91 Anglewood Court
Kleinburg, Ontario L0J 1C0   Canada
Phone: 905.893.2540
Fax: 866.893.2629
Email: info@kleinburgprivatewealth.com
Web: www.kleinburgprivatewealth.com

KLEINBURG PRIVATE WEALTH NEWSLETTER

JULY 2016 VOLUME 5 ISSUE 7

IN THIS ISSUE

WILL YOU HAVE ENOUGH TO RETIRE? CALCULATOR

CLICK

EDITORIAL MESSAGE - Sergio Simone

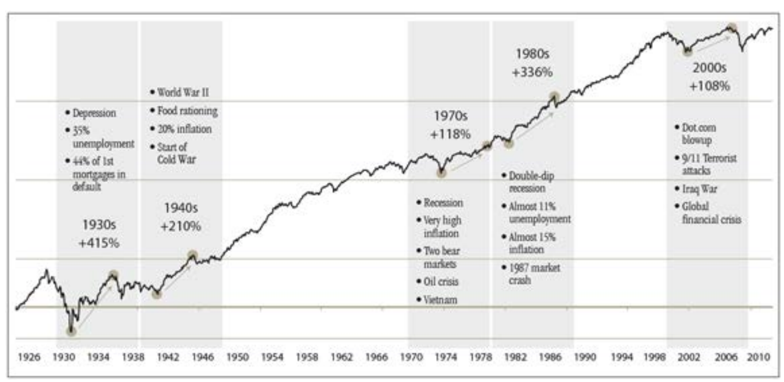
As the second half of the year begins we can breathe a collective sigh of relief that our portfolios have survived an excruciatingly volatile six months. One of the factors contributing to this "survival" has been a determined attitude by our clients to focus on their long-term goals and less on the short-term and oftentimes, unsettling market behavior. Volatility may be an inevitable part of investing, but we have seen time and time again that the markets reward those who stick to their long-term strategies.

For the last ninety-years the S&P 500 Index has never failed to produce a positive return over any 15-calendar year period. This is astonishing when you consider that this includes events like: The Great Depression, WWII, Vietnam War, Iraq War, Russian Ruble default, the 1973-4 bear market, the tech wreck, the flash crash, Black Monday 1987, 9-11, the Euro crisis, etc. Many of these events make the current volatility feel like a walk in the park.

The chart illustrates how market conditions and stock market volatility have dramatically changed since January 2015. For a period of six months beginning in mid-Feb. 2015, market volatility was relatively calm, staying consistently under or near the 15 mark. From late August to October the VIX spiked to a peak of 53.29 indicating extremely high volatility. Although it quickly retreated to calmer waters, the Volatility Index has hovered over 20 for most of 2016, indicating high levels of market anxiety.

We all know that historical returns are not indicative of future returns, but a long-term range of numbers may act as a barometer of future expectations. In any event, this is likely a better indicator than a crystal ball. Let's examine the S&P 500 results since 1926 a little more closely.

The markets have had to deal with many events over time yet over time they continue to advance. For stock markets the factors that really matter are corporate earnings and the price one pays for those company earnings. As we get caught up in the issues we face today, it is easy to forget that we have overcome some pretty formidable problems in the past. After each challenging period the market recovered and continued on its way up.



Source: St. Louis Federal Reserve; Blumenthal, Karen. "As Dire as Times May Seem, History Isn't About to Repeat Itself," Wall Street Journal, October 8, 2008; Morningstar

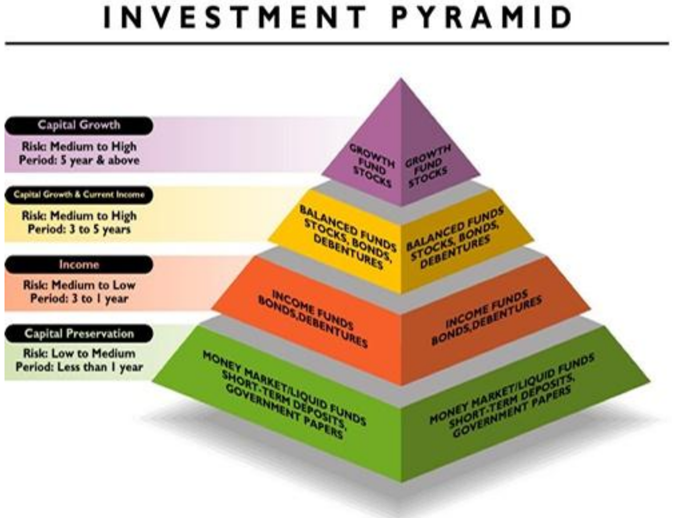
CONTINUED ON FOLLOWING PAGE

CONTINUED FROM PREVIOUS PAGE

There have been 81 rolling 10-year periods since 1926 and 97% of the time those 10-year returns have been positive. I'm not a gambling man, but those odds seem pretty good. Add another five years to the time frame and the index was positive for every single 15-year period. Better still with a 30-year time frame, the worst performance of the index was an annualized return of 8.5%.

I am definitely not encouraging everyone to request that their portfolios hold 100% equities since the addition of fixed income positions, though not as profitable as equities, do create a portfolio with generally less volatility. Bonds generally offer a greater return than cash and greater stability than equities. This often satisfies investors who have a much shorter time frame in mind.

Asset Allocation is a major component of building a portfolio but even more so great importance should be given to your investment time horizon. How long will it be before you begin withdrawing money and how long do you think you may be withdrawing money for. Investors with a longer time horizon will generally allocate more to equities or other growth-oriented investments. When looking at the 15-year rolling rates of return on the S&P 500 it is easy to conclude that if you have a 15-year time horizon or longer, you might want to have a much higher allocation to equities.



People generally have different investment needs depending on their financial goals, risk tolerance and time frame. Only after consideration has been given to these needs should an investor begin to choose investments.

The investment pyramid shows fund categories that are suitable for different time frames, with the longest time frames at the top and the shortest at the base of the pyramid.

Investment experts recommend growth investments such as equity funds for long-term goals, where you won't need to sell your investment for 5 years or more. For short-term goals, where you might sell your investment in one year or less, they recommend fixed income funds and other liquid investments. Of course, any specific recommendations would depend on the individuals comfort with risk and volatility.

Once the asset mix is decided upon, steps can be taken to manage sector risk. For our purposes, sector risk refers to the possibility that negative factors could affect a particular industry or segment of the financial markets. Economics, weather, or geopolitics are some factors that can impact the return of various sectors. For example, the recent decline in oil prices has had a major impact on energy related stocks.

Further diversification can be obtained by allocating between domestic and international funds. Even your fixed income positions can be diversified geographically or between different credit qualities and maturities.

One thing I would like to stress is that whether you are developing your first investment plan or reviewing an existing one, stay away from timing the market. Making your decision to invest or redeem on the basis of recent market performance is usually a recipe for disaster. Investors usually get out of the market thinking they'll avoid a downturn, but instead find themselves missing on gains. Market rallies often occur very quickly. In the rebounds from the last 15 bear markets, defined as declines of greater than 20%, the S&P 500, on average, recouped nearly one-third of its losses in less than two months. By selling equity positions during declines you risk missing out on the potential for a powerful initial surge.

You can't control the markets, but you can control your investment mix and your time horizon, which is a good thing because these are the elements that will determine whether you succeed at reaching your investment goals.

LINKS TO ARTICLES

Click Button to Open Link

DEUTSCHE BANK'S CHIEF ECONOMIST CALLS FOR €150 BILLION BAILOUT OF EUROPEAN BANKS

CLICK

PITFALLS WITH THE PRINCIPAL RESIDENCE EXEMPTION

CLICK

BREXIT IS A LEHMAN MOMENT FOR EUROPEAN BANKS

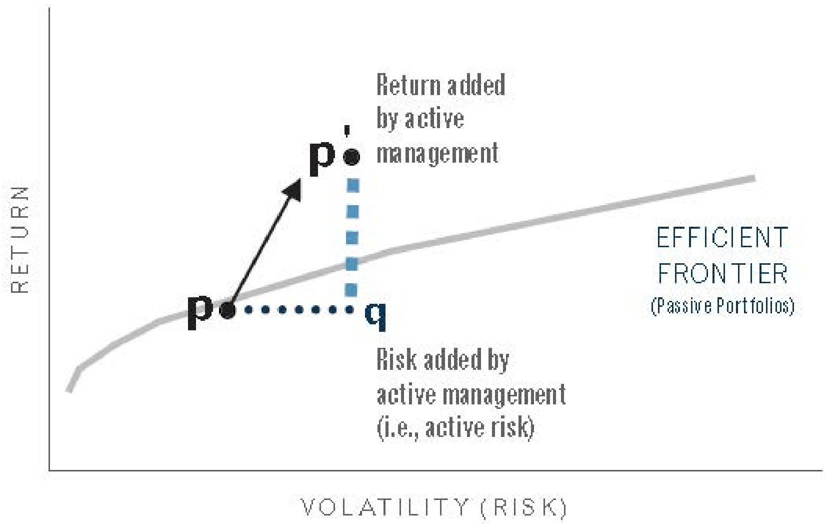
CLICK

THE GOLDILOCKS STRATEGY FOR PRUDENT INVESTORS

CLICK

CHART OF THE MONTH

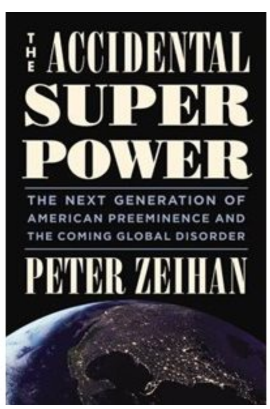
EFFICIENT PORTFOLIOS



Total risk can be broken down into Market Risk and Active Risk, resulting in a standard deviation (volatility) that is expected to be higher than the benchmark. Active risk is the additional volatility taken on by a manager in pursuit of higher returns than the benchmark, or Alpha. Although active risk generally accounts for a small portion of the total standard deviation of a portfolio, it is an important measure of how the various degrees that managers can deviate from their benchmarks. Combining skilled active managers with the passive efficient portfolio created through the optimization of asset allocations, an investor can enhance the risk and return characteristics of their final portfolio. Relative to a passive portfolio designed using index-like investments, skilled managers should be able to add consistent alpha at a reasonable level of active risk. The illustration shows how the efficient frontier would be expected to shift up by the amount of alpha and increase volatility by the amount of active risk.

Incremental returns from asset allocation can be expected to diminish with inreasing levels of risk as higher volatility asset classes make up larger portions of the portfolio. Therefore, if alpha remains constant, the potential benefit of using skilled managers would become relatively greater as investors move along the efficient frontier.

BOOK OF THE MONTH



THE ACCIDENTAL SUPERPOWER
by Peter Zeihan

In THE ACCIDENTAL SUPERPOWER, international strategist Peter Zeihan examines how the hard rules of geography are eroding the American commitment to free trade; how much of the planet is aging into a mass retirement that will enervate markets and capital supplies; and how, against all odds, it is the ever-ravenous American economy that-alone among the developed nations-is rapidly approaching energy independence. Combined, these factors are doing nothing less than overturning the global system and ushering in a new (dis)order.

QUOTE OF THE MONTH

Traders can cause short-term volatility. In the long run, the market must revert to a sensible price/earnings multiple. - Ben Stein

THE MILLENNIAL SERIES - CHAPTER 7
RETIREMENT PLANNING

by Ryan C. Simone B.A. Hon., M.A.

Millennials take a lot of heat as the ‘whiny’ bunch who expect the world to be handed to them on a silver platter. I believe this to be a false stereotype created when other generational groups misunderstand the millennial situation. Whether the world, overall, is better or worse for millennials, is subjective and can be easily argued on both sides. What is certain is that today’s economy is far different: globalization, technological innovation, shifting demographics, and political intervention have created a new economy for the younger generation. A ‘different’ economy that forces millennials to act in ways that older generations may not understand and where millennials' actions may be criticized.

Popular media loves to search out those millennials that ‘whine’ about working 3 days a week while complaining that they can’t afford their condo in the city or that they don’t have enough money to meet friends for dinner and drinks every weekend. I come across these types of millennials in ‘click bait’ articles strewn across the Internet. These are articles that use sharp headlines and ridiculous stories meant to enrage people enough to open the article and share it with on-line friends.

My profession affords me the opportunity to speak with and work with many millennials. My own client base is made up of nearly 50% millennials. And this number is growing. Rather than criticize the millennial generation, I’d like to share with our readers a case study from one of my own clients. This person, who I’ll call Millennial Bob, graduated from an Ontario University in 2012 with $28,000 in student debt and currently works for a company that pays him $40,000. Bob still lives with his parents (rent free as long as he’s working full-time) and plans on saving up enough money to put 20% down on his own home.

To date, Bob has managed, with the help of a little budgeting, to save just over $12,000 in a savings account by saving 10% off every pay cheque he’s earned since graduating. As of this year (2016) Bob will have paid off his student loan. It took him about 4 years from graduating to do this. Since he was able to find a job almost immediately after graduating, Bob has been able to pay off an average $650/month over 50 months.

When I first met Bob, he had asked me to invest the money he saved off each pay cheque ($12,000). Now, before I invest anyone’s money, I always make sure to ask what the goal of the money is. For baby boomers the answer is usually retirement, which implies that the money will be invested over a longer period. But for millennials, the answer is almost always: “to buy my own home!”. This was also Millennial Bob’s answer. As is standard in my practice, I always follow up the first question with a second question: “how long do you plan on keeping the money invested? In other words, when do you need the money for the new home?”. Bob’s response, like many others in his age group, was that he would need the money in about one to two years.

From an investment standpoint this is problematic. Markets move up and they move down. I can say with a high degree of certainty that a well diversified, regularly rebalanced portfolio should increase in value when invested over a longer period of say 7 to 10 years. The fewer the number of years invested, say 4 to 6 years, the less certain we are that a client’s initial investment will be in the positive. But when we are talking only one to two years, I can say with a high degree of certainty that I do not know whether the client’s money will be positive or negative. This is for the simple reason that I don’t know what the markets will do next year. Nobody does, and if they say they do then they are lying.

Bob wasn’t willing to risk a loss in his $12,000; however, Bob recognized the importance of being invested at such a young age. Particularly since his company did not offer a pension plan outside of his company’s group RRSP.

CONTINUED ON FOLLOWING PAGE

VIDEO LINK

DEBATING THE BEST MARKET OPPORTUNITY NOW

CLICK

HOW MUCH IS A FINANCIAL ADVISOR WORTH? THREE PERCENTAGE POINTS ACCORDING TO VANGUARD

CLICK

CANADIANS LOSING CONFIDENCE IN ABILITY TO MEET FINANCIAL GOALS: CIBC POLL

CLICK

ECONOMIC FORECASTS FROM THE WORLD'S LEADING ECONOMISTS

CLICK

Here's Why Neil Dutta Feels Good About the US Economy

CLICK

VIDEO LINK

GLOBAL GROWTH WITH RISING RISKS

CLICK

INVESTING TERMinology

ACTIVE RISK

The type of risk that a fund or managed portfolio creates as it attempts to beat the returns of the benchmark against which it is measured. In theory, to generate a higher return than the benchmark, the manager is required to take on more risk.

This is referred to as active risk. The more an active portfolio manager diverges from a stated benchmark, the higher the chances become that the returns of the fund could diverge from that benchmark as well. Passive managers who look to replicate an index aqs closely as possible usually provide the lowest levels of active risk, but this also limits the potential for market-beating returns.

KRISTINA IS ON A LEAVE OF ABSENCE AND WILL RETURN SOON.

By Kristina de Souza, B.A. Hon.

CONTINUED FROM PREVIOUS PAGE

I suggested to Bob that he continue to pay 10% of his bi-monthly earnings into his savings account. I also suggested that when he completes his final student loan payment, that he start a pre-authorized contribution (PAC) into a TFSA. Bob could use the $650 a month he was already paying into a loan, and invest it in a diversified mutual fund portfolio. Bob had never opened a TFSA so his contribution limit was still quite high and with a $650 monthly TFSA contribution, he could max out his TFSA in a little over 3 years.

Bob contacts me anytime there is a major life change. This way we can adjust his plan to accommodate these changes. At some point going forward, Bob will likely buy a house, get married, have a child, change jobs, and look after his aging baby boomer parents. With each one of these events, Bob will know that he is financially prepared because he keeps me in the loop and makes sure to put away money on a regular basis.

Check this out!

* * * * *

SIX STRATEGIES FOR VOLATILE MARKETS

CLICK

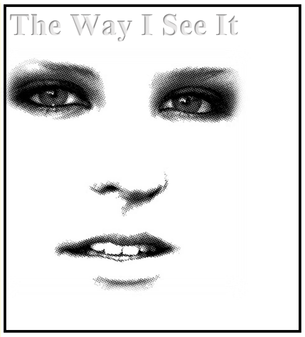
MILLENIALS COMING OF AGE

CLICK

VIDEO LINK

STOCKS HAVE A CLEAR PATH HIGHER AFTER BREXIT: CHARTIST

CLICK



A CLIENT'S PERSPECTIVE "CHOOSING INVESTMENTS"

By Kristin S.

Kristin S. is a woman working in the corporate world in an executive position who has generously offered to write a monthly article, for our newsletter, on her personal perspectives relating to investing, finance and insurance.

Recently it seems like there has been a lot of discussion (in my own life anyways) about investment options. Conversations have covered everything from retirement savings, business plans, bank account and credit card rates, to real estate prices. I'm not sure if it's the stage of life I'mthe market and media, but there seems to be a heightened focus on the alternatives available and which is "best". Regardless of what is prompting this focus, these discussions have provided interesting insight into how each person makes their decisions, and have led me to consider my own selection process.

While I am not a financial expert by any means, I am very fortunate to have been raised by parents that had a great deal of financial knowledge and passed some of that along to me. I've had a bank account for as long as I can remember, got my first credit card in my teens (and the lesson on always paying off the balance), and also invested in my first mutual fund around the same time.

Since then, I've learned a lot more about other investment alternatives as well as retirement savings options. Over the past few years, I've switched bank accounts and credit cards, bought GICs (if you sighed when you read that, you're not the first one), started contributing to a pension plan, purchased a few stocks, and continued to invest in mutual funds. And real estate is an investment option I'm certainly considering in the future. While I've heard a lot about bonds, hedge funds, and other alternatives, (particularly ETFs recently), none of them have seemed like the right option for me.
While I've branched out a bit, mutual funds still feel like the "best" option for me and my particular situation. There are a number of factors that contribute to this, including:

• TIMING – the options I select are heavily dependent on whether I plan to use the money in the short-term, or if it's for medium or longer-term goals. For me, being organized has always been important and diversifying investments helps to achieve a number of goals at the same time
• DIVERSIFICATION – Choosing different investment options depending on the time horizon I'm looking at helps stagger sources of income, as well as risk. Bank accounts and GICs offer 'peace of mind' that a certain amount of money will be available at any given time, unaffected by market changes, to meet short-term goals. And on the flip side, mutual funds meet many of my medium or longer term goals and even within themselves, mutual funds offer diversification (compared to things like stocks)
• RISK – by diversifying investment options, I can manage my risk tolerance. While I don't consider myself an extremely risky investor, by keeping short-term money in 'safe' options, I feel very comfortable investing in higher-risk mutual funds and investments. Knowing I will be able to meet all of my immediate needs and can wait out any potential dips in the market, gives me flexibility to choose higher risk mutual funds which will likely earn higher returns in the long-term
• EASE – I know many people that prefer to select their own stocks and mutual funds. For me, the time I would have to put in to research and select the right options just doesn't seem worth it, particularly when things are always changing. I would much rather invest in a fund that contains a variety of stocks, trust that someone knowledgeable is giving me advice and monitoring my investments, and check in occasionally to see how things are going
• TRUST – this may be the biggest factor in how I select investments. While I may not research individual stocks and/or the exact composition of mutual funds, it's very important for me to have a financial advisor I trust. Knowing that they are doing the research I'm not (and that they are better at it than I am), and that they are investing in funds managed by people they respect and trust, also gives me confidence that I'm making the right decisions.

While many of these factors have come up in discussions with friends and family, ultimately, everyone is different, and has to determine which factors are important and which investment options are "best" for them.

Manulife Investments

INVESTMENT NOTE

JUNE 30, 2016

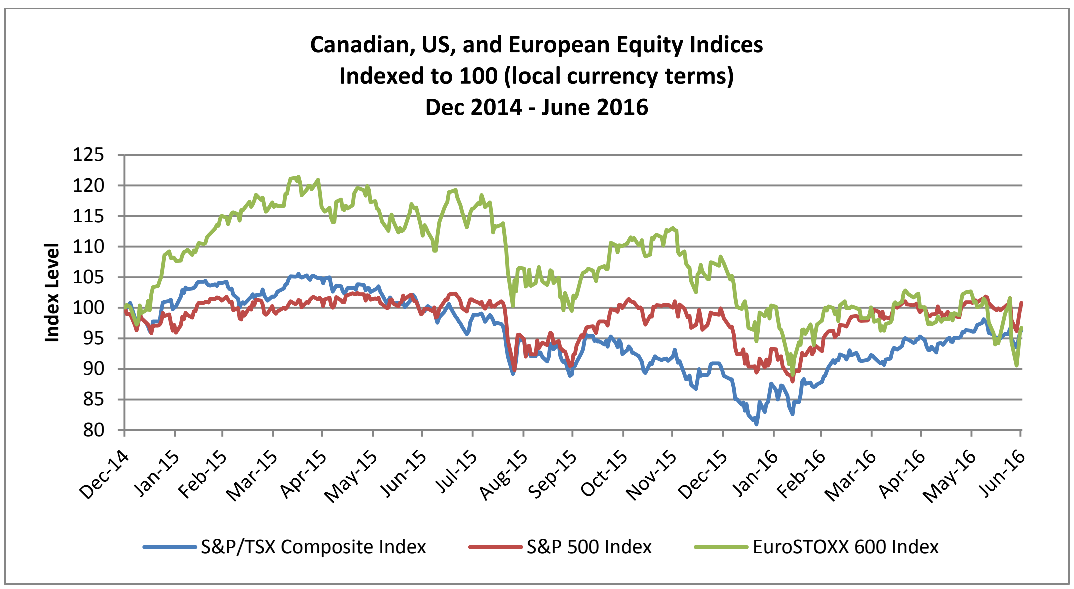
Mid-Year Wrap-up and Second Half Look Ahead

This Investment Note represents the views of **Philip Petursson** of Manulife Investments

Philip Petursson
Chief Investment Strategist

The first half of 2016 ended much like it began – with a bang! The results of the Brexit referendum tested the resolve of the markets which proved more resilient than many had expected. Leading up to the vote investors had priced in expectations for a "remain" result – "leave" came as a surprise. Now in the aftermath, markets will be looking for direction amidst the uncertainty.

Can you spot the Brexit?



Source: Bloomberg, Manulife Investments as of June 30, 2016

As we look back on the first half of 2016, we reflect on the volatility and events that drove it. The year started off with a trifecta of macro-risks that were: a US manufacturing slowdown/inventory correction, a collapse of oil prices (and more broadly, commodities in general), and China's difficult economic rebalance that led to a continued devaluation of the yuan. The team felt that these issues were likely to be temporary as we expected global economic activity to see improvement in the back half of 2016. Crude oil prices are up over 85% off their lows in February. US manufacturing is growing again as measured by the Institute for Supply Management Manufacturing Purchasing Managers' Index (ISM Index). And China fears, while not completely resolved, have abated. As these three issues improved through the first half of the year investors focused their attention on the next available crisis – Brexit. But as the chart above shows, in the aftermath, Brexit was a mere blip when compared to the volatility of last summer or the start of the year.

Despite the perception of higher volatility throughout the first half of 2016 markets were, for the most part, well behaved. When we look at the volatility of returns for the S&P 500 Index (as measured by standard deviation of daily returns), since the start of the year, it was actually slightly below at 0.98% than the long-term volatility of 1.07% since 1970. If we exclude the bear market between October 2007 and March 2009, volatility this year is right in line with that since 1970 at 0.99%.

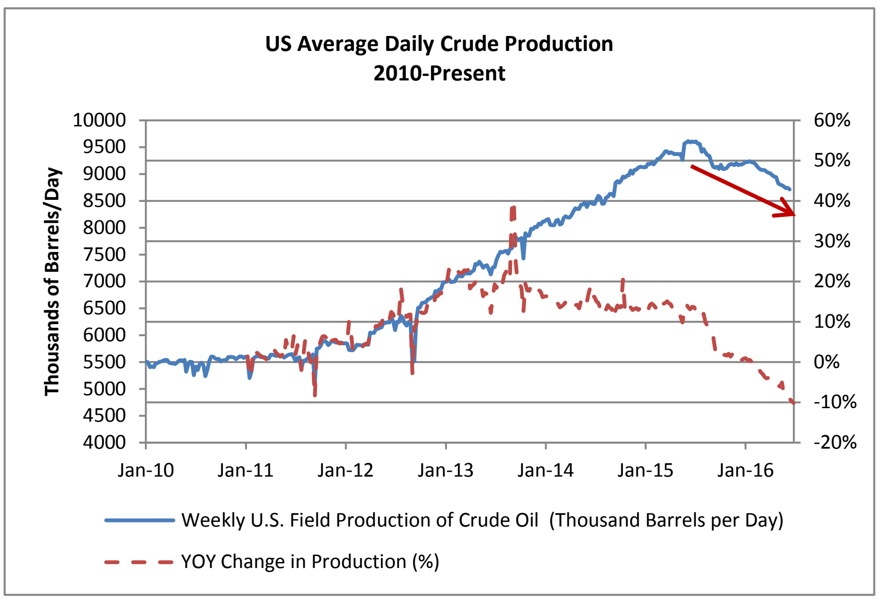
When we examine returns, here too equity markets have been rather "normal" with the S&P 500 Index gaining 3.8% in the first half of the year including dividends in USD terms (-2.4% when adjusted for Canadian dollars). The S&P/TSX Composite Index has outperformed its global peers by returning 9.8% including dividends. International equities have lagged their North American peers by falling -4.0% in US dollar terms including dividends, or -9.8% when factoring the Canadian dollar as measured by the MSCI EAFE Index.

Over the past two years we have expressed our view toward a more conservative asset allocation in light of modest equity market expectations. Our contention has been and continues to be that equity markets are fairly, if not fully valued and our outlook for earnings growth in many areas of the world remains modest. These two in combination, valuation and earnings, lead us to our expectation that equities in many markets may yield positive, yet below historical average returns. Additionally, while volatility year-to-date has been within the historical norm, our expectation is that the economic environment may yet produce higher volatility. As such, we continue to suggest a balanced asset allocation comprised of 50% equities and 50% fixed income through the remainder of 2016.

Below, we highlight some of the team's views on the investment environment.

Canada

The Canadian equity market has been the bright spot, outperforming many of its global peers including the S&P 500, the EuroSTOXX 600, the Nikkei 225 and the Hang Seng Indices year-to-date. The S&P/TSX Composite Index has benefited from the surge in gold prices and rebound in oil prices. The uncertainty of the global environment has attracted investors back to the yellow metal with a gain of 25% year-to-date (USD terms) while the S&P/TSX Gold sub-sector has gained 94.2% over the same period.



Source: Energy Information Administration, Manulife Investments as of June 30, 2016

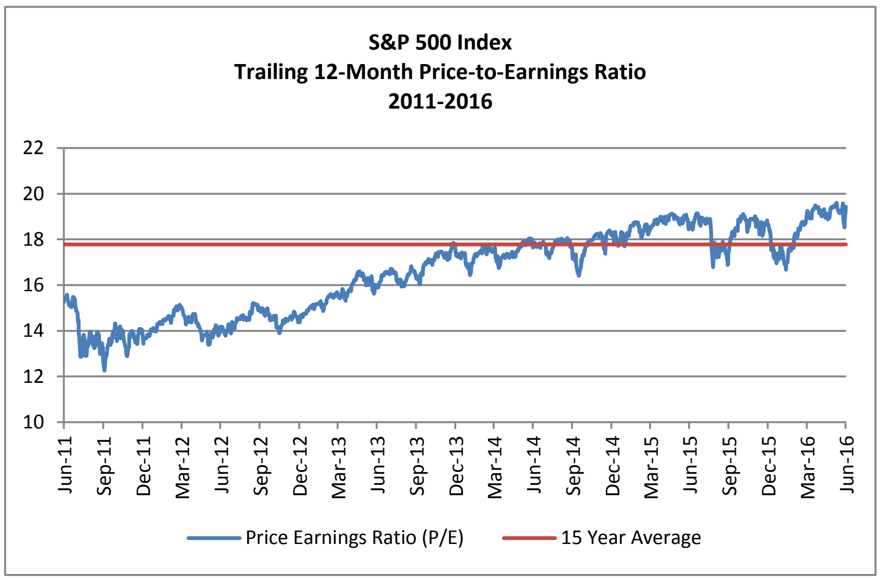
A rebound in oil prices has also contributed positively to the Canadian equity index with oil prices up 85% off of their low from February. We believe a drop in US daily crude production has contributed to the improvement in oil prices. According to the Energy Information Administration, US oil production peaked at 9.6 million barrels/day in June of 2015. Daily production has fallen to 8.6 million barrels and at the current pace of decline, may reach 8.0 million barrels/day by year end. This goes a long way to fix the global supply/demand imbalance and is supportive of higher prices. Historically, as oil prices climb S&P/TSX Composite earnings climb as well. If oil prices simply remain at their current levels, the trajectory of S&P/TSX earnings growth should be higher into 2017 (see **Investment Note: Shifting tides**).

The S&P/TSX Composite Index has underperformed the S&P 500 Index in each of the last 5 calendar years; more recently due to the collapse in oil prices. We feel the opportunity set has turned as the headwinds that were against Canadian equities appear to be turning into tailwinds. We are becoming increasingly positive on Canadian equities through this year and into next.

United States

The US equity market has performed well with a total return for the S&P 500 Index of 3.8% through the first half of 2016 in US dollar terms. We believe we can continue to see the S&P 500 Index deliver positive returns through the remainder of 2016 on an improving earnings outlook. Our favourite measure for earnings potential is the ISM Index. An index reading greater than 50 indicates manufacturing is expanding in the United States versus below 50 indicating contraction. A reading of 50 is neutral. The ISM Index has remained above 50 in each of the last four months. Historically, S&P 500 earnings have correlated well against the ISM Index with a lag of 6 months. The improving manufacturing gage implies an improving earnings outlook that follows four quarters of earnings contraction on a year-over-year basis. At its current level of 53.2, our research would suggest earnings improvement in the mid-single digits on a year-over-year basis in the coming quarters.

Earnings are only half the story however, as we must also consider valuation. At its current 19.4 times trailing twelve month earnings, the S&P 500 Index is trading near its highest level since the recession and above the 15-year average of 17.8. Given the current low inflationary and interest rate environment, equity markets are neither cheap, nor expensive. Multiple measures of valuation (Shiller PE, Price-to Book ratio, market cap to GDP) would suggest the same. However, a rise in either inflation (from rising wages and oil prices) or interest rates will be a headwind to increasing multiples. The valuation opportunity is nowhere near as attractive as it was 5 years ago. And so, a compression of PE multiples might erode the contribution from earnings in terms of a total return. Put another way, earnings driven markets tend to underperform the long-term average.



Source: Bloomberg, Manulife Investments as of June 30, 2016

Beyond earnings and valuation there is an upcoming Presidential election. And regardless of the candidates' positions, elections bring uncertainty. In addition, we may yet see an interest rate increase by the Federal Reserve. With modest return expectations some profit-taking may be a prudent approach at this stage of the bull-market and business cycles.

International

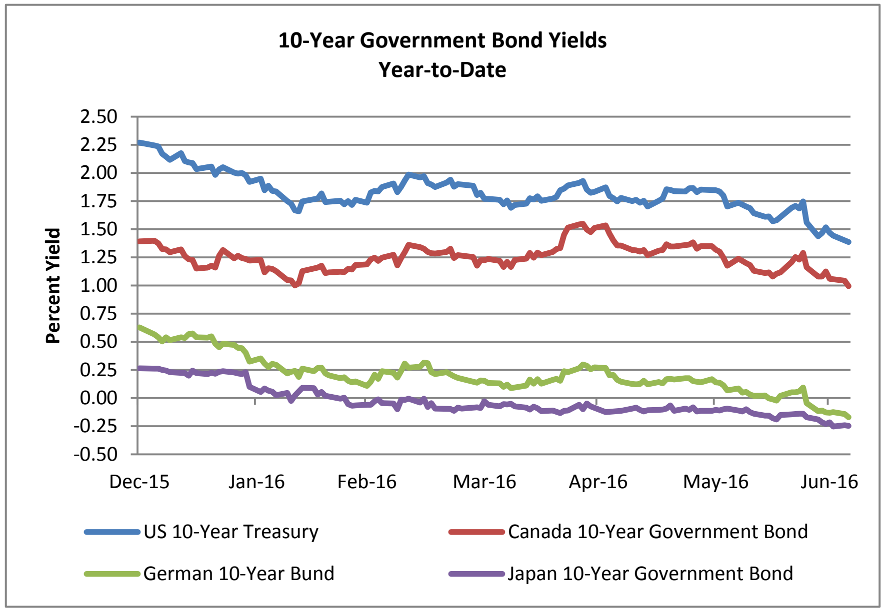
Against the polls and against the sentiment of the financial markets, Britain voted to leave the European Union. The equity market drawdown in the days that followed was not a surprise. Neither, in our view was the quick rebound. There is much debate as to what a Brexit actually means for the British economy, the European Union and any potential fallout for the rest of the world. Suffice it to say, there is equally as much to be learned and thankfully, time to learn it. Once Britain invokes Article 50 (which initiates the process of leaving the EU) there is a two year negotiating period to the exit. For the time being, it is too early to make judgements on asset allocation based on Brexit alone. However, the conditions of weaker growth and public discourse that led to the demand for the referendum remain. European growth continues to be sluggish alongside weaker global growth. In the past six months the International Monetary Fund, the Organization for Economic Cooperation and Development and the World Bank have each reduced their global growth forecast for 2016.

Outside of North America, developed market equities' returns were much more lackluster. The MSCI Europe Index fell by -7.3% while the MSCI Japan Index fell -6.5% (both in USD terms). Emerging market indices performed better with the MSCI EM Latin America Index gaining 24.0% and the MSCI Pacific ex Japan Index gaining 0.3%. The outlook for International equities remains mixed with a somewhat more favourable view towards the emerging markets while Europe and Japan may continue to struggle despite a negative interest rate environment.

Bonds

Central bankers around the world continue to provide accommodative monetary policy with little appetite to raise rates. In the United States the Federal Reserve continues to weigh the data while the market has pushed expectations of the next rate hike into 2017 as measured by the Fed Funds Futures rate.

According to Fitch Ratings, following the Brexit vote there is now US$11.7 trillion in government debt with negative yields. As central banks continue to flirt with ultra-low or negative rates, investors are challenged with finding a suitable source of current income. Investors may be better served looking towards corporate bonds – investment grade and high yield – as an income alternative.



Source: Bloomberg, Manulife Investments as of June 30, 2016

Overall however, we would argue that bonds have perhaps returned to their status of volatility dampener in a client's portfolio.

I wrote a year ago about Paul "Bear" Bryant, one of the NCAA's winningest football coaches who famously said, "Offense sells tickets; defense wins championships." For those unfamiliar with Bear Bryant, he was one of the most successful college football coaches in NCAA history. Bryant won seven national titles; six while head coach of the University of Alabama between 1958-1982. Bryant's quote was on football but crosses over to many subjects including investing. I see it as the pull between equities and fixed income. Equities have often been the sexier of the two. However, it is the defensive nature of fixed income that we are thankful for in times of volatility.

Investing is finding that blend of risk and reward to meet an objective. But sometimes the balance between the two goes off kilter. This may be one of those times where the rewards compensate investors less than the volatility would imply.

We continue to advocate for a defensively minded asset allocation on the belief that we are in a low return environment. As such, reducing volatility is a prudent approach given our conservative view. There are plenty of risks on the horizon; if investors are not going to be compensated for assuming those risks perhaps it is better to minimize them. While the outlook remains positive, we expect volatility to increase and returns to be more muted in the year ahead. Rebalancing portfolios to take advantage of the opportunities while reducing risk may serve investors well over the near-term.

Never forget your defense.

A rise in interest rates typically causes bond prices to fall. The longer the average maturity of the bonds held by a fund, the more sensitive a fund is likely to be to interest-rate changes. The yield earned by a fund will vary with changes in interest rates.

Global events have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both domestic and foreign.

Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a fund's investments.

This material, intended for the exclusive use by the recipients who are allowable to receive this document under the applicable laws and regulations of the relevant jurisdictions, was produced by and the opinions expressed are those of Manulife Investments as of the date of this publication, and are subject to change based on market and other conditions. The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable but Manulife Investments does not make any representation as to their accuracy, correctness, usefulness or completeness and does not accept liability for any loss arising from the use hereof or the information and/or analysis contained herein. The information in this document including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife Investments disclaims any responsibility to update such information. Neither Manulife Investments or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein.

All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife Financial, Manulife Investments™, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute an offer or an invitation by or on behalf of Manulife Investments to any person to buy or sell any security and is no indication of trading intent in any fund or account managed by Manulife Investments. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Unless otherwise specified, all data is sourced from Manulife Investments.

This commentary reflects the views of the sub-advisor(s) of Manulife Investments. These views are subject to change as market and other conditions warrant. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Manulife Funds, Manulife Corporate Classes and Manulife Leaders Portfolios are managed by Manulife Investments, a division of Manulife Investments.

Manulife | Investments

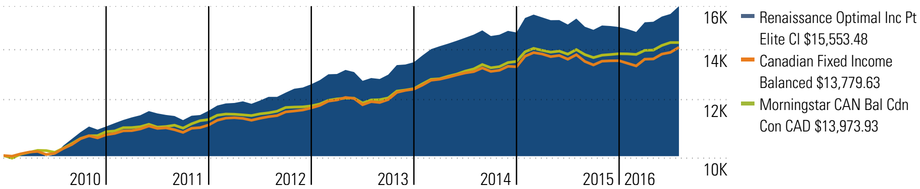
FUND OF THE MONTH

Renaissance Optimal Inc Pt Elite Cl ATL2404

Morningstar Analyst Rating
—

NAV $	NAV Day Change %	Yield TTM %	Total Assets $	Status	Min. Inv.	Load	MER	Morningstar Rating™	Category	Investment Style
12.05	↑0.04 | 0.31	3.97	3	Open	$500,000	Multiple	1.37%	★★★★★	Canadian Fixed Income Balanced	Large Blend

Growth of 10,000 01-05-2010 - 07-24-2016



Performance 07-22-2016

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,633	10,329	10,414	12,208	13,681	—
Fund	6.33	3.29	4.14	6.88	6.47	—
+/- Morningstar CAN Bal Cdn Con CAD	2.97	2.43	0.65	0.76	1.36	—
+/- Category	2.28	1.06	1.56	1.79	1.72	—
% Rank in Cat	5	2	11	6	6	—
# of Funds in Cat	408	421	390	287	188	88

* Currency is displayed in CAD

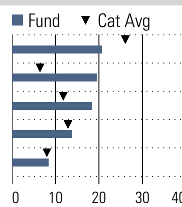
Top Holdings 06-30-2016

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Renaissance Canadian Bond	30.02	13.78 CAD	0.12 ↑	13.16 - 13.87
⊖ Renaissance Canadian Dividend	24.78	14.86 CAD	0.40 ↑	12.62 - 14.86
Renaissance Global Infrastructure	15.12	13.02 CAD	0.74 ↑	11.82 - 13.82
⊖ Renaissance High-Yield Bond	10.13	7.33 CAD	-0.01 ↓	6.33 - 7.45
⊕ Renaissance Global Bond	9.99	5.62 CAD	0.30 ↑	5.37 - 5.70
% Assets in Top 5 Holdings	90.04			

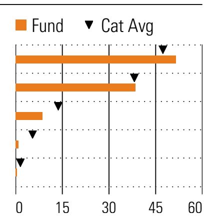
⊕ Increase ⊖ Decrease ☼ New to Portfolio

Top Sectors 06-30-2016

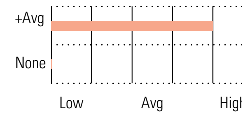
	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	20.62	23.49	20.62	25.16
Utilities	19.50	19.50	14.51	5.51
Industrials	18.35	20.48	18.35	10.87
Energy	13.74	18.38	11.58	11.96
Communication Services	8.38	9.90	7.04	7.09



	Fund	BMark	Cat Avg
Corporate	51.55	0.00	46.05
Government	38.56	0.00	36.87
Cash & Equivalents	8.61	100.00	12.40
Securitized	0.84	0.00	4.15
Municipal	0.45	0.00	0.24



Morningstar Risk Measures



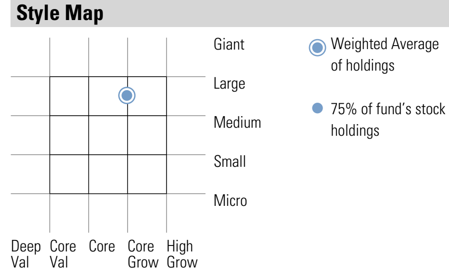
Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating		—

Investment Strategy

To generate income with some potential for capital appreciation by investing primarily in units of Canadian and global mutual funds.

Style Map



Asset Allocation 06-30-2016

	% Net	% Short	% Long
Cash	4.87	0.00	4.87
Canadian Equity	22.38	0.00	22.38
U.S. Equity	7.67	0.00	7.67
International Equity	8.67	0.00	8.67
Fixed Income	55.80	0.00	55.80
Other	0.60	0.36	0.96

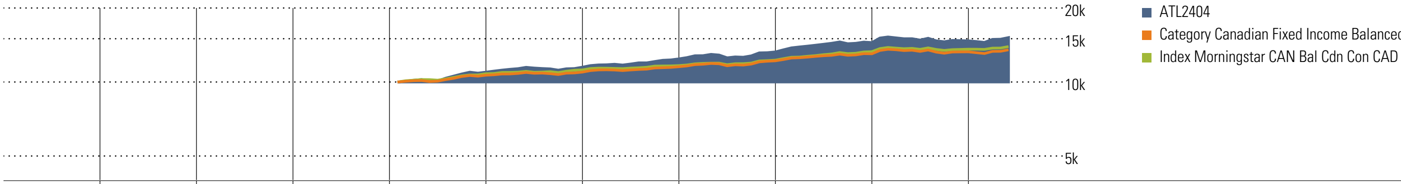
Management

Start Date

Renaissance Optimal Inc Pt Elite Cl ATL2404

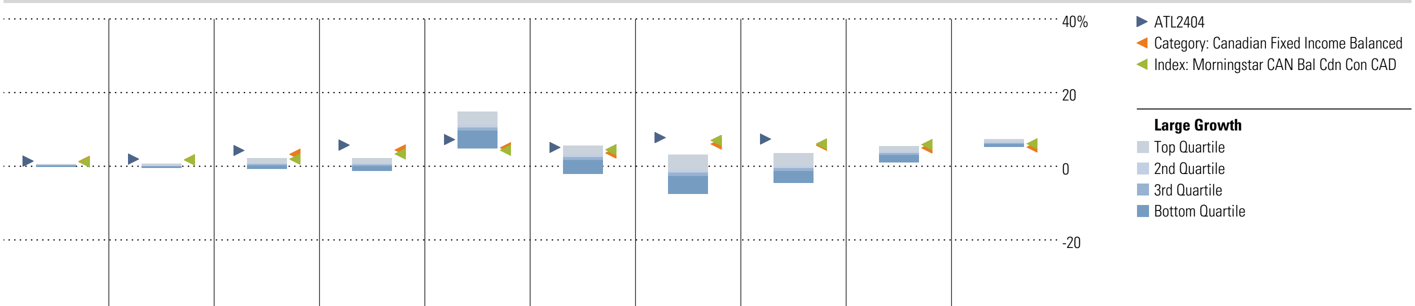
Performance

Growth of 10,000 06-30-2016



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD	Performance Quartile / History
—	—	—	—	—	4.77	8.10	6.69	9.15	1.63	3.91	ATL2404
—	—	—	—	—	3.63	4.12	5.21	8.34	2.30	3.36	Morningstar CAN Bal Cdn Con CAD
—	—	—	—	—	2.70	5.16	5.73	6.83	1.80	2.47	Category (Canadian Fixed Income Balanced)
—	—	—	—	—	1.13	3.99	1.48	0.81	-0.67	0.56	+/- Morningstar CAN Bal Cdn Con CAD
—	—	—	—	—	2.06	2.94	0.97	2.32	-0.18	1.44	+/- Category (Canadian Fixed Income Balanced)
—	—	—	—	—	—	—	—	—	—	—	Income CAD
—	—	—	—	—	—	—	—	—	—	—	Capital Gains CAD
—	—	—	—	—	—	—	—	—	—	—	Net Assets CAD Mil
—	—	—	—	—	19	3	39	7	65	13	% Rank in Category
—	—	—	—	Canadian Fixed Income Balanced	Canadian Fixed Income Balanced	Canadian Fixed Income Balanced	Canadian Fixed Income Balanced	Canadian Fixed Income Balanced	Canadian Fixed Income Balanced	Canadian Fixed Income Balanced	Fund Category

Trailing Total Returns 07-22-2016



1 Day	1 Wk	1 Mo	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	Total Return %
0.31	0.89	3.29	4.78	6.33	4.14	6.88	6.47	—	—	ATL2404
0.11	0.64	0.86	2.33	3.36	3.49	6.12	5.11	4.92	5.17	Morningstar CAN Bal Cdn Con CAD
0.25	0.69	2.22	3.43	4.05	2.58	5.09	4.75	4.00	4.22	Category (Canadian Fixed Income Balanced)
0.20	0.25	2.43	2.45	2.97	0.65	0.76	1.36	—	—	+/- Morningstar CAN Bal Cdn Con CAD
0.07	0.20	1.06	1.36	2.28	1.56	1.79	1.72	—	—	+/- Category (Canadian Fixed Income Balanced)
18	8	2	2	5	11	6	6	—	—	Rank in Category

Tax Analysis 06-30-2016

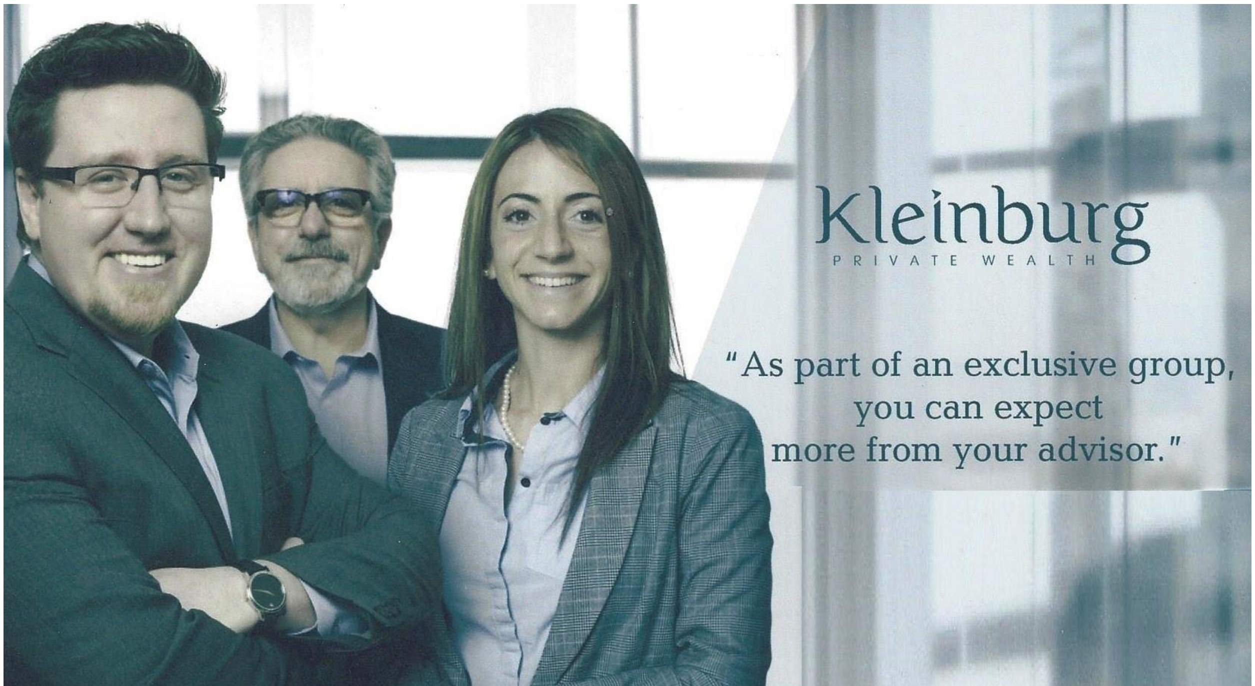
	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	Since Incpt.
Pretax Return	0.75	2.48	3.91	3.91	3.15	6.78	6.03	—	—	6.67
Tax-adjusted Return	0.59	1.97	2.87	2.87	1.11	4.92	4.28	—	—	4.90
% Rank in Category	29	30	21	21	37	25	25	—	—	—
Tax Cost Ratio	—	—	—	—	1.99	1.75	1.65	—	—	—

Renaissance Optimal Inc Pt Elite Cl ATL2404

Performance

Quarterly Returns

		ATL2404	Morningstar CAN Bal Cdn Con CAD	Cat (Canadian Fixed Income Balanced)
2016	Q2	2.48	2.33	2.01
	Q1	1.40	1.00	0.45
2015	Q4	0.83	1.15	1.27
	Q3	-1.55	-1.00	-1.68
	Q2	-2.08	-1.12	-1.54
	Q1	4.55	3.32	3.85
2014	Q4	1.05	1.88	1.38
	Q3	0.50	0.99	0.45
	Q2	2.55	2.27	1.88
	Q1	4.80	2.95	2.97
2013	Q4	3.73	2.77	3.14
	Q3	1.84	1.52	1.55
	Q2	-1.99	-1.21	-1.42
	Q1	3.05	2.08	2.38
2012	Q4	2.51	0.47	1.18
	Q3	2.36	1.89	1.88
	Q2	0.71	0.11	-0.15
	Q1	2.30	1.59	2.18



Your wealth requires a certain amount of expertise.

Oftentimes, even if you're able to find the level of expertise necessary to meet your financial needs, it's being spread too thin among too many clients, or it's being packaged up into something for a general market.

What seemed like a premium service turns out to be an average one, with little customization around your personal situation.

We left the downtown core to serve clients across the GTA from our office in Kleinburg, so that we could dedicate the time and personal attention that our clients needed. We work with only a handful of families, so that you don't have to compromise on the originality or depth of your wealth advice.

Kleinburg PRIVATE WEALTH

Carte WEALTH MANAGEMENT INC.

Kleinburg Private Wealth
91 Anglewood Court
Kleinburg, Ontario L0J 1C0

Tel. (905) 893-2540
Fax. (866) 893-2629

www.kleinburgprivatewealth.com

DISCLAIMER

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.

Labour Sponsored Investment Funds ("LSIF") have tax credits that are subject to certain conditions and are generally subject to recapture, if shares are redeemed within eight years. Please note that Mutual Fund Representatives in Alberta are not permitted to sell LSIF.

An investor proposing to borrow for the purchase of securities should be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. The extent of that risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

Investors should educate themselves regarding securities, taxation or exchange control legislation, which may affect them personally. This newsletter is for general information only and is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. Please consult an appropriate professional regarding your particular circumstances.

All non-mutual fund related business conducted by Kleinburg Private Wealth Management is not in the capacity of an employee or agent of Carte Wealth Management Inc. Non-mutual fund related business includes, without limitation, advising in or selling any type of insurance product, advising in or selling any type of mortgage service, estate and tax planning or tax return preparation. Accordingly, Carte Wealth Management Inc. is not liable and/or responsible for any non-mutual fund related business conducted by Kleinburg Private Wealth Management. Such non-mutual fund related business is the responsibility of Kleinburg Private Wealth Management alone.

Mutual funds provided through Carte Wealth Management Inc.