

Foresters Asset Management Inc. is a team of ten investment professionals covering multiple asset classes and markets. The team meets every month to review economic, political, and market indicators and compare these with their fundamental security analysis. Post these discussions biases to portfolios' asset mix may arise to reflect the prevailing market environment.

Summary of Bull and Bear  
Indicators for December



Bulls — 14



Neutral — 13

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| Economic Indicators   | Period Reported | Current |          | Outlook           |                   | Comments   |
|---|-----------------|---------|----------|-------------------|-------------------|--|
|   |                 | Current | Previous | Bullish / Bearish | Bullish / Bearish |  |
| <b>GDP</b>  |                 |         |          |                   |                   |  |
| Canada (YoY)  | September-2016  | 1.9%    | 1.0%     | Bullish           |                   | Canadian Real GDP increased at a 3.5% annual rate during Q3, in-line with consensus and marking a nice rebound from the wildfire-induced decline of 1.3% recorded in Q2. The rebound was led by a snapback in exports (largely reflecting a return to normal oil production levels), with some notable support from capex, inventories and consumer spending. Housing dragged on growth. One positive element was the fact that business fixed investment rose 3.5%, its first gain in two years. We still do not see the impact of the federal government infrastructure spending on the growth results.    |
| U.S. actual (YoY)   | September-2016  | 1.6%    | 1.3%     | Bullish           |                   |  |
| U.S. (QoQ) annualized   | September-2016  | 3.2%    | 1.4%     | Bullish           |                   | The second estimate of third quarter U.S. GDP improved slightly, now estimated at 3.2% versus the prior estimate of 2.9%. A bigger gain in household consumption added the most lift.  |
| ISM Manufacturing   | November-2016   | 53.2    | 51.9     | Bullish           |                   | The ISM manufacturing index increased during the month as the new orders index, and the production index rose. The employment index decreased from the October reading. Inventories of raw materials increased, while the prices index remained stable during the month.   |
| ISM Non- Manufacturing  | November-2016   | 57.2    | 54.8     | Bullish           |                   | The ISM nonmanufacturing index jumped in November, above the consensus forecast. All activity components now indicate solid service-sector activity. Business activity rose to the high end of its post-recession range, and the employment index surged. Combined, the series points to a near-term acceleration in the services sector. However, service sector employment has disappointed and is currently running below 2015 levels.  |
| Durable Goods Orders (YoY)  | October-2016    | 1.0%    | 0.4%     | Neutral           |                   | Durable goods orders rose in October, well above consensus expectations of 1.7%. Core capital goods orders and shipments increased during the month.   |
| Capital Goods New Orders<br>Non defense Ex. Aircrafts & Parts (YoY) [Core Orders] | October-2016    | -4.2%   | -4.1%    | Neutral           |                   |  |
| <b>Unemployment</b>   |                 |         |          |                   |                   |  |
| Canada  | November-2016   | 6.8%    | 7.0%     | Neutral           |                   | The jobless rate fell by 0.2% matching its low over the past 18 months. While wages slowed to a cool 1.4% year-over-year pace (from 1.8%), there were flashes of strength in hours worked which increased a whopping 1.0% month-over-month.  |
| U.S.  | November-2016   | 4.6%    | 4.9%     | Bullish           |                   | A solid 160,000 advance in household survey employment, coupled with a hefty drop in the labour force and downtick in the participation rate, drove the jobless rate down three tenths to 4.6%, a nine-year low. The more comprehensive U6 rate also plumbed cycle lows at 9.3%, benefiting from fewer involuntary part-time workers, while the duration of joblessness continued to slide. The official jobless rate is now below the FOMC's estimate of the natural rate (4.8%). The pool of available workers has decreased by more than 700,000 in the past two months, the fastest rate in three years. |
| <b>Participation Rate</b>   |                 |         |          |                   |                   |  |
| Canada  | November-2016   | 65.6%   | 65.8%    | Neutral           |                   |  |
| U.S.  | November-2016   | 62.7%   | 62.8%    | Neutral           |                   |  |
| <b>U.S. Wage Inflation<br/>(Average hourly earnings YoY)</b>                      |                 |         |          |                   |                   |  |
|   | November-2016   | 2.5%    | 2.8%     | Bullish           |                   | Despite a tightening labour market, average hourly earnings surprisingly fell 0.1% last month, slashing the yearly rate from seven-year highs of 2.8% to 2.5%. This should prove temporary, as more reliable wage measures have drifted higher in response to growing worker shortages.  |
| <b>Non-Farm Payrolls</b>  |                 |         |          |                   |                   |  |
| Canada  | November-2016   | 10,700  | 43,900   | Neutral/Bullish   |                   | Canadian employment topped expectations with a gain of 10,700 while consensus called for flat or negative growth. Again, the gains were due to the creation of 19,400 part-time positions, as full-time jobs dropped by 8,700, and the jobless rate declined to 6.8%. There was, however, a big gain in private sector jobs.   |
| U.S.  | November-2016   | 178,000 | 142,000  | Bullish           |                   | Non-farm payrolls rose 178,000, close to the consensus call, and virtually bang-on the average this year (180,000). The prior two months were marked down an insignificant 2,000 positions.  |
| Consumer Confidence<br>(Conference Board)   | November-2016   | 107.1   | 100.8    | Bullish           |                   | Headline consumer confidence jumped 6.3 points, more than double market expectations from October's upwardly revised value, the highest since July 2007. Both the present situation and expectations component contributed.  |
| Consumer Confidence<br>(University of Michigan)                                   | December-2016   | 98.0    | 93.8     | Bullish           |                   | The preliminary December estimate was well above market expectations of 94.5. The current conditions index rose while 12-month and long-term inflation expectations declined. Overall, the underlying details of the release suggest that consumer confidence remains on solid footing and is supportive of firm GDP growth in the near term.  |
| Existing Home Sales (U.S.)<br>(millions)  | October-2016    | 5.60    | 5.49     | Neutral           |                   | U.S. existing home sales unexpectedly rose for the second month in a row to 10 year highs, with single-family homes accounting for all of the gain, and the prior month results were also revised upwards.   |
| Case Shiller (20) YOY<br>Price Increase   | September-2016  | 5.08%   | 5.06%    | Bullish           |                   | Price gains in housing remain strong, with all 20 metropolitan areas gaining in September.   |
| <b>Core CPI</b>   |                 |         |          |                   |                   |  |
| Canada (YoY)  | October-2016    | 1.70%   | 1.80%    | Neutral           |                   | Core inflation continued to fade, with the monthly increase mild enough to trim the annual pace by 0.1%. The yearly pace marks the slowest core CPI reading since the middle of 2014.  |
| U.S. CPI ex Food and Energy<br>(YoY)  | November-2016   | 2.10%   | 2.10%    | Bullish           |                   | Price pressures are edging up but they're still pretty modest due to the apparel and medical care cost components.   |
| U.S. PCE Core Deflator (YoY)  | October-2016    | 1.74%   | 1.69%    | Bullish           |                   | The core PCE deflator inched up as expected by 0.1%, lifting the year-over-year rate a smidgen to 1.74%. That's the fastest increase since July 2014.  |
| BOC Rate Decision   | November-2016   | 0.50%   | 0.50%    | Neutral           |                   | The Bank of Canada kept interest rates unchanged. Significant comments from the accompanying statement include: "Uncertainty, which has been undermining business confidence and dampening investment in Canada's major trading partners, remains undiminished." "While household imbalances continue to rise, these will be mitigated over time by announced changes to housing finance rules." "There have been ongoing gains in employment, but a significant amount of economic slack remains in Canada, in contrast to the United States." "We expect BoC to remain "on hold" for most of 2017.         |
| FOMC Rate Decision  | November-2016   | 0.25%   | 0.25%    | Bullish           |                   | The FOMC raised its policy rates by 0.25%, which was completely expected by the market. The vote to raise rates was unanimous. Importantly, there were no changes in the Fed's forward guidance on policy rates and its balance sheet. Policy remains as data dependent as before, far from being on a pre-set path. The risk assessment stayed at "roughly balanced".   |
| ECB Rate Decision   | November-2016   | -0.40%  | -0.40%   | Neutral           |                   | At the latest meeting, the ECB committed to extend its QE programme beyond March 2017. Forecasts call for net purchases to continue at a monthly pace of EUR60 billion from April 2017 until the end of December 2017, or beyond, if necessary. The ECB also left open the possibility of increasing the monthly purchases or duration if the outlook becomes less favourable or if financial conditions become inconsistent with further progress towards a sustained adjustment of the path of inflation.  |

| Bond Market Indicators                         | Ticker     | Yield | Return YTD | Return 1 Year | Comments |
|--|------------|-------|------------|---------------|----------|
| FTSE TMX Canada Universe Bond Index            | CBALUYL/TR | 2.75% | 3.09%      | 3.08%         |          |
| FTSE TMX Canada All Corporate Bond Index       | CBOBUYL/TR | 2.21% | 1.04%      | 1.09%         |          |
| FTSE TMX Canada ST Overall Bond Index          | CBOBSYL/TR | 1.42% | 0.81%      | 0.91%         |          |
| Barclays U.S. Aggregate Investment Grade (USD) | LBUSTRUU   | 2.73% | 1.84%      | 1.58%         |          |
| Barclays U.S. Corporate Investment Grade (USD) | LUACTRGU   | 3.48% | 5.11%      | 4.78%         |          |
| Barclays U.S. Corporate HY Bond Index (USD)    | LF98TRUU   | 6.22% | 16.57%     | 17.75%        |          |

| Stock Market Indicators       | Ticker  | Level     | Return YTD | Return 1 Year | Comments |
|-------------------------------|---------|-----------|------------|---------------|----------|
| S&P/TSX Composite Index (CAD) | SPTSX   | 15,293.41 | 20.93%     | 21.01%        |          |
| S&P500 Index (USD)            | SPX     | 2,270.78  | 13.50%     | 15.73%        |          |
| S&P500 Index (CAD)            | SPX     | 3,043.07  | 9.01%      | 11.12%        |          |
| Eurostoxx Index (EURO)        | SX5E    | 3,272.82  | 4.20%      | 4.50%         |          |
| Nikkei Index (YEN)            | NKY     | 19,494.53 | 4.26%      | 4.67%         |          |
| CSI 300 Index (USD)           | SHSZ300 | 3,309.06  | -9.28%     | -10.17%       |          |

| Commodities                     | Ticker | Level    | Return YTD | Return 1 Year | Comments |
|---------------------------------|--------|----------|------------|---------------|----------|
| CBOE SPX Volatility Index (USD) | VIX    | 11.56    | -36.52%    | -44.15%       |          |
| Gold (USD)                      | XAU    | 1,127.78 | 6.28%      | 4.58%         |          |
| CRB (USD)                       | CRY    | 191.10   | 8.49%      | 11.00%        |          |
| Copper (USD)                    | HG1    | 248.50   | 16.39%     | 18.16%        |          |
| Oil - WTI NYMEX (USD)           | CL1    | 52.65    | 42.14%     | 51.60%        |          |

| Currency/Rate Indicators | Level (yields) | Level (yields) | Change YTD | Change 1 Year | Currency/Rate Indicators | Level (yields) | Level (yields) | Change YTD | Change 1 Year |
|--------------------------|----------------|----------------|------------|---------------|--------------------------|----------------|----------------|------------|---------------|
| <b>USD/CAD</b>           | USDCAD         | 1.3401         | 3.27%      | 4.16%         | <b>USDCNY</b>            | USDCNY         | 6.96           | -6.67%     | -6.85%        |

**Gov't of Canada Yield Rates**

|         |               |        |        |       |
|---------|---------------|--------|--------|-------|
| 90 day  | GTCAD3M GOVT  | 0.478% | -0.02% | 0.01% |
| 2 year  | GTCAD2Y Govt  | 0.821% | 0.34%  | 0.32% |
| 5 year  | GTCAD5Y Govt  | 1.201% | 0.47%  | 0.46% |
| 10 year | GTCAD10Y Govt | 1.808% | 0.42%  | 0.41% |
| 30 year | GTCAD30Y Govt | 2.412% | 0.27%  | 0.29% |

**U.S. Treasury Yield Rates**

|         |                |        |       |       |
|---------|----------------|--------|-------|-------|
| 90 day  | USGG3M Index   | 0.513% | 0.35% | 0.34% |
| 2 year  | USGG2YR Index  | 1.245% | 0.20% | 0.29% |
| 5 year  | USGG5YR Index  | 2.062% | 0.30% | 0.39% |
| 10 year | USGG10YR Index | 2.583% | 0.31% | 0.38% |
| 30 year | USGG30YR Index | 3.157% | 0.14% | 0.24% |

| China Economic Indicators  | Period Reported | Current | Previous | Outlook<br>Bullish / Bearish | Comments |
|----------------------------|-----------------|---------|----------|------------------------------|----------|
| CPI YOY                    | November-2016   | 2.3     | 2.1      | Bearish                      |          |
| PPI YOY                    | November-2016   | 3.3     | 1.2      | Neutral                      |          |
| Official Manufacturing PMI | November-2016   | 51.7    | 51.2     | Neutral/Bullish              |          |
| Official Services PMI      | November-2016   | 54.7    | 54.0     | Neutral/Bullish              |          |

Source: Bloomberg. Economic Indicators data as of December 20, 2016. Currency, Market & China Indicators data as of December 19, 2016.

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