Russell MacKay's

Monthly Memo

July 2016

MacKay Wealth Management Group
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June in Review

Equity Indices	June 30th	Change
S&P/TSX	14,065	-0.01%
Dow Jones	17,930	+0.80%
S&P 500	2,099	+0.09%
NASDAQ	4,843	-2.13%

Currencies (CAD)	June 30th	Change
US Dollar	1.292	-1.29%
Euro	1.435	-1.53%
British Pound	1.720	-9.30%

Metal Prices (USD)	June 30th	Change
Gold	1,321	+8.47%
Silver	18.62	+16.44%
Copper	2.20	+4.77%

Energy (USD)	June 30th	Change
Crude Oil	48.33	-1.57%
Natural Gas	2.918	+27.53%

Dear Clients, Friends, and Newsletter Readers,

June's unexpected Brexit vote has caused a number of questions, including "What is the EU?" the second top UK Google search after the polls closed. Nonetheless, one question has already been answered, with the appointment of the new Conservative Prime Minister Theresa May. From her statement, "Brexit means Brexit and we are going to make a success of it," the early indication is that she will listen to the will of the people. No one knows for sure the path she will take, but it's considered unlikely she will invoke Article 50 of the Lisbon Treaty – which would set the UK's exit from the EU in motion – before the end of this year.

While the UK may be willing to start negotiating the terms of the new relationship now that a new prime minister has been installed, the EU has ruled out even soft negotiations until Article 50 has been formally activated. Moreover, with general elections in France and Germany in 2017, European leaders may want to stall the negotiations – so too might

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May. The UK does not have a strong negotiating position, given that it loses several trading relationships representing half its exports in one go, while the EU, which sends a mere 10% of its exports to UK shores, loses only one.

As we have seen, the market dislikes a lack of clarity and the path ahead is for now, foggy for the UK. There is an unusual amount of risk associated with any economic forecasts at this point in time; nevertheless, one can surmise that this level of uncertainty will most likely dampen short term growth. By definition, a mild recession in the UK may begin in the second half of 2016, but Bank of England Governor Mark Carney has strongly stated that they are prepared to take measures as needed. Yes the same Mark Carney that brought Canada through the 2008/2009 Great Recession. This may be his opportunity to shine on the world stage for a second time.

Eric Lascelles, chief economist at RBC Global Asset Management, expects higher tariffs, less immigration, and that the slight diminishment of London as a financial hub could shave as much as a quarter percentage point off growth annually over the coming decade. Potential savings on transfers to Brussels and greater regulatory sovereignty may help but are unlikely to compensate for these factors completely. Any assessment significantly depends on the new relationship the UK is able to negotiate with the EU.

The Brexit vote has changed the course of history for the UK.; however the country is no stranger to economic challenges. English Modern history is scattered with these, including the loss of the 13 colonies in the 18th century, two World Wars and a generational social/economic change in the 1980's, all heralding a period of economic instability for the UK before it recuperated. The road ahead may be bumpy for the UK, but we will watch in interest from both a history and an investing perspective.

GIC Rate Report	1 Year	2 Year	3 Year	4 Year	5 Year
0.75% Savings Account	1.46%	1.65%	1.76%	1.81%	1.91%

We represent 14 CDIC member companies and offer Credit Union term deposits with unlimited deposit insurance protection under CUDIC. Rates subject to change. Please call me at 604.257.7082 to discuss availability and suitability.

Providing Greater Clarity With CRM2
What the Client Relationship Model II means to you

Understanding the Differences Between Time-weighted and Money-weighted Rate of Return

While there are multiple ways to calculate your investment rate of return, the time-weighted rate of return calculation is the more common method used in the investment industry. ***Canadian securities regulators are mandating firms to provide investors with an annual money-weighted rate of return by early 2017.*** Both are acceptable calculation methods, but each has different uses and can be appropriate in different circumstances.

Time-Weighted

Time-weighted is the financial industry and RBC Dominion Securities standard method to measure performance. For example, the method most commonly used to calculate the performance of financial market indices and mutual funds is comparable to that of time-weighted.

Time-weighted or comparable methods are appropriate calculations in certain instances such as broad market indices and mutual funds because contributions and withdrawals – activities that can impact performance, but are not in the fund manager's control – are purposely omitted in this calculation method.

Money-Weighted

In contrast to time-weighted, money-weighted calculates the rate of return including the impact of contributions to, or withdrawals from, the portfolio.

For example, if an investor contributes a significant sum into their portfolio just prior to the overall market performance rising, intuitively, this is a positive action. Now this larger portfolio benefits more in dollar terms from the overall market move than if the contribution had not been made.

Conversely, if the investor withdraws a significant sum from their portfolio just prior to overall market performance rising, intuitively, this is a negative action. Now this smaller portfolio benefits less in dollar terms from the overall market move than if the withdrawal had not been made.

Portfolio activity	Portfolio's performance	
	… a period of positive portfolio performance	… a period of negative portfolio performance
Material contribution into the portfolio just before …	Money-weighted rate of return will tend to be greater than time-weighted rate of return	Money-weighted rate of return will tend to be less than time-weighted rate of return
Material withdrawal from the portfolio just before …	Money-weighted rate of return will tend to be less than time-weighted rate of return	Money-weighted rate of return will tend to be greater than time-weighted rate of return
No material contributions to or withdrawals from the portfolio just before …	Money-weighted rate of return and time-weighted rate of return will be very similar, if not the same	Money-weighted rate of return and time-weighted rate of return will be very similar, if not the same

Our Community
Bard on the Beach

Celebrating its 27th Season in 2016, Bard on the Beach is Western Canada's largest not-for-profit, professional Shakespeare Festival. Presented in a magnificent setting on the waterfront in Vancouver's Vanier Park, the Festival offers Shakespeare plays, related dramas, and several special events in two performance tents from June through September.

Bard on the Beach Shakespeare Festival was established in 1990 with a mandate to provide Vancouver residents and tourists with affordable, accessible Shakespearean productions of the finest quality. Attendance at Bard on the Beach has grown dramatically over the years, from 6,000 in 1990 to over 90,000 in 2015. More than 1.4 million patrons have enjoyed the Bard experience over its 26 seasons.

For more information, visit their site: bardonthebeach.org