What happened in financial markets during Q2 2020*

**Stock markets climbed and turned in a solid second quarter**
Following a disastrous first quarter that saw global stock markets drop more than 40% and economies around the world shut down, a rebound in Q2 2020 alleviated some concern among investors. As social and business restrictions slowly lifted, markets began to claw back a large portion of the gains lost in March.

The S&P/TSX Composite, S&P 500 and Dow Jones Industrial Average each rose over 15% during the quarter to bring them within 10% of positive territory on a year-to-date basis. The tech-heavy NASDAQ Composite, with its favourable exposure to “stay at home” stocks (e.g. Netflix, Zoom, etc.), gained over 30% for the quarter, over 10% year-to-date, and hit multiple closing highs between April 1 and June 30.

**Oil prices traded below zero for the first time in history**
In early April, the Organization of the Petroleum Exporting Countries (OPEC) and its allies agreed to cut oil production by 9.7 million barrels per day through May and June.

Despite the agreement, the price for oil plummeted by 306% (US$55.90) on April 20, closing at negative US$37.63 – the first time oil has traded below zero since data was first collected in 1870. The price collapse occurred because the supply of oil around the world far exceeded demand during that stage of the pandemic.

In May, oil prices partially bounced back with benchmarks West Texas Intermediate and Brent Crude rising 82% and 38% respectively from their April lows. Overall, prices remained 35% below pre-pandemic highs.

**The economy was hit hard by COVID-19 but sentiment picked up by quarter-end**
The Canadian economy lost two million jobs in April, and the unemployment rate shot to 13% – the biggest unemployment spike on record. Canada’s rising unemployment numbers, along with data that showed falling inflation and Gross Domestic Product, came as no surprise. But by quarter’s end, hope for an economic recovery returned. According to Statistics Canada, the country’s economy added 290,000 jobs in May. It was the first monthly jobs increase since February and the largest one-month gain in 45 years.

The Bank of Canada, during its interest rate announcement at the beginning of June, held its policy interest rate steady and said the economic impact of COVID-19 on the world’s economies “appears to have peaked.”

In the United States, according to the U.S. Department of Labor, in the six weeks leading up to April 25, over 30 million Americans filed first-time unemployment claims – approximately 18.6% of the U.S. workforce. However, by the end of May, the U.S. economy had regained over 2.5 million jobs, and the jobless rate dropped to 13.3% from 14.7% in April.

*Sources: Bloomberg*
How did Versatile Portfolios Navigator™ perform during Q2 2020?
Reversing the first quarter slide, Q2 returns trended upward with all five portfolios getting top-to-bottom, positive contributions from every underlying fund. Below is a breakdown of our portfolio funds, their construction, and their performance in the second quarter.

Co-operators Very Conservative Portfolio: Low-risk portfolio
*Designed to achieve interest income, preservation, and moderate growth of capital with low levels of volatility.*

With a combined weight of close to 80%, the Canadian fixed income segment accounted for almost three quarters of the Q2 return. Individually, the funds exhibited relatively modest returns, but together, their overall contribution resulted in significant gain.

<table>
<thead>
<tr>
<th>Guarantee Level</th>
<th>Q2</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>Since Inception (Dec. 22, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>75-75</td>
<td>6.99%</td>
<td>4.30%</td>
<td>4.94%</td>
<td>3.55%</td>
<td>2.88%</td>
<td>2.99%</td>
</tr>
<tr>
<td>75-100</td>
<td>6.96%</td>
<td>4.23%</td>
<td>4.81%</td>
<td>3.44%</td>
<td>2.77%</td>
<td>2.87%</td>
</tr>
<tr>
<td>100-100</td>
<td>6.86%</td>
<td>4.03%</td>
<td>4.41%</td>
<td>3.04%</td>
<td>2.38%</td>
<td>2.48%</td>
</tr>
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**Stock and bond markets**

<table>
<thead>
<tr>
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<th>Close</th>
<th>Q2</th>
<th>YTD</th>
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</thead>
<tbody>
<tr>
<td>S&amp;P/TSX Composite</td>
<td>15,515.22</td>
<td>15.97%</td>
<td>-9.07%</td>
</tr>
<tr>
<td>Dow Jones Industrial Average</td>
<td>25,812.88</td>
<td>17.77%</td>
<td>-9.55%</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>3,100.29</td>
<td>18.03%</td>
<td>-4.04%</td>
</tr>
<tr>
<td>NASDAQ Composite</td>
<td>10,058.77</td>
<td>30.63%</td>
<td>12.11%</td>
</tr>
<tr>
<td>10-yr GoC Yield 0.52%</td>
<td>-0.19%</td>
<td>-1.18%</td>
<td></td>
</tr>
<tr>
<td>10-yr U.S. Treasury Yield 0.66%</td>
<td>-0.04%</td>
<td>-1.26%</td>
<td></td>
</tr>
<tr>
<td>WTI Crude Oil (US$/bbl) 39.27</td>
<td>91.75%</td>
<td>-35.83%</td>
<td></td>
</tr>
<tr>
<td>Canadian Dollar US$0.7338</td>
<td>4.10%</td>
<td>-4.69%</td>
<td></td>
</tr>
</tbody>
</table>

*Performance ending June 30, 2020. Sources: [www.bloomberg.com](http://www.bloomberg.com), [www.bankofcanada.ca](http://www.bankofcanada.ca) and [www.treasury.gov](http://www.treasury.gov).*
Top 10 Holdings

Co-operators Canadian Fixed Income Fund 30.01%
Co-operators BlackRock Canada Universe Bond Index Fund 30.01%
Co-operators Fidelity Canadian Bond Fund 20.00%
Co-operators Canadian Equity Fund 5.00%
Co-operators Mawer International Equity Fund 4.99%
Co-operators Mawer Canadian Equity Fund 4.99%
Co-operators U.S. Equity Fund 2.50%
Co-operators BlackRock U.S. Equity Index Fund 2.50%

The top 10 investments make up 100.00% of the fund.
Total number of investments: 8

Co-operators Conservative Portfolio: Low- to moderate-risk portfolio

*Designed to achieve both interest income and capital growth with relatively low levels of volatility.*

Much like the Very Conservative Portfolio, allocations toward Canadian fixed income assets, which represent approximately 50% of the portfolio’s design, contributed significantly to the positive returns.

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<tr>
<td>75-75</td>
<td>8.00%</td>
<td>2.17%</td>
<td>3.91%</td>
<td>3.59%</td>
<td>3.41%</td>
<td>3.61%</td>
</tr>
<tr>
<td>75-100</td>
<td>7.95%</td>
<td>2.10%</td>
<td>3.75%</td>
<td>3.43%</td>
<td>3.24%</td>
<td>3.44%</td>
</tr>
<tr>
<td>100-100</td>
<td>7.79%</td>
<td>1.81%</td>
<td>3.14%</td>
<td>2.82%</td>
<td>2.64%</td>
<td>2.83%</td>
</tr>
</tbody>
</table>

**Investment Segmentation**
- Canadian Fixed Income 58.96%
- Canadian Equity 19.55%
- U.S. Equity 10.31%
- International Equity 9.13%
- Cash & Other Net Assets 1.22%
- Foreign Fixed Income 0.83%

Top 10 Holdings

Co-operators Canadian Fixed Income Fund 25.01%
Co-operators BlackRock Canada Universe Bond Index Fund 25.01%
Co-operators Canadian Equity Fund 10.01%
Co-operators Fidelity Canadian Bond Fund 10.00%
Co-operators Mawer International Equity Fund 9.99%
Co-operators Mawer Canadian Equity Fund 9.98%
Co-operators U.S. Equity Fund 5.00%
Co-operators BlackRock U.S. Equity Index Fund 5.00%

The top 10 investments make up 100.00% of the fund.
Total number of investments: 8

Co-operators Moderate Portfolio: Low- to moderate-risk portfolio

*Designed to achieve both interest income and capital growth with relatively modest levels of volatility.*

While still seeing positive, material, contributions from its overall weighting toward Canadian fixed income funds, the main contributions this quarter were driven by the portfolio’s allocation toward equities.

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<tr>
<td>75-75</td>
<td>9.13%</td>
<td>0.22%</td>
<td>2.86%</td>
<td>3.54%</td>
<td>3.71%</td>
<td>3.99%</td>
</tr>
<tr>
<td>75-100</td>
<td>9.09%</td>
<td>0.14%</td>
<td>2.70%</td>
<td>3.38%</td>
<td>3.54%</td>
<td>3.82%</td>
</tr>
<tr>
<td>100-100</td>
<td>8.92%</td>
<td>-0.16%</td>
<td>2.09%</td>
<td>2.77%</td>
<td>2.93%</td>
<td>3.21%</td>
</tr>
</tbody>
</table>

### Investment Segmentation
- Canadian Fixed Income 39.75%
- Canadian Equity 33.45%
- International Equity 13.81%
- U.S. Equity 11.30%
- Cash & Other Net Assets 1.57%
- Foreign Fixed Income 0.12%

### Top 10 Holdings

| Co-operators Canadian Fixed Income Fund | 20.01% |
| Co-operators BlackRock Canada Universe Bond Index Fund | 20.01% |
| Co-operators Canadian Equity Fund | 15.00% |
| Co-operators Mawer International Equity Fund | 14.98% |
| Co-operators Fidelity TrueNorth® Fund | 10.02% |
| Co-operators Mawer Canadian Equity Fund | 9.98% |
| Co-operators U.S. Equity Fund | 5.00% |
| Co-operators BlackRock U.S. Equity Index Fund | 5.00% |

The top 10 investments make up 100.00% of the fund.
Total number of investments: 8
Co-operators Aggressive Portfolio: Moderate-risk portfolio

Designed to achieve long-term capital growth with some interest income.

Canadian equities, which represent over 40% of the portfolio weighting, drove the overall contributions this quarter. Holdings in foreign fixed income also delivered upside return.

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<tbody>
<tr>
<td>75-75</td>
<td>10.73%</td>
<td>-2.08%</td>
<td>1.78%</td>
<td>3.47%</td>
<td>4.11%</td>
<td>4.59%</td>
</tr>
<tr>
<td>75-100</td>
<td>10.69%</td>
<td>-2.16%</td>
<td>1.61%</td>
<td>3.30%</td>
<td>3.94%</td>
<td>4.42%</td>
</tr>
<tr>
<td>100-100</td>
<td>10.52%</td>
<td>-2.45%</td>
<td>1.00%</td>
<td>2.69%</td>
<td>3.33%</td>
<td>3.80%</td>
</tr>
</tbody>
</table>

**Investment Segmentation**
- Canadian Equity 43.25%
- Canadian Fixed Income 19.89%
- International Equity 18.48%
- U.S. Equity 16.51%
- Cash & Other Net Assets 1.81%
- Foreign Fixed Income 0.06%

**Top 10 Holdings**
- Co-operators Canadian Equity Fund 20.02%
- Co-operators Mawer International Equity Fund 15.00%
- Co-operators Mawer Canadian Equity Fund 14.98%
- Co-operators Fidelity True North® Fund 10.03%
- Co-operators Canadian Fixed Income Fund 10.01%
- Co-operators BlackRock Canada Universe Bond Index Fund 10.01%
- Co-operators Fidelity Global Fund 9.94%
- Co-operators U.S. Equity Fund 5.01%
- Co-operators BlackRock U.S. Equity Index Fund 5.00%

The top 10 investments make up 100.00% of the fund.
Total number of investments: 9
Co-operators Very Aggressive Portfolio: Moderate-risk portfolio

Described to achieve maximum capital growth over the long term.

The portfolio, with a large percentage of its assets in Canadian equities, which drove the overall returns, performed well in Q2. Exposure to Canadian fixed income funds also contributed positive upside.

### Guarantee Level

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<tr>
<td>75-75</td>
<td>12.59%</td>
<td>-4.42%</td>
<td>0.49%</td>
<td>3.47%</td>
<td>4.39%</td>
<td>4.89%</td>
</tr>
<tr>
<td>75-100</td>
<td>12.52%</td>
<td>-4.52%</td>
<td>0.28%</td>
<td>3.25%</td>
<td>4.17%</td>
<td>4.66%</td>
</tr>
<tr>
<td>100-100</td>
<td>12.32%</td>
<td>-4.88%</td>
<td>-0.48%</td>
<td>2.47%</td>
<td>3.39%</td>
<td>3.88%</td>
</tr>
</tbody>
</table>

### Investment Segmentation

- Canadian Equity 57.69%
- U.S. Equity 21.82%
- International Equity 18.52%
- Cash & Other Net Assets 1.96%
- Canadian Fixed Income 0.01%

### Top 10 Holdings

- Co-operators Canadian Equity Fund: 20.02%
- Co-operators Fidelity True North® Fund: 15.03%
- Co-operators Mawer International Equity Fund: 14.99%
- Co-operators Mawer Canadian Equity Fund: 14.98%
- Co-operators BlackRock Canadian Equity Index Fund: 10.04%
- Co-operators Fidelity Global Fund: 9.93%
- Co-operators U.S. Equity Fund: 7.51%
- Co-operators BlackRock U.S. Equity Index Fund: 7.50%

The top 10 investments make up 100.00% of the fund.

Total number of investments: 8

### Key take-aways

The second quarter of 2020 was certainly better than the first quarter for global financial markets. The funds within Versatile Portfolios Navigator™ benefitted from the overall trends and posted positive returns for Q2 2020.

When it comes to investing, it’s important to remember that over the long term, markets go up. Of course, it’s easy to lose sight of this fact when markets tumble 20-40 per cent, like they did at the start of the COVID-19 pandemic – especially since reaching these lows took a far shorter time than it did to reach any of the latest record highs.
Countless factors influence market cycles, but getting through times of uncertainty isn’t about knowing which stage of the market cycle we’re in. The advantage comes from knowing, and trusting, that your investment plan is geared toward your individual goals and objectives – and sticking to it. That’s the best defense against inevitable market downturns.

For more resources and financial-market news, visit Market View.

Sales charges, expenses and other fees
It’s important to note that fees and expenses reduce the return on your investment. For details, please refer to your Policy and Information Folder.

Current rates of return are available on the Segregated Fund Performance page on cooperators.ca. Your personal rate of return will vary depending on the contributions and withdrawals you make over time. For details, please refer to your Policy Statement.

If you have questions about your investments, please contact your financial representative.

Versatile Portfolios Navigator™ – your flexible and secure investment option
Whether you’re saving for retirement, the unexpected or that big item on your bucket list, your path to financial success is unique. And Versatile Portfolios Navigator™ can provide you with the flexibility you need. In addition to a select group of diverse investment options from top, trusted investment managers, we offer a suite of portfolio funds – all actively managed and consisting of underlying funds – that take the guesswork out of investing.

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If you have questions or want to discuss your investments, please contact your Financial Advisor. In the province of Quebec, a Financial Advisor is a representative (or Financial Security Advisor).

Additional notes:
Returns, investment segmentation and top holdings as of June 30, 2020. Rates of return for periods less than 1 year are simple rates of return. All others are annualized rates of return. Securities regulations do not allow us to report performance for a fund that has been available for less than one year. The returns reflect changes in unit value and assume that all income/realized net gains are retained by the segregated fund in the periods indicated and are reflected in higher unit values of the fund. The returns do not take into account sales, redemption, distribution or other optional charges or income taxes payable that would have reduced returns or performance. Past performance of any fund is not necessarily indicative of its future performance.

ANY AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND IS INVESTED AT THE RISK OF THE CONTRACTHOLDERS AND MAY INCREASE OR DECREASE IN VALUE.