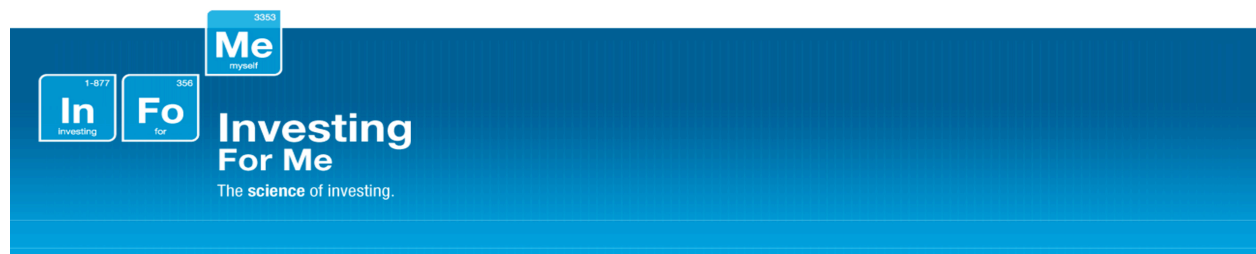


Quarterly portfolio Summary



Sample Balanced Portfolio

March 31, 2014

<u>Current Investment Mix:</u>	<u>%</u>	<u>\$</u>	<u>Target</u>
Fixed Income:	69.88%	\$86,792.87	70.00%
Growth:	27.71%	\$34,416.49	30.00%
Cash/Cash Equivalents*:	2.42%	\$3,000.01	0.00%
Totals:	100.00%	\$124,209.37	100.00%

Estimated Annual Income: \$4,606.41

<u>Bond Maturities:</u>	<u>\$</u>		
Cash/Cash Equivalents:	\$3,000	2017	\$15,000
2013	\$0	2018	\$7,000
2014	\$7,500	2019	\$7,500
2015	\$7,500	2020	\$10,000
2016	\$7,500	Preferred Shares:	\$22,717.30
		% of Portfolio:	18.29%

Stock Market Sector Weightings:

Oil/Gas:	0.00%	
Financial Services:	7.58%	(BMO, Power Financial, Great-West Lifeco)
Mining & Metals:	0.00%	
Gold & Precious Metals:	0.00%	
Industrial Products:	0.00%	
Communications:	6.13%	(BCE Inc., Shaw Communications)
Pipelines:	5.70%	(Transcanada, Enbridge)
Utilities:	1.82%	(Transalta Corp.)
Consumer Staples:	2.32%	(George Weston Ltd.)
Consumer Discretionary:	0.00%	
Real Estate:	0.00%	
Forestry:	0.00%	
Technology:	0.00%	
Mutual Funds:	0.00%	
Exchange Traded Funds:	0.00%	
Inverse ETFs/Short Positions:	-4.15%	(S&P/TSX 60 Index Inverse ETF)
Effective Market Exposure:	19.40%	

Sample Balanced Portfolio

31-Mar-2014

Quantity	Investment's Description	Credit Rating	Average Cost:	Book Value:	Current Price:	Market Value:	Annual Yield (%)	Est. Annual Income:
\$3,000	Cash Balance		\$1.00	\$3,000.01	\$1.00	\$3,000.01	0.00%	\$0.00
	<u>Bonds and GICs</u>							
\$7,500	ING Bank of Canada 3.40% GIC Annual Pay, Matures: 21-Jun-2014	AAA	\$100.00	\$7,500.00	\$100.00	\$7,500.00	3.40%	\$255.00
\$7,500	HSBC Bank 3.70% GIC Annual Pay, Matures: 21-Jun-2015	AAA	\$100.00	\$7,500.00	\$100.00	\$7,500.00	3.70%	\$277.50
\$7,500	Coastal Community CU 2.25% GIC Annual Pay, Matures: 14-Nov-2016	AAA	\$100.00	\$7,500.00	\$100.00	\$7,500.00	2.25%	\$168.75
\$7,500	General Electric Capital Canada 4.55% Bond, Matures: 17-Jan-2017	AA(+)	\$100.11	\$7,507.88	\$107.23	\$8,041.88	4.53%	\$341.25
\$7,500	Bank of Nova Scotia 4.10% Bond, Matures: 08-Jun-2017	AA	\$100.16	\$7,511.78	\$106.64	\$7,997.63	4.07%	\$307.50
\$7,000	TMX Group Ltd. 3.253% Bond, Matures: 03-Oct-2018	A (high)	\$100.76	\$7,052.92	\$102.90	\$7,202.79	3.10%	\$227.71
\$7,500	Province of Nova Scotia 4.15% Bond, Matures: 25-Nov-2019	A (high)	\$99.91	\$7,493.18	\$109.52	\$8,214.08	4.16%	\$311.25
\$10,000	Bell Canada 3.25% Bond, Matures: 17-Jun-2020	A (low)	\$97.87	<u>\$9,786.85</u>	\$101.19	<u>\$10,119.20</u>	3.58%	<u>\$325.00</u>

Bond and GIC Totals: **\$61,852.60** **\$64,075.57** 3.58% **\$2,213.96**

Quantity	Investment's Description	Credit Rating	Average Cost:	Book Value:	Current Price:	Market Value:	Annual Yield(%):	Est. Annual Income:
<u>Preferred Shares:</u>								
210	IGM Financial Inc. 5.90% Preferred (IGM.PR.B)	Pfd-2 (high)	\$24.10	\$5,061.00	\$25.65	\$5,386.50	6.12%	\$309.75
250	George Weston Ltd 5.20% Preferred (WN.PR.D)	Pfd-3	\$20.69	\$5,172.50	\$23.90	\$5,975.00	6.28%	\$325.00
230	The Toronto-Dominion Bank 5.25% Preferred (TD.PR.P)	Pfd-2 (high)	\$22.98	\$5,285.40	\$26.20	\$6,026.00	5.71%	\$301.88
210	Power Corp. 4.60% Preferred (POW.PR.G)	Pfd-2 (high)	\$24.73	<u>\$5,193.30</u>	\$25.38	<u>\$5,329.80</u>	5.66%	<u>\$294.00</u>
Preferred Share Totals:				\$20,712.20		\$22,717.30	5.94%	\$1,230.63
<u>Common Shares:</u>								
<u>Financial Sector:</u>		7.584%						
42	Bank of Montreal	BMO	\$63.19	\$2,653.98	\$73.96	\$3,106.32	4.81%	\$127.68
91	Power Financial Corp.	PWF	\$29.30	\$2,666.30	\$34.23	\$3,114.93	4.78%	\$127.40
105	Great-West Lifeco Inc.	GWO	\$25.45	<u>\$2,672.25</u>	\$30.47	<u>\$3,199.35</u>	4.83%	\$129.15
				\$7,992.53		\$9,420.60		

Quantity	Investment's Description	Symbol	Average Cost:	Book Value:	Current Price:	Market Value:	Annual Yield(%):	Est. Annual Income:
	<u>Communications Sector:</u>		6.128%					
85	BCE Inc.	BCE	\$31.36	\$2,665.60	\$47.62	\$4,047.70	7.88%	\$209.95
135	Shaw Communications Inc.	SJR.B	\$19.67	\$2,655.45	\$26.40	\$3,564.00	5.59%	\$148.50
				\$5,321.05		\$7,611.70		
	<u>Pipeline Sector:</u>		5.702%					
71	Transcanada Corp.	TRP	\$37.93	\$2,693.03	\$50.25	\$3,567.75	5.06%	\$136.32
70	Enbridge Inc.	ENB	\$24.93	\$1,745.10	\$50.21	\$3,514.70	5.62%	\$98.00
				\$4,438.13		\$7,082.45		
	<u>Utilities Sector:</u>		1.819%					
176	TransAlta Corp	TA	\$19.67	\$3,461.88	\$12.84	\$2,259.84	3.66%	\$126.72
	<u>Consumer Staples Sector:</u>		2.320%					
35	George Weston Ltd.	WN	\$75.59	\$2,645.65	\$82.34	\$2,881.90	2.20%	\$58.10
	Common Share Totals:			\$23,859.24		\$29,256.49	4.87%	\$1,161.82

Quantity	Investment's Description	Symbol	Average Cost:	Book Value:	Current Price:	Market Value:	Annual Yield(%):	Est. Annual Income:
	<i>Inverse (ETFs):</i>		4.154%					
600	Horizons BetaPro Inverse ETF S&P/TSX 60 Index	HIX	\$11.06	\$6,633.00	\$8.60	\$5,160.00	0.00%	\$0.00
	<i>ETF Totals:</i>			\$6,633.00		\$5,160.00	0.00%	\$0.00
	<i>Stock Market Investments:</i>			\$30,492.24		\$34,416.49		\$1,161.82
	<i>Investment Portfolio Totals:</i>			\$116,057.05		\$124,209.37	3.97%	\$4,606.41

Bond pricing = The 'Bid' price as at the close of the last trading day in the period. Data provided by Bondview.

Stock market data = closing trade on the last trading day in the period. Data provided by QuoteMedia.

Thoughts and concerns

- We continue to believe interest rates will remain low and are not on the verge of a new, long-term, rising trend. With reference to the Federal Reserve's Quantitative Easing program, we continue to believe.
 - The assets accumulated to date (some [\\$4.3](#) trillion and growing) through the QE programs are now a permanent feature of the Federal Reserve's balance sheet. Contrary to popular belief, we believe the Federal Reserve will not be selling these assets and reducing its balance sheet back to the pre-financial crisis level of [\\$800](#) billion.
 - Currently the Federal Reserve has decided to decrease the amount of monthly purchases made under QE, this reduction in purchases is not a tightening in monetary policy and should not lead to a new, long-term, rising trend in interest rates.
 - The vast majority of the liquidity injected under the Quantitative Easing program has not accomplished the desired pick up in economic growth. It has however led to the banks and financial institutions accumulating a total of [\\$2.57](#) trillion in excess reserves—money that is sitting on the sidelines rather than being loaned out into the economy. That's up from a norm of around \$2 billion before the crisis.
- *What's the next step for central banks?* With interest rates at historical lows and the QE liquidity stalled on bank balance sheets as reserves, the next step may well be for central banks to start charging deposit taking institutions interest on reserve balances. This should motivate banks to move their cash out of central bank hands, but it is doubtful the money will shift into the economy, but rather - most probably, it will shift into bonds and maybe the stock markets. Thereby keeping interest rates low and possibly helping markets to push higher.
- Demographics continue to work against interest rates moving higher. Baby boomers are retiring and this is causing a fundamental shift away from consumption (which is inflationary) toward increased savings and debt reduction (both are disinflationary).

Note: *A low inflation and low interest-rate environment should benefit both stocks and bonds this year and next. If central banks shift toward a "negative-interest" rate policy, then bond and stock markets could see a strong inflow of capital as banks move reserves out of the central banks.*

- We continue to believe that economic growth in the western (developed)

economies will be anemic at best (0.5% to 2.0%) over the next 3 years or so and we believe deflation will continue to be a growing concern for these economies.

Note: *If deflation does eventually take hold, then income-generating investments with set maturity dates, i.e. bonds and Guaranteed Investment Certificates, should benefit. Even high-quality preferred shares, with their dominating feature of high, fixed dividend income, should do fine. In a deflationary environment, ownership assets, i.e. stocks and real estate, might not perform well.*

- Looking forward, we believe that in a low interest rate, no inflation and anemic economy, corporate revenues and profits will continue to struggle to achieve anything greater than single-digit growth in the coming years.
- In recent years, we have watched as more and more companies, faced with slowing revenue growth, are adopting a [borrow-to-buy-back strategy](#) as an easy method to grow their earnings-per-share numbers. Companies following this strategy, borrow from investors and use the borrowed money to buy back their shares. This maneuver decreases the number of shares issued and outstanding, which in turn increases the company's calculated "Earnings-per-share" number, thereby giving the impression that the company's earnings are growing faster than they actually are. This trend should continue (and maybe even increase) in the next few years.

Example: *If a company has total earnings of \$10.00 and it has issued a total of 10 shares, then the company's calculated "Earnings-per-share" would equal \$1.00 per share (\$10.00 divided by 10 shares). So now lets say the company's total earnings in the following year didn't grow at all and are still \$10.00. But during the year the company borrowed and bought back 2 of its 10 issued shares, leaving 8 shares outstanding. So now the company's "Earnings-per-share" can be calculated as \$1.25 per share - creating a 25% increase in "Earnings-per-share" without any actual increase in total earnings.*

- We believe that as developed economies continue to struggle with anemic economic growth emerging markets will not be immune. Economic growth rates in the emerging economies will continue to decline causing those governments to take greater interventionist actions in their economies as domestic growth shifts to lower levels.

Investment cycle

Currently stock markets around the world have pushed past previous market peaks and continue to push for new highs. History demonstrates that as stock markets break to new highs investors are best served by focusing on their long-

term asset allocation and re-balancing frequently. Investors that allow greed to dictate their asset allocation often suffer outsized investment losses when stock markets eventually peak out.