

Aviator Portfolios[™]

Quarterly Fund Update

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

Stock and bond markets **		
Close	Q2	YTD
S&P/TSX Composite		
15,515.22	15.97%	-9.07%
Dow Jones Industrial Average		
25,812.88	17.77%	-9.55%
S&P 500 Index		
3,100.29	18.03%	-4.04%
NASDAQ Composite		
10,058.77	30.63%	12.11%
10-yr GoC Yield		
0.52%	-0.19%	-1.18%
10-yr U.S. Treasury Yield		
0.66%	-0.04%	-1.26%
WTI Crude Oil (US\$/bbl)		
39.27	91.75%	-35.83%
Canadian Dollar		
US\$0.7338	4.10%	-4.69%
Bank of Canada Prime Rate		
2.45%		

**Performance ending June 30, 2020. Sources: www.bloomberg.com, www.bankofcanada.ca and www.treasury.gov.

How did my Aviator Portfolios™ fund perform during Q2 2020?

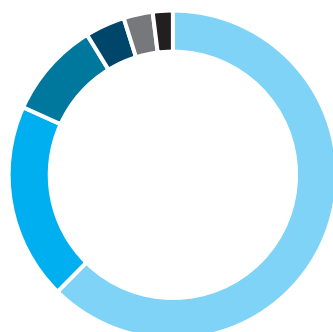
Reversing the first quarter slide, Q2 trended upward with all three portfolios reporting positive overall returns. Below is a breakdown of our portfolio funds, their construction, and their performance in the second quarter.

Co-operators Aviator™ Income Plus Portfolio: Low-risk portfolio

Designed to achieve interest income, preservation, and moderate growth of capital with low levels of volatility.

The portfolio's positive return was driven largely by the equity segment, with strong returns from its holdings in preferred shares. The heavy weighting towards Canadian fixed income, with strong performance from corporate bonds, also had a positive impact on the portfolio's performance.

Guarantee Level	Q2	YTD	1 Year	Since Inception (Oct. 2, 2017)
75-75	7.30%	0.67%	2.03%	2.24%
75-100	7.25%	0.59%	1.86%	2.07%



Investment Segmentation

- Canadian Fixed Income 62.40%
- Canadian Equity 19.34%
- Foreign Fixed Income 9.51%
- Cash & Other Net Assets 3.91%
- U.S. Equity 2.87%
- International Equity 1.97%

Top 10 Holdings

Co-operators Corporate Bond Fund	25.05%
Co-operators Canadian Fixed Income Fund	20.06%
Co-operators Commercial Mortgage Fund	15.01%
Co-operators Preferred Share Equity Fund	14.96%
Co-operators Global Equity Fund	5.02%
Co-operators Bissett Canadian Short Term Bond Fund	5.00%
Co-operators Bissett Canadian Equity Fund	4.99%
Co-operators Templeton Global Bond Fund	4.96%
Co-operators Franklin High Income Fund	4.95%

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

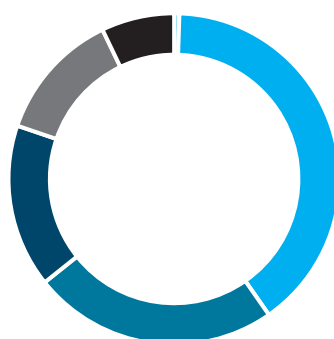
Total number of investments: 9

Co-operators Aviator™ Diversified Portfolio: Low- to moderate-risk portfolio

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

Equities drove the portfolio's positive performance, with significant exposure to preferred shares accounting for approximately a third of the overall return. Holdings in U.S. and international equities also supported the return.

Guarantee Level	Q2	YTD	1 Year	Since Inception (Oct. 2, 2017)
75-75	9.80%	-4.48%	-1.37%	0.70%
75-100	9.75%	-4.55%	-1.53%	0.53%



Investment Segmentation

- Canadian Equity 33.78%
- Canadian Fixed Income 26.49%
- U.S. Equity 15.95%
- Foreign Fixed Income 10.61%
- International Equity 8.43%
- Cash & Other Net Assets 4.74%

Top 10 Holdings

Co-operators Preferred Share Equity Fund	19.95%
Co-operators Corporate Bond Fund	17.53%
Co-operators Global Equity Fund	10.05%
Co-operators Commercial Mortgage Fund	10.00%

Co-operators Small-Cap U.S. Equity Index Fund	7.62%
Co-operators Concentrated Canadian Equity Fund	7.52%
Co-operators Bissett Canadian Equity Fund	7.48%
Co-operators Franklin High Income Fund	7.43%
Co-operators Fidelity Global Real Estate Fund	4.99%
Co-operators Templeton Global Bond Fund	4.96%

The top 10 investments make up 97.53% of the fund.

Total number of investments: 10

Co-operators Aviator™ Growth Portfolio: Moderate-risk portfolio

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

This portfolio's heavy allocation towards equities drove positive performance, especially its holdings of preferred shares. Holdings in real estate also supported the return.

Guarantee Level	Q2	YTD	1 Year	Since Inception (Oct. 2, 2017)
75-75	10.44%	-7.35%	-3.48%	-0.40%
75-100	10.40%	-7.39%	-3.59%	-0.56%



Investment Segmentation

- Canadian Equity 38.63%
- U.S. Equity 24.01%
- International Equity 13.48%
- Foreign Fixed Income 12.23%
- Canadian Fixed Income 6.49%
- Cash & Other Net Assets 5.16%

Top 10 Holdings

Co-operators Preferred Share Equity Fund	19.95%
Co-operators Global Equity Fund	15.07%
Co-operators Small-Cap U.S. Equity Index Fund	10.17%
Co-operators Concentrated Canadian Equity Fund	10.03%
Co-operators Fidelity Global Real Estate Fund	9.98%
Co-operators Bissett Canadian Equity Fund	9.98%
Co-operators Franklin High Income Fund	9.90%
Co-operators Commercial Mortgage Fund	6.50%
Co-operators Templeton Global Bond Fund	4.97%

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

Total number of investments: 10

Key take-aways

The second quarter of 2020 was certainly better than the first quarter for global financial markets. The funds within Aviator Portfolios™ 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.

Aviator Portfolios™ – your secure and diversified investment option

The Co-operators® Aviator Portfolios™ – expertly designed and constructed by the highly regarded institutional investment managers of Addenda Capital® and Franklin Templeton® – provide investors with broader diversification opportunities.

Each of the three distinct Aviator Portfolios™ funds bring an opportunity to invest your hard-earned savings alongside some of Canada's largest institutional clients, including pension funds, foundations, endowments, governments and corporations.

Aviator Portfolios™ provide both regional and risk-exposure diversification – including exposure to unique asset classes, such as commercial mortgages, preferred shares and high-yield bonds, which tend to behave differently than stocks.

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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.