



NAFTA - Down To The Wire

September 18, 2018

An Overview Of NAFTA Dispute Settlement

Our Conclusion

It's been a busy trade week already, and with all the focus on Trump's China tariffs to kick off this week investors can be forgiven for overlooking that NAFTA discussions are now down to the wire. USTR has a lot on his plate this month (China, NAFTA, and Japan), and will need to see tangible progress in Canada-U.S. talks this week if the countries are to meet the month-end deadline imposed by the U.S. and Mexico. The odds are quite balanced that this will occur, with a slight tilt towards a tri-lateral deal.

One of the most contentious issues remains NAFTA's dispute settlement mechanisms. Unfortunately, these are spread out over three different chapters of the agreement, with Chapter 19 (focusing on Anti-Dumping and Countervailing Duties) the most adversarial. The USTR is philosophically opposed to this element of the deal, but Canada views it as crucial in a world with a hostile U.S. trade policy and an emasculated WTO dispute system.

This report provides a simplified (we hope) overview of the three chapters and why there is such a dichotomy of views.

It is not meant to minimize the other outstanding issues, namely supply management, government procurement, intellectual property & copyright limits, cultural content and de minimus levels. These however may be the negotiating chips that will have to be sacrificed if Canada insists on retaining Chapter 19.

Implications

If Canada comes onside, we would expect a relief rally - largely regardless of the terms of the deal. Unfortunately, this will likely be short-lived. Canada had two significant competitive advantages; unfettered (real or more appropriately perceived) access to the U.S. market, and a much more favorable tax regime. With a less robust trade relationship in the future and the U.S. having dealt with its archaic tax system, Canada will have to compete more aggressively for foreign investment dollars. In the medium term, U.S. equities will likely continue to outperform Canadian equities.

All figures in Canadian dollars, unless otherwise stated.

18-155796 © 2018

CIBC World Markets Corp., the U.S. broker-dealer, and CIBC World Markets Inc., the Canadian broker-dealer (collectively, CIBC World Markets Corp./Inc.) do and seek to do business with companies covered in its research reports. As a result, investors should be aware that CIBC World Markets Corp./Inc. may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

For required regulatory disclosures please refer to "Important Disclosures" beginning on page 8.

Wait, There's Three Chapters?

Unknown to some, NAFTA's dispute settlement system is actually split over three chapters - all of which are equally painful to read. However, appreciating the nuances to the three chapters (Chapters 11, 19 and 20) is instrumental in understanding the flow of discussions between Canada and the U.S. as we near the October 1 "deadline". Appendix 1 presents a matrix summarizing the issues.

We explain the significance of each chapter in detail in the sections below. Before we get into specifics however, it's important to note that while NAFTA has remained unchanged for almost 30 years, the dispute settlement process on global trade has evolved.

If the WTO worked, that would reduce the appeal of Chapter 19

Before the current U.S. Administration, trade remediation predominantly happened at the World Trade Organization (WTO), but the defining feature of dispute settlement is that no decision is truly "binding" on any party (Chapter 19 of NAFTA is the unique anomaly). Indeed, the U.S. will occasionally simply ignore WTO rulings it dislikes or perceives as inappropriate. We touch on the current logjam at the WTO later in the report - this is the primary reason for Canada's near religious commitment to Chapter 19.

Chapter 19 - Stuck In The '80s With You

Whether Canada signs onto a NAFTA agreement with the U.S. and Mexico hinges more on Chapter 19 than any other topic. Most have believed (incorrectly, thus far) that Supply Management was the deal breaker for Canada, but we have always known Canadian trade insiders have held Chapter 19 as sacrosanct.

Chapter 19 provides some degree of clarity - and that is exactly why the USTR is opposed!

It is clear to us that the U.S. Trade Representative (USTR) is adamantly opposed to the existence of Chapter 19. Outside of the philosophical opposition to a non-domestic entity superseding U.S. courts, the USTR is also likely concerned about creating a precedent that other entities (the E.U., Japan and China) would possibly request in future trade talks. Remember, part of the U.S. strategy on trade is creating a degree of uncertainty to discourage locating facilities outside of the U.S. In our opinion, maintaining Chapter 19 would be a bitter pill for Robert Lighthizer to swallow.

So what exactly is Chapter 19? The chapter was a specific carve-out of the NAFTA deal to resolve anti-dumping and countervailing duty spats between members, and was a follow-on from the original U.S.-Canada Free Trade Agreement (FTA). It is part of Canadian trade folk-lore that Prime Minister Mulroney was able to convince President Reagan of the need for this in the FTA, largely because of close personal relationships and trust in each other's free-trade philosophy.

The most unique - and the most important - aspect of Chapter 19 is that the statute is *binding* on NAFTA members. The provision allows for the supranational adjudication of *domestic* laws by an independent panel. It effectively means a group of individuals can actually overrule domestic courts, i.e. tell U.S., Canadian and Mexican courts they have misinterpreted domestic law. To the best of our knowledge, NAFTA's Chapter 19 remains to this day the *only* such binding trade provision in any U.S. trade agreement.

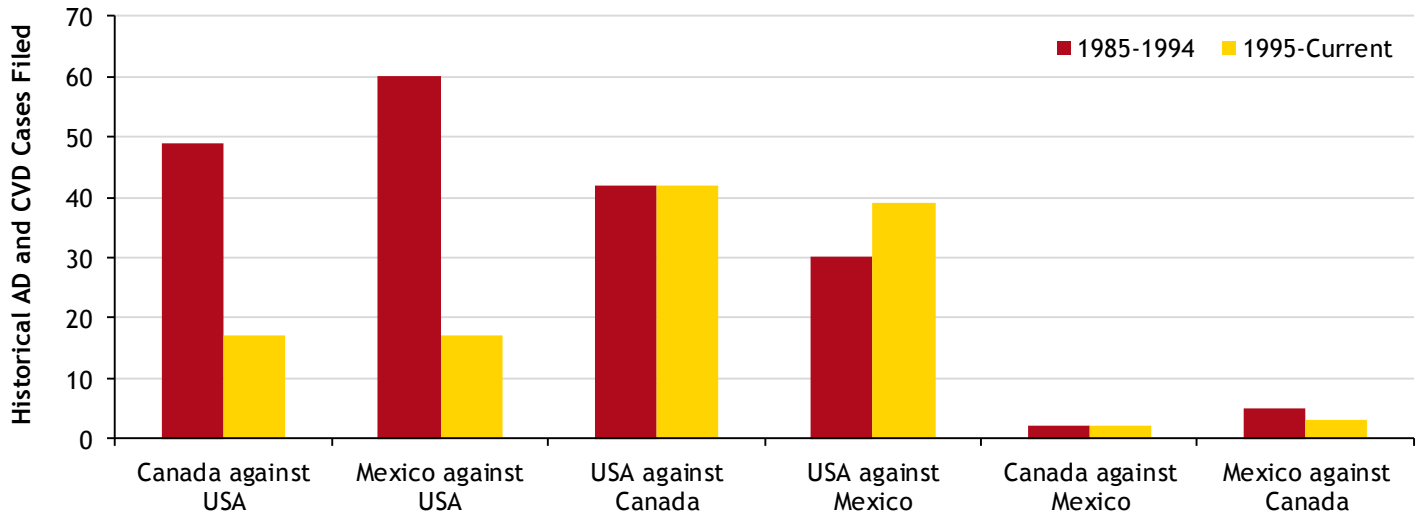
The rule was carried over from the original FTA to NAFTA to assuage Canadian and U.S. concerns over Mexican rule of law in the early 1990s, but also partly to suppress Protectionist inclinations from any of the three countries. We understand Canada's resolute determination to fight for the provision, and clearly the Chapter has increased significance in Trump's 'America First' view of the world today.

The existence of Chapter 19 reduces the odds that there will be tariffs and countervails

There is an old Texas saying that goes like this - it's not that we shoot people for stealing horses, it's that we shoot people so that horses will not be stolen. The point being that the existence of a law (and penalty) can actually dissuade inappropriate behavior. Against this backdrop, Chapter 19 has succeeded.

As we show in Exhibit 1, the number of anti-dumping and countervailing duty situations and investigations filed by Canada and Mexico has dropped markedly since 1995 - clearly there is a disincentive to institute AD/CVDs as there has been a reasonable review system that would neutralize inappropriate behavior. The U.S. in contrast seems to use the Chapter more frequently relative to its NAFTA peers, while Canada and Mexico rarely use the Chapter against one another.

Exhibit 1. Historical Distribution Of Anti-Dumping And Countervailing Duty Trade Investigations (AD and CVD)



Note: The red bars reflect trade issues filed over a 10-year period, while the yellow bars represent over 20 years of trade cases.
 Source: *Expanding the NAFTA Chapter 19 Dispute Settlement System* (Stephen J. Powell, 2010), NAFTA Secretariat and CIBC World Markets Inc.

Clearly, trade veterans in Canada will remember the days of heightened AD/CVD cases back in the 1980s and will be wary to return to a NAFTA without Chapter 19. However, in the current negotiation Mexico tacitly agreed to Chapter 19 being eliminated - presumably their negotiators believe the independence of the U.S. domestic court system will suffice for future AD/CVD cases. It is noteworthy that the U.S. ITC has recently already twice ruled in favor of Canadian interests in recent AD/CVD cases; firstly on Bombardier's C-series and most recently on Canadian newsprint.

Chapter 19 is no panacea

A key point to understanding Chapter 19, in our view, is that the Chapter can't entirely protect Canada from Trump. As stated above, the Chapter was a carve-out to deal specifically with anti-dumping and countervailing duty issues, i.e., tariffs on products that are "dumped" into foreign markets, or against market distortions to increase the competitiveness of domestic exports (such as subsidies).

The Chapter will not rule against trade actions viewed as national security concerns, as was seen in the use of Steel and Aluminum tariffs under Section 232. As long as President Trump can depend on a "flexible" interpretation of national security by his Department of Commerce, Canada will remain exposed on any product the White House chooses. Needless to say, there's a reason why a Section 232 has been called the "nuclear" option in trade disputes.

Chapter 20 - Much Of The Same

The fact that Chapter 19 trade cases are limited to AD/CVD issues is predominantly the reason why Mexico believes Chapter 20 is the dispute chapter worth fighting for. NAFTA's Chapter 20 effectively deals with all state-to-state disputes not covered in Chapter 19, and aligns well with the U.S.' other state-state settlement provisions in its other Free Trade Agreements (FTAs).

Chapter 20 is a fall-back, but not a powerful one

We still await for the final text of the U.S.-Mexican FTA (due October 1), but we would expect it to remain largely unchanged from current state-state dispute resolution norms or at the very least, similar to what is already available to nations under the WTO. Broadly speaking, all three countries are comfortable with Chapter 20 remaining.

There is the possibility that elements of Chapter 19 can be reworked into a revamped Chapter 20, but again, this won't be clear until the end of the month when USTR is obliged by TPA statutes to publish the final text of the U.S.-Mexico FTA (or a trilateral deal including Canada) to Congress.

Even without seeing the text, we would find it highly unlikely that a revamped Chapter 20 can address national security concerns, and even if it did we remind investors that Chapter 20 decisions are *not binding*. In fact, the provision has only been used three times in NAFTA's history, and hasn't been used since the early 2000s after the U.S. vetoed the appointment of panel members in the last Chapter 20 case involving the Mexican trucking industry.

Chapter 11 - Battle Of Capitol Hill

Perhaps the one chapter on which all three negotiating teams could reach an agreement would be the dilution or elimination of Chapter 11, involving an Investor-State Dispute System (ISDS). The essence of ISDS is that a company (or investor), can challenge actions taken by the state that expropriates or is "tantamount to expropriation" of that investor's business.

Canada is generally the target of Chapter 11s

This was devised during the negotiation of NAFTA, largely because U.S. and Canadian investors wanted to be able to invest in Mexico, but at the time did not completely trust the Mexican legal system (or even its commitment to market reforms). It effectively protected foreign-deployed capital in Mexico. Unfortunately over time, Canada has found itself on the losing end of most Chapter 11 cases filed against it. At a simplistic level, increased regulation in Canada can be punitive to foreign (and local) business operating north of the 44th parallel - and in extreme cases, can be argued as being "tantamount to expropriation".

The USTR wants the risk of non-US investment to be clear and present

Now, the discussion of Chapter 11 is a case study in U.S. dichotomies. The U.S. Chamber of Commerce and other pro-business interests view Chapter 11 very favorably as it would protect against changing laws in Mexico and Canada targeting their investments. Not surprisingly, the U.S. Congress is therefore in favor of Chapter 11. Ironically, it is exactly this protection that frustrates the USTR. To paraphrase Lighthizer, the U.S. government is not in the business of "insuring" U.S. companies that decide to invest elsewhere in the world; they do so at the peril of their own shareholders.

To the best of our knowledge, the U.S. and Mexico have agreed to a happy medium - the partial roll-back of Chapter 11 with only Oil & Gas, Telecom and Infrastructure remaining within the purview of future ISDS provisions. Canada will likely agree to this - and would even have gone further asking for its full removal.

The WTO

The creation of NAFTA predates the WTO, but given the evolution of global trade since 1995 (inception of the WTO), trade remediation is not limited to the confines of the North American Free Trade Agreement. All three parties to the WTO have avenues available to trade recourse at the WTO; in fact, both Canada and Mexico filed WTO consultations against the U.S.' Section 232 Steel and Aluminum tariffs as recently as this summer.

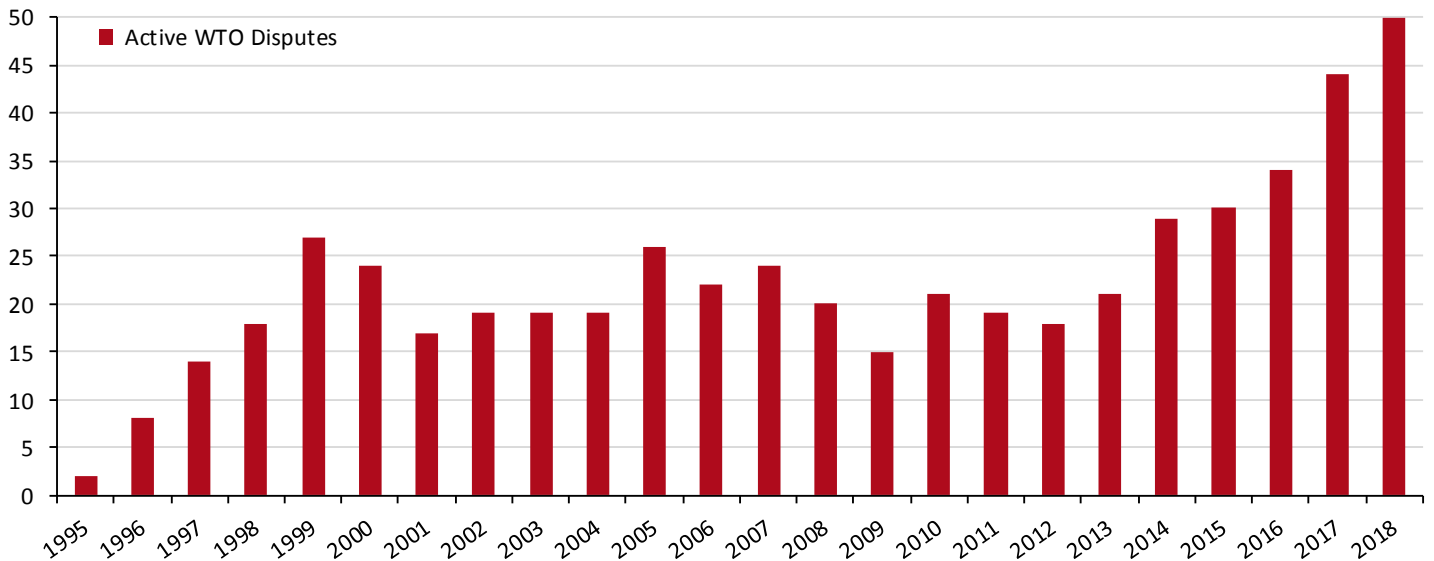
However, as we've stated many times before, the WTO's powerful trade adjudicator status is being impaired. More often than not, initial trade rulings are appealed and those appeals ultimately find their way to a final panel of judges known as the Appellate Body (AB). This panel is usually comprised of seven members and needs a minimum of three judges for quorum.

Since the end of President Obama's term, the U.S. has blocked the reappointment of Appellate Body members as terms expire. There are currently four members on the Appellate Body, one of whom will see his term expire at the end of September. The U.S. has already informed the WTO it will block his reappointment. Another two judges will see terms expire in December 2019.

While the WTO's Appellate Body remains short-staffed, the U.S. continues to impose restrictive trade measures that only increase the WTO's workload. To some, this action is a pre-determined and orchestrated plan to kill the WTO from within. Whatever one's perspective, the outcome is clear - there is a substantial backlog developing at the WTO, as seen in Exhibit 2.

By the end of 2019, the WTO may not be able to rule on trade disputes

Exhibit 2. Active Disputes Outstanding At The World Trade Organization



Source: WTO and CIBC World Markets Inc.

The failings of the WTO embolden Canada's push to save Chapter 19

Reform at the WTO has been due since the failure of the Doha Round, which broke down in 2008 after seven years of talks. Canada will play host to a 12-member consortium in late October aimed at taking steps to resolve the Appellate Body issue, but it remains to be seen whether the body is capable of the flexibility needed to solve the issue within the next year. More likely, it seems the near-term future of dispute settlement will be bilateral, rather than multilateral. It is exactly the failings of the WTO Appellate Body - and the lack of a fall-back against a hostile U.S. trade agenda - which has reinforced Canada's demand for Chapter 19 to remain.

Everyone Has A Boss

Up until now, USTR Bob Lighthizer has had relatively free reign on the NAFTA file. His views align well with the anti-trade sentiment of Trump's base, and if anything, have seen strong support from the President on his implementation of 'America First'. If USTR is still allowed to call the shots, we simply can't envision a scenario where Lighthizer agrees to keep Chapter 19 in a new NAFTA.

Chapter 19 is complex but quotas and 300% tariffs are simple

Then again, everyone has a boss and as Lighthizer even stated himself, "I have a client of one". While Chapter 19 is the more significant of the remaining issues between Canada and the U.S., it does not garner the same political power as Trump's tweets about Canada's 300% tariffs on dairy products. The commentary thus far around the U.S.-Mexico FTA was about how Mexico needed a deal, and while that is true, Trump needs this deal to go through as well.

The China tariffs on US\$200 billion worth of goods were announced yesterday, and are already causing anxiety amongst U.S. business. In fact, all of America's main business lobbies came together recently to stand united against these tariffs, and this will put pressure on Congress to respond. The Republicans would love to tell their constituents that there is a method behind Trump's rhetoric when it comes to breaking trade, and a revamped NAFTA would be case in point. If the deal remains bilateral, the risk emerges that the deal might not pass through Congress (or even experiences a political backlash in Mexico).

For these reasons, Trump may be susceptible to striking a deal if Canada offers large concessions on Supply Management. In such a scenario, Chapter 19 - against all the odds - could yet survive.

Chapter 19 (with a sunset) might work

Another option that is occasionally mentioned is to have Chapter 19 include a sunset date, i.e., a date on which it expires. An optimist might expect that the Appellate Body issues at the WTO will be settled in the future. In that environment the need for a Chapter 19 dispute mechanism would decline - to some extent. Remember, WTO rulings never have had the bite of a Chapter 19 tribunal.

Appendix 1: An Overview Of NAFTA Dispute Settlement Mechanisms

Exhibit 3. NAFTA Dispute Settlement Matrix

NAFTA Dispute Settlement Chapters			
	Chapter 11	Chapter 19	Chapter 20
Dispute Mechanism	Investor-State Dispute Resolution (ISDS)	Specific to Anti-dumping and Countervailing Duty Cases - Binding Resolutions Based on Tribunal/Panel	State-State Dispute Resolution - Non-Binding Review of Disputes Not Covered in Ch. 19
Frequency of Use	Infrequent	Frequent	Dormant
High Profile Cases	Windsor-Detroit Ambassador Bridge	Softwood Lumber	Mexican Trucking
Canadian Stances	Against	Strongly In Favor	In Favor
American Stances	USTR Against, Congress Strongly in Favor	Strongly Against	In Favor
Mexican Stances	Indifferent	Indifferent, but would be supportive if Chapter 19 stays	In Favor

Source: NAFTA Secretariat and CIBC World Markets Inc.

IMPORTANT DISCLOSURES:

Analyst Certification: Each CIBC World Markets Corp./Inc. research analyst named on the front page of this research report, or at the beginning of any subsection hereof, hereby certifies that (i) the recommendations and opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of this report and all other companies and securities mentioned in this report that are covered by such research analyst and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.

Analysts employed outside the U.S. are not registered as research analysts with FINRA. These analysts may not be associated persons of CIBC World Markets Corp. and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Potential Conflicts of Interest: Equity research analysts employed by CIBC World Markets Corp./Inc. are compensated from revenues generated by various CIBC World Markets Corp./Inc. businesses, including the CIBC World Markets Investment Banking Department. Research analysts do not receive compensation based upon revenues from specific investment banking transactions. CIBC World Markets Corp./Inc. generally prohibits any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers. Additionally, CIBC World Markets Corp./Inc. generally prohibits any research analyst from serving as an officer, director or advisory board member of a company that such analyst covers.

In addition to 1% ownership positions in covered companies that are required to be specifically disclosed in this report, CIBC World Markets Corp./Inc. may have a long position of less than 1% or a short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

Recipients of this report are advised that any or all of the foregoing arrangements, as well as more specific disclosures set forth below, may at times give rise to potential conflicts of interest.

CIBC World Markets Corp./Inc. Stock Rating System

Abbreviation	Rating	Description
Stock Ratings		
OP	Outperformer	Stock is expected to outperform similar stocks in the coverage universe during the next 12-18 months.
NT	Neutral	Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.
UN	Underperformer	Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.
NR	Not Rated	CIBC World Markets does not maintain an investment recommendation on the stock.
R	Restricted	CIBC World Markets is restricted (due to potential conflict of interest) from rating the stock.
Stock Ratings Prior To December 09, 2016		
SO	Sector Outperformer	Stock is expected to outperform the sector during the next 12-18 months.
SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
NR	Not Rated	CIBC World Markets does not maintain an investment recommendation on the stock.
R	Restricted	CIBC World Markets is restricted (due to potential conflict of interest) from rating the stock.
Sector Ratings (note: Broader market averages refer to S&P 500 in the U.S. and S&P/TSX Composite in Canada.)		
O	Overweight	Sector is expected to outperform the broader market averages.
M	Marketweight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

"Speculative" indicates that an investment in this security involves a high amount of risk due to volatility and/or liquidity issues.

Ratings Distribution*: CIBC World Markets Corp./Inc. Coverage Universe

(as of 18 Sep 2018)	Count	Percent	Inv. Banking Relationships	Count	Percent
Outperformer (Buy)	157	48.3%	Outperformer (Buy)	156	99.4%
Neutral (Hold/Neutral)	149	45.8%	Neutral (Hold/Neutral)	147	98.7%
Underperformer (Sell)	7	2.2%	Underperformer (Sell)	7	100.0%
Restricted	11	3.4%	Restricted	11	100.0%

Ratings Distribution: Portfolio Strategy Coverage Universe

(as of 18 Sep 2018)	Count	Percent	Inv. Banking Relationships	Count	Percent
Outperformer (Buy)	0	0.0%	Outperformer (Buy)	0	0.0%
Neutral (Hold/Neutral)	0	0.0%	Neutral (Hold/Neutral)	0	0.0%
Underperformer (Sell)	0	0.0%	Underperformer (Sell)	0	0.0%
Restricted	0	0.0%	Restricted	0	0.0%

*Although the investment recommendations within the three-tiered, relative stock rating system utilized by CIBC World Markets Corp./Inc. do not correlate to buy, hold and sell recommendations, for the purposes of complying with FINRA rules, CIBC World Markets Corp./Inc. has assigned buy ratings to securities rated Outperformer, hold ratings to securities rated Neutral, and sell ratings to securities rated Underperformer. The distributions above reflect the combined historical ratings of CIBC World Markets Corp. and CIBC World Markets Inc.

Important disclosures required by applicable rules can be obtained by visiting CIBC World Markets on the web at <http://researchcentral.cibcwm.com/>. Important disclosures for each issuer can be found using the "Coverage" tab on the top left of the Research Central home page. Access to the system for rating investment opportunities and our dissemination policy can be found at the bottom of each page on the Research Central website. These important disclosures can also be obtained by writing to CIBC World Markets Corp., 425 Lexington Avenue, New York, NY 10017 (212-856-4000) or CIBC World Markets Inc., 161 Bay Street, 4th Floor, Toronto, ON M5H 2S8, Attention: Research Disclosures Request.

CIBC World Markets Corp./Inc. Price Chart

For price and performance charts required under NYSE and NASD rules, please visit CIBC on the web at <http://apps.cibcwm.com/pricecharts/> or write to CIBC World Markets Corp., 425 Lexington Avenue, New York, NY 10017 (212-856-4000) or CIBC world Markets Inc., 161 Bay Street, 4th Floor, Toronto, ON M5H 2S8, Attn: Research Disclosure Chart Request.



Legal Disclaimer

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada (“IIROC”), the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, is Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, (c) in Australia to wholesale clients only, CIBC Australia Ltd, a company regulated by the ASIC with AFSL license number 240603 and ACN 000 067 256, and (d) in Japan, CIBC World Markets (Japan) Inc., a registered Type 1 Financial product provider with the registration number Director General of Kanto Finance Bureau #218 (collectively, “CIBC World Markets”) and (e) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors (“MII”) (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority (“FINRA”). U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer). CIBC World Markets Corp. accepts responsibility for the content of this research report.

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of Retail investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Ltd.

This report has been prepared by the CIBC group and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance, Cap 571 (the “SFO”). This report is intended for “professional investors” only (within the meaning of the SFO) and has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this report should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen’s Road Central, Hong Kong (telephone number: +852 2841 6111). Orders for Hong Kong listed securities will be executed by Canadian Imperial Bank of Commerce, Hong Kong Branch. Canadian Imperial Bank of Commerce, Hong Kong Branch has entered into an arrangement with its broker-dealer affiliates worldwide to execute orders for securities listed outside of Hong Kong for Hong Kong clients.

This report is intended for distribution in Singapore solely to “institutional investors” (within the meanings of the Financial Advisers Act (Chapter 110 of Singapore)).

The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC World Markets. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. The analyst writing the report is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the report. Before making an investment decision with respect to any security recommended in this report, the recipient should consider whether such recommendation is appropriate given the recipient’s particular investment needs, objectives and financial circumstances. CIBC World Markets suggests that, prior to acting on any of the recommendations herein, Canadian retail clients of CIBC World Markets contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Non-client recipients of this report who are not institutional investor clients of CIBC World Markets should consult with an independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. CIBC World Markets will not treat non-client recipients as its clients solely by virtue of their receiving this report.

Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report. The price of the securities mentioned in this report and the income they produce may fluctuate and/or be adversely affected by exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. CIBC World Markets accepts no liability for any loss arising from the use of information contained in this report, except to the extent that liability may arise under specific statutes or regulations applicable to CIBC World Markets.

Information, opinions and statistical data contained in this report were obtained or derived from sources believed to be reliable, but CIBC World Markets does not represent that any such information, opinion or statistical data is accurate or complete (with the exception of information contained in the Important Disclosures section of this report provided by CIBC World Markets or individual research analysts), and they should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice.

Nothing in this report constitutes legal, accounting or tax advice. Since the levels and bases of taxation can change,

Legal Disclaimer (Continued)

any reference in this report to the impact of taxation should not be construed as offering tax advice on the tax consequences of investments. As with any investment having potential tax implications, clients should consult with their own independent tax adviser.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC World Markets has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Although each company issuing this report is a wholly owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation ("FDIC"), the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of CIBC, (iii) will not be endorsed or guaranteed by CIBC, and (iv) will be subject to investment risks, including possible loss of the principal invested. The CIBC trademark is used under license.

© 2018 CIBC World Markets Inc. and CIBC World Markets Corp. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets is prohibited by law and may result in prosecution.