RBC Dominion Securities Inc.

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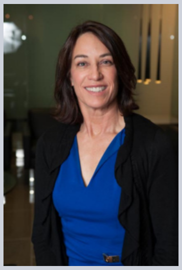
Clarke Wealth Management's

Quarterly Newsletter



Views and opinions
for the clients and friends of

Heather Clarke
Investment & Wealth Advisor, PFP
604-535-3856
heather.clarke@rbc.com
www.clarkewealthmanagement.ca

Sean Sullivan
Associate Advsor, WME
604-535-3848
sean.sullivan@rbc.com

Ruby Emms
Associate
604-535-3885
ruby.emms@rbc.com

Loonie Tunes

The loonie's downward spiral has taken it well below "fair value" where we think it may remain for some considerable time. But investors would be unwise to peg this as a case of déjà vu. We see other forces than just the oil rout that determine the path for the currency. And CAD weakness may be the best medicine for Canada's economy.

The sheen is off the Canadian dollar. It has retreated by almost 30% from its 2011 high of US$1.06 and is down 18% from this time last year. Canadians are worrying whether they are about to revisit the early 2000s when it took more than one-and-ahalf Canadian dollars to buy one U.S. dollar.

But we think the risks of this are low.

We believe the most significant part of the loonie's decline is behind us, although further downside risks on the order of about 10% can't be ruled out. Further, we expect CAD to continue to trade below fair value (roughly $0.85)—perhaps for years to come—which we believe has important implications for Canadians both from an investing and transacting perspective.

Loonie Tunes(Continued...)

Not Just a Commodity Story

While it is popular to pigeonhole the Canadian dollar as a so-called "commodity currency," we believe that the actions of the Bank of Canada (BoC) and the Federal Reserve (Fed) play a much bigger role in driving big trend shifts in the Canadian dollar than does the price of oil.

At the depths of the financial crisis, CAD traded below $0.80 and both Canada and the U.S. had lowered their respective overnight rates to 0.25%. Over the next 2+ years, CAD rose above par. While oil prices also climbed over this period, we believe the bigger driver was the dramatically different monetary policies pursued by the two countries.

Six years later, the Fed Funds rate is still at 0.25%, while successive Fed chairpersons have been blunt about their intentions: rates would remain very low for very long. Underscoring this commitment were three massive quantitative easing (QE) programs designed to bring long-term rates down to very low levels as well.

Conversely, the BoC kept its overnight rate at 0.25% for only a few months and then quickly raised rates to 1.00% in 2010. Shortly thereafter it began what was to be an almost three-year-long hawkish rhetoric about the inappropriateness of ultra-low interest rates for the Canadian economy, assuring markets that higher rates were just around the corner.

This drove capital to Canada to not only get the higher rates on offer, but also because of the prospect of even higher rates not far down the road. Foreign investors in Canadian T-bills found that as time passed not only were they earning a superior interest rate, but also all that money heading for Canada was driving the loonie higher, giving them a currency profit as well.

This self-fulfilling, very profitable dynamic was importantly underpinned by the unmistakably clear commitment of both central banks—to a near zero-rate policy on the part of the Fed and to higher rates by the BoC.

If the music didn't stop in early 2013, it certainly slowed.

The BoC began to acknowledge that there was much more "excess capacity" in the Canadian economy than previously-thought and given the fragility of the global economy raising rates anytime soon would be inappropriate—the message had changed.

About the same time, the Fed was announcing plans to wind down QE3 over the course of the next year, beginning the process of "normalizing" interest rates. Investors were still getting a higher T-bill return in Canada, but for how long? New money stopped flowing in and the loonie began to weaken (declining nearly 15% during a period in which WTI rose to US$94/barrel from US$87/barrel), introducing the prospect of currency losses into the mix for investors.

In the past year, the rate shift has deepened. While the BoC has cut rates twice, the Fed has ended its QE programs and now seems poised to begin hiking rates. Weak oil prices have played a role to be sure, but we believe primarily as a mechanism that has weakened the Canadian economy and forced the BoC to lower rates.

Economy Likely to Remain Weak Relative to U.S.

A clear divergence in economic fortunes between Canada and the U.S. will likely limit any gains by the Canadian dollar against the greenback in the coming months, in our view.

The sharp decline in oil prices and oil-related activity, coupled with a slower-thanexpected rebound in the manufacturing sector, has caused a contraction in the Canadian economy over H1 2015 with full-year growth unlikely to exceed 1%. There is evidence that manufacturing may be turning, courtesy of a weaker Canadian dollar and two interest rate cuts by the BoC, but even with these tailwinds, RBC Economics expects the Canadian economy to grow just 2.3% in 2016.

In contrast, U.S. economic growth is showing signs of shifting to a higher gear.

RBC Economics expects U.S. growth in 2015 to reach 2.4% before accelerating to 2.9% in 2016. The labor market, which has seen the creation of nearly 12 million jobs over the past five years, continues to show solid job gains concurrent with a benign inflation backdrop. A potential Fed interest rate hike later this year is an acknowledgement that the economy is on firmer footing and emergency support is no longer needed.

BC Kidney Foundation

The BC Branch of the Kidney Foundation of Canada was established in 1971 by Sargent Ken Smith, and a small group of citizens concerned about kidney disease. With the support of its many volunteers, and financial supporters, it now has 9 chapters throughout the province. Foundation volunteers support kidney patients and their families by: volunteering at dialysis units, promoting organ donation, attending health and wellness fairs, and participating in fundraising activities.

There are many expenses associated with kidney disease and as such the foundation has setup various financial assistance programs. Grants have been established to provide short term emergency financial assistance when patients have no other options. Interest-free loans up to $1,000.00 are also offered for reimbursable costs for dialysis treatments while traveling outside of Canada. The foundation has also created a recovery program called "Kidney Suites". Under this program the foundation has created five suites available to patients recuperating from kidney transplant. Patients can stay in the suites up to two months. B.C. Camp for Kidney Kids, also established by the BC Branch, offers kids living with kidney disease a one week summer adventure that includes all the summer activities one would expect from summer camp.

The Living Organ Donor Expense Reimbursement Program (LODERP) provides financial reimbursement of eligible expense to living kidney and liver donors. Eligible expenses include: Travel, accommodations, meals, parking, and loss of income during various phases of the transplant process from assessment to recovery.

Personal Experience

The Kidney Foundation is close to my heart, I have been fundraising for them for over 20 years. The Kidney Foundation of Canada exists to help prevent kidney disease or delay the onset of kidney failure.

Both my husband, Alvin and daughter, Jessica have a congenital kidney disease. For the most part it can be managed by diet, exercise and working with health professionals.

Alvin's kidneys have been in slow decline for the last five years, and he is now faced with a kidney transplant. He has a large family that is very supportive and when the request went out for a match, it was amazing the number that stepped up to be tested. It came down to three candidates: his brother, sister and an aunt. The process for both the donor and kidney patient is rigorous for both health testing and health attitude.

We are confident the kidney transplant will take place before year end, and with a living donor the odds of success are very high. The support of the Kidney Foundation to families is amazing, they promote organ donations, volunteer at dialysis units and provide housing support for transplant patients out of the Greater Vancouver area. We are lucky to have such an amazing association available to us in British Columbia.

I would encourage anybody to check out their website www.kidney.ca and also consider signing up as an organ donor. There are currently over 500 patients waiting for a kidney, we are fortunate that within our family there was a donor match.

Kidney Transplant & Organ Donation Facts:

•One in 10 Canadians is battling kidney disease

•15 Canadians are diagnosed with kidney failure every day

•British Columbians waiting for a kidney transplant face the longest median wait time in Canada: 4.8 years

All About The Team

Sean has succesfully completed the Wealth Management Essentials course through the Canadian Securities Institute. The course covers the following:

- Regulatory trends, and investment suitability
- Undertaking budget, savings, and debt planning
- Personal risk management
- Family Law
- Tax planning including tax minimization strategies
- Retirement planning, Estate planning & annuity based products
- Systematic approach to investment management
- Debt securities, equity securities and managed products
- Monitoring and evaluating client investment portfolios
- Understanding and responding to clients