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**Carte**  
 WEALTH MANAGEMENT INC.

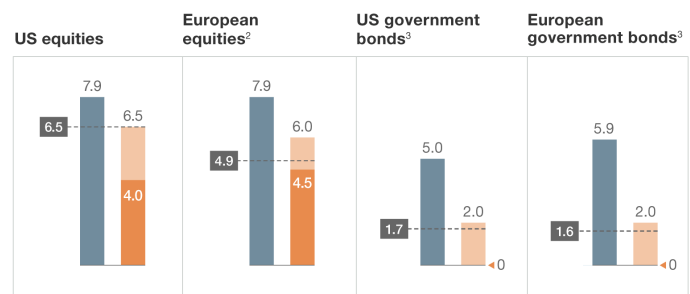
# KLEINBURG PRIVATE WEALTH

# NEWSLETTER



After an era of stellar performance, investment returns are likely to come back down to earth over the next 20 years.

■ Past 30 years, %    ■ Next 20 years (projected range for future returns<sup>1</sup>)    ---- Average for past 100 years, %  
 ■ Growth-recovery scenario    ■ Slow-growth scenario



<sup>1</sup>Numbers reflect the range between the low end of the slow-growth scenario and the high end of the growth-recovery scenario.

<sup>2</sup>Weighted average real returns based on each year's Geary-Khamis purchasing-power-parity GDP for 14 countries in Western Europe.

<sup>3</sup>Bond duration for United States is primarily 10 years; for Europe, duration varies by country but is typically 20 years.

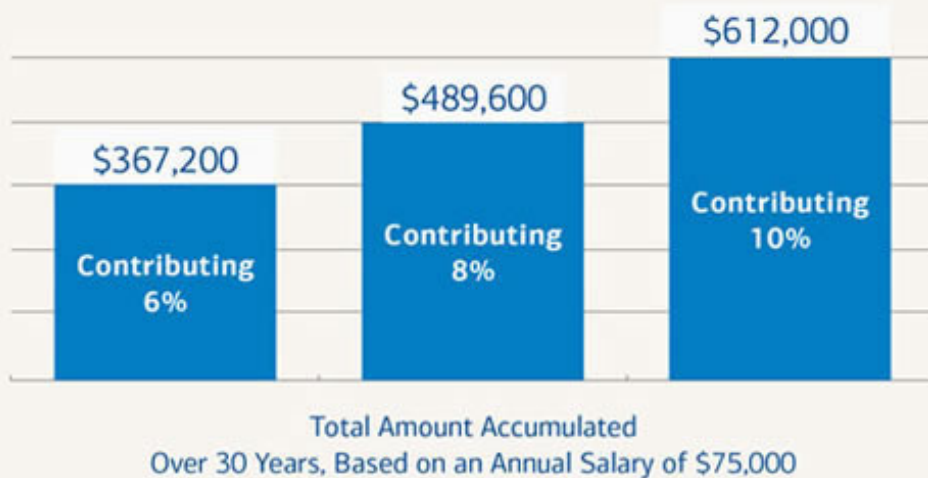
Source: McKinsey Global Institute analysis (for details, download the full report)

McKinsey&Company



## Stretch Your Retirement Amount

When you start saving early, even stretching to increase retirement contributions 1% or 2% can have a large impact over time.



Dollar figures are rounded to the nearest hundred.

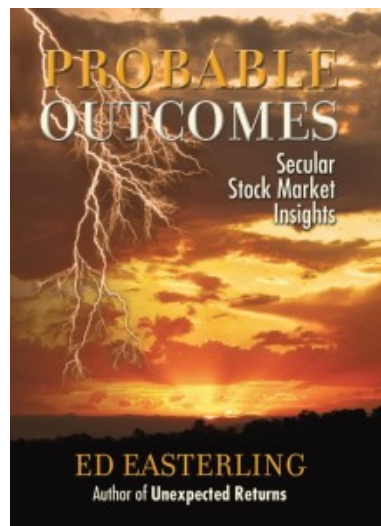
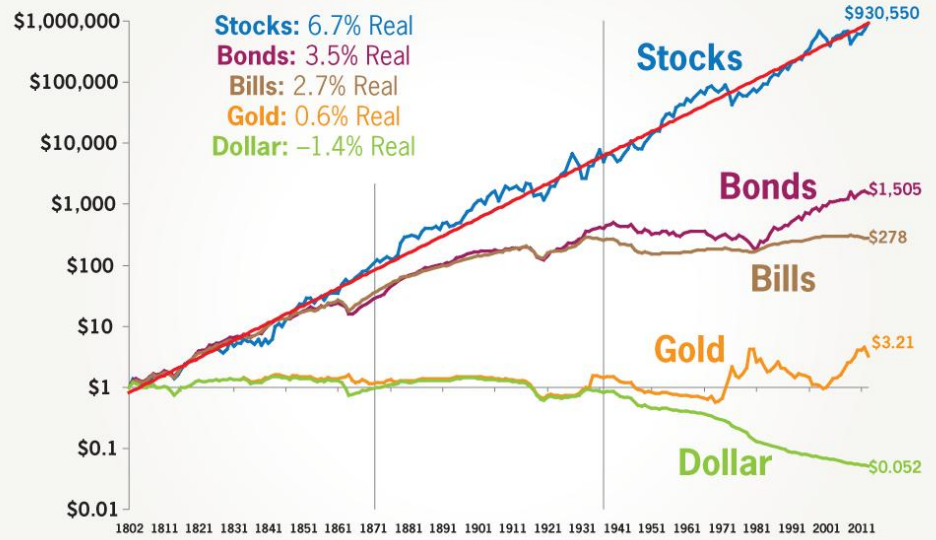
This hypothetical illustration assumes a salary of \$75,000, contribution rates of 6, 8 and 10% with contributions made at the beginning of the month and a 6% annual effective rate of return. Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original cost. Taxes are due upon withdrawal. If you take a withdrawal prior to age 59½, you may also be subject to 10% additional tax.



## Total Real Return Indexes

January 1802 – December 2013

Past performance is not indicative of future results.





**VIDEO LINK**







**VIDEO LINK**



Check this out! →

The Way I See It



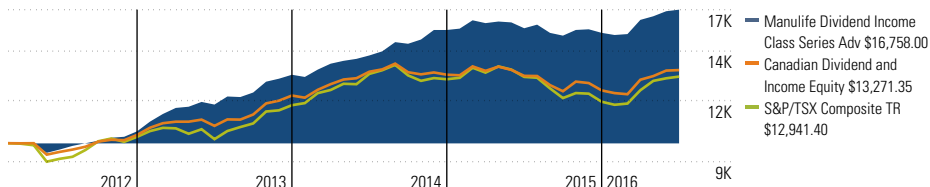
**VIDEO LINK**

# Manulife Dividend Income Class Series Adv MMF18445

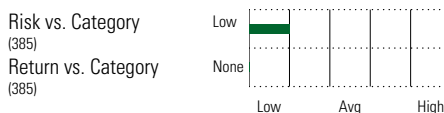
Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$	Status	Min. Inv.	Load	MER	Morningstar Rating™	Category	Investment Style
15.98	↑0.10   0.64	1.57	63	Open	\$500	Multiple	2.36%	★★★★★	Canadian Dividend and Income Equity	Large Growth

## Growth of 10,000 03-21-2012 - 06-23-2016



## Morningstar Risk Measures



## Investment Strategy

The Fund seeks to provide a combination of income and capital appreciation by investing primarily in a diversified portfolio of Canadian dividend paying common and preferred equity securities. The Fund may also invest in real estate investment trusts (REITs) and royalty trusts.

## Performance

YTD 1 Mo 1 Yr 3Yr Ann 5Yr Ann 10Yr Ann

\* Currency is displayed in CAD

## Top Holdings 04-30-2016

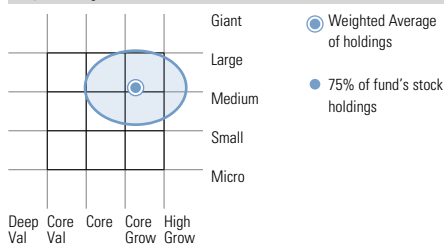
	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Manulife Dividend Income Adv	100.06	13.15 CAD	0.64 ↑	11.46 - 13.38
% Assets in Top 5 Holdings		100.06		

⊕ Increase ⊖ Decrease ✖ New to Portfolio

## Pillars

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

## Style Map



## Top Sectors 05-31-2016

	Fund	3 Yr High	3 Yr Low	Cat Avg	
🏭 Industrials	21.66	21.66	9.59	8.96	■ Fund ▼ Cat Avg
🛒 Consumer Defensive	13.84	19.68	13.84	4.84	
🏦 Financial Services	13.41	18.15	13.41	33.72	
🏠 Real Estate	11.02	11.63	11.02	6.21	
🛒 Consumer Cyclical	10.47	12.60	9.57	5.30	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Short-Term Capital Gain	Return of Capital	Dividend Income	Distribution Total
04-29-2016	15.58	0.0000	0.0000	0.0000	0.1400	0.1400
11-20-2015	15.03	0.0000	0.0000	0.0000	0.1100	0.1100
04-30-2015	15.51	0.0000	0.0000	0.0000	0.1900	0.1900
04-30-2014	13.49	0.0000	0.0000	0.0000	0.0000	0.0000
04-30-2013	11.44	0.0000	0.0000	0.0000	0.0800	0.0800

## Asset Allocation 05-31-2016

	% Net	% Short	% Long
● Cash	15.16	2.21	17.37
● Canadian Equity	61.50	0.00	61.50
● U.S. Equity	18.08	0.00	18.08
● International Equity	0.00	0.00	0.00
● Fixed Income	0.14	0.00	0.14
● Other	5.13	0.00	5.13

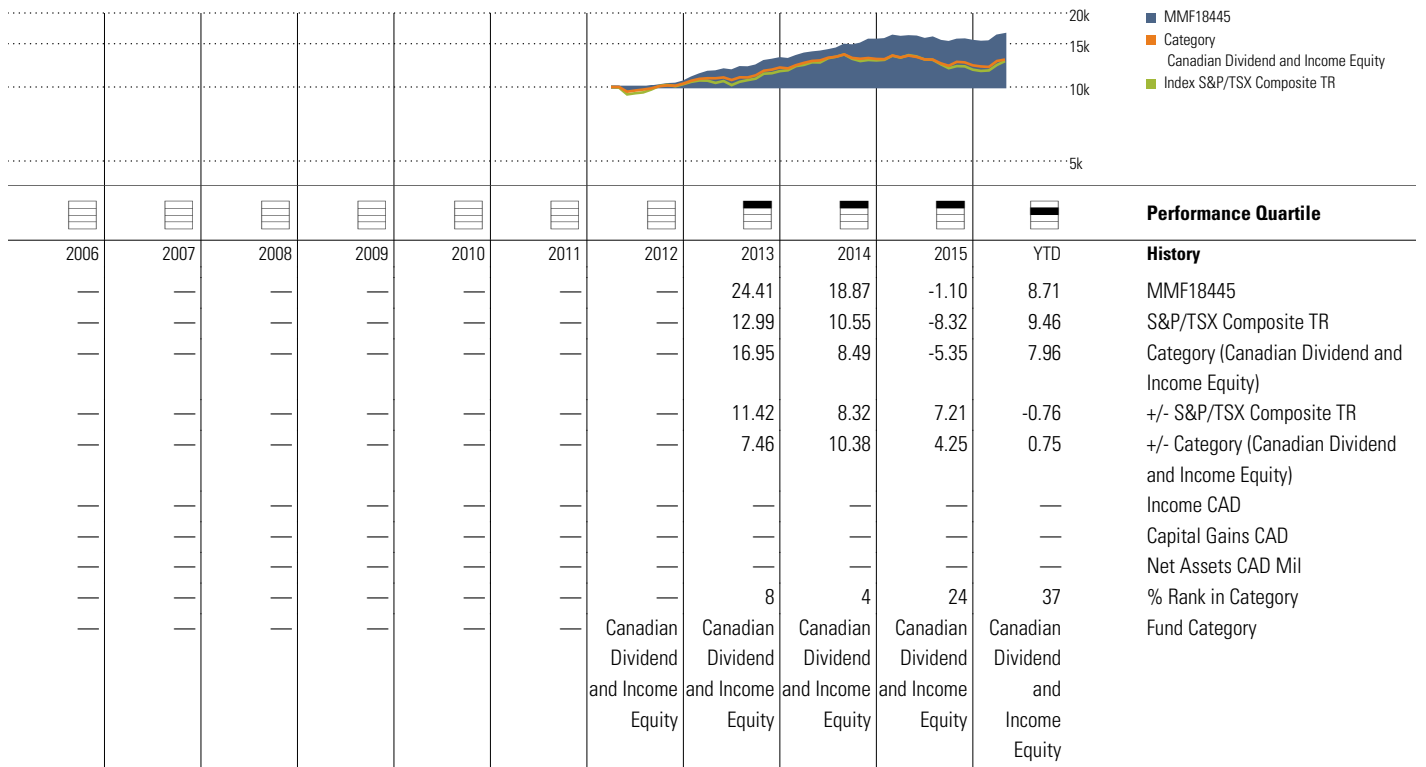
## Management

	Start Date
Alan Wicks	03-23-2012
Conrad Dabiet	03-23-2012
Jonathan Popper	03-23-2012

# Manulife Dividend Income Class Series Adv MMF18445

## Performance

### Growth of 10,000 05-31-2016



### Trailing Total Returns

### Tax Analysis 05-31-2016

	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	Since Incpt.
Pretax Return	1.97	9.23	7.22	8.71	4.41	12.38	—	—	—	12.94
Tax-adjusted Return	1.97	8.74	6.75	8.22	3.57	11.69	—	—	—	12.34
% Rank in Category	58	57	17	35	8	4	—	—	—	—
Tax Cost Ratio	—	—	—	—	0.80	0.62	—	—	—	—

# Manulife Dividend Income Class Series Adv MMF18445

## Performance

Quarterly Returns		MMF18445	S&P/TSX Composite	Cat (Canadian TR Dividend and Income Equity)
<b>2016</b>	Q1	5.13	4.54	4.21
<b>2015</b>	Q4	1.09	-1.40	0.40
	Q3	-2.82	-7.86	-5.77
	Q2	-1.95	-1.63	-1.88
	Q1	2.67	2.58	1.48
<b>2014</b>	Q4	5.47	-1.47	-0.91
	Q3	4.61	-0.59	-0.20
	Q2	3.24	6.41	4.95
	Q1	4.37	6.06	4.46
<b>2013</b>	Q4	7.09	7.29	7.61
	Q3	4.77	6.25	4.47
	Q2	1.30	-4.08	-1.60
	Q1	9.46	3.34	5.33
<b>2012</b>	Q4	3.67	1.72	2.59
	Q3	3.49	7.02	4.10
	Q2	-2.10	-5.67	-3.24
	Q1	—	4.39	4.49

## INVESTMENT NOTE

JUNE 6, 2016

### ***Sell in May and go away* - Investing is like soap, the more you touch it, the smaller it gets**

In general, life is chaotic. However, within our chaotic lives, there are aspects that we can count on regularly which include Christmas holiday music starting in early November, fans of the Toronto Maple Leafs planning the Stanley Cup parade route in September, and in April feeling sick to our stomachs when filing our taxes. In the financial world, in May it can be guaranteed that major financial networks will publish “*Sell in May and go away*” articles, and as a result, our group will receive countless questions regarding the validity of this seasonal trade. And so, here is ours.

*Sell in May and go away*, also known as the *Halloween indicator* is one of the most well recognized seasonal trade strategies. It theorizes the strategy of investors selling their equity portfolios on May 1st and allocating the proceeds into cash and then buying back those stocks again after Halloween. While the origins of *Sell in May and go away* are unknown, it is rumored to date back to old England, when the stock brokers would go on summer vacation in May and not return until September. The original saying was, “*Sell in May and go away, do not return until St. Leger's Day.*” The final horse race of the season happened on St. Leger's Day and the old time stock brokers didn't bother getting back to work until the racing season had ended. The market in those days was pretty flat over the summer months.

Advocates for *Sell in May and go away* state that since 1950 the returns for the May to October period on average are lower than the six month period between November and April. As a result, if investors were able to avoid the May - October period, their portfolio returns would be higher than a simple buy and hold strategy. *Sell in May and go away* has gained credibility among investors given the number of infamous stock market declines that have occurred during the May through October period including Black Monday in 1987, the post-Lehman crash of 2008 and the correction in August 2011 which followed the downgrade of the US government debt rating.

This year, the rally in risk assets in May have believers of *Sell in May and go away* on edge. International, Canadian and US equities (as measured by the MSCI World Index (USD), S&P/TSX Index (CAD), and S&P 500 (USD) respectively) were all positive for the month of May. US stocks led the way with a price return of 1.5%, outperforming the historical median monthly return for May of 0.8% (see chart below).

With all this in mind, should you have sold in May or continued holding your portfolio? Our team is always quite skeptical with any seasonal trade theories since you can always find outliers. That being said, we decided to humour ourselves and dig deeper. We analyzed returns for a portfolio that adhered to *Sell in May and go away* relative to a conventional buy and hold strategy.

This Investment Note represents the views of **Macan Nia** of Manulife Investments



**Macan Nia**, Sr. Investment Strategist, Capital Markets & Strategy, Manulife Investments

What we found was as expected, that investors are much better off with a buy and hold strategy over the long run as the table below highlights. Since 1950, the compound annual average gain of the S&P 500 Index (not including dividends) was 7.5% in US dollar terms ending 2015. Whereas the *Sell in May* strategy yielded a compound annual average return of 6.7%. In certain time periods, *Sell in May* slightly outperformed but when you incorporate transaction costs and taxes, it reduces any advantage.

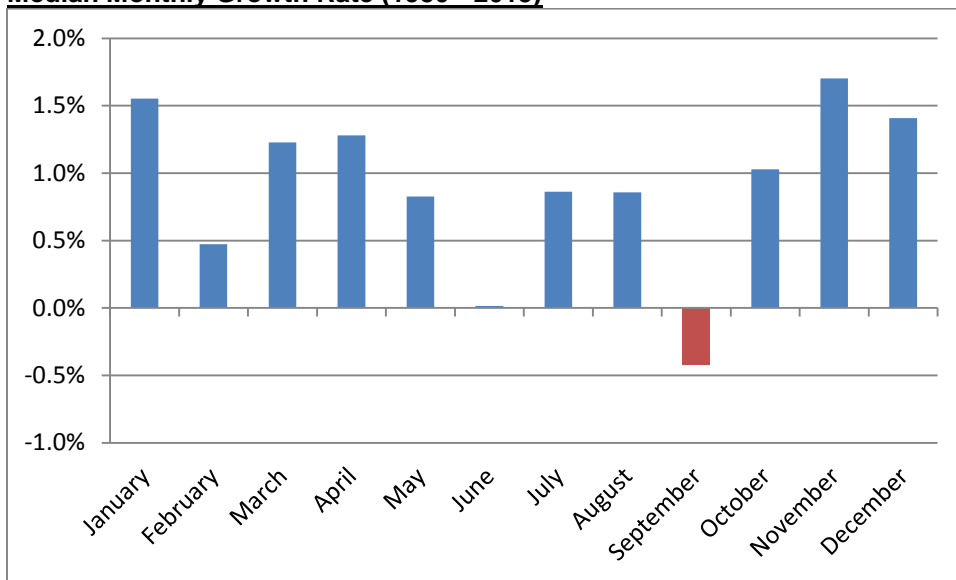
**Buy and Hold vs. Sell in May and go Away Strategy - Compound Annual Growth Rate (CAGR) for Various Calendar Year Periods**

	5 Years	10 Years	20 Years	since 1950
Buy and Hold	10.2%	5.1%	6.2%	7.5%
Sell in May...	10.0%	5.7%	6.4%	6.7%

Source: Bloomberg, Manulife Investment Calculations

So there is no validity to *Sell in May and go away*; however, we did find some interesting factoids in our search. Since 1950, to our team's surprise, October is not one of the worst performing month. In fact, the chart below highlights that October's median return of 1.0% is middle of the pack. The top three months are November (+1.7%), January (+1.6%), and April (+1.3%). On the flip side, the worst performing month was easily September with a median monthly return of -0.4% followed by June (+0.0%) and February (+0.5%).

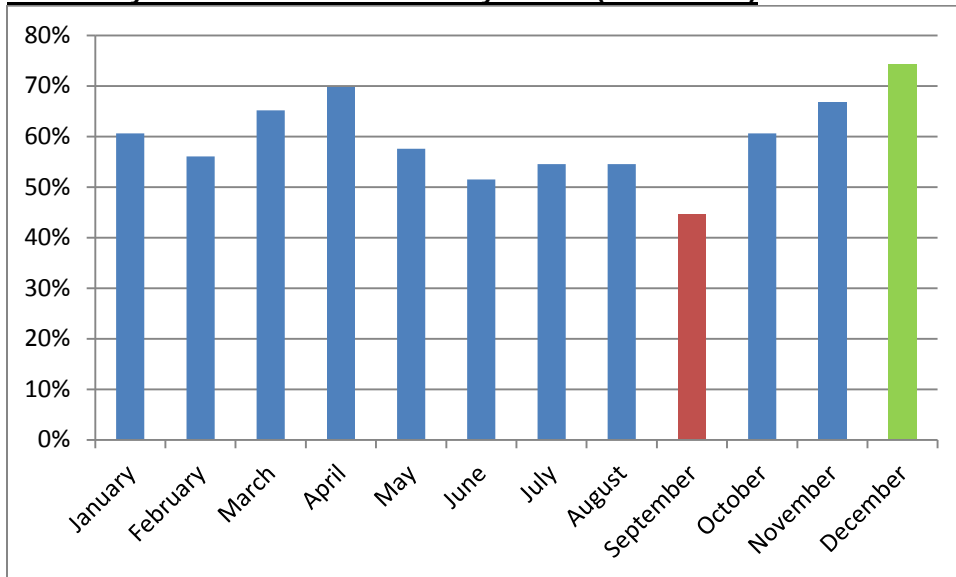
**Median Monthly Growth Rate (1950 - 2015)**



Source: Bloomberg, Manulife Investment Calculations

There is no doubt that the Christmas spirit finds itself embedded into the stock market in December. Maybe we can attribute it to the month long holiday celebrations. Regardless, December proves to be positive more often than any other month since 1950. The months of April and November also received positive vibes from market participants. However, the jovial feelings of sending our children back to school do not correlate with September's monthly returns. Not only is September the worst performing month for equity markets, but the probability of a negative month is highest, with markets down approximately 55% of the time. September is followed by June (down 48% of the time) and July and August (down 45% of the time).

**Probability of Positive Median Monthly Return (1950 - 2015)**



Source: Bloomberg. Manulife Investment Calculations

Overall, we believe many of the misperceptions regarding *Sell in May and go away* revolve around behavioral biases. The field of Behavioral Finance has shown that investors weigh negative returns far greater than the positive returns and are much more likely to remember negative outcomes. Since 1950, approximately 60% of negative monthly returns including corrections of greater than -10% occurred during the May to October period. We vividly remember the crash of 1987 (October return of -21.8%) or the downgrade of the United States credit rating (August & September return of -12.9%). However, January 1987, August 1984 or October 2011 which had monthly returns of 13.2%, 10.6% and 10.8% respectively are rarely mentioned. The strongest argument against *Sell in May and go away* is that it assumes that investors always act rationally and make prudent and logical decisions that provide them with the greatest benefit. It is impossible for us to imagine a scenario where an investor will act like a robot and buy November 1st and sell on May 1st regardless of market outcomes. In 1974, were you likely to buy in October after a year to date return of -23.0%? In 2008, what was the likelihood of an investor buying in November after a year to date return of -34.0%? The simple answer is very very very unlikely. If we were to follow the Sell In May strategy, in a best case scenario, we remove our emotions from investing and we can hope to break even after taxes and transaction costs. However, the much more likely scenario is that we act with our emotions and we are guaranteed to underperform a simple buy and hold strategy. Investing is like soap, the more you touch it, the smaller it gets!



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.

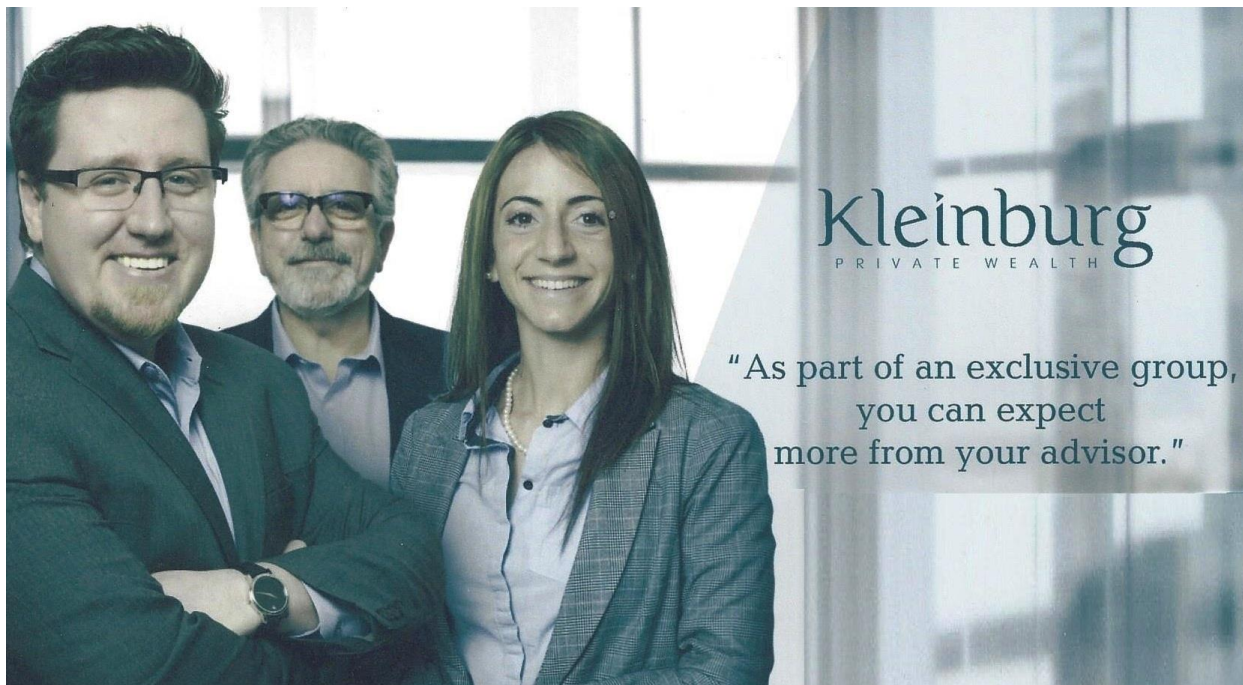
Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a fund's investments.

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**Kleinburg**  
PRIVATE WEALTH

"As part of an exclusive group,  
you can expect  
more from your advisor."

## 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.

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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.

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