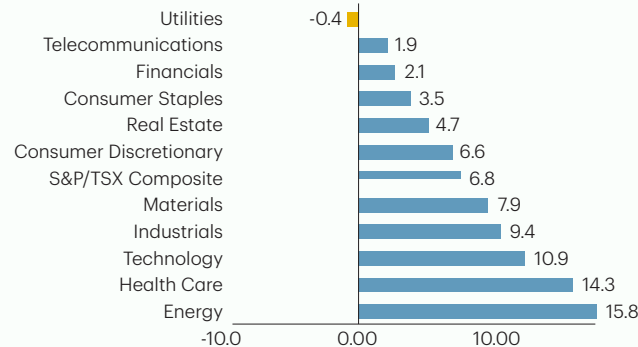


Q2/2018 Quarterly Market Review

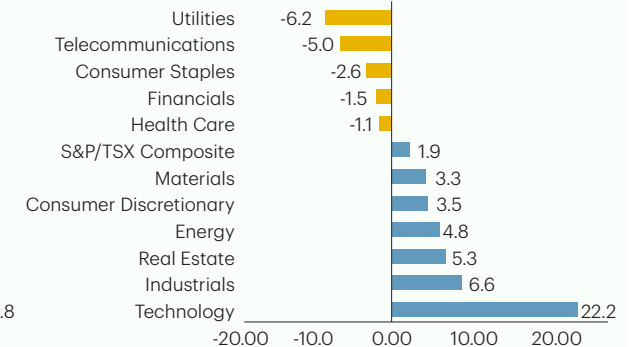
Equity and Fixed Income Markets

- The Canadian equity markets generated a positive return of 6.7% for the quarter and erased the negative start to the year. The S&P/TSX had a Q1/18 loss of 4.52%, but is now slightly positive at 1.95% year to date. 10 of the 11 sectors posted gains, with the utility sector being the only negative performer for the quarter. After a long slump, energy finally jumped from worst performer to leading all sectors in Q2.
- U.S. equities recovered lost ground also with the S&P 500 gaining 3.43% for the quarter and is now up 2.65% year to date. Only six of 11 sectors had positive returns year to date, with technology once again leading by a wide margin. Utilities and telecom continue to be challenged as rising interest rates create headwinds.
- Most major developed international markets regained lost ground this past quarter. Only the Nikki 225 and DAX are still at a loss year to date.
- Preferred shares continue to struggle as they had another small loss in the quarter and are down 1.85% year to date. Canadian investment grade corporate bonds eked out a small .42% gain.

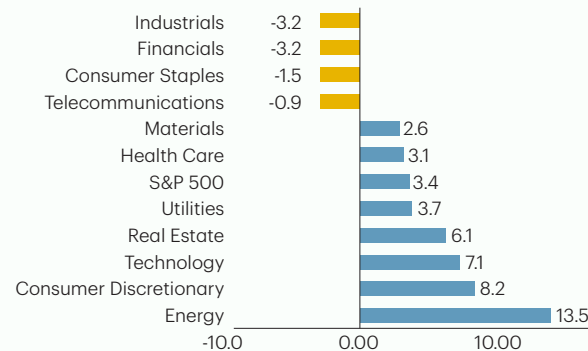
Q2/18 S&P/TSX Sector Returns



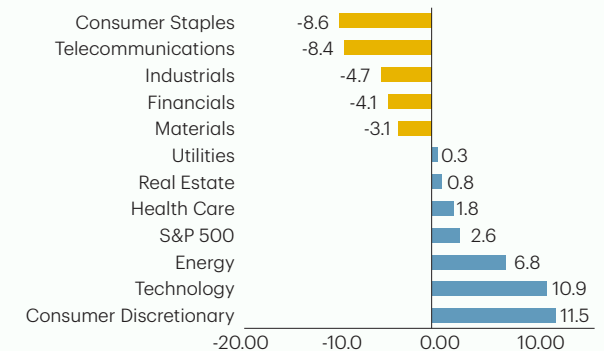
2018 YTD S&P/TSX Sector Returns



Q2/18 S&P 500 Sector Returns



2018 YTD S&P 500 Sector Returns



Source: Bloomberg Finance L.P., as at June 30, 2018. Index Total Returns

Commentary

Financial Markets

On the heels of a 4.5% Q1 loss, the Canadian equity market finally ushered in a small gain year to date. That uptick was during a very negative sentiment period for Canadian markets as NAFTA negotiations ground to a snail's pace, new tariffs were sanctioned on aluminum and steel, and a threatening 25% auto tariff hung over Canada's largest manufacturing industry. The loser during this period of uncertainty ended up falling on the back the Canadian dollar relative to the USD as it weakened over 4%.

The U.S. equity markets did not fare as well with volatility and downside risks increasing as investors attempted to determine the effect of a potential global trade war on a company's valuation. On the positive side, 78% of companies in the S&P 500 reported earnings per share (EPS) above their mean EPS estimate. This is the highest percentage since tracking this number by FactSet started in Q3/2008. Although I anticipate companies to report solid earnings for the remainder of 2018, volatility will most likely remain elevated as the evolving trade war and protectionist behavior continue to weigh in on the markets.

Most developed international equity markets are slightly positive for the year as they are also struggling from trade threats and counter retaliation measures. I believe that Western Europe remains an area for future

growth and therefore we continue to add exposure to this geographical area. With the U.S. picking trade battles with many of their largest trading partners, those targeted countries are searching outside the U.S. to enhance business relations. I think that will be long term positive for Europe as they gain increased access and more favorable trading terms in areas like China and South East Asian markets. Although it is a long journey, and Canada has taken many steps over the past several years in this direction, we need to enhance our focus on diversifying our customer base beyond the U.S. One of Canada's major exports to the U.S. is energy, but we battle internally to construct the infrastructure necessary to diversify that customer base.

As volatility in the equity markets picked up momentum towards the end of the quarter, money was shifting into U.S. treasuries; which in turn moved the 10 year treasury yield back under 3%. It is expected that the U.S. will continue on a path of raising short term interest rates, but the future of Canadian rates has become more clouded. Canadians are already feeling the effects of higher interest rates as over time; consumers have shifted their borrowing structure from fixed rates to variable rates. The variable interest rate home equity line of credit has become the borrowing vehicle of choice as consumers took advantage of falling interest rates. That interest rate trend has now reversed to the upside. Canada may experience an upward shift in inflation

over the medium term driven by higher energy prices, increased labor costs from the minimum wage hike, a soft loonie, and import trade tariffs.

Value vs. Growth Stocks

Value stocks typically derive their long term performance from both dividends and price appreciation, whereby growth stocks tend to generate their returns by stock price appreciation as they reinvest excess cash flow back into their company to fund growth instead of distributing to investors via dividends. Growth stocks have a history of being more volatile than value stocks as they typically trade at higher price earnings multiples; and if growth expectations are not met, get punished. Growth stocks are companies that are expected to continue growing revenue and earnings at an above-average rate relative to the market.

Value sectors are considered to be more mature businesses such as banks, telecom, industrials, and utilities. Growth sectors include technology and biotechnology. It can also be a growth focused company like Tesla within a traditional mature business such as automobiles.

Performance of Growth stocks outperformed Value stocks by a wide margin in 2017 as the Russel 1000 Growth Index gained 30% compared to the Russel 1000 Value index gaining 13.7%. This outperformance was reversed to a lesser degree in 2016 as Value had a return of 17.3% and Growth delivered



Joshua Borger, Jay Kolebaba, Catherine Edwards, Madison Mailey

7.1%. Over the past 20 years, Large Cap Value averaged a return of 7.4% compared to Large Cap Growth at 6.9%. Importantly, Value had a standard deviation (volatility) of 14.9%, while Growth was at 17.1%. During the significant market correction years of the early 2000s

and 2008, Value outperformed Growth in each of those years.

At Borger Wealth Advisory Group our equity portfolio construction has historically had an overweighting to Value stocks. We invest in quality companies that have been in existence for many years and have a track record of increasing dividends over time which improves your cash flow on the original invested capital. Although we have some individual Growth stocks within our portfolios, we predominately rely on the expertise of top tier global external money management teams to support us in this asset class given its fast changing dynamics

and an accelerating rate of technological innovation. To gain access to the broader market within growth sectors, we may utilize a Growth focused Exchange Traded Fund.

Jay, Catherine, Madison and I thank you for your business and entrusting us to guide you and your family's financial journey. If you have any questions or issues you would like to discuss, we will be happy to receive your call.

Have a safe and enjoyable summer.

Joshua Borger fCSI*

Vice President, Portfolio Manager & Investment Advisor
T: 403 299 8997
joshua.borger@td.com

Jay Kolebaba CIM*

Investment Advisor
T: 403 503 4404
jay.kolebaba@td.com

Catherine Edwards B.Comm.

Assistant Investment Advisor
T: 403 299 8520
catherined.edwards@td.com

Madison Mailey, B.Comm.

Client Service Associate
T: 403 503 6528
madison.mailey@td.com

Borger
Wealth Advisory Group

Borger Wealth Advisory Group

TD Wealth Private Investment Advice
300 - 5th Avenue Southwest, 31st Floor, The Stock Exchange Tower, Calgary, AB T2P 3C4
T: 877 393 4800



Sources: 1 Q4/17 Quarterly Market Review, Portfolio Advice & Investment Research. The information contained herein has been provided by Borger Wealth Advisory Group and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. **Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and prospectus, which contain detailed investment information, before investing. Mutual funds are not guaranteed or insured, their values change frequently and past performance may not be repeated.** Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. Commissions, management fees and expenses all may be associated with investments in exchange-traded funds (ETFs). Please read the prospectus and summary document(s) before investing. ETFs are not guaranteed, their values change frequently and past performance may not be repeated. ETF units are bought and sold at market price on a stock exchange and brokerage commissions will reduce returns. Index returns do not represent ETF returns. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. Bloomberg and Bloomberg.com are trademarks and service marks of Bloomberg Finance L.P., a Delaware limited partnership, or its subsidiaries. All rights reserved. Borger Wealth Advisory Group is part of TD Wealth Private Investment Advice, a division of TD Waterhouse Canada Inc. which is a subsidiary of The Toronto-Dominion Bank. TD Waterhouse Canada Inc. - Member of the Canadian Investor Protection Fund. All trademarks are the property of their respective owners. © The TD logo and other trade-marks are the property of The Toronto-Dominion Bank. 4702-0718