

DIVERSIFYING SOUTH OF THE BORDER

Why invest south of the border? With the U.S. representing 40.6%¹ of the world's market and 24.4%² of the world's Gross Domestic Product, it offers a great way to diversify across sectors.

Value South of the Border

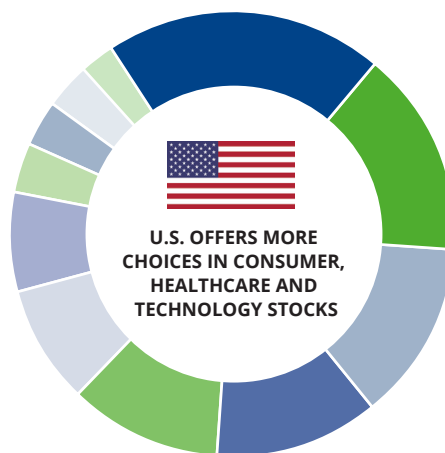
When we compare the Canadian **S&P/TSX Composite** and the U.S. **S&P 1500**, we see that the U.S. market has more sector diversity than the Canadian market, helping create a broader investment opportunity.

S&P/TSX COMPOSITE EQUITY SECTORS



Financials	35.0%
Energy	21.4%
Materials	11.8%
Industrials	8.9%
Consumer Discretionary	5.0%
Telecom Services	4.8%
Consumer Staples	3.8%
Real Estate	3.0%
Utilities	2.8%
Information Technology	2.7%
Healthcare	0.6%

S&P 1500 EQUITY SECTORS



Information Technology	20.3%
Financials	15.1%
Healthcare	13.1%
Consumer Discretionary	12.0%
Industrials	10.9%
Consumer Staples	8.8%
Energy	7.2%
Real Estate	3.6%
Utilities	3.3%
Materials	3.3%
Telecom Services	2.4%

Other Key Facts

The U.S. and Canadian economies are heavily intertwined, as each is the other's primary trading partner. The majority of the oil that the U.S. imports comes from Canada

Close to 400,000 people cross the U.S.-Canada Border each day, and 18,500 trucks cross the Windsor-Detroit border³ making it one of the world's busiest border crossings³

The top 10 companies on the Canadian S&P/TSX Composite represent **37.6%** of the index, while the top 10 for the U.S. S&P 1500 represent **16.2%**⁴

S&P/TSX Composite and S&P 1500 Sector Weights as at December 31, 2016

1 World Bank, World Federation of Exchanges Database, December 31, 2015

2 World Bank, "World Development Indicators", December 31, 2015

3 Government of Canada "Canada-U.S. Shared Border: Key to Security and Prosperity", October 18, 2016

4 Source: S&P Dow Jones Indices fact sheets, December 31, 2016

How the Sectors Stack Up

The chart below shows how each market sector performed over the last decade, showing the importance of diversifying across sectors. As you can see, a sector that outperforms the S&P 500 one year can significantly underperform it the next, showing how important active management can be.

Best to worst performing sectors of the S&P 500 from 2007 to 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
BEST	Energy 34.4%	Staples -15.4%	Technology 61.7%	Real Estate 32.3%	Utilities 19.9%	Financials 28.8%	Discretionary 43.1%	Real Estate 30.2%	Discretionary 10.1%	Energy 27.4%
	Materials 22.5%	Health Care -22.8%	Materials 48.6%	Discretionary 27.7%	Staples 14.0%	Discretionary 23.9%	Health Care 41.5%	Utilities 29.0%	Health Care 6.9%	Telecoms 23.5%
	Utilities 19.4%	Utilities -29.0%	Discretionary 41.3%	Industrials 26.7%	Health Care 12.7%	Real Estate 19.7%	Industrials 40.7%	Health Care 25.3%	Staples 6.6%	Financials 22.8%
	Technology 16.3%	Telecoms -30.5%	Real Estate 27.1%	Materials 22.2%	Real Estate 11.4%	Telecoms 18.3%	Financials 35.6%	Technology 20.1%	Technology 5.9%	Industrials 18.9%
	Staples 26.1%	Discretionary -33.5%	S&P 500 26.5%	Energy 20.5%	Telecoms 6.3%	Health Care 17.9%	S&P 500 32.4%	Staples 16.0%	Real Estate 4.7%	Materials 16.7%
	Industrials 12.0%	Energy -34.9%	Industrials 20.9%	Telecoms 19.0%	Discretionary 6.1%	S&P 500 16.0%	Technology 28.4%	Financials 15.2%	Telecoms 3.4%	Utilities 16.3%
	Telecoms 11.9%	S&P 500 -37.0%	Health Care 19.7%	S&P 500 15.1%	Energy 4.7%	Industrials 15.4%	Staples 26.1%	S&P 500 13.7%	S&P 500 1.4%	Technology 13.9%
	Health Care 7.2%	Industrials -39.9%	Financials 17.2%	Staples 14.1%	Technology 2.4%	Materials 15.0%	Materials 25.6%	Industrials 9.8%	Financials -1.5%	S&P 500 12.0%
	S&P 500 5.5%	Real Estate -42.3	Staples 14.9%	Financials 12.1%	S&P 500 2.1%	Technology 14.8%	Energy 25.1%	Discretionary 9.7%	Industrials -2.5%	Discretionary 6.0%
	Discretionary -13.2%	Technology -43.1%	Energy 13.8%	Technology 10.2%	Industrials -0.6%	Staples 10.8%	Utilities 13.2%	Materials 6.9%	Utilities -4.8%	Staples 5.4%
	Real Estate -17.9%	Materials -45.7%	Utilities 11.9%	Utilities 5.5%	Materials -9.6%	Energy 4.6%	Telecoms 11.5%	Telecoms 3.0%	Materials -8.4%	Real Estate 3.4%
WORST	Financials -18.6%	Financials -55.3	Telecoms 8.9%	Health Care 2.9%	Financials -17.1%	Utilities 1.3%	Real Estate 1.6%	Energy -7.8%	Energy -21.1%	Health Care -2.7%

Source: <https://novelinvestor.com/sector-performance/> All data as at December 31, 2016

CONCLUSION

While there are still great opportunities for outperformance in Canada, adding a U.S. equity component allows investors to create a more balanced portfolio with greater downside protection.



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