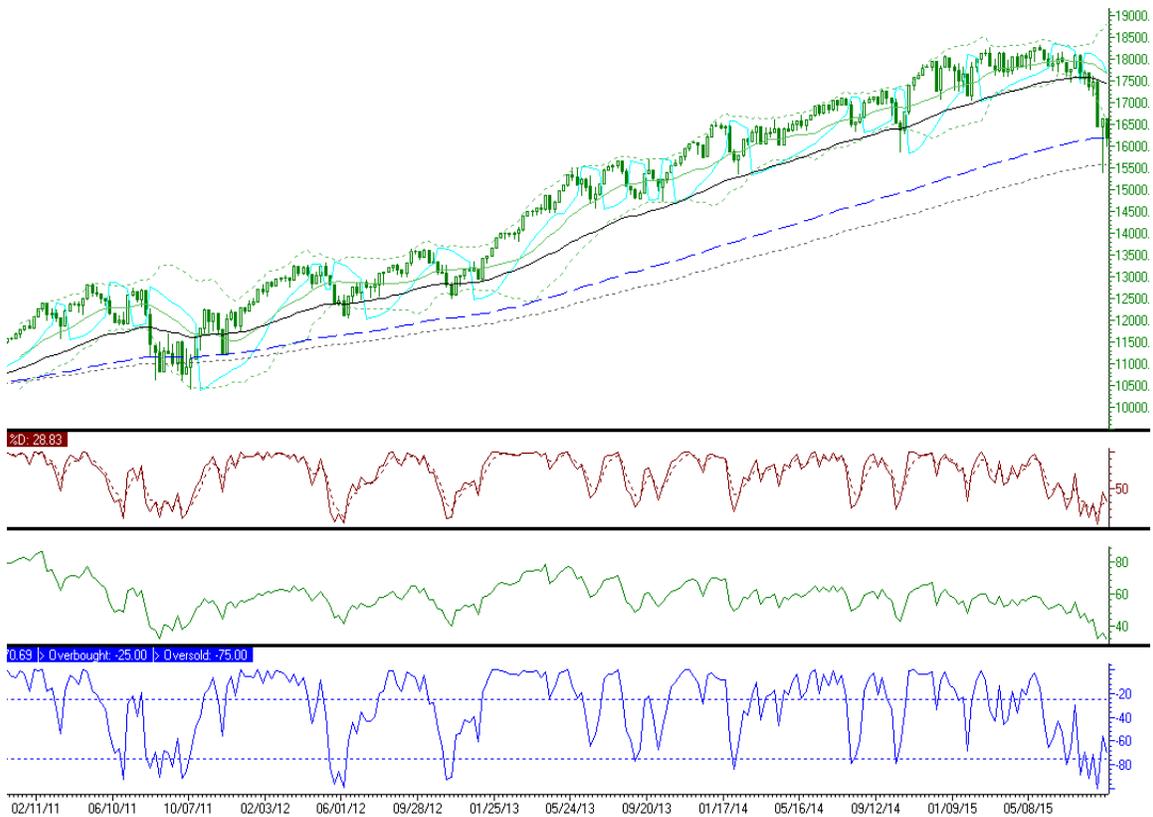




## Portfolio Update and Market Comments September 2015

Equity market volatility is on the rise and is somewhat reminiscent of what we experienced during the lead-up to the global financial crisis in 2008/09. Although the magnitude of the swings is larger, the value of equity markets is also much higher and it is therefore important to not get caught up in the headline noise surrounding point drops in the various indices cited by the media. On the surface, our analysis is indicating that the S&P/TSX Composite Index (TSX) and Dow Jones Industrial Average (DOW) have broken through key support levels, which triggers defensive positioning. However, the S&P 500 Index (S&P 500) was able to hold its key support level with the help of a few heavy index-weighted holdings. We expect more volatility throughout September and October as markets come to terms with the significance of the Chinese Yuan devaluation and the U.S. Federal Reserve's much anticipated interest rate increases.



Source: Thomson One as of September 2, 2015

We simply do not know yet how Central Banks will respond to the weakness in equity markets and the economic data points it claims to follow. In our view, there are three likely scenarios:

- Continued Central Bank intervention and delaying the interest rate increase – in which case equities will likely recover the lost ground. See Morgan Stanley's view ("full house" buy alert for stocks) <http://www.telegraph.co.uk/finance/11837853/morgan-stanley-capitulation-MSCI-Europe-equities-China-bank-stocks-1998-bonds.html>
- A retest and hold of the August 2015 lows.
- Something more substantial in the form of a global recession is now being discounted by equities, in which case, we can expect the lows of August 2015 to be broken in the absence of Central Bank intervention.

August's month-end closing levels broke several key long-term moving averages and suggests we will see a re-test the August lows for the S&P/TSX, DOW and S&P 500. Key levels to watch for are 15500 for the DOW and 1860 on the S&P 500.

It is our view that a retest of the August lows is the most likely outcome...but investors must be mindful to the fact that the broad markets as measured by the S&P 500 are being supported by only a handful of heavy index-weighted equities (we listed them here). Although they are holding up the key averages, there are signs of weakness which must be watched closely.

Symbol		Issuer	Last	Chg	%Chg
<b>AAPL-US</b>	↓ <sup>N</sup>	APPLE INC	107.59	-5.17	-4.58
<b>NFLX-US</b>	↑ <sup>N</sup>	NETFLIX INC	103.88	-11.15	-9.69
<b>GOOG-US</b>	↑ <sup>N</sup>	GOOGLE INC (C)	596.59	-21.66	-3.50
<b>AMZN-US</b>	↓ <sup>N</sup>	AMAZON.COM INC	495.26	-17.63	-3.44
<b>TSLA-US</b>	↓ <sup>N</sup>	TESLA MOTORS INC	237.66	-11.40	-4.58
<b>CELG-US</b>	↓	CELGENE CORP	115.19	-2.89	-2.44
<b>GILD-US</b>	↓ <sup>N</sup>	GILEAD SCIENCE INC	101.30	-3.77	-3.59
<b>DIS-US</b>	↓ <sup>N</sup>	WALT DISNEY CO (THE)	99.45	-2.43	-2.39
<b>FB-US</b>	↓	FACEBOOK INC (A)	86.74	-2.69	-3.01

Source: Thomson One as of September 1, 2015

We will also be paying close attention to Apple's new product launch on September 9, 2015; not so much as to what new products they announce, but more so on the forward guidance and how investors react to the news.

If you have any questions, please feel free to e-mail or call me directly.

Best regards,

Chris

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