Insights & Strategies

PRIVATE CLIENT SOLUTIONS

April 11, 2018

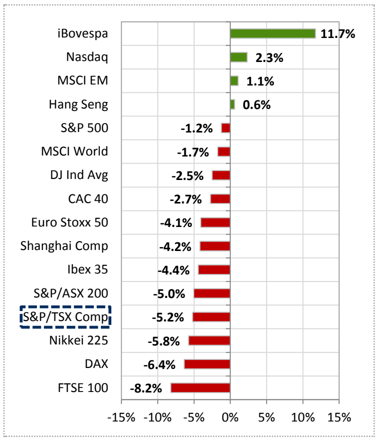
Quarterly Edition

Inside this Issue

Rattled But Unwavering

The first quarter of 2018 was a departure from the prior four quarters. From peak to trough, the S&P 500 and S&P/TSX swung ~10% over a matter of weeks. Compared to 2017, the first quarter reintroduced market volatility. There were 22 times during the quarter that the S&P 500 index closed up or down by greater than 1%; for all of 2017, that happened only eight times! It has been fascinating to see the shift in investor sentiment from euphoric highs to outright fear in a span of weeks. In January, the markets were bid up following the successful passing of US tax reform, but concern quickly shifted away from the benefits gained to concern over trade wars as Trump made good on another of his election promises to level the playing field.

2018-Q1 Returns



Source: Bloomberg

At least on the surface that is how it appeared. Protectionism measures make for great headlines and can strengthen the US's hand at the bargaining table, but the tariffs that have been announced will have very little economic impact. If we assume all of the Chinese tariff measures were implemented, as announced, they would affect less than ~3% of total goods imported to the US. Under this scenario, import prices would increase by less than 1%. Similarly, the steel and aluminium tariffs that sent the Canadian and Mexican markets into a tailspin also represent ~2% of total US imported goods, but over 70% of exporting countries (including Canada and Mexico) won last minute tariff exemptions, thus limiting the economic impact.

The market, however, is more concerned about the "what if". An escalating tit-for-tat trade war would have a very negative outcome for all involved. According to Bloomberg Economics, if the US slapped a 10% import tax on all goods and its trading partners retaliated, the cost to the global economy would be equivalent to ~0.5% of world GDP, or ~US$500bln. A true trade war would be very disruptive to not only the global economy, but the US economy as well, and we highly doubt Trump would be willing to cause economic turmoil ahead of the US mid-term elections.

With the S&P 500 essentially erasing all the gains achieved from tax reform, we're left with a market set to grow earnings in the double-digit range, accelerating corporate buyback programs and reset investor sentiment. The S&P 500 now trades at ~16.5x forward earnings, down from 18.7x achieved in January and a peak of 20.1x in December 2017. The S&P/TSX trades at a discount to the US market at 15.7x forward earnings, down from 16.5x in January and 17.6x in December.

As we enter the second quarter of the year with more attractive equity market valuations and underlying fundamentals still supportive, we will revisit some of the themes we laid out at the beginning of the year in this publication.

Please read domestic and foreign disclosure/risk information beginning on page 14.

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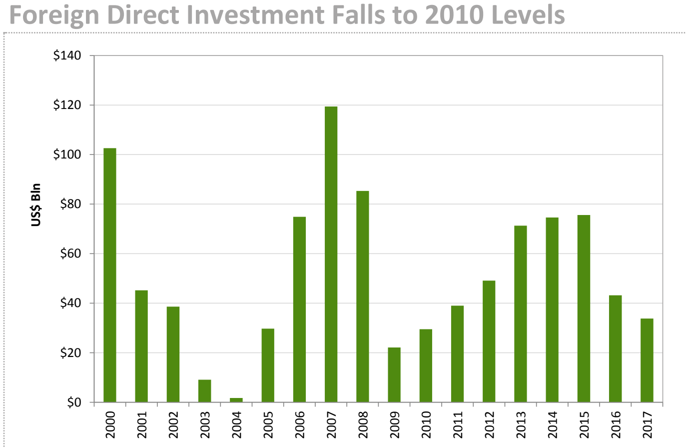
RAYMOND JAMES

Supportive Global Growth

Global growth remains on track, but we did experience some softening during Q1/18. Globally, purchasing manager indices (PMIs) retraced from the elevated levels achieved toward the end of 2017. Nonetheless, PMIs continue to trend firmly within expansionary territory, and the breadth and strength of the global expansion remains on track which is supportive of corporate earnings. Over the past three months, global corporate earnings expectations have been revised higher by 5%.

The synchronized global growth, however, did not help the Canadian equity market as we've been largely stuck in neutral despite the more attractive relative valuation and rebound in commodity prices. We believe the ongoing NAFTA negotiations have a lot to do with our market's underperformance, as foreign investors have shown a lack of interest due to the potential negative trade outcomes. Ultimately, we believe a NAFTA deal will be achieved which will remove a significant overhang on our market and should serve as a catalyst to allow foreign capital to flow back into Canadian equities.

Foreign Direct Investment Falls to 2010 Levels



Source: Bloomberg, Raymond James Ltd.

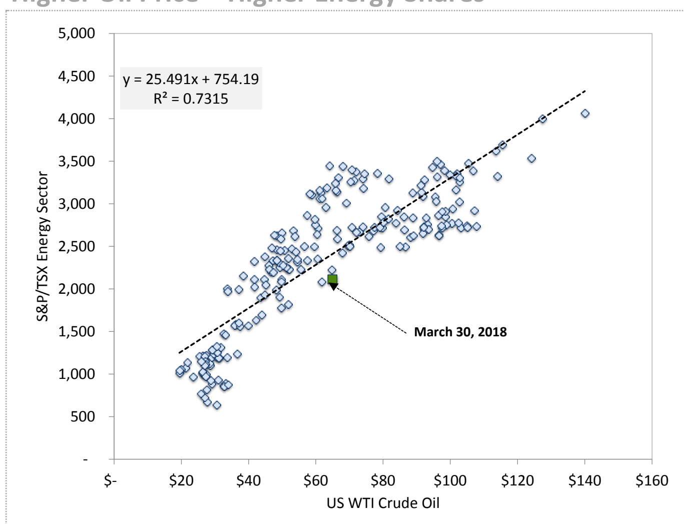
Late Cycle Plays

Two themes we touched on early this year were energy and materials. In the event foreign capital returns, we believe investors will look toward the Canadian energy and material sectors given both have failed to keep up with the rise in commodity prices. Additionally, investors may gravitate toward the materials sector to benefit from rising inflation and supportive global growth.

We have seen a significant decoupling within the energy sector as energy stocks have failed to participate in the oil rally. Initially, as the commodity moved from US$26/bbl to US$55/bbl, energy shares participated in the rally; however, more recently, energy has underperformed as the commodity moved from US$42/bbl to US$64/bbl. To put the entire move into perspective, WTI oil prices have gained 137% since bottoming in February 2016 while the S&P/TSX energy sector has gained just 16%. As a percentage of the overall S&P/TSX index, the Canadian energy sector currently represents ~18%, a weighting that is smaller today than when oil was trading at US$26/bbl!

Another way to view this is by regression analysis, which shows the historical relationship between the commodity and the S&P/TSX energy sector. In the chart below, we can see the sector and the commodity have a very strong relationship (R-squared = 0.73), which suggests higher oil prices should correspond with higher levels in the energy index. Based on the historical linear relationship, the existing level of the commodity and index level, energy shares appear to be undervalued.

Higher Oil Price = Higher Energy Shares



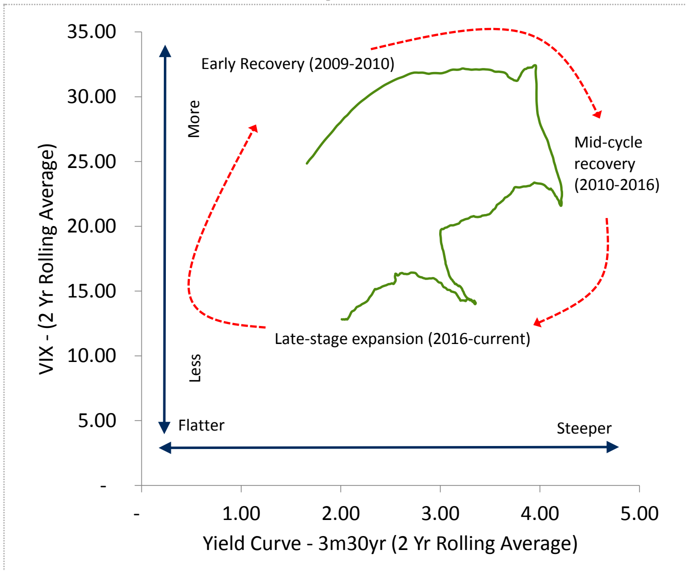
Source: Bloomberg, Raymond James Ltd.

Cycle update

We outlined our rationale earlier this year to support our belief that we are late in the equity market cycle. Economic cycles come in four broad phases – recession, early recovery, mid-cycle and late-stage expansion. Each phase has defining characteristics with the yield curve being one of the more important indicators. The yield curve tells us what the bond market thinks about the economy. We can incorporate equity market volatility and plot the relationship between the two to give us a sense of where we are in the cycle.

As the economy climbs out of recession into early expansion (2009), the yield curve steepens and volatility begins to fall. As the expansion matures, the yield curve flattens and equity market volatility starts to rise (today). This pattern is consistent across previous economic cycles. In the chart below, we illustrate the current cycle, which reveals that we are in a period of a flattening yield curve and low volatility, but the trend for volatility is beginning to rise. A continued flattening of the yield curve with a corresponding increase in volatility would give us reason to become more cautious.

Yield Curve & VIX – Late Cycle Behaviour



Source: Bloomberg, Raymond James Ltd.

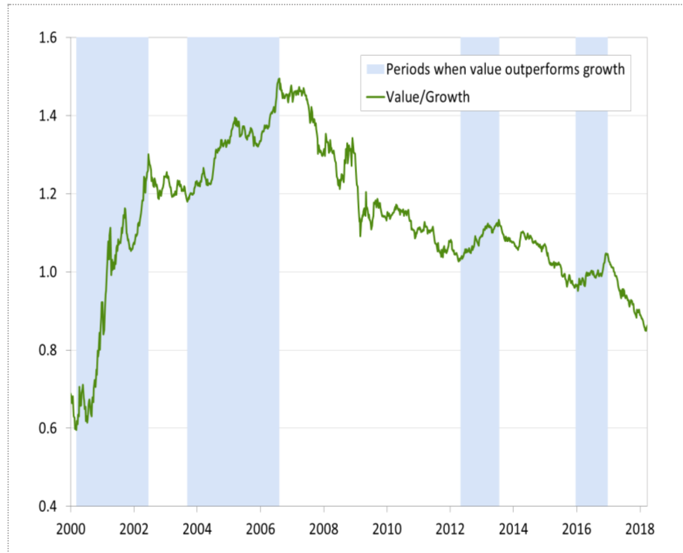
Historically late cycle sectors such as the energy, materials and industrials sectors perform well. Thus far energy and materials have lagged, while industrials have performed well year to date.

Contrarian Value Call

At the beginning of the year we postulated that value stocks would make a comeback, benefitting from the improved global growth outlook. However, this value call remains elusive, as growth has continued to outperform value for much of Q1/18.

Over the long term, we believe investors should focus on secular growth stories and we acknowledge that growth tends to outperform in the late-stage of a bull market. However, we believe value investing will come back into favour in 2018 as the market works through the recent trade concerns and refocuses on the supportive fundamental backdrop and strong corporate earnings. As investor confidence is regained, we believe investors will look to underappreciated areas of the market such as value stocks.

Value Still Out of Favour



Source: Bloomberg, Raymond James Ltd.

Jason Castelli, CFA
VP, Portfolio Manager

Revisiting Our 2018 Equity Themes

In our January issue, we focused our Canadian equity picks under two themes: "Non-Canadian Canadian" and "Late Cycle Inflation". Non-Canadian Canadian" (NCC) refers to companies that, although domiciled in Canada and run by Canadian management teams, generate the majority of their revenue and profits from non-Canadian jurisdictions. Investing in NCC's provides Canadian investors with exposure to the US and other foreign economies without having to look outside the TSX. To us this presents a beneficial theme for 2018 where we expect to see stronger GDP growth in the US due to regulatory changes and tax reform; a higher US dollar thanks to a more aggressive Fed, and less economic headwinds surrounding real estate markets and trade.

Non-Canadian Canadian

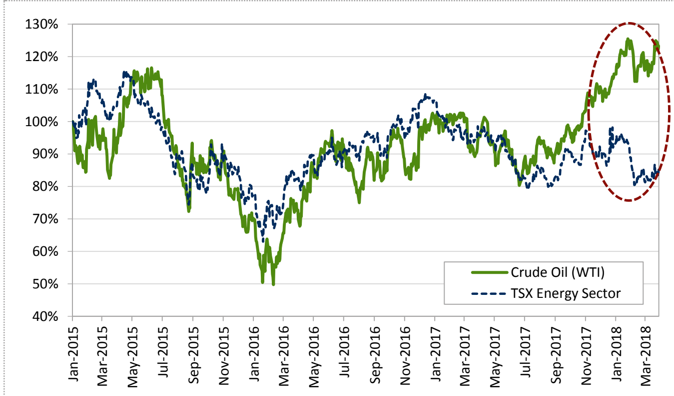
We highlighted 22 stocks in January that qualify as Non-Canadian Canadian companies (>50% of revenue from outside of Canada). In this group we have left out natural resource companies, as geographic location has less impact on profit due to the fact that most major commodities are priced in US dollars. Looking at the group three months into a difficult year for equity markets, we did see a benefit in holding the names over the broader index, with an average return of -3.7% vs. -4.5% for the S&P/TSX.

Looking at our top picks within the list, **Kinaxis (KXS-T)**, **Waste Connections (WCN-T)**, **Intertape Polymer (ITP-T)**, **Alimentation Couche Tard (ATD.B-T)** and **Manulife Financial (MFC-T)** also outperformed but still with a negative average return of -2.4%. Looking forward, we continue to see the merits of the NCC investment theme as the US economy and dollar are both expected to outperform their Canadian counterparts.

Late Cycle, Inflation - Oil

Our second theme of "Late Cycle Inflation" pointed to a tight US labour market and strengthening GDP growth (both in the US and around the world) leading to higher wages, more expensive commodities, stronger aggregate demand and moderately higher inflation. Energy, specifically crude oil, is historically one of the key industry sectors that benefits from inflation in the late stages of an economic expansion. Moreover, when looking at the performance of equity prices vs. the commodity, we saw a valuation disconnect that proved even more attractive. Three months into the year, we have not seen the equity price response we would have expected, but it is still early. Recreating the chart from our January report, we still see the continuance of a large disconnect between Canadian oil equities and oil prices, despite the West Texas Intermediate (WTI) benchmark remaining firmly in the US$60.00/bbl range through Q1 2018 – a three year high.

Crude Oil vs. TSX Energy Sector Performance



Source: Bloomberg, Raymond James Ltd.

Non-Canadian Canadian companies (>50% of revenue from outside of Canada)

Company	Sym	Industry	USA	Can	Oth	Company	Sym	Industry	USA	Can	Oth
Kinaxis	KXS	Technology	93%	5%	3%	Fortis	FTS	Utilities	46%	49%	4%
Algonquin Power	AQN	Utilities	91%	9%	0%	CCL Industries	CCL.B	Materials	46%	5%	49%
Waste Connections	WCN	Industrials	88%	12%	0%	Sun Life Financial	SLF	Financials	41%	41%	17%
Gildan Activewear	GIL	Con. Discr.	87%	8%	5%	Brookfield Ass. Mgmt	BAM.A	Financials	41%	22%	36%
Intertape Polymer	ITP	Industrials	83%	7%	10%	Manulife Financial	MFC	Financials	40%	25%	36%
Cott Corporation	BCB	Con. Discr.	76%	7%	17%	WSP International	WSP	Industrials	37%	17%	46%
Emera	EMA	Utilities	70%	24%	6%	Maxar Technologies	MAXR	Industrials	29%	29%	43%
Brookfield Prop. Part	BPY.UN	Real Estate	70%	4%	26%	Brookfield Infra.	BIP.UN	Utilities	25%	10%	65%
Nutrien	NTR	Materials	65%	18%	17%	Shawcor	SCL.B	Energy	22%	28%	50%
Alimentation Couche.	ATD.B	Con. Discr.	63%	13%	24%	Bank of Nova Scotia	BNS	Financials	13%	49%	38%
Open Text	OTEX	Technology	48%	9%	43%	Dream Global REIT	DRG.UN	Real Estate	0%	0%	100%

Source: Bloomberg, Raymond James Ltd.

We can partly attribute the disparity to fears over NAFTA negotiations as well as higher discounts for Canadian heavy crude (WCAS - Western Canadian Select) caused by a lack of spare pipeline capacity. We are cautiously optimistic on NAFTA as the Trump administration has been calling for a positive resolution to the negotiations at the same time it is turning its ire towards the Chinese. Differential issues will likely remain for the immediate future but a falling Canadian dollar will help adjust for the price disadvantage.

Our three oil picks in January focused on quality and, like the NCC picks, beat the index but still produced a negative total return. **Canadian Natural Resources (CNQ-T), Vermilion Energy (VET-T)** and **Whitecap Resources (WCP-T)** had a total average return of -9.3%, just ahead of the S&P/TSX Oil & Gas Producers index at -9.7%. We continue to stick with these names but recently added a new idea to our list, **Enerplus Resources (ERF-T)**. Like VET (60% Europe and Australia), Enerplus gets over 50% of its production from outside of Canada (light oil and natural gas in the US), and like VET and WCP, it has no material exposure to heavy oil. As a result, we think these names could outperform the broader Canadian oil index which is highly weighted to heavy oil/oil sands-related names.

Late Cycle, Inflation - Gold

The last investment theme we talked about in January was gold. Like the oils, gold producers tend to outperform in the latter part of the economic cycle and are historically a strong hedge against inflation. In the context of the US economy, we continue to see numerous markers pointing to higher inflation. Whether it is Fed policy, employment, wage growth, tax cuts, foreign cash repatriation, government spending or immigration policies, we see more room for inflation to move upwards than downwards. Under our current base case outlook, we believe the above factors will create inflation but at manageable levels for the US economy (i.e. <3.0% for 2018). However, we can also map out some more extreme scenarios (a US trade war with China, major geopolitical event with Russia/North Korea/ISIS) that could create a steeper increase to inflation rates. Under either case, owning some gold is always good for portfolio insurance.

US Core CPI

Source: Bloomberg, Raymond James Ltd.

In January, we highlighted our three favourite names: **Agnico Eagle (AEM-T)**, **Franco Nevada (FNV-T)** and **Detour Gold (DGC-T)**. Their performance for the first quarter was disappointing (average return of -10.1% vs -7.2% for the S&P/TSX Materials index) but we still see the three names as a good mix between growth, quality and safety, and they remain our top picks.

Robert Mark, CFA
Portfolio Manager

Finding a Responsible Investment

There are many important factors to consider when choosing the best investments for your portfolio. Nailing down the right mix of equities and fixed income typically comes first, with the appropriate geographical allocation coming next. Once these crucial components have been decided, it's time to select the best manager or investment strategy. Do you want pure-play beta exposure through an index ETF, or do you want some active management and stock selection? One core tenet of selecting the right investment strategy that is gaining prominence is Socially Responsible Investing or Environmentally Responsible Investing. We'll use RI or responsible investing for short. RI is the process of looking for companies that meet specific parameters around either their social or environmental footprint. In a world where disruptive technologies are fundamentally shifting the economic landscape, we think there is no better time to have a critical look at how our investment managers view risk and are planning for the future.

Recap on Responsible Investing

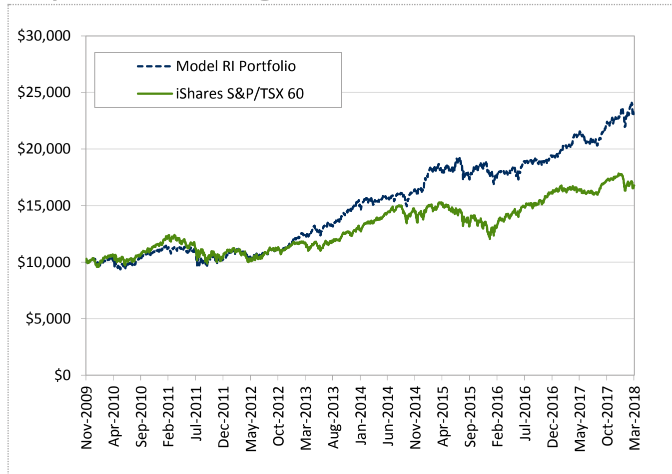
Our May 2017 issue provided a foundation of what RI is and the difference between positive and negative screening of companies. To remind the reader, a negative screen excludes certain companies or industries involved in tobacco, gambling or oil, for example, while positive screens look for industry leaders within those same fields, e.g. oil companies investing in renewable energy sources. In this article, we focus on both finding a manager that specifically employs an RI approach, and the risk mitigation benefits we feel are provided by investment strategies that take long-term sustainable views.

The Canadian Landscape

So what does the Canadian landscape look like for dedicated RI funds? According to Morningstar Direct, there are over 3700 unique mutual fund and ETF strategies (funds) available to Canadian investors. When we isolate managers that have a specific focus on RI, the list is narrowed down to only 74 funds.

Although limited in number, some of these funds have performed well compared to their non-RI peers when put through Raymond James' quant screen. For example, at least one RI mandate scored within the top 10 for Canadian Equity and Global Equity, and another placed 13th on International Equity. When combined into a sample globally diversified portfolio, these dedicated RI mandates have a correlation of .5 to the TSX and outperformed the index by over 500 basis points annualized over 5 years. Beyond decent performance this combination of SRI mandates was able to deliver 80% upside capture and limit the downside capture to 40%.

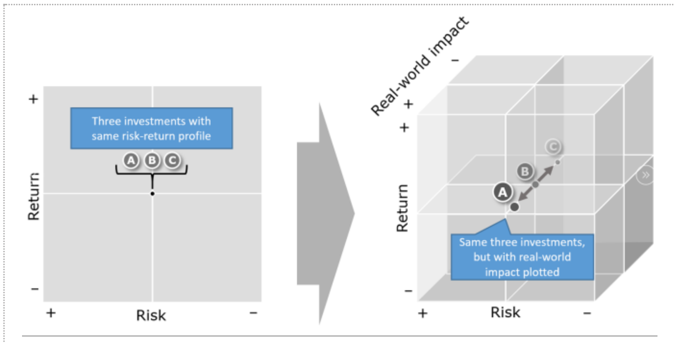
Responsible Investing Model vs TSX 60



Source: Morningstar Direct, Raymond James Ltd.

If switching to a dedicated RI mandate isn't something you want to do, you can still participate in RI by looking to see if your current asset management company has some positive screening components built into their investment process. One of the easiest ways to do this is see if they are a signatory of the United Nations – Principles for Responsible Investing (UNPRI). Many companies have signed this pledge towards RI and transparency in the investment process. The UNPRI is a list of six guiding principles for RI and, although these principles are voluntary, we see signatories to this agreement as taking the first step towards a more transparent, forward-thinking investment philosophy. One of the requirements of signatories is a disclosure of how RI influences their investment process and their firm's investment philosophy. This provides a one stop shop to compare asset management companies and their stated guidelines which is useful in many different scenarios.

However, RI mandates have not continued to grow net new assets year over year just because of the perceived good karma associated with it. Some of the largest proponents of RI today are large pension funds looking to mitigate risk and align with their sponsor organizations. In terms of risk mitigation, the UNPRI investment philosophy does an excellent job of framing how risk should be viewed. In their view, risk should be considered in three-dimensions (see below), with the traditional risk and reward, but then also looking at the real-world impact of those decisions as well. What's interesting is that for several notable asset managers, mandating an RI approach can actually mean very little changes to how their current portfolios are constructed. Take for example Franklin Templeton, who from the start of managing money restricted their portfolio managers from purchasing tobacco.



Source: https://www.unpri.org/asset-owners/investment-strategy

Another positive impact of RI risk mitigation is the additional social and governance screening applied through the RI process. By taking the time to look at how a company is treating their employees and positioning itself for a rapidly modernizing world, portfolio managers have a better understanding of the inherent risk those businesses are faced with. When those same companies are taking a long term approach to tackling these disruptive technologies and new risks, we feel they will be in a significantly better position than their peers who might just be worried about short term performance metrics. The combined effect in your portfolio should be a smoother, more sustainable investment return not just for your future, but for the environment and society as well.

Spencer Barnes, M.Sc
Mutual Funds & ETF Specialist

Greenback Continues to Strengthen

As discussed in our initial 2018 outlook publication, we continue to see the USDCAD pair trading in a relatively narrow range in 2018. However, we feel it is important to touch on a few topics which have developed since the beginning of the year. For starters, statements from both the Fed and the BoC have provided the market with critical information concerning their respective outlooks for the economy and the pace of future rate hikes, which has impacted the outlook for the USDCAD pair going forward. In addition to updated monetary policies, progress has been made on the NAFTA front which has resulted in some CAD-positive movements. The introduction of trade tariffs and fears of a brewing global trade war, coupled with ongoing political shakeup emanating from Trump's administration, have rattled global equity markets and even spilled over into the currency markets as well.

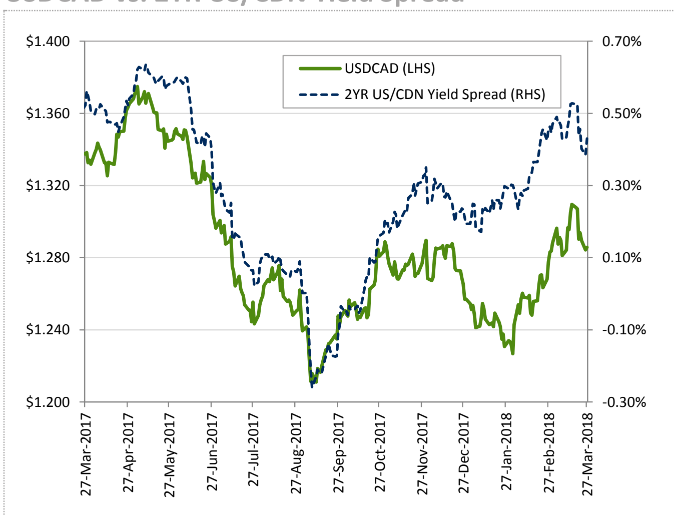
New Fed Chair Jerome Powell kicked off his term with a 25bp hike to the Federal Funds Rate as expected to 1.75%, with the tone leaning to the hawkish side. However, the market was clearly looking for guidance pointing to four rate hikes this year, but was left disappointed when the median dot plot for 2018 remained at three hikes. Nonetheless, Fed estimates did show a steeper path for rate increases in 2019-2020 and added that, "the economic outlook has strengthened in recent months." The USDCAD pair sold off on the news as the market began to unwind its probability of a fourth rate hike.

The BoC on the other hand, reiterated its cautious tone and dependency on economic data to dictate the pace of future rate hikes. BoC Governor Poloz made some striking comments, stating that Canada is in a "sweet spot" of the business cycle which the BoC has an "obligation to nurture." He also went on to state that there is untapped supply potential in the economy that can be leveraged to expand the economy without fueling inflation. In a nutshell, it appears that Poloz plans to run the economy hot and is not looking to increase the pace of future rates hikes, especially with a consumer base that has amassed record levels of household debt; this dovish tone from Poloz caused the USDCAD pair to jump over 1%.

On the NAFTA front, both the CAD and MXN currencies caught a bid and some well-needed relief after reports indicated that the US government dropped a key demand from negotiations that all vehicles made in Canada and Mexico for export to the US contain at least 50% US-made parts. Because autos have been a key negotiating point from the beginning, this will surely clear the way for a deal to be made sooner than later, perhaps before the Mexican election on July 1st.

Trade tariffs have surely dominated the air waves following Trump's announcement of steel and aluminum tariffs. While some countries were later exempted from these tariffs, which included Canada, Trump rattled the markets further by imposing $50-60bn worth of tariffs on Chinese imports and heightening fears of an all-out trade war between the two super-economies. While China responded with $3bn worth of tariffs of their own on US imports, market participants are fearing that this is just the beginning. In recent days, we have seen trade tensions ease as investors appear to have shaken off some of their fears, with comments from US Treasury Secretary Mnuchin that a trade agreement can hopefully be negotiated with China. As we pointed out in the February issue, we continue to believe that Trump's protectionist policies and his "America first" position will be a significant headwind for the Greenback and a major source of volatility.

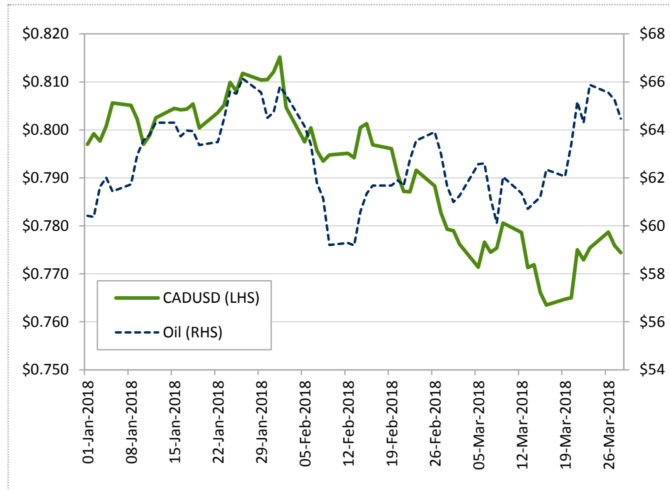
USDCAD vs. 2YR US/CDN Yield Spread



Source: Bloomberg, Raymond James Ltd.

What does all this mean for the USDCAD currency pair? The Loonie has rebounded significantly in recent weeks, supported by positive NAFTA headlines, narrowing US-Canadian short-term interest rate spreads, firmer oil and a stronger-than-expected Canadian CPI print. Oil continues to trade higher on the back of OPEC's desire to keep production cuts in place into 2019, pushing the Loonie to trade higher versus its G10 peers, with the exception of the Greenback.

CADUSD vs. Crude - YTD



Source: Bloomberg, Raymond James Ltd.

However, with a hawkish Fed and dovish BoC, we continue to believe that there is more upside potential for the Greenback going forward. While the unfolding trade situation surely adds mixed views to the discussion, we see more downside risks for the Canadian economy in the short- to medium-term and the cautious tone emanating from the BoC clearly coincides with this view. The US economy, on the other hand, has been displaying healthy sustainable growth, and a stronger US economy will result in a larger demand for Canadian exports, which will surely be good news for the Loonie. For these reasons, we have decided to fine-tune our H1 and H2 calls for 2018 based on our base-case scenario for the USDCAD pair to close out the year essentially flat. We kicked off 2018 with the pair trading in the 1.24-1.25 range and expect the pair to end the year here. We continue to believe that the USD will outperform CAD in H1/2018 and will trade in the 1.27-1.30 range, adjusted from 1.25-1.28. In the back-end of the year, we believe that a formal NAFTA agreement, firmer oil and a BoC rate hike on the back of a stronger domestic economy will push the pair to trade in the 1.24-1.27 range, adjusted higher from 1.21-1.24, in H2/2018.

USDCAD Forecast

H1/2018		H2/2018	
Previous	Current	Previous	Current
1.25 - 1.28	1.27 - 1.30	1.21 - 1.24	1.24 - 1.27

Ajay Virk & Chris Antony, CFA
Fixed Income & Foreign Exchange

Quarterly Chart Package

Long-Term Market Returns

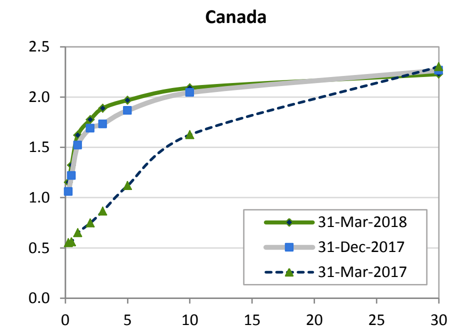
	Currency	Level	1 Mo	3 Mo	6 Mo	YTD	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	10 Yr
Canada												
S&P/TSX Comp	CAD	15,367	-0.5%	-5.2%	-1.7%	-5.2%	-1.2%	6.7%	1.0%	1.8%	3.8%	1.4%
S&P/TSX Comp TR	CAD	51,562	-0.2%	-4.5%	-0.3%	-4.5%	1.7%	9.8%	4.1%	4.8%	6.9%	4.5%
S&P/TSX 60 Comp	CAD	909	-0.5%	-5.3%	-1.4%	-5.3%	-0.7%	7.2%	1.5%	2.6%	4.4%	1.5%
S&P/TSX Small Cap	CAD	606	-1.5%	-8.2%	-4.5%	-8.2%	-8.8%	7.4%	1.9%	-1.9%	0.7%	-1.0%
United States												
S&P 500 Comp	USD	2,641	-2.7%	-1.2%	4.8%	-1.2%	11.8%	13.2%	8.5%	9.0%	11.0%	7.2%
S&P 500 Comp TR	USD	5,173	-2.5%	-0.8%	5.8%	-0.8%	14.0%	15.6%	10.8%	11.3%	13.3%	9.5%
Dow Jones Ind Avg	USD	24,103	-3.7%	-2.5%	7.6%	-2.5%	16.6%	16.7%	10.7%	10.0%	10.6%	7.0%
NASDAQ Comp	USD	7,063	-2.9%	2.3%	8.7%	2.3%	19.5%	20.4%	13.0%	13.9%	16.7%	12.0%
S&P 600 Small Cap	USD	938	1.9%	0.2%	3.8%	0.2%	11.2%	16.9%	9.2%	8.7%	12.0%	9.9%
International												
DJ Euro Stoxx 50	EUR	3,362	-2.3%	-4.1%	-6.5%	-4.1%	-4.0%	5.8%	-3.1%	1.5%	5.1%	-0.8%
FTSE 100 (UK)	GBP	7,057	-2.4%	-8.2%	-4.3%	-8.2%	-3.6%	6.9%	1.4%	1.7%	1.9%	2.2%
CAC 40 (France)	EUR	5,167	-2.9%	-2.7%	-3.0%	-2.7%	0.9%	8.6%	0.9%	4.2%	6.7%	0.9%
DAX (Germany)	EUR	12,097	-2.7%	-6.4%	-5.7%	-6.4%	-1.8%	10.2%	0.4%	6.1%	9.2%	6.4%
IBEX 35 (Spain)	EUR	9,600	-2.4%	-4.4%	-7.5%	-4.4%	-8.2%	4.9%	-5.9%	-1.8%	3.9%	-3.2%
CSI 300 (China)	CNY	3,899	-3.1%	-3.3%	1.6%	-3.3%	12.8%	10.1%	-1.3%	16.1%	9.3%	0.3%
HANG SENG (Hong Kong)	HKD	30,093	-2.4%	0.6%	9.2%	0.6%	24.8%	20.4%	6.5%	8.0%	6.2%	2.8%
NIKKEI 225 (Japan)	JPY	21,454	-2.8%	-5.8%	5.4%	-5.8%	13.5%	13.1%	3.8%	9.7%	11.6%	5.5%
TOPIX (Tokyo)	JPY	1,716	-2.9%	-5.6%	2.5%	-5.6%	13.5%	12.9%	3.6%	9.3%	10.7%	3.5%
KOSPI (S. Korea)	KRW	2,446	0.8%	-0.9%	2.1%	-0.9%	13.2%	10.7%	6.2%	5.3%	4.1%	3.7%
S&P/ASX 200 (Australia)	AUD	5,759	-4.3%	-5.0%	1.4%	-5.0%	-1.8%	6.4%	-0.8%	1.6%	3.0%	0.7%
BOVESPA (Brazil)	BRL	85,366	0.0%	11.7%	14.9%	11.7%	31.4%	30.6%	18.6%	14.1%	8.7%	3.4%
BOLSA (Mexico)	MXN	46,125	-2.8%	-6.5%	-8.4%	-6.5%	-5.0%	0.3%	1.8%	3.3%	0.9%	4.1%
S&P BSE Sensex (India)	INR	32,969	-3.6%	-3.2%	5.4%	-3.2%	11.3%	14.1%	5.6%	10.2%	11.8%	7.7%
Other												
MSCI World	USD	2,067	-2.4%	-1.7%	3.3%	-1.7%	11.5%	12.0%	5.9%	5.4%	7.6%	3.7%
MSCI EAFE	USD	2,006	-2.2%	-2.2%	1.6%	-2.2%	11.9%	10.2%	2.7%	1.2%	3.7%	-0.2%
MSCI Emerging Markets	USD	1,171	-2.0%	1.1%	8.2%	1.1%	22.2%	18.3%	6.3%	4.2%	2.5%	0.6%
MSCI Far East	USD	3,670	-2.8%	-0.1%	8.0%	-0.1%	17.2%	14.6%	6.1%	7.0%	6.4%	2.3%
MSCI Europe	USD	1,751	-1.5%	-2.6%	-0.7%	-2.6%	11.5%	9.0%	1.9%	-0.5%	3.5%	-1.0%
C$ Indices												
S&P 500 Comp	CAD		-2.2%	1.4%	8.4%	1.4%	8.3%	12.8%	9.1%	13.3%	16.4%	9.6%
S&P 500 Comp TR	CAD		-2.0%	1.8%	9.5%	1.8%	10.4%	15.1%	11.4%	15.7%	18.8%	12.0%
Dow Jones Ind Avg	CAD		-3.2%	0.1%	11.3%	0.1%	13.0%	16.3%	11.3%	14.3%	16.0%	9.5%
MSCI World	CAD		-1.9%	0.8%	6.9%	0.8%	8.0%	11.5%	6.5%	9.6%	12.8%	6.1%
MSCI EAFE	CAD		-1.7%	0.4%	5.1%	0.4%	8.4%	9.7%	3.3%	5.1%	8.7%	2.2%
MSCI Emerging Markets	CAD		-1.5%	3.7%	12.0%	3.7%	18.3%	17.8%	6.9%	8.3%	7.5%	2.9%
MSCI Far East	CAD		-2.3%	2.5%	11.7%	2.5%	13.6%	14.2%	6.7%	11.2%	11.6%	4.6%
MSCI Europe	CAD		-1.0%	0.0%	2.7%	0.0%	8.0%	8.5%	2.5%	3.4%	8.5%	1.3%
Canadian Dollar	USD/CAD	$1.29	0.5%	2.6%	3.4%	2.6%	-3.1%	-0.4%	0.6%	3.9%	4.9%	2.3%

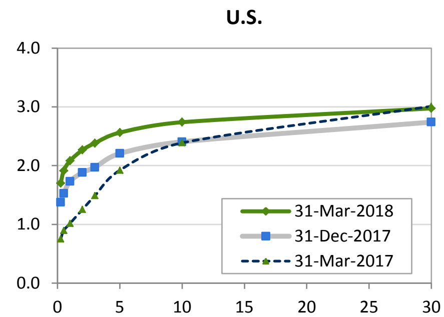
Source: Bloomberg, Raymond James Ltd. All return numbers greater than one year are annualized. Performance as at March 31, 2018.

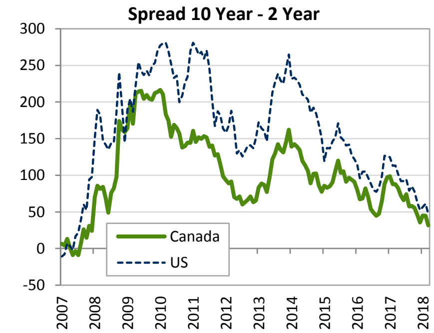
	Level	1 Mo	3 Mo	6 Mo	YTD	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	10 Yr
S&P/TSX Sectors											
Consumer Discretionary	2,284	0.3%	-3.4%	0.5%	-3.4%	9.2%	10.8%	4.8%	10.3%	13.9%	7.6%
Consumer Staples	4,427	-1.7%	-6.2%	-0.8%	-6.2%	-2.5%	-0.4%	4.5%	12.7%	14.8%	11.6%
Energy	2,113	1.3%	-10.4%	-10.5%	-10.4%	-14.0%	-1.0%	-7.1%	-9.7%	-5.1%	-4.5%
Financials	2,712	-1.2%	-4.2%	0.3%	-4.2%	2.2%	10.3%	6.1%	6.2%	8.4%	4.9%
Health Care	417	0.2%	-13.7%	26.3%	-13.7%	27.7%	-13.4%	-47.8%	-30.1%	-17.8%	1.2%
Industrials	2,913	-2.4%	-3.0%	0.8%	-3.0%	9.0%	15.5%	6.1%	9.2%	11.4%	9.1%
Information Technology	296	-1.3%	10.1%	13.7%	10.1%	19.7%	15.5%	12.2%	18.1%	19.0%	-2.7%
Materials	2,153	0.1%	-4.6%	-0.2%	-4.6%	-4.2%	8.7%	1.9%	-1.2%	-4.2%	-4.3%
Real Estate	3,163	1.7%	-0.7%	4.0%	-0.7%	1.7%	2.3%	0.4%	5.9%	5.7%	5.3%
Telecom Services	1,407	-1.3%	-7.8%	-4.8%	-7.8%	-2.3%	0.5%	3.6%	4.3%	3.6%	5.0%
Utilities	2,016	1.6%	-6.9%	-5.5%	-6.9%	-6.9%	1.4%	0.1%	1.5%	1.0%	0.8%
S&P 500 Sectors											
Consumer Discretionary	807	-2.5%	2.8%	12.5%	2.8%	15.2%	13.3%	10.5%	12.0%	13.9%	12.7%
Consumer Staples	542	-1.3%	-7.8%	-2.5%	-7.8%	-3.6%	-0.2%	2.6%	5.2%	5.7%	6.4%
Energy	498	1.6%	-6.6%	-1.7%	-6.6%	-3.1%	3.8%	-4.1%	-6.5%	-3.1%	-1.1%
Financials	458	-4.5%	-1.4%	6.6%	-1.4%	16.0%	22.7%	12.1%	11.0%	13.3%	3.2%
Health Care	941	-3.2%	-1.6%	-0.6%	-1.6%	9.4%	9.6%	3.8%	8.6%	12.0%	10.1%
Industrials	625	-2.8%	-2.0%	3.4%	-2.0%	11.7%	13.7%	9.2%	8.5%	11.5%	6.3%
Information Technology	1,142	-3.9%	3.2%	12.1%	3.2%	26.0%	24.4%	18.1%	17.6%	18.8%	12.6%
Materials	356	-4.4%	-6.0%	0.1%	-6.0%	8.4%	12.4%	5.1%	4.5%	7.6%	3.6%
Real Estate	192	3.3%	-5.8%	-3.6%	-5.8%	-1.7%	-1.3%	-0.2%	4.8%	3.8%	2.9%
Telecom Services	152	-1.1%	-8.7%	-6.6%	-8.7%	-9.6%	-6.3%	-0.3%	-0.4%	-0.8%	0.5%
Utilities	256	3.4%	-4.2%	-4.8%	-4.2%	-1.6%	0.8%	4.3%	5.0%	5.2%	2.9%
Commodities											
Energy											
Crude Oil - WTI (US$/bbl)	$64.94	5.4%	7.5%	25.7%	7.5%	28.3%	30.1%	10.9%	-10.6%	-7.8%	-4.4%
Brent Crude (US$/bbl)	$70.27	6.8%	5.1%	22.1%	5.1%	33.0%	33.2%	8.4%	-10.1%	-8.6%	-3.5%
Natural Gas (US$/MMBtu)	$2.73	2.5%	-7.5%	-9.1%	-7.5%	-14.3%	18.1%	1.2%	-11.1%	-7.4%	-12.3%
Heating Oil (US$/gal)	$2.03	6.0%	-2.3%	12.0%	-2.3%	28.9%	30.8%	5.7%	-8.8%	-7.0%	-4.0%
Gasoline (US$/gal)	$2.02	14.8%	12.2%	25.6%	12.2%	18.7%	18.9%	4.3%	-8.8%	-8.3%	-2.6%
Metals											
Gold (US$/oz.)	$1,323	0.4%	1.0%	3.2%	1.0%	6.1%	3.5%	3.8%	0.8%	-3.7%	3.7%
Silver (US$/oz.)	$16.27	-0.3%	-5.1%	-2.4%	-5.1%	-10.9%	2.6%	-0.7%	-4.7%	-10.5%	-0.6%
Aluminum AA (US$/lb.)	$0.91	-6.0%	-11.6%	-4.6%	-11.6%	2.1%	14.8%	3.9%	2.9%	1.0%	-3.9%
Copper (US$/lb.)	$3.00	-3.1%	-7.4%	3.6%	-7.4%	15.0%	17.7%	3.6%	0.3%	-2.3%	-2.2%
Nickel (US$/lb.)	$5.94	-3.6%	4.2%	26.7%	4.2%	32.7%	25.2%	2.4%	-4.4%	-4.4%	-7.7%
Zinc (US$/lb.)	$1.46	-5.2%	-1.4%	3.5%	-1.4%	18.2%	34.2%	16.3%	13.4%	11.5%	3.5%
Soft											
Wheat (US$/bushel)	$4.51	-6.9%	5.6%	0.6%	5.6%	5.7%	-2.4%	-4.1%	-10.3%	-8.1%	-7.0%
Corn (US$/bushel)	$3.88	3.5%	10.5%	9.1%	10.5%	6.5%	5.0%	1.0%	-6.3%	-11.0%	-3.7%
Sugar (US$/lb.)	$0.12	-8.4%	-18.5%	-8.8%	-18.5%	-26.3%	-10.3%	1.2%	-8.7%	-6.9%	0.6%
Currencies											
Canadian Dollar (CAD/USD)	$0.78	-0.5%	-2.5%	-3.3%	-2.5%	3.3%	0.4%	-0.5%	-3.8%	-4.6%	-2.3%
Canadian Dollar (USD/CAD)	$1.29	0.5%	2.6%	3.4%	2.6%	-3.1%	-0.4%	0.6%	3.9%	4.9%	2.3%
Euro (EUR/USD)	$1.23	1.1%	2.7%	4.3%	2.7%	15.7%	4.1%	4.7%	-2.7%	-0.8%	-2.4%
Yen (USD/YEN)	106.28	-0.4%	-5.7%	-5.5%	-5.7%	-4.6%	-2.8%	-4.0%	0.7%	2.4%	0.6%
Pound Sterling (GBP/USD)	$1.40	1.9%	3.7%	4.6%	3.7%	11.7%	-1.2%	-1.8%	-4.2%	-1.6%	-3.4%
U.S. Dollar Index	89.97	-0.7%	-2.3%	-3.3%	-2.3%	-10.3%	-2.5%	-2.9%	2.9%	1.6%	2.3%

Source: Bloomberg, Raymond James Ltd. All return numbers greater than one year are annualized. Performance as at March 31, 2018.

Yield Curve

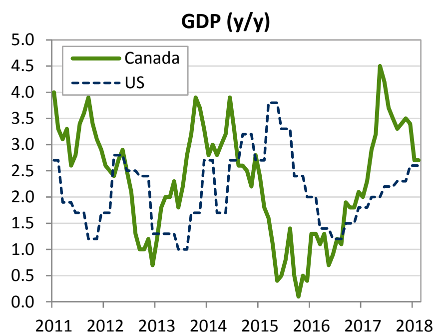


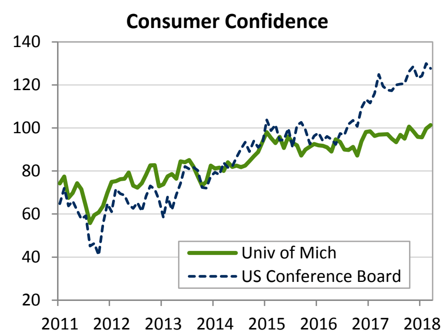


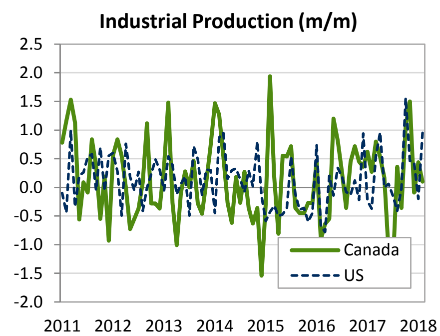


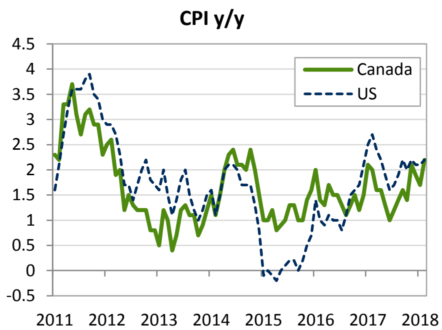
Source: Bloomberg, Raymond James Ltd. Performance as at March 31, 2018.

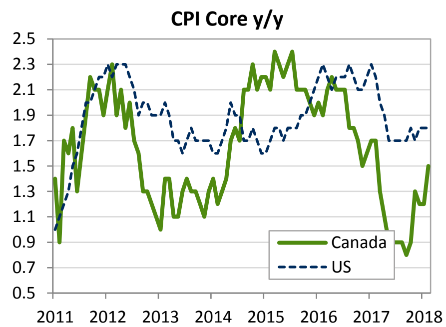
Economic Data

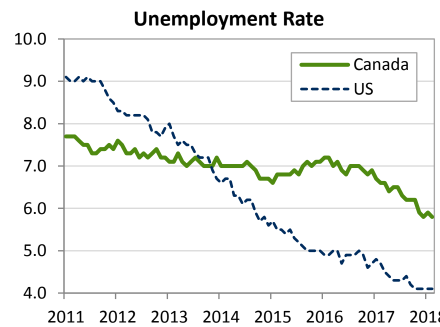


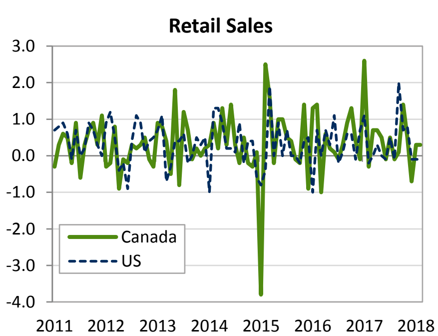


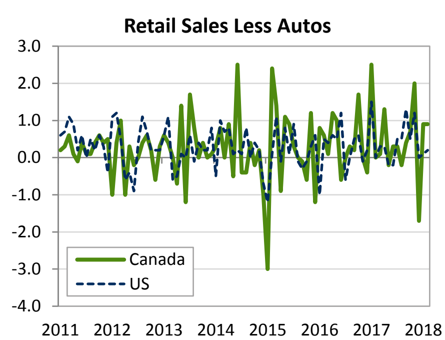


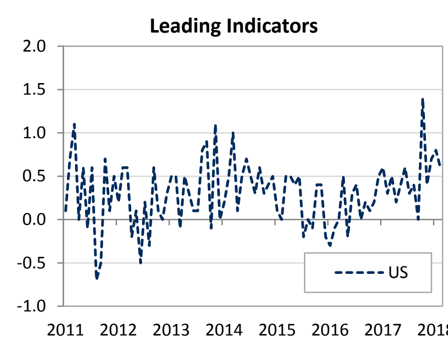








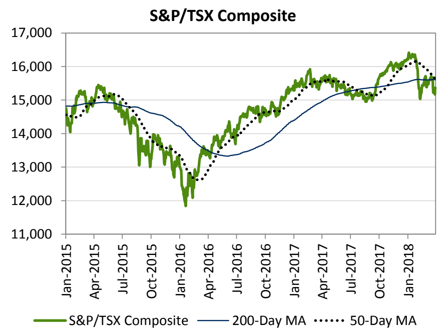


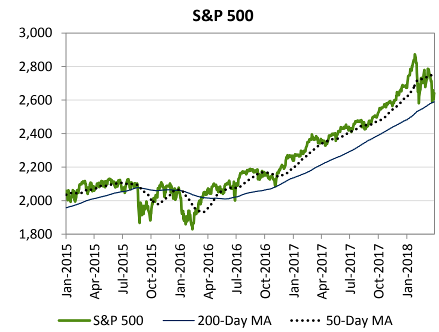


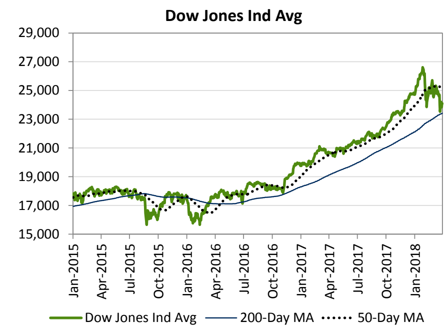
Source: Bloomberg, Raymond James Ltd. Performance as at March 31, 2018.

Charts of Interest

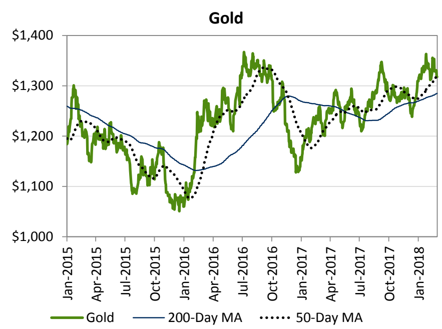
Markets

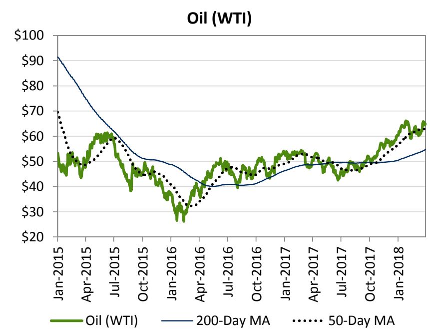


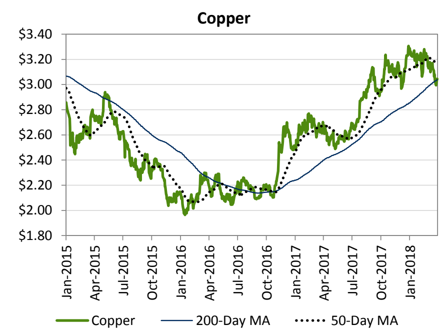




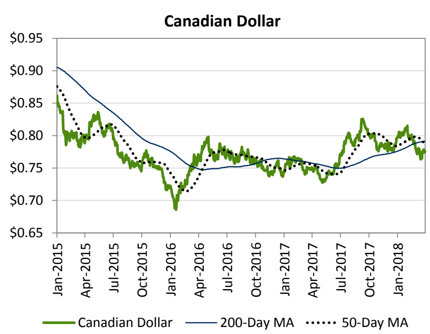
Commodities

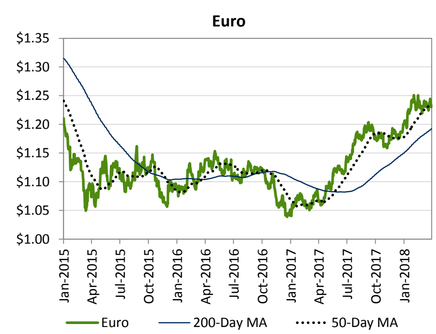


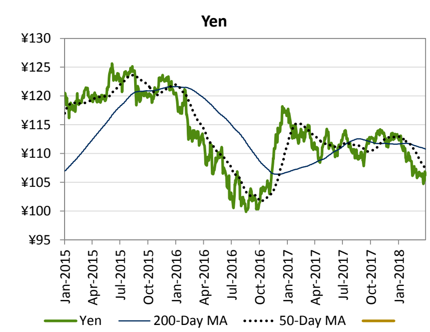




Currencies





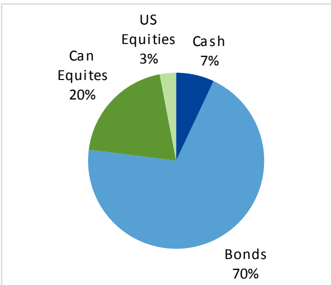


Source: Bloomberg, Raymond James Ltd. Performance as at March 31, 2018.

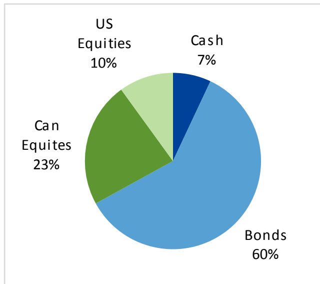
Investor Profiles and Asset Class Weightings

Recommended Asset Allocation

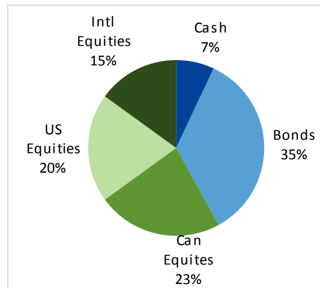
Capital Preservation



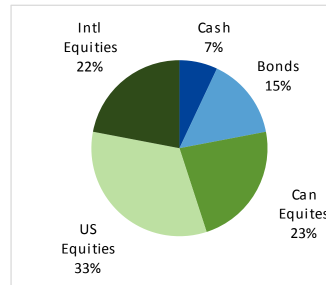
Conservative



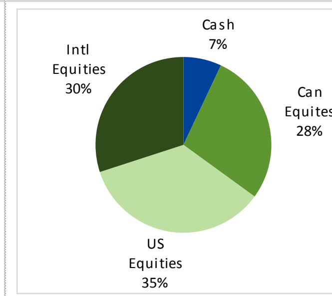
Moderate



Growth



Aggressive Growth



	Capital Preservation	Conservative	Moderate	Growth	Aggressive Growth
Cash	7%	7%	7%	7%	7%
Bonds	70%	60%	35%	15%	0%
Can Equities	20%	23%	23%	23%	28%
US Equities	3%	10%	20%	33%	35%
Intl Equities	0%	0%	15%	22%	30%
Tactical Asset Mix (Bonds include cash)					
Bonds | Equities	77 | 23	67 | 33	42 | 58	22 | 78	7 | 93
Strategic Asset Mix (Bonds include cash)					
Bonds | Equities	80 | 20	70 | 30	50 | 50	30 | 70	10 | 90
Asset Ranges					
Cash	0-20	0-20	0-20	0-20	0-20
Bonds	60-100	50-90	20-70	10-50	0-30
Equities	0-30	10-50	30-75	50-90	70-100
Description					
	May be appropriate for investors with long-term income distribution needs who are sensitive to short-term losses. The equity portion of this portfolio generates capital appreciation, which is appropriate for investors who are sensitive to the effects of market fluctuation but need to sustain purchasing power. This portfolio, which invests primarily in fixed-income securities, seeks to keep investors ahead of the effects of inflation with an eye toward maintaining principal stability.	May be appropriate for investors with intermediate-term time horizons who are sensitive to short-term losses yet want to participate in the long-term growth of financial markets. The portfolio, which fixed-income securities tend to make up the largest proportion of holdings, seeks to keep investors well ahead of the effects of inflation with an eye toward maintaining principal stability. The portfolio has characteristics that may deliver returns lower than that of the broader market with lower levels of risk and volatility.	May be appropriate for investors seeking a balance between capital preservation and capital growth. This portfolio, which is a split between fixed-income securities and equities, seeks to keep investors well ahead of the effects of inflation with an eye toward maintaining principal stability. With roughly half of the portfolio invested in a diversified mix of Canadian and international equities, investors should be comfortable with moderate fluctuations in the portfolios.	May be appropriate for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which has a higher weighting in equities, seeks to keep investors well ahead of the effects of inflation with principal stability as a secondary consideration.	May be appropriate for investors with long-term time horizons who are not sensitive to short-term losses and want to participate in the long-term growth of the financial markets. This portfolio, which is primarily invested in equities, seeks to keep investors well ahead of the effects of inflation with little regard for maintaining principal stability. The portfolio may deliver returns comparable to those of the broader equity market with similar levels of risk and volatility.

Important Investor Disclosures

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