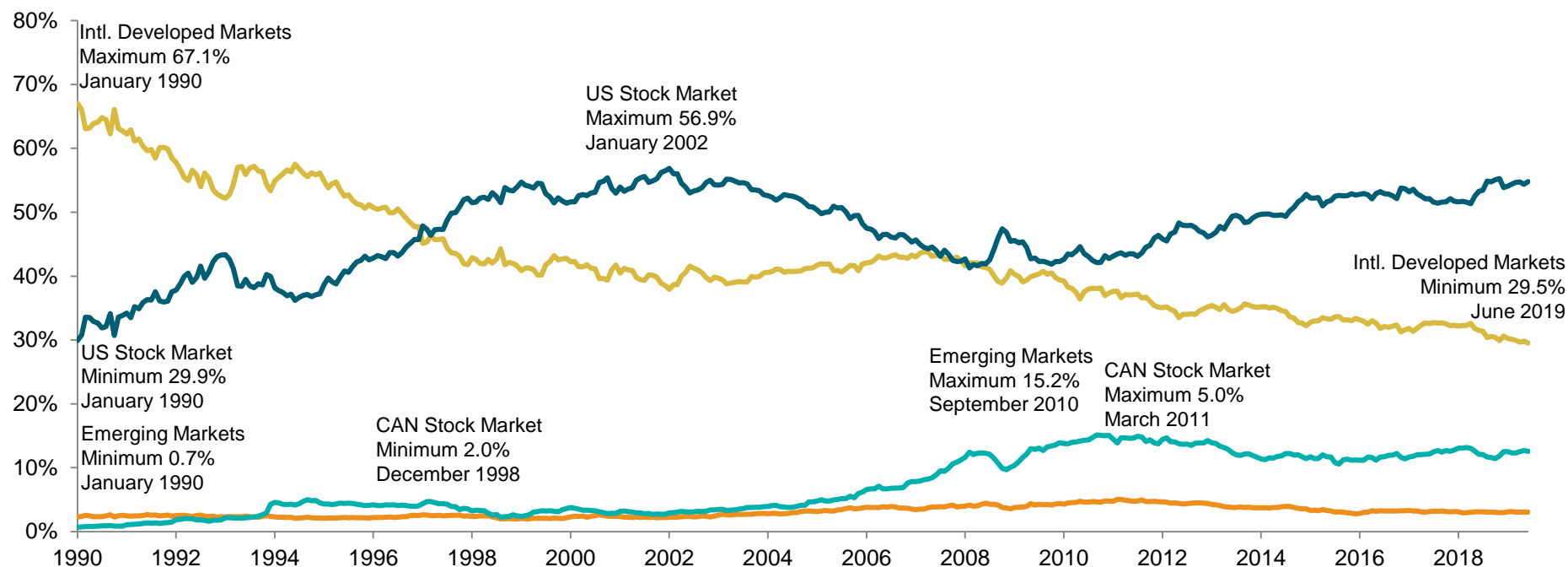
Asset Class	Index	Annualized (%)					Since Inception	Inception date
		1 Year	3 Years	5 Years	10 Years	20 Years		
CANADIAN STOCKS								
Large Cap	S&P/TSX 60	4.86	9.51	5.67	7.64	7.06	8.55	Feb-87
Small Cap	MSCI Canadian Small	-4.41	2.67	-0.47	7.63	7.05	8.04	Jul-90
Growth	MSCI Canadian Growth	4.26	6.95	4.44	5.94	5.61	7.09	Jan-82
Value	MSCI Canadian Value	0.41	9.17	3.65	8.50	8.47	10.60	Jan-82
US STOCKS								
Large Cap	S&P 500	10.00	14.70	15.35	16.07	5.32	11.32	Feb-51
Small Cap	Russell 2000	-3.67	12.81	11.55	14.80	7.18	11.65	Jan-79
Growth	Russell 3000 Growth	10.19	18.34	17.75	17.52	5.04	11.57	Jan-79
Value	Russell 3000 Value	6.93	10.68	11.80	14.49	5.89	12.25	Jan-79
INTERNATIONAL STOCKS								
Large Cap	MSCI EAFE (net div.)	0.41	9.33	6.51	8.17	3.35	9.04	Jan-70
Small Cap	MSCI EAFE Small Cap (net div.)	-6.97	9.29	8.75	10.97	6.71	6.66	Jan-93
Growth	MSCI EAFE Growth (net div.)	3.55	9.91	8.74	9.52	3.08	9.09	Jan-75
Value	MSCI EAFE Value (net div.)	-2.75	8.68	4.23	6.75	3.48	11.33	Jan-75
Emerging Markets	MSCI Emerging Markets (net div.)	0.54	10.89	6.76	7.06	6.58	10.40	Jan-88
REAL ESTATE								
Global REITs	S&P Global REIT (net div.)	8.09	3.61	9.68	13.52	7.99	8.43	Jul-89
FIXED INCOME								
Canadian T-Bills	FTSE Canada 30-Day T-Bill	1.55	1.00	0.85	0.80	2.04	5.89	Jun-73
Canadian Short-Term Bonds	FTSE Canada Short-Term Bond	4.08	1.53	1.91	2.54	4.07	7.37	Jan-80
Canadian Bonds	FTSE Canada Universe Bond	7.36	2.66	3.88	4.53	5.41	8.61	Jan-80
Global Bonds (hedged)	FTSE World Government Bond Index 1-5 Years (hedged to CAD)	3.59	1.27	1.66	2.09	3.42	5.96	Jan-85

Data is in Canadian dollars. MSCI EAFE Small Cap Index return is price-only prior to January 1999 data inception. MSCI Emerging Markets Index return is gross dividends prior to January 1999 data inception. S&P Global REIT Index return is gross dividends prior to January 2001 data inception. S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2019, all rights reserved. S&P data copyright 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Value of Stock Markets around the World

January 1990–June 2019

	Number of Countries	Number of Stocks	Total Value	Weights		
				June 30, 2019	Change from Previous Year	01/90-06/19 Average
Canada	1	300	1.78 Trillion	3.1%	↓ -1.1%	3.1%
United States	1	2,453	31.81 Trillion	54.8%	↑ 2.6%	47.2%
Developed Markets	21	3,275	17.14 Trillion	29.5%	↓ -5.9%	42.5%
Emerging Markets	26	2,836	7.30 Trillion	12.6%	↑ 4.2%	7.2%
Total	49	8,864	58.04 Trillion	100.0%		



Global market capitalization weights are not static; they change across time.

Data is in US dollars and values are beginning of month. The proxies for the Canadian and US equity markets are based on the respective country markets from the MSCI All Country World IMI Index. The international developed market proxy is the MSCI All Country World IMI ex USA ex Canada Index. The proxy for emerging markets is the MSCI All Country World IMI Index (Emerging Markets). MSCI data copyright MSCI 2019, all rights reserved.

The Randomness of Quarterly Returns

June 30, 2019

This table shows from top to bottom the highest returning asset classes each quarter over the last 17 quarters. Each asset class is color coded based on the legend below.

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q1 2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Highest Return	0.14	6.26	10.18	4.54	9.02	10.68	6.68	10.37	3.48	3.90	7.63	4.36	8.21	5.26	1.77	13.29	2.58	?
	0.02	0.66	8.75	1.39	6.41	8.05	4.54	6.21	3.48	3.68	7.11	1.85	6.77	0.31	1.33	11.64	2.51	?
	-0.71	0.15	8.56	1.13	5.60	5.98	1.64	4.73	1.11	1.41	4.99	0.94	6.01	0.01	0.41	11.57	2.03	?
	-0.79	0.12	4.36	0.38	5.11	5.45	0.12	2.41	0.45	0.61	4.45	0.26	0.78	-0.38	-0.45	7.57	1.41	?
	-1.26	-0.91	0.98	0.12	4.93	1.29	-0.56	1.24	0.23	0.28	3.16	0.10	0.51	-0.57	-2.24	7.51	1.27	?
	-1.63	-4.10	0.11	-0.77	3.31	1.19	-1.90	0.47	0.13	0.16	2.02	0.04	0.31	-0.96	-7.58	3.91	0.42	?
	-1.71	-7.86	-0.06	-5.23	3.11	0.12	-2.86	0.21	-0.99	-1.84	0.21	-3.06	0.04	-1.77	-9.47	0.94	-0.93	?
Lowest Return	9.19	-12.28	-1.40	-8.96	1.41	0.06	-3.44	0.13	-1.64	2.61	-0.04	-4.52	-6.09	-2.81	-10.11	0.39	-1.59	?

Canadian Stocks
US Stocks
International Developed Markets
Emerging Markets
Global REITs
Canadian 1-Month T-Bills
Canadian Bonds
Global Bonds

The lack of a pattern indicates that picking which asset classes will be the best or worst performers is virtually impossible.

Portfolios combining these various investments will avoid extreme returns.





Data is in Canadian dollars. Indexes represented as follows: Canadian stocks (S&P/TSX Composite Index), US stocks (Russell 3000 Index), International Developed Markets (MSCI EAFE Index), Emerging Markets (MSCI Emerging Markets Index), Global REIT (S&P Global REIT Index), Canadian 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Canadian Bonds (FTSE Canada Universe Bond Index), Global Bonds (FTSE World Government Bond Index Canada 1-5 Years (hedged to CAD)). S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2019, all rights reserved. S&P data copyright 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. Indexes are not available for direct investment. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Currency

June 30, 2019

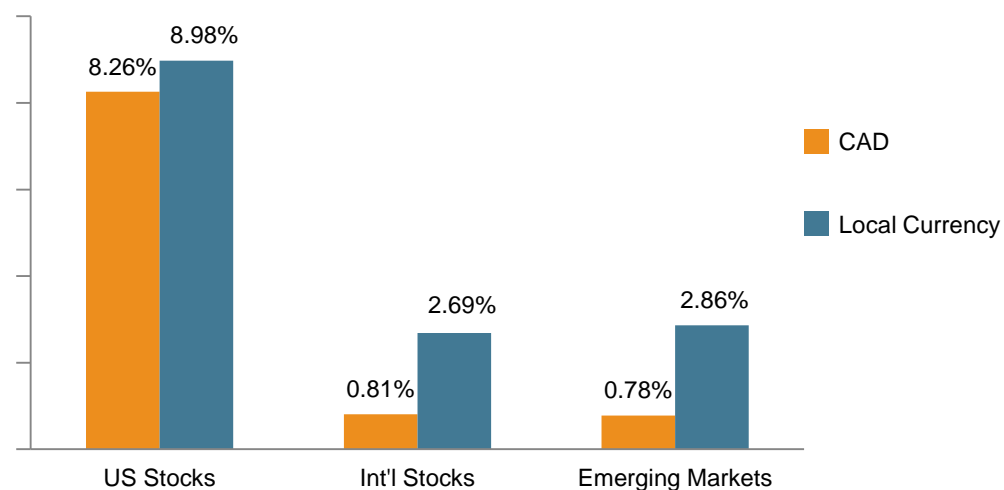
CHANGE IN FOREIGN EXCHANGE RATES (%)

FX/\$CAD

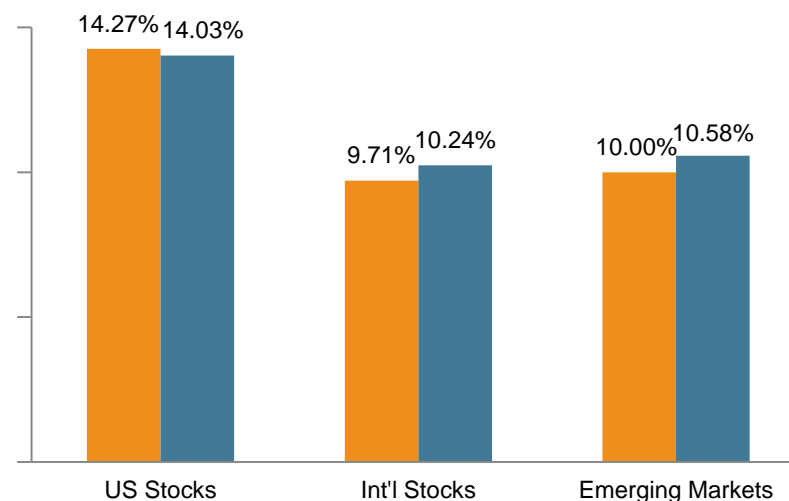
Currency	Q2 2019	One Year	Three Years
 \$ US Dollars	-1.98%	-0.38%	0.45%
 € Euro	-0.64%	-2.99%	1.27%
 £ Pounds	-4.43%	-4.14%	-1.12%
 ¥ Yen	0.76%	2.30%	-0.98%

IMPACT OF CURRENCY FLUCTUATIONS

Annual Returns in CAD and Local Currency



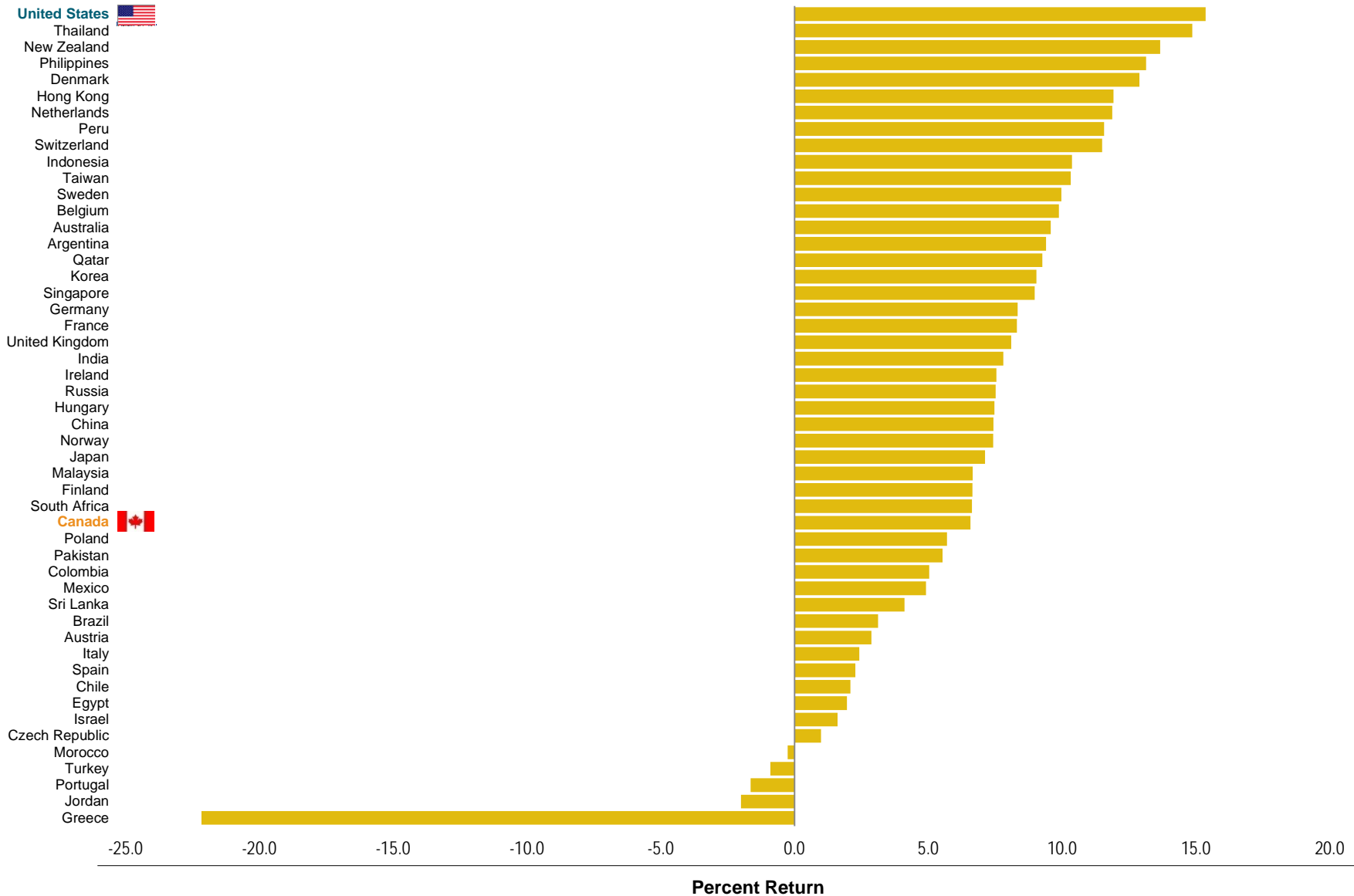
Three-Year Annualized Returns in CAD and Local Currency



Data is in Canadian dollars. The market for the United States, International Developed Markets, and Emerging Markets is defined as: Russell 3000 Index, MSCI EAFE Index (net div.), and MSCI Emerging Markets Index (net div.), respectively. MSCI data copyright MSCI 2019, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

MSCI Country Returns

Country Rankings—Ten-Year Annualized Returns as of June 30, 2019



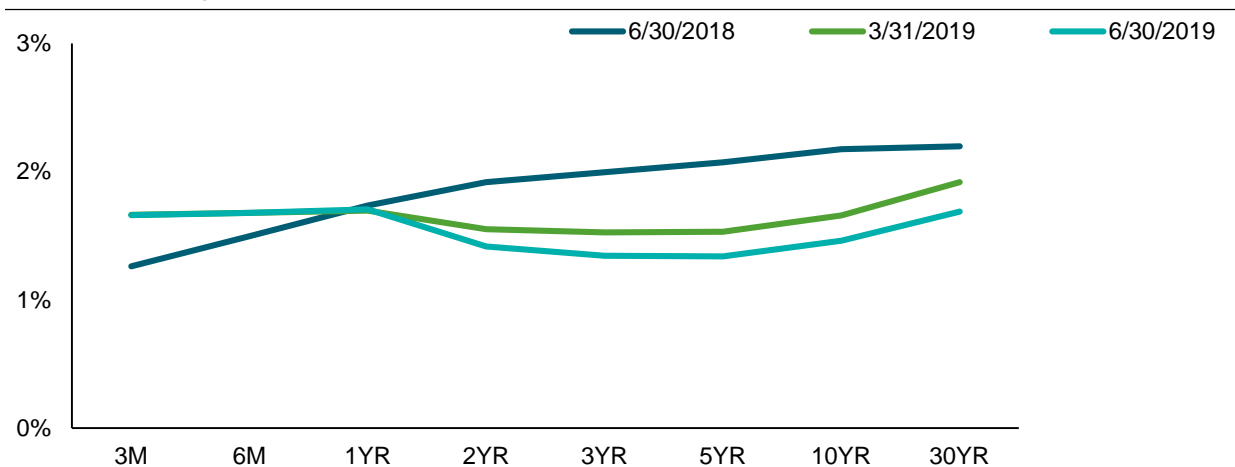
Data in Canadian dollars gross of fees. MSCI data copyright MSCI 2019, all rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Bond Returns

June 30, 2019

Index	Return (%)		
	Q2 2019	One Year	Three Years Annualized
FTSE Canadian 30 Day T-Bill	0.42%	1.55%	1.00%
FTSE Canada Short-Term Bond Index	0.92%	4.08%	1.53%
FTSE Canada Mid-Term Bond Index	2.06%	7.65%	2.13%
FTSE Canada Long-Term Bond Index	4.82%	11.42%	4.44%
FTSE Canada Universe Bond Index	2.51%	7.36%	2.66%
FTSE World Government Bond Index 1-5 Years (hedged to CAD)	1.27%	3.59%	1.27%

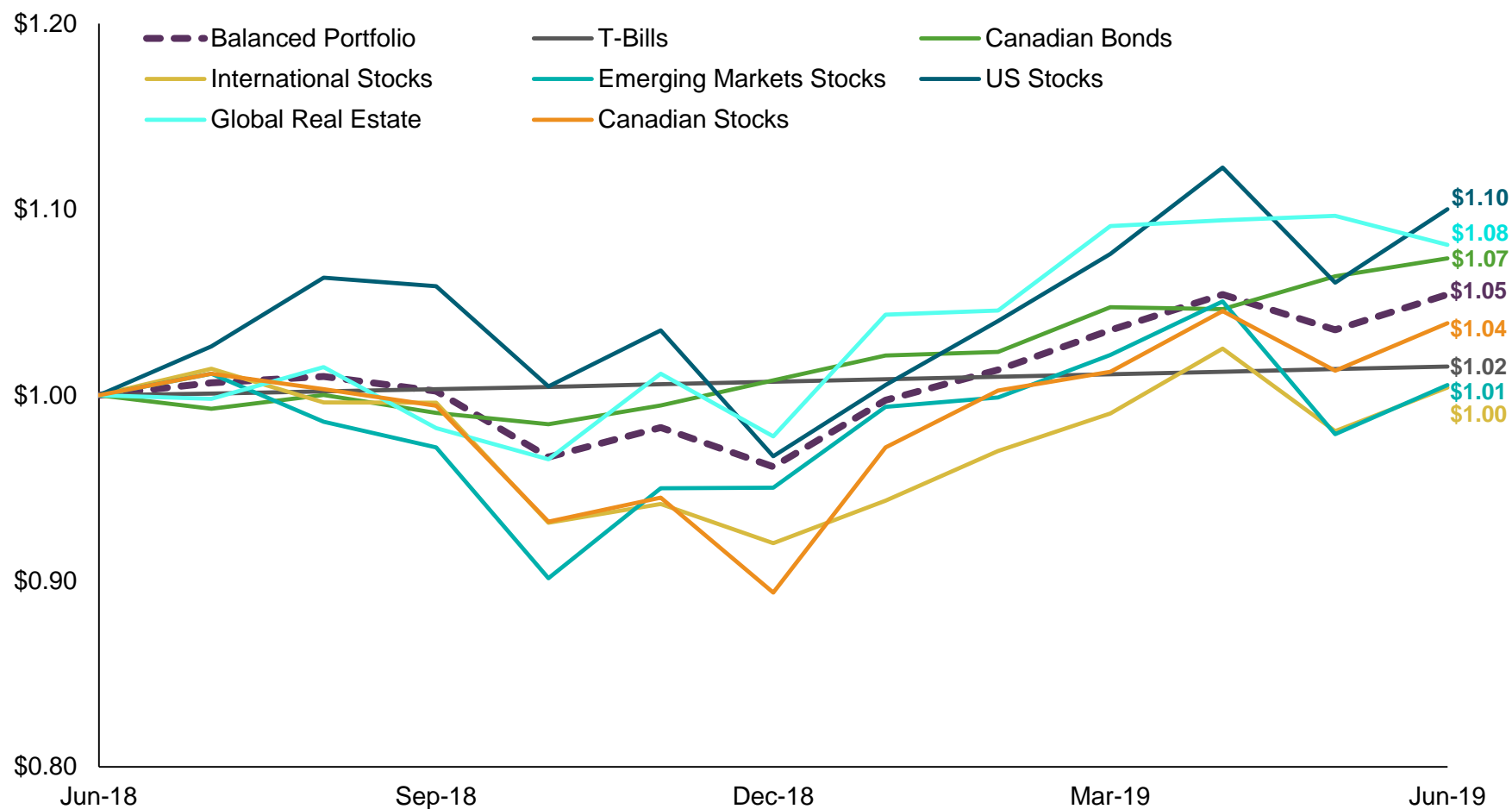
CAN Treasury Yield Curve



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Growth of Wealth

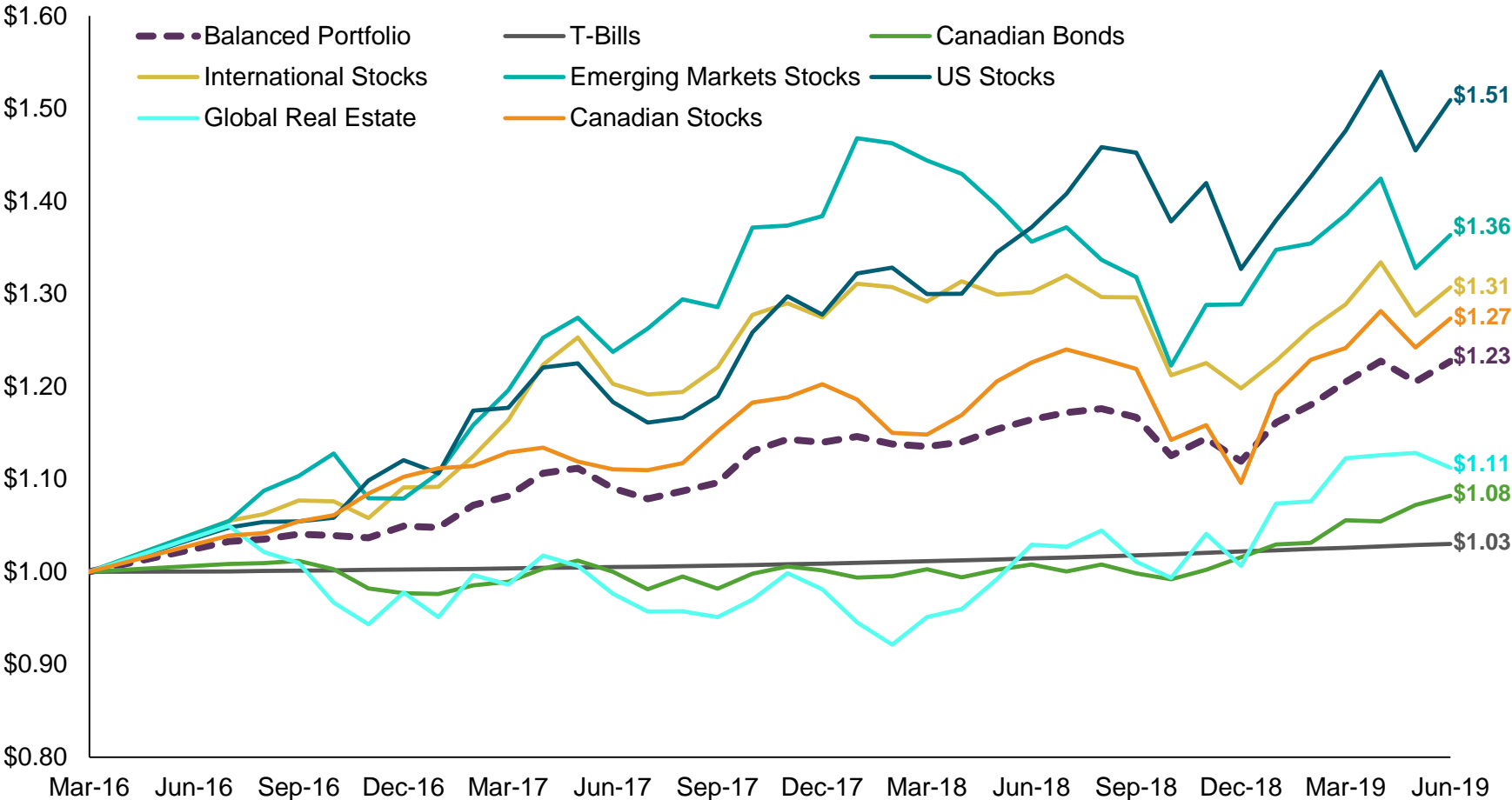
One Year as of June 30, 2019



In Canadian dollars. T-Bills is FTSE Canada 30 Day T-Bill, Canadian Bonds is FTSE Canada Universe Bond Index, International Stocks is MSCI EAFE Index (net div.), Emerging Markets Stocks is MSCI Emerging Markets Index (gross div.) from 01/1988 to 12/1998 and MSCI Emerging Markets Index (net div.) from 01/1999, US Stocks is S&P 500 Index, Global Real Estate is S&P Global REIT Index (gross div.) from 07/1989 to 12/2000 and S&P Global REIT (net div.) from 01/2001 and Canadian Stocks is S&P/TSX Composite Index. Balanced Portfolio is 10% T-Bills, 30% Canadian Bonds, 20% Canadian Stocks, 15% US Stocks, 15% International Stocks, 5% Emerging Markets Stocks and 5% Global Real Estate. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. MSCI data copyright MSCI 2019, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Growth of Wealth

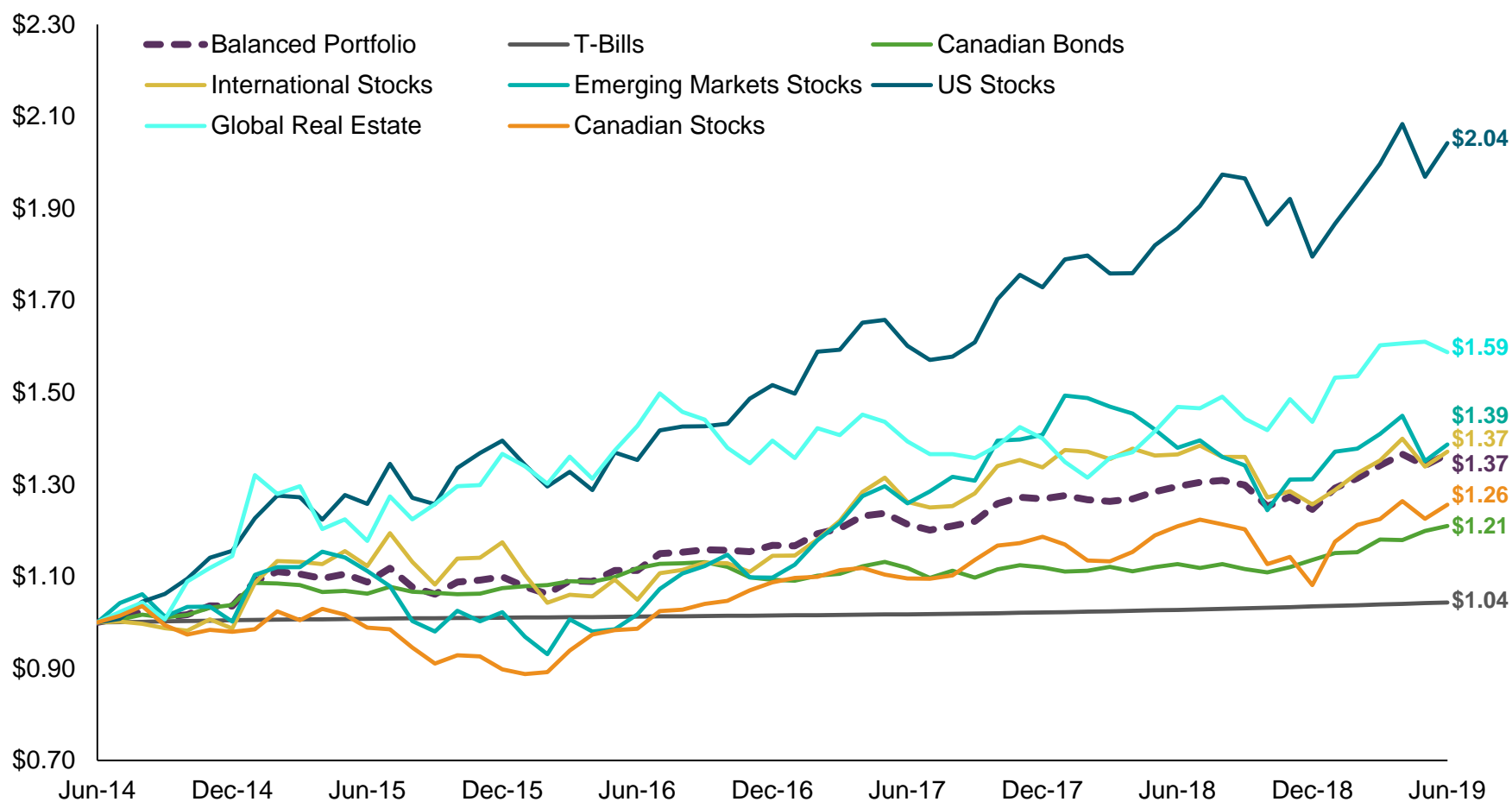
Three Years as of June 30, 2019



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Growth of Wealth

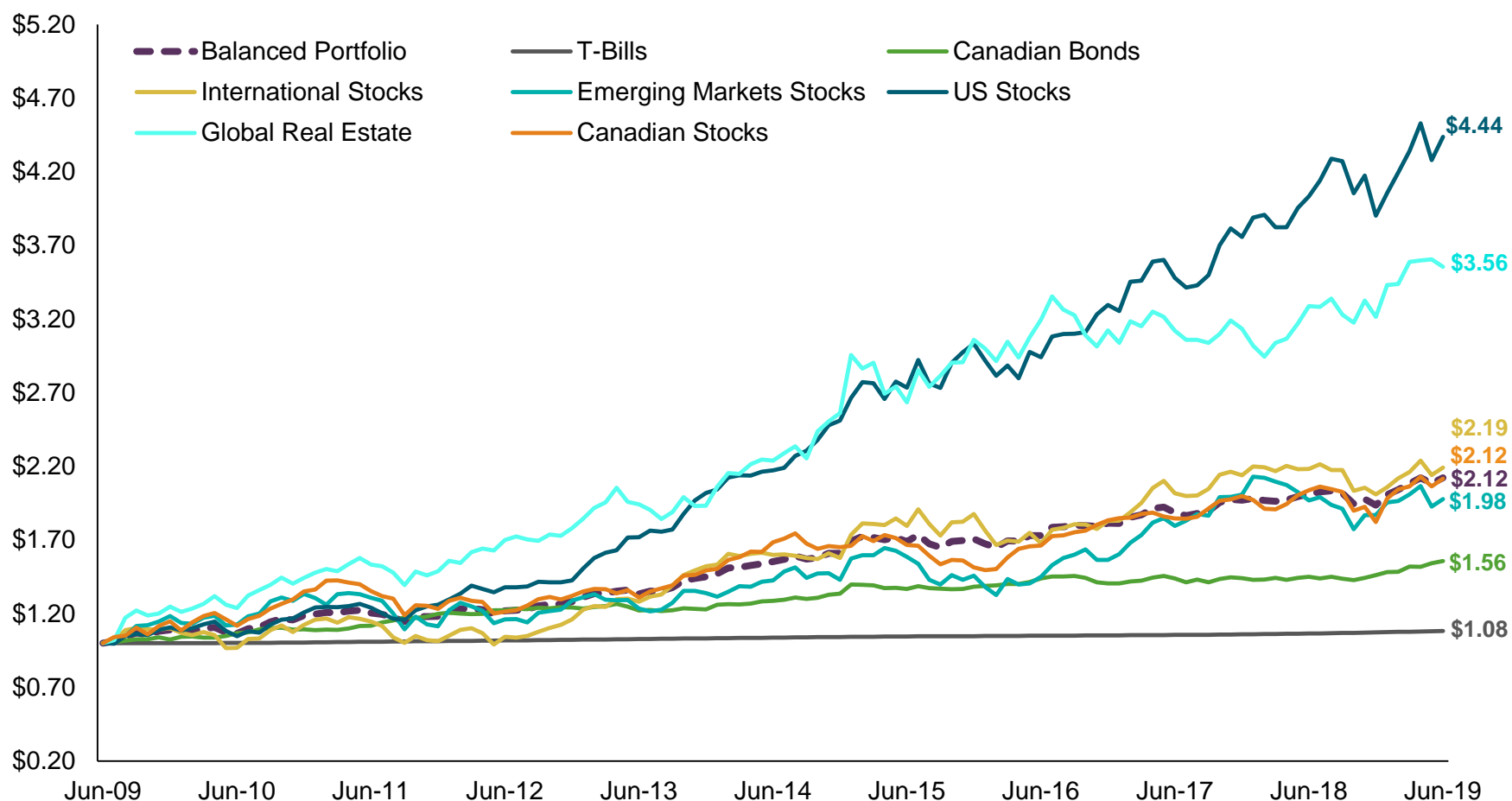
Five Years as of June 30, 2019



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Growth of Wealth

Ten Years as of June 30, 2019



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The Uncommon Average

Second Quarter 2019

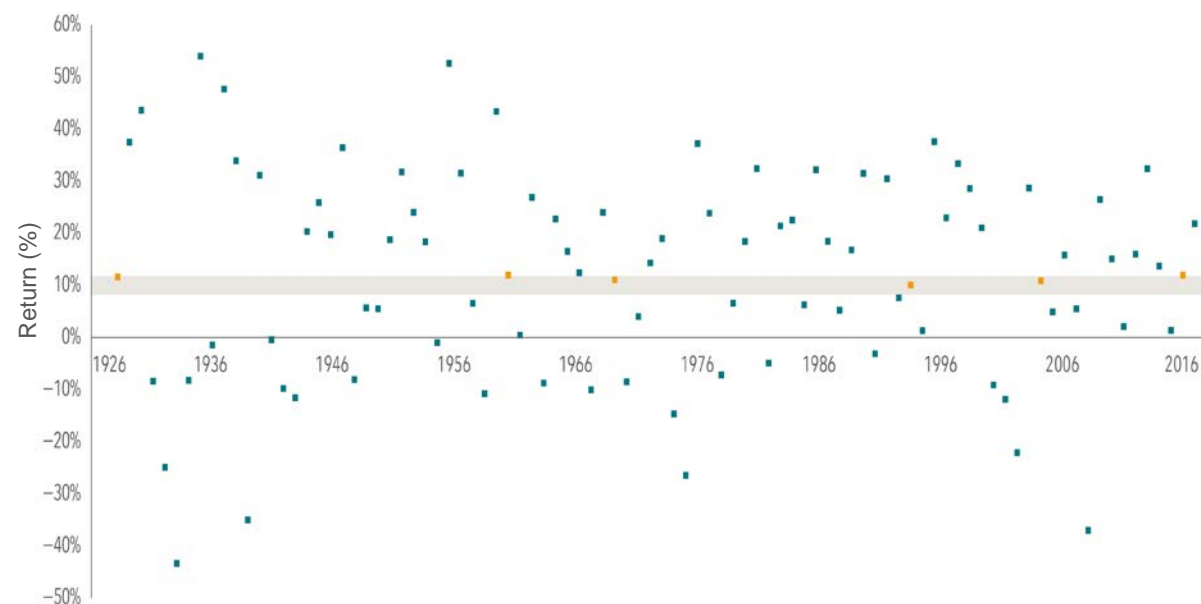
“I have found that the importance of having an investment philosophy—
one that is robust and that you can stick with— cannot be overstated.”

—David Booth

The US stock market has delivered an average annual return of around 10% since 1926. But short-term results may vary, and in any given period stock returns can be positive, negative, or flat. When setting expectations, it's helpful to see the range of outcomes experienced by investors historically. For example, how often have the stock market's annual returns actually aligned with its long-term average?

Exhibit 1 shows calendar year returns for the S&P 500 Index since 1926. The shaded band marks the historical average of 10%, plus or minus 2 percentage points. The S&P 500 Index had a return within this range in only six of the past 93 calendar years. In most years, the index's return was outside of the range—often above or below by a wide margin—with no obvious pattern. For investors, the data highlight the importance of looking beyond average returns and being aware of the range of potential outcomes.

Exhibit 1. S&P 500 Index Annual Returns
1926–2018



In US dollars. S&P data © S&P Dow Jones Indices LLC, a division of S&P Global. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Past performance is no guarantee of future results. Actual returns may be lower.

The Uncommon Average

(continued from page 14)

TUNING IN TO DIFFERENT FREQUENCIES

Despite the year-to-year volatility, investors can potentially increase their chances of having a positive outcome by maintaining a long-term focus. **Exhibit 2** documents the historical frequency of positive returns over rolling periods of one, five, and 10 years in the US market. The data show that, while positive performance is never assured, investors' odds improve over longer time horizons.

CONCLUSION

While some investors might find it easy to stay the course in years with above average returns, periods of disappointing results may test an investor's faith in equity markets. Being aware of the range of potential outcomes can help investors remain disciplined, which in the long term can increase the odds of a successful investment experience. What can help investors endure the ups and downs? While there is no silver bullet, understanding how markets work and trusting market prices are good starting points. An asset allocation that aligns with personal risk tolerances and investment goals is also valuable. By thoughtfully considering these and other issues, investors may be better prepared to stay focused on their long-term goals during different market environments.

Exhibit 2. Frequency of Positive Returns in the S&P 500 Index
Overlapping Periods: 1926–2018



In US dollars. From January 1926–December 2018, there are 997 overlapping 10-year periods, 1,057 overlapping 5-year periods, and 1,105 overlapping 1-year periods. The first period starts in January 1926, the second period starts in February 1926, the third in March 1926, and so on. S&P data © S&P Dow Jones Indices LLC, a division of S&P Global. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Past performance is no guarantee of future results. Actual returns may be lower.

Source: Dimensional Fund Advisors Canada ULC (Dimensional Canada).

There is no guarantee investment strategies will be successful. Investing involves risks, including possible loss of principal. Diversification does not eliminate the risk of market loss.

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