

Aviator Portfolios[™]

Quarterly Fund Update

What happened in financial markets during Q3 2020*

Stock markets hit record highs, before a September pullback

- For a second straight quarter, financial markets continued to climb back from the lows in March. By late August, North American stock indexes were at record levels. September, however, brought a sell-off in technology stocks that saw U.S. tech giants Apple, Amazon, Facebook, Google, Microsoft and Netflix lose over US\$1 trillion in combined market capitalization – through the month's first three trading sessions alone.
- Volatility was fuelled by investor uncertainty on several factors related to the U.S. economy, including: progress towards a COVID-19 vaccine; trade conflicts with China; and signs that recovery may be stalling, with an anticipated financial-aid package being held up in Congress. With the added political uncertainty leading into the U.S. presidential election, investors had plenty of reasons to pause and consider the sustainability of the five-month stock-market rally, as well as the valuations of the companies behind its surge.
- Despite the September sell-off, where stock markets gave back some of the gains made over the previous five months, it was a positive quarter overall.

Central banks held interest rates near zero, but investors wanted more stimulus for the U.S. economy

- In September, the Bank of Canada announced that it was holding its benchmark rate at 0.25% and confirmed its commitment to keeping it there until the economy stabilizes. The bank said that it will also continue to buy government bonds at its current pace and maintain extraordinary monetary-policy stimulus to help pull Canada out of the downturn – the deepest downturn since the Great Depression.
- Similarly, the U.S. Federal Reserve announced that its benchmark short-term rate will remain unchanged at 0.25%, adding that it will likely stay there for at least three years. What seemed to surprise investors – adding fuel to September's pullback in the markets – was the lack of fresh stimulus plans. Instead, the central bank merely reaffirmed its commitment to using its full range of tools to support economic recovery.

Investors called for further government spending to boost economic recovery

- With the U.S. presidential election approaching, partisan politics prohibited lawmakers from reaching a consensus on additional financial aid for struggling U.S. economic recovery. In testimony before Congress, U.S. Federal Reserve Chair Jerome Powell lent his voice to those urging further support from the government: "The path forward will depend on keeping the virus under control, and on policy actions taken at all levels of government." Noting that a recovery is underway, he added this: "both employment and overall economic activity, however, remain well below their pre-pandemic levels, and the path ahead continues to be highly uncertain."
- In Canada, the federal government pledged to do "whatever it takes" to support the economy. This was following a much-anticipated throne speech that opened a new session of Parliament in September. In his nationally televised address that followed, Prime Minister Justin Trudeau listed longer-term policy plans, including a national childcare program, pharmacare, improving senior care, and increased spending on housing and the environment. While the plan was light on details, the government signalled its intention to expand on its already-sizable debt.

*Sources: www.bloomberg.com

Stock and bond markets**

Close	Q3	YTD
S&P/TSX Composite 16,121.38	3.91%	-5.52%
Dow Jones Industrial Average 27,781.70	7.63%	-2.65%
S&P 500 Index 3,363.00	8.47%	4.09%
NASDAQ Composite 11,167.51	11.02%	24.46%
10-yr GoC Yield 0.57%	0.05%	-1.13%
10-yr U.S. Treasury Yield 0.69%	0.03%	-1.23%
WTI Crude Oil (US\$/bbl) 40.22	2.42%	-34.13%
Canadian Dollar US\$0.7497	2.17%	-.2.62%
Bank of Canada Prime Rate 2.45%		

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

How did my Aviator Portfolios™ fund perform during Q3 2020?

Q3 2020 saw all three portfolios extend positive gains for a second consecutive quarter, building on the momentum that had picked up between April and June (Q2). Generally, equities outperformed bonds in Q3, and as a result, most allocations to fixed income funds detracted from performance relative to the overall portfolios. Below is a breakdown of our portfolio funds, their construction, and their performance in the third quarter.

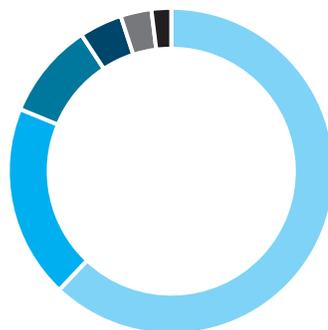
Note: Rates of return for each portfolio fund are provided on an after-fees (net) basis. Given that fees are only applied at the portfolio level, all references to underlying fund performance are before fees are considered (gross).

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.

Driven by preferred-share equities, the portfolio generated positive performance in Q3. Though the portfolio's heavy weighting towards fixed income detracted from returns, strong performance from the Co-operators Preferred Share Equity Fund, along with the Co-operators Global Equity Fund and Co-operators Bissett Canadian Equity Fund, added value relative to their respective benchmarks (before fees).

Guarantee Level	Q3	YTD	1 Year	Since Inception (Oct. 2, 2017)
75-75	2.98%	3.68%	4.35%	3.05%
75-100	2.94%	3.55%	4.18%	2.89%



Investment Segmentation

- Canadian Fixed Income 62.04%
- Canadian Equity 19.17%
- Foreign Fixed Income 9.53%
- Cash & Other Net Assets 4.25%
- U.S. Equity 3.06%
- International Equity 1.95%

Top 10 Holdings

Co-operators Corporate Bond Fund	24.86%
Co-operators Canadian Fixed Income Fund	19.90%
Co-operators Preferred Share Equity Fund	15.13%
Co-operators Commercial Mortgage Fund	14.97%
Co-operators Global Equity Fund	5.12%
Co-operators Bissett Canadian Equity Fund	5.02%
Co-operators Franklin High Income Fund	5.02%
Co-operators Bissett Canadian Short Term Bond Fund	4.99%
Co-operators Templeton Global Bond Fund	4.99%

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

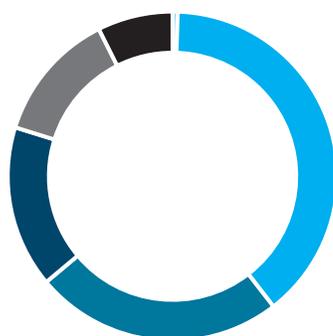
Total number of investments: 9

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

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

In Q3, the largest contributing factor to the portfolio's positive return was its heavy weighting towards preferred shares and global equities. The allocation to the Co-operators Templeton Emerging Markets Fund also positively contributed to the overall portfolio, offsetting weaker performance from the portfolio's allocations to fixed income.

Guarantee Level	Q3	YTD	1 Year	Since Inception (Oct. 2, 2017)
75-75	4.45%	-0.22%	2.41%	2.11%
75-100	4.41%	-0.34%	2.25%	1.94%



Investment Segmentation

- Canadian Equity 33.44%
- Canadian Fixed Income 26.10%
- U.S. Equity 16.31%
- Foreign Fixed Income 10.64%
- International Equity 8.57%
- Cash & Other Net Assets 4.94%

Top 10 Holdings

Co-operators Preferred Share Equity Fund	20.01%
Co-operators Corporate Bond Fund	17.26%

Co-operators Global Equity Fund	10.15%
Co-operators Commercial Mortgage Fund	9.90%
Co-operators Small-Cap U.S. Equity Index Fund	7.68%
Co-operators Concentrated Canadian Equity Fund	7.53%
Co-operators Bissett Canadian Equity Fund	7.48%
Co-operators Franklin High Income Fund	7.47%
Co-operators Fidelity Global Real Estate Fund	5.05%
Co-operators Templeton Global Bond Fund	4.95%

The top 10 investments make up 97.48% of the fund.

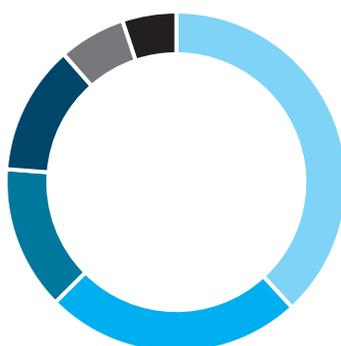
Total number of investments: 10

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

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

The portfolio's overall return benefitted from its heavy allocation towards equities, with particularly strong contributions from the Co-operators Global Equity Fund and the Co-operators Preferred Share Equity Fund.

Guarantee Level	Q3	YTD	1 Year	Since Inception (Oct. 2, 2017)
75-75	4.94%	-2.78%	0.77%	1.26%
75-100	4.90%	-2.85%	0.66%	1.09%



Investment Segmentation

- Canadian Equity 38.14%
- U.S. Equity 24.41%
- International Equity 13.67%
- Foreign Fixed Income 12.30%
- Canadian Fixed Income 6.36%
- Cash & Other Net Assets 5.12%

Top 10 Holdings

Co-operators Preferred Share Equity Fund	19.92%
Co-operators Global Equity Fund	15.16%
Co-operators Small-Cap U.S. Equity Index Fund	10.19%
Co-operators Fidelity Global Real Estate Fund	10.05%
Co-operators Concentrated Canadian Equity Fund	9.99%
Co-operators Bissett Canadian Equity Fund	9.92%
Co-operators Franklin High Income Fund	9.92%
Co-operators Commercial Mortgage Fund	6.41%

Co-operators Templeton Global Bond Fund	4.93%
Co-operators Templeton Emerging Markets Fund	3.51%

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

Total number of investments: 10

Key take-aways

In the third quarter of 2020, prior to the September sell-off, financial markets not only continued to rebound from the March lows, but returned to a record-setting pace – a pace that was last seen in the months leading up to the COVID-19 outbreak.

Both the speed of the recovery and the return of volatility (in September) were unexpected, given the pandemic’s impact on businesses, markets and the world’s economies. And it’s important to remember that, despite a positive Q3 overall, we’re still entrenched in an unprecedented time for global economies and financial markets.

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 Advisor.

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.

In terms of the three distinct Aviator Portfolios™ funds, each brings 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 September 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.