February 2018

Volatility Returns. A Welcome Relief.

Volatility returned to the markets this month. As we closed out January and entered the first few days of February, the S&P 500 lost 5.0% while Canada's S&P/TSX lost 5.1%* – unnerving some investors. Markets in Asia also suffered losses over the period. We've been in the midst of one of the longest, strongest bull runs since the 1990s and have been due for a correction for a while now. In fact, we've gone 16 months since the last 5% drop. Historically, markets see a 5% drop at least three times a year and a 10% correction at least once a year.

- **Triggers:** Strong U.S. employment and wage growth led to inflation concerns and fears of further interest rate increases. The market's continuous uptrend has stretched equity valuations, which means stock prices were expensive and a pull-back was in the cards.

- **Keep in mind:** The current volatility is normal and a welcome relief. We haven't seen this type of downward movement since October 2016, and have forgotten what it's like to experience normal market behaviour.

- **Good news:** Global economies are growing, led by the U.S. and developing markets. Corporate fundamentals are strong and on pace for the best earnings season since the financial crisis. When markets retract, stock valuations retreat to more reasonable levels, offering opportunities to add to your portfolio at cheaper levels.

Our Experts Say…

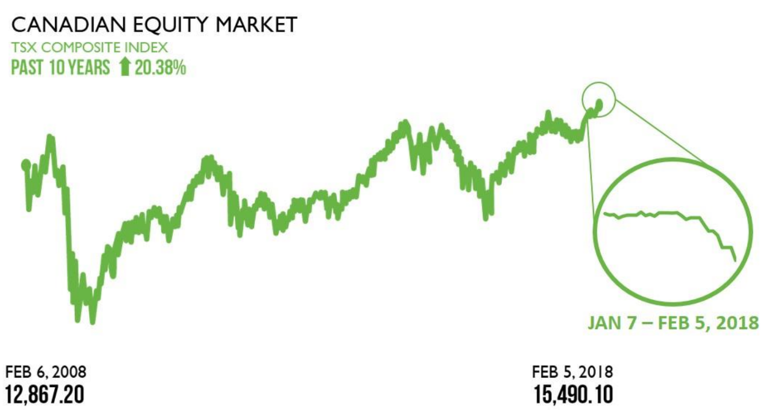
"People always believe they can time their investments, but I've never seen success in trying to do so."

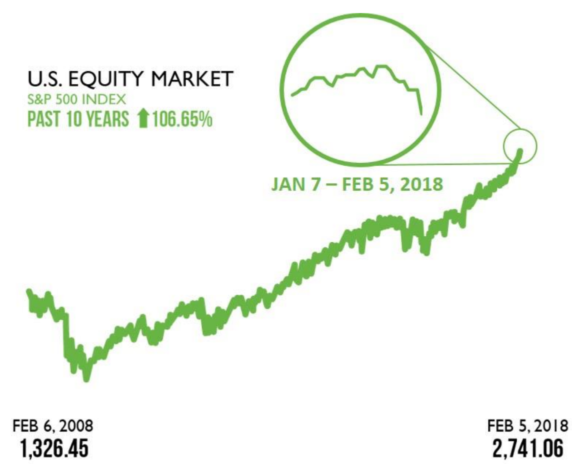
Tom Marsico, Marsico Capital Management
Investment Specialist: U.S. Growth Equities

"There are always a million surprises (in the markets). Rather than predict the next surprise, it's better to build a portfolio to withstand sudden shocks."

Peter Lampert, Mawer Investment Management
Investment Specialist: International Growth Equities

Step Back for Some Perspective





Over the long term, markets have been strong. Short-term fear and panic can cause investors to make poor decisions that jeopardize the success of their long-term plan.

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How We Protect Your Portfolio

Equity Allocation: Your portfolio is built to stand the test of time. Over the last few years, we've increased and maintained a bias towards global equities to take advantage of more attractive opportunities; underweighted Canada; and maintained a neutral allocation to the U.S.

Fixed Income: We have shifted a portion of our fixed income allocation to core Canadian holdings, and reduced exposure to high yield bonds. We believe a diversified fixed income strategy allows us to better manage risk in a rising rate environment.

Risk Mitigation: Our portfolios have built-in strategies to automatically shift money to safety or less risky assets when a downward trend develops.

Continuous Monitoring

We monitor risk factors and keep our eyes on influences such as higher interest rates, key geo-political events and inflationary pressures in order to protect your capital.

Short Term Risk Mitigation through Dynamic Currency Hedge

We actively hedge the U.S. dollar exposure in a portfolio as it is typically the most significant currency risk. The goal is to minimize losses due to currency risk in your portfolio.

Currency Hedge Position (CAD)	Date	Rationale
65%	Dec. 31, 2017	We've reactivated our currency hedge at 50% for a portion of our portfolios (65% hedge for Counsel Retirement Income Portfolio). We think the strength in USD is close to its peak and believe it's now prudent to protect against a potential rise in the CAD. With the market's drop in February, there was a flight to safety, which strengthened the USD. Our unhedged position in January benefited the portfolios.
0%	Jan. 5, 2018	
50%	Feb. 7, 2018	

When markets are volatile, we know it can be tough to keep your emotions at bay. We're here to be your guide and help you stay focused on your goals. If you have any concerns, please give us a call.

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*In USD, and CAD terms respectively; Jan. 26 to Feb. 6, 2018