Market Outlook

As risk managers, we are focused on meeting our clients' reasonable expectations regarding their individual goals and time horizons. To do this, we make sure their portfolios reflect the appropriate asset mix for their circumstance and that the asset allocation is best positioned for today's economy and the financial markets.

Here is a brief overview of what is influencing our management decisions for our model portfolios. A more detailed report containing further analysis on what we see lying ahead will follow soon.

CANADA

Our economic growth is heavily influenced by the price of oil and the strength of the U.S. economy which remains on track and should stave off a recession in Canada. As a result, we anticipate modest (1 – 2%) GDP growth in Canada for the year ahead.

The price of oil will continue to recover but at a much slower pace than originally thought. Announced infrastructure spending in the recent Federal budget was lower than we had expected, and as a result, will not provide as much of a stimulus to economic growth as we had hoped.

For these reasons, we remain underweight in the energy sector and will continue to seek out quality companies that earn some of their revenues outside of Canada and can continue to grow despite a weakened Canadian economy.

U.S.

Overall, our expectation for slow growth in the U.S. economy still holds. In this slow-growth environment, we expect the Federal Reserve (the Fed) to be cautious with respect to raising interest rates for the remainder of the year.

Europe

The key risks to the Eurozone continue to be the impact of a deepening economic slowdown in China and the political/economic ramifications of the refugee crisis. However, in our view, both of these risks have already been reflected in equity valuations.

SUMMARY

In general, our portfolios remain moderately underweight in equities due to some concerns we have with valuations. Because of this, we are maintaining our portfolios' allocation to investment-grade bonds, and higher than normal cash weightings.

Despite the recent rally in U.S. and Canadian investment grade corporate bonds, we believe the bond segment remains attractive, as European investors faced with negative interest rates look for higher yield. North America remains our preferred region, (primarily U.S.) for equities but we are optimistic about Europe as well.

April 22, 2016