RBC Dominion Securities Inc.

MONEY NEVER SLEEPS

THE NEWSLETTER FOR THE INFORMED INVESTOR MAY 2015

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HIGH FIVES

"History does not always repeat itself, but it does rhyme."– Mark Twain

It's been over three years now since U.S. equity markets have had a 10% correction, and the chants for one grow louder daily. Let's get one thing out of the way first. Corrections are a regular part of the market, despite what the last three plus years have led some to believe. In each of the years 2010, 2011 and 2012, the S&P 500 endured corrections between 10% to 19%. Last October it looked like we were on our way there, due to the collapse of energy, the emergence of ISIS, the re-emergence of Ebola, Russia's aggression and the generally lousy outlook for global growth—but markets fell short of the 10% mark, reversed, and rallied higher into the end of 2014.

After a rocky start in January, the S&P 500 and the tech-heavy Nasdaq have rallied to new highs. Europe has led the way with many of their markets in double digits. After going what seemed on its own in 2014, the U.S. market decoupled from the rest of the world and seemed relentless in its move higher, along with a strong U.S. dollar. But since February, global markets seem back in sync. Oil seems to have stabilized since stabilizing in the mid $40's, copper has rallied, and the U.S. dollar has softened a bit.

Central banks continue to be friendly and, against all predictions, global bond rates continue to fall with U.S. 10-year treasuries recently trading below 1.80% at one point. I still believe the greater risks are in the fixed income markets, but I also believe that 10-year T-Bonds could see 1.25%-1.50% before going higher. Nevertheless, the Fed will err on the side of caution and any moves will be slow and telegraphed.

While central banks are adding all that stimulus trying to reflate economies, corporate earnings remain sluggish. To keep the bull going, it will take a P/E expansion at this point of the cycle. With the U.S. market trading just above 17X P/E and the world MSCI Index at almost 16X, the markets are neither cheap nor expensive, but will need a catalyst to take them higher, and global reflation might just be that catalyst.

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RBC Wealth Management
Dominion Securities

HIGH FIVES

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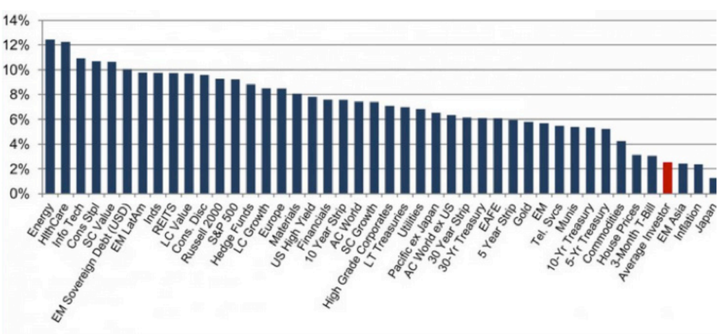
With 10-year bond yields below 2% in the USA, at 0.10% in Germany, and about 0.20% in Japan and with many Euro markets now with an effective negative yield, capital has to find a home somewhere, I think that home will be the equity markets.

In addition, many investors have missed this six-year run for stocks. Two declines of 50% since 2000 have made them gun shy, so it's understandable why they've been reluctant. But a recent study from Bernstein Advisors compared the performance of the average investor (based on mutual fund inflows and outflows) against a variety of stock indices over a 20-year period ending December 31, 2013. Not surprisingly, the average investor fared poorly; the shock was how poorly:

Asset Class Returns vs. The "Average Investor"
20 years Annualized (12/31/1993 - 12/41/2013)



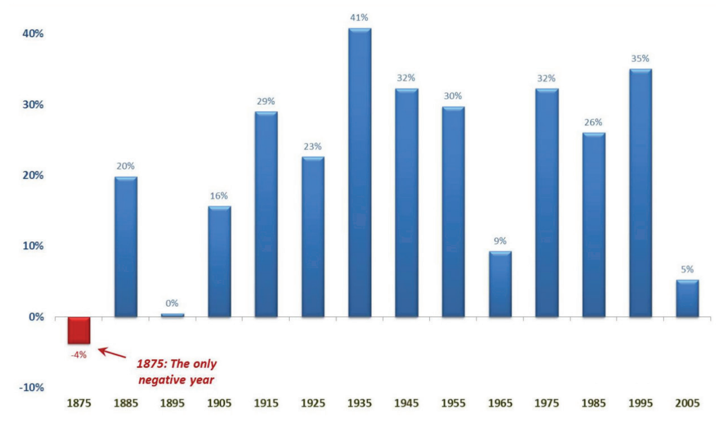
Source: Richard Bernstein Advisors LLC., Bloomberg, MSCI, Standard & Poor's, Russell, HFRI, BofA Merrill Lynch, Dalbar, FHFA, FRB, FTSE. Total Returns in USD.
Average Investor is represented by Dalbar's average asset allocation investor return, which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.
For Index descriptors, see "Index Descriptions" at end of document.

This study proved once again that the average investor is terrible at timing the markets and that qualified advice really does matter. As Richard Bernstein wrote, "They bought high and sold low. When chaos occurred, investors ran away."

While a correction is long overdue and may kick in soon given we are at the top of the recent trading range, I think any pullback should be bought. The U.S. economy is gaining momentum, and the U.S. Federal deficit is shrinking. Cheaper energy prices help as well, and next year is a U.S. presidential election year, which is often a bullish period.

And last but not least, check out this chart for the S&P 500 Composite returns for years ending in "5":

"High Fives": S&P 500 (Composite) Returns for Years Ending in "5"



Source: Robert Shiller

You have to go with the odds; stay bullish, buy any dips.

Vito

THE LITTLE PICTURE… BUT REALLY, THE BIG PICTURE

Over the past two years, I have had the wonderful opportunity to coach a London Junior Knights AA competitive hockey team. I loved coaching my own kids over the years, but coaching as a non-parent is truly another perspective. It is also a huge commitment at over 800 hours each year. We maintained a strong core group of kids over the two years and were able to graduate a good number of players to AAA. Our two-year record of 100-25-17 is outstanding at any level of the game, and was good enough to earn back-to-back Alliance league and playoff championships, the latter earning the team a spot in the Ontario Hockey Federation Championships . We were ranked in the top five teams in the entire province consistently for both of those years. This experience also gave me one of the greatest joys I have had as a parent as my son Damon was on the bench with me for both seasons, as was our own Sasha Gerster from our "other" team here at RBC. Also helping were two clients' sons, Nik and Robert. Nice to see these fine young men all in their 20's giving so generously of their time and teaching these young kids (10 year olds) about the great game of hockey. It was an excellent experience all around and I wish all these young people the best of luck in their futures. We are taking a much deserved break from it this year and will reassess down the road if we step up again.

Play for the name on the front of the jersey and they will remember the name on the back – Wayne Rooney

Notes

A TFSA Compared to an RRSP

The major difference between a TFSA and an RRSP is the treatment of contributions and withdrawals for tax purposes. A secondary benefit of TFSA investing is that withdrawals from a TFSA have no effect on an individual's eligibility for federal income tested benefits and credits, which includes the OAS claw back that many retirees face. Due to these attributes, the TFSA has become an integral part of retirement planning.

	TFSA	**RRSP**
Tax-deductible contributions?	No	Yes
Tax on withdrawals?	No	Yes, taxes as income
Withdrawals increase contribution limits?	Yes	No
What are the contribution limits?	$10,000*	18% of earnings to a maximum of $24,930 (2015)
Accumulated unused room?	Yes	Yes
Need for conversion?	No	Yes, age 71 to RRIF
Do income attribution rules apply?	No	Generally no, but may apply

GENERATION DEFINITIONS

GI Generation	Born 1901-26	Generation X	Born 1965-80
Silents	Born 1927-45	Millenials, Generation Y	Born 1980-2000
Baby Boomers	Born 1946-64	Generation Z, Boomlets	Born after 2000

2015

It's a big year for patriotic icons. Our maple leaf flag celebrated its 50th anniversary on February 15. July 1 marks the 35th anniversary of "'O' Canada"as our national anthem. And later this summer, our athletes will have an opportunity to shine when Toronto hosts the 2015 Pan Am/Parapan Am Games.

THREE HOURS

According to a recent study, one in four Canadian employees spends over three hours daily sending and reading emails. On average, the workers surveryed spend 17 hours weekly using email, including on their days off – amounting to about one out of every three hours they spend working.

**At time of writing, the budget has not yet passed through Parliament and received Royal Assent. CRA will allow financial institutions and individuals to act upon the new change effective immediately, however you should still be aware that you may still be liable for taxes under current law in the event that the budget proposal is not ultimately passed.*

Around the GLOBE

Canada (Selective Buy)

- Energy sector remains big question mark and with surprise Central Bank rate cut in January, raises many questions
- GDP forecast about 2.00% for 2015
- Most likely dollar continues lower

U.S.A. (Strong Buy)

- U.S. dollar strength a mixed blessing. U.S. GDP expected about 3.25%
- U.S. market has not had a 10% correction in three years but heading into a U.S. presidential election in November 2016 has usually been good time to be in equities, combined with a dovish Fed, still lots more upside

Europe (Buy)

- Looking for 1.25% GDP growth in 2015
- Turnaround seems to be gaining momentum, and most Euro markets ahead of average global equity market
- Greek concerns rising again about a "Grexit"
- Lower energy prices really aids Europe

Asia (Buy)

- China a question mark due to credit concerns, but market is up 20%+ the last six months – has it bottomed?
- GDP target of 7% called into question
- Japan continues to expand on "Abenomics"
- Japan GDP expected at 1.25%

Emerging Markets (Hold)

- Russia a question mark due to oil and sanctions
- India gaining momentum and may be fastest growing economy on Earth
- Strong U.S. dollar really hurts EMs, as do lower commodity prices

Quotes

"I've heard Warren say a half dozen times, 'it's not greed that drives the world, but envy.'"
- Charlie Munger, Warren Buffet's long-time investing partner

"My reading of history convinces me that most bad government results from too much government."
- Thomas Jefferson

"The stock market is filled with individuals who know the price of everything, but the value of nothing."
- Philip Fishe, Author, *Common Stocks and Uncommon Profits*

A Special Welcome to All New Clients Who Have Joined Us

Thank you especially to clients who have mentioned our name to people they know. As a sign of gratitude, four times a year we'll randomly select a client who has introduced our services to a friend for special acknowledgement via a nice dinner at one of the finer restaurants in London.

Please Don't Keep Us a Secret!

We are very happy and proud of the clients we serve in our practice and we are always open to serve more clients just like you. Should you be talking to someone who is unhappy with their current advisor, or would like a second opinion, we would be grateful if you passed on our numbers: 519-675-2011 or 1-800-265-5911. Thanks for keeping us in mind.

Congrats, Tina C, our winner this quarter!