

Davidson Professional Wealth Management

of RBC Dominion Securities

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Winter Market Commentary

2014

Professional Wealth Management Since 1901



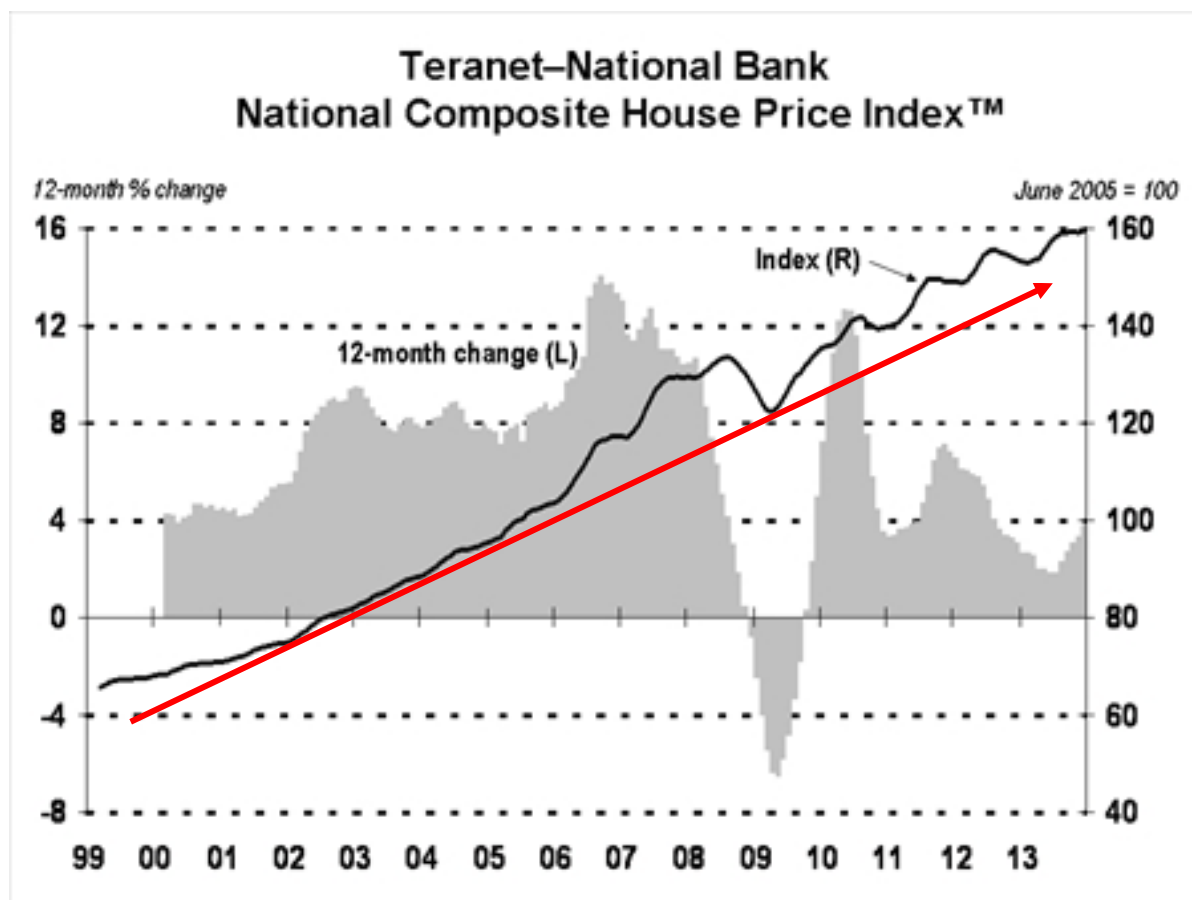
RBC Wealth Management
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In this Issue

- Global Economic Overview.....A New Year Unfolds.
 - Canadian Housing Market
 - Canadian Vs. U.S. Dollar
 - Emerging Market Hiccups
- Market Recap.....The Quarter in Review.
 - Canada
 - US
 - Overseas

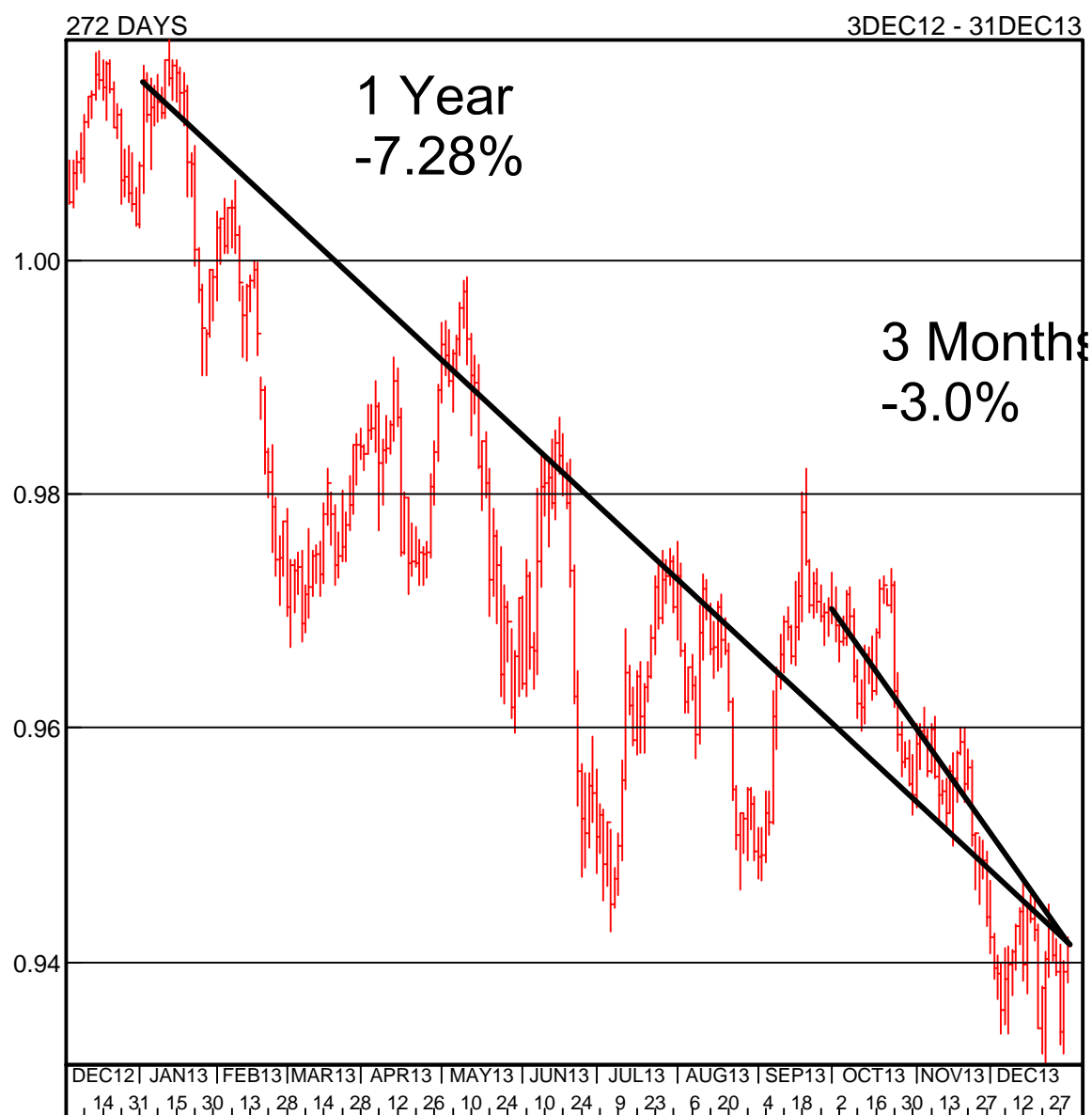


Canadian Housing Market



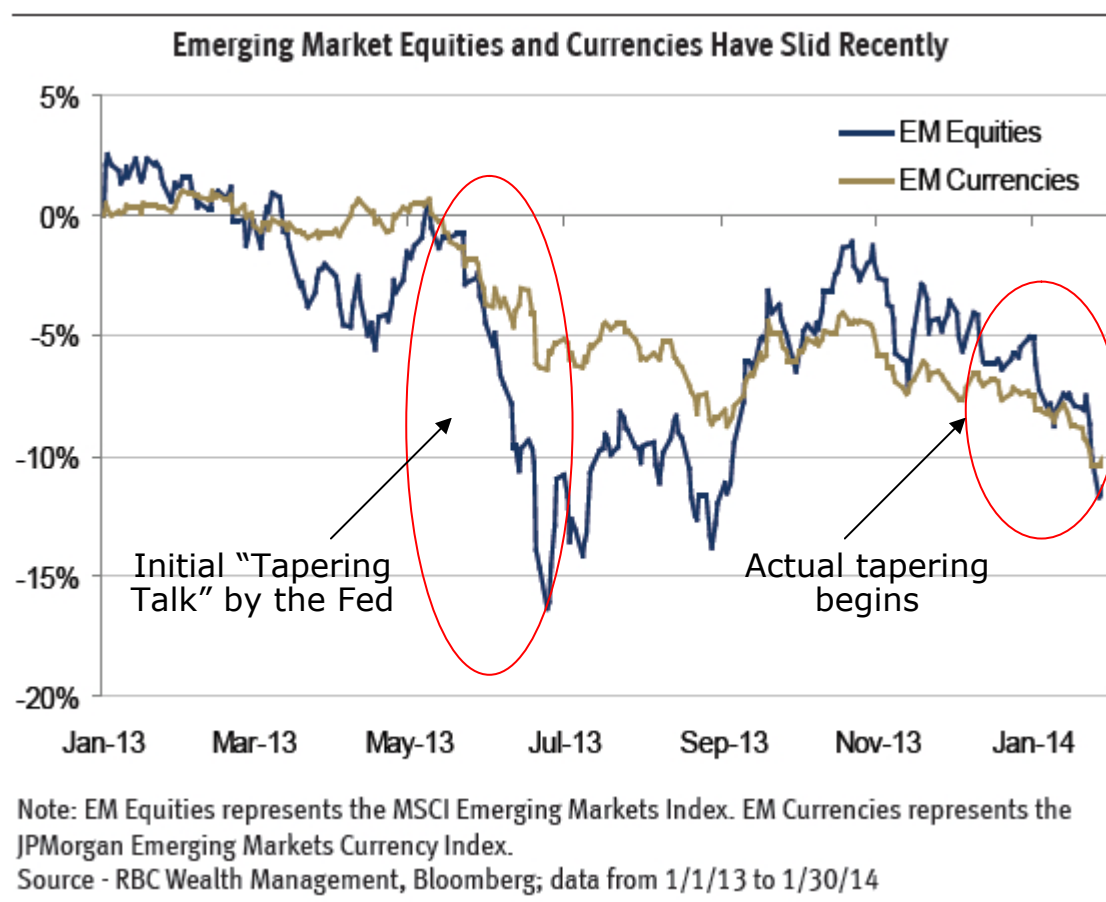
- Despite warnings from economists in Canada and around the world the Canadian housing market has remained resilient
- Housing prices remain at all time highs and interest rates on mortgages have not risen as drastically as feared
- The upward trend remains firmly in place for now with housing prices in Toronto and Vancouver leading the way

The Loonie Blues



- The Canadian dollar has weakened significantly against most major currencies of the world over the past year
- Most noticeable for Canadians is performance relative to the US Dollar against which it declined 7.28% last year and is even lower today
- This can be a big positive for businesses that sell their goods into the US and investors who hold direct US portfolio assets but for anyone flying to southern destinations this winter it will mean a pricier vacation

Emerging Markets



- While most major developed world stock markets did quite well last year, Emerging Market equities underperformed significantly
- The decision by the Federal Reserve to reduce (Tapering) their monthly multi billion dollar cash injections has had a knock on effect to emerging markets
- While economic growth rates are expected to remain above those of the developed world, emerging markets remain vulnerable to investor insecurity and are often the first to suffer during times of stress

Market Recap

The past quarter was a very strong one for most developed markets with the US in particular posting strong performance. As confidence in financial markets return we see investors willing to pay a higher multiple per dollar of earnings. What was a very deeply discounted market 5 years ago has once again become more rationally priced as the lingering fears slowly subside.

This does not signal an all clear however as many challenges remain. European economies are still struggling mightily under soft real estate markets and heavy unemployment. China has many issues, including a shadow banking sector who's risks remain largely unknown. Concerns around US Debt levels have moderated but can easily rise to the surface again to roil global markets. Investors are well advised to remain vigilant and rebalance their portfolios accordingly after such a strong run in equities.

As such we continue to favour dividend paying and growing equities and tactical management of cash levels.

Clients within our Private Investment Management program (PIM) and Third Party Pension Management program will have just received their quarterly update and personalized portfolio reports. If you have any questions don't hesitate to contact Brad, Chris or Clare.

TSX Performance: Annual & 3 Months

- October saw a breakout of a range bound Canadian market
- What started as a see-saw year turned out to be a good positive one by December 31st
- Once again the materials sector has been very weak, particularly companies with exposure to gold

Data Source: Trend & Cycle



S&P Performance: Annual & 3 Months

- The US equity market had an exceptional year but corporate earnings growth in the US was much more modest.
- Corporate share buybacks and investor confidence helped boost equity markets
- The past month brought a minor correction, but the US market closed out the year as one of the strongest markets globally

Data Source: Trend & Cycle



EAFE Performance: Annual & 3 Months

- Developed markets around the world have enjoyed a very strong year
- Japanese equities have surged with a more activist approach to central banking
- European equities have surged as investors look forward to a broader economic recovery as macro economic fears fade



Data Source: Trend & Cycle

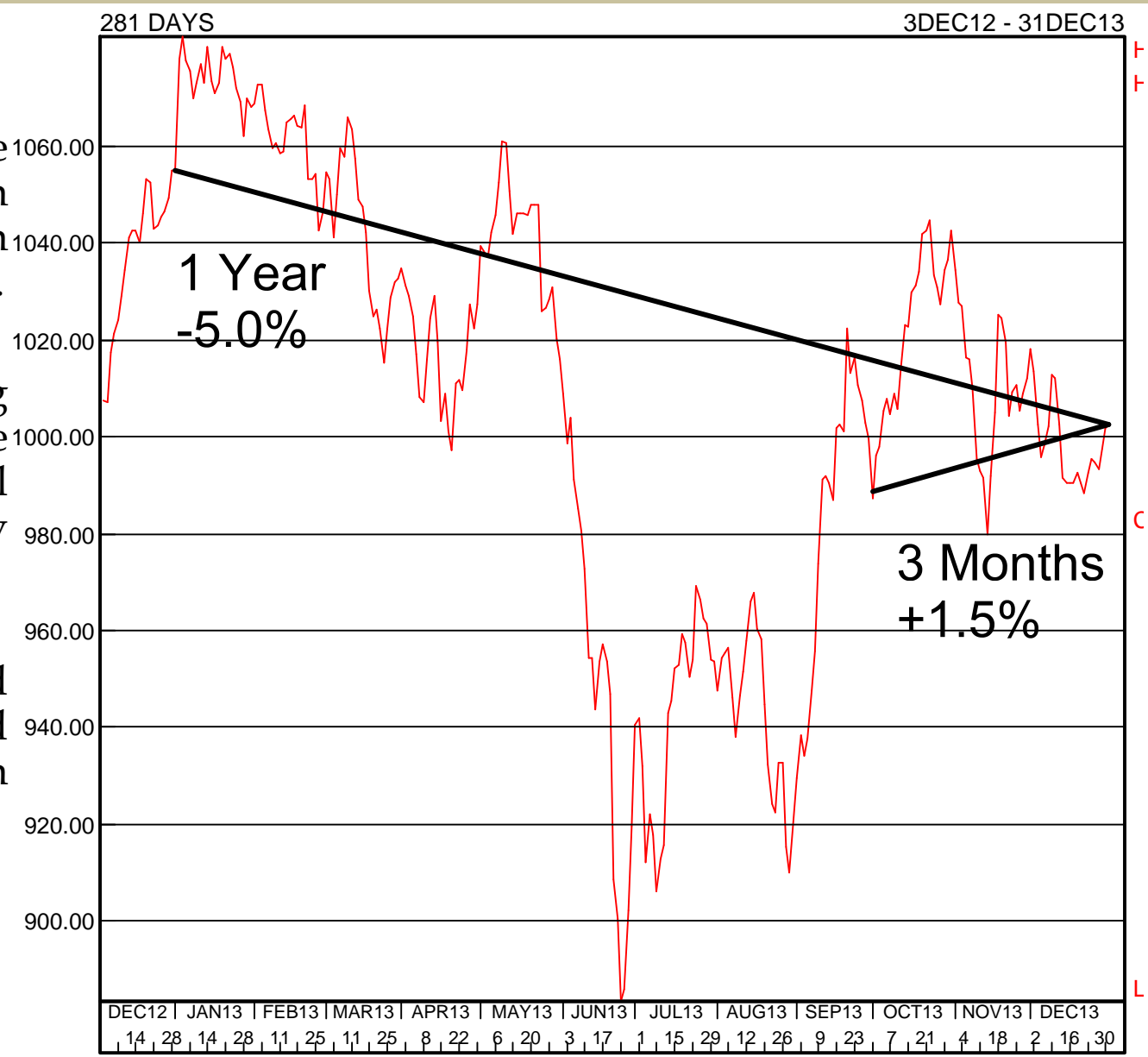
EAFE = Europe, Australasia, and Far East Markets



Emerging Markets Performance: Annual, YTD & 3 Months

- Emerging market equities have suffered with slowing growth in China and political unrest in Egypt, Brazil and other countries.
- As we noted before, Emerging Markets have endured more volatility with the Federal Reserve withdrawing liquidity from the financial system
- Emerging market equities tend to be more volatile but should offer investors more growth potential over time

Data Source: Trend & Cycle



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