

The final three months of 2018 tested investors' intestinal fortitude. In contrast to the historic low levels of volatility experienced during 2017, the fourth quarter was challenging for equity market participants. During the October to December period, stocks everywhere experienced significant headwinds. There were very few places to hide within the equity markets. Share prices of quality companies that were trading at reasonable valuations only got cheaper. Pricier stocks that lacked fundamentals to support their valuations were hit even harder. The downward spiral experienced by global stocks during the fourth quarter created double-digit losses in some sectors of the global equity market.

Canadian stocks had already begun their retreat in the summer months as Energy and Material stocks suffered during the more turbulent period of the trade negotiations with the U.S. and Mexico. The descent accelerated during the final weeks of 2018. The sell-off in domestic equities paralleled what was going on elsewhere around the world. The U.S. stock market which had been the best performer over the first three quarters of the year, was challenged by the rising trade tensions and growing consternation about when the Fed would discontinue steadily resetting its key policy interest rate higher. Much of the strong performance demonstrated by American equities earlier in 2018, was dominated by a few stocks as has been the case for the past couple of years. These select stocks which had become priced for perfection, have been amongst the biggest losers over the later stages of the year. While many of these companies have very sound business models and healthy financials, they became over-priced. Now they offer better value.

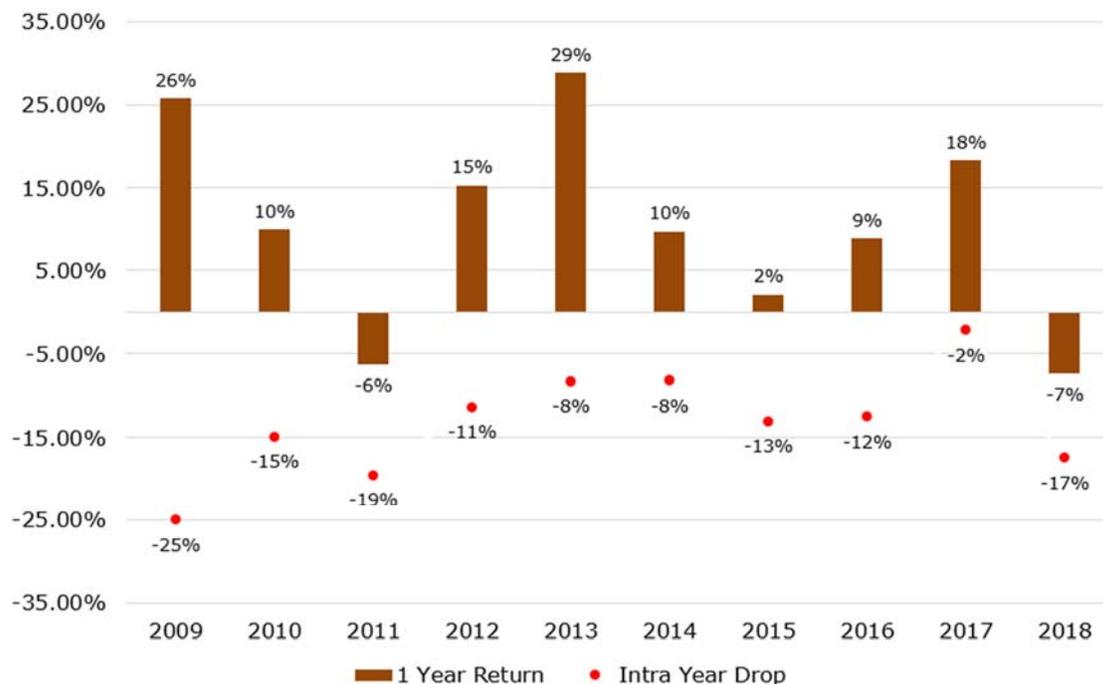
Market Indices	Q4 2018 (%)	2018 (%)
S&P/TSX	-10.1	-8.9
FTSE Bond	1.8	1.4
FTSE 91 Day T-Bills	0.5	1.4
S&P 500	-8.6	4.2
Russell 1000	-8.9	3.8
MSCI EAFE (net)	-7.6	-6.0
MSCI World (net)	-8.5	-0.5
MSCI Emerging Markets (net)	-2.2	-6.9
MSCI ACWI (net)	-7.8	-1.3

Returns presented in Canadian Dollar terms. Past performance is not indicative of future results.

Outside of North America there were other challenges facing the capital markets. Brexit which in some sense had faded from the forefront of issues for investors, came back into prominence. It is becoming clearer that a smooth transition is no longer a given. The framework of the U.K.'s separation from the EU remains very uncertain. While being challenged by the Trump administration's introduction of trade restrictions, the Chinese government is attempting substantial monetary and fiscal stimulus to help the domestic economy while at the same time attempting to de-risk its financial system.

Bond prices which had been under pressure much of the year due to rising interest rates, rebounded over the last three months of the year, as investors sought safe havens from falling stocks. While it was never to be expected for bond yields to return to levels of past business cycles, they have already hit their peaks for this recovery which began in early 2009.

While we appear to be residing in more challenging times for investors, volatility is a part of investing. Solid long-term returns are earned by accepting that there is risk in the capital markets. A general sell-off in the equity market affects the valuations of good corporations as well as weaker companies. That creates opportunities. If your investment portfolio is well thought out and consistent with your long-term objectives, a sell-off should not be a negative signal. Stocks tend to rebound within 12-18 months.



Source: Bloomberg. Returns shown in terms of MSCI World Index Local currency levels. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. Past performance is not indicative of future results.

Investors should demonstrate patience and view new lows as buying opportunities.

As all investment accounts will be leaving Integra in the coming months, this will be the last quarterly commentary. I want to take this opportunity to wish you all the best and thank you for allowing us to provide services to your investment account over the past several years.

As of the end of January, I will be retiring from Integra. If you have questions regarding your portfolio, please contact [ClientService@Integra.com](mailto:ClientService@Integra.com)

Best wishes to you and your family for a healthy and peaceful 2019.

Regards,

A handwritten signature in black ink, appearing to read 'Carl Hiltz', with a stylized, cursive script.

Carl Hiltz