INVESTMENT
FOCUS

Personal Newsletter from Michael Carter of RBC Dominion Securities Inc.

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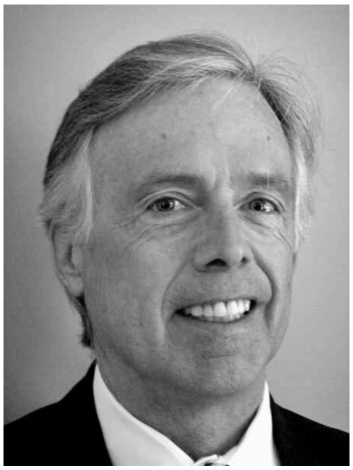

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Our Investment Management Solutions are designed with **"Serious Money"** in mind.

A Matter of Time...

The summer of 2015 was one of considerable discontent for Canadian markets. Canada's economy continued to be challenged by persistently low oil and commodity prices. Many corporate earnings were affected by the slower-growth environment, including the manufacturing sector, which didn't experience the expected uplift from a lower Canadian dollar.

As a result, the Bank of Canada expressed its concern by again lowering its key interest rate in July and fuelling concerns that the Canadian economy was edging towards a recession. Adding to the volatility was the reaction to international events, including China's currency devaluation and slower growth concerns, which pushed the markets into correction territory at the end of August.

During these more challenging times, it may be difficult to keep perspective. But periods of volatility should be expected in any market. Canadian and U.S. equity markets have experienced significant bull runs that have lasted for well over six years, so a correction in response to a period of slower growth should not come as a surprise to investors.

For longer-term investors, patience during volatile times can be an asset. History has shown us that the impact of short-term downward volatility significantly reduces with time.

Consider the S&P/TSX Composite Index. Since 1956, there have been 16 annual periods with negative total returns. As the holding period increases, the number of negative returns decreases. For a three-year holding period, the number of negative periods reduces to eight. And, there has never been a 5-, 10- or 20-year holding period with a negative total return. This demonstrates how volatility smooths out over the longer term. With a commitment to a longer holding period, these temporary events may have little impact on overall returns over time.*

In times of downward volatility, there may be pressure to follow the current market sentiment and sell at depressed prices. Instead, see opportunity during times of discontent. These periods may provide a short-term window in which to purchase good investments at lower prices. History has also shown that shares of quality firms can recover quickly in similar situations. Market uncertainty will always be with us, but it's only a matter of time before the pendulum swings back again.

*Source: S&P/TSX Total Return Index, 01/01/1956 to 12/31/2014. Returns are based on year-end close for the holding period specified.

In this issue

There's Wealth in Our Approach.™

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Investing Fundamentals

Volatile Times: Keeping Perspective

Volatile times are here again. Low oil and commodity prices, slower growth concerns and reactions to various international events have caused volatility in the markets over recent months. But try not to be discouraged. Instead, here are five things to remember to help guide you through volatile times:

1. Accept that markets are cyclical. Volatility is a reminder that portfolio growth does not occur at a steady rate. Just as we embrace the up times in the markets, savvy investors also accept that down times are a normal part of investing. Here is a positive perspective on the cyclical nature of the markets: since 1970, the average bull market of the S&P/TSX Composite Index lasted over 59 months, whereas the average bear market lasted only around 11 months.*

2. Stay focused on your plan. Focus on your plan's goals, not any day-to-day changes in the markets. If your plan was put in place with a longer-term focus, it was likely built to withstand temporary changes in the markets. To help stay on track, revisit your plan on a periodic basis to rebalance or make updates based on life changes.

3. Diversify. The merits of diversification are even more apparent in today's world. Canada's resource-based economy continues to be pressured by low oil and other commodity prices, which illustrates the risk associated with a significant reliance on any one sector. Interest rates may affect the returns of certain investments and, in today's low rate environment, diversification across different asset classes or

types of investments may help to mitigate this risk.

4. Stop listening to the noise. Everyone has an opinion on investing and the markets. In good times, anyone can sound like an expert. In difficult times, the media is well-versed in creating headlines that magnify economic misery and instill fear. At the end of the day, thoughtful analysis should drive decision-making — not any peripheral noise.

5. Have confidence in the value of support. We're here to support every stage of the investment journey to help you achieve your goals. We believe in the value of advice. Studies have shown that advised clients are more successful at saving than non-advised clients and have greater discipline through volatile times.**

Sources: * S&P/TSX Total Return Index 1/1/70 to 7/31/15, monthly close data; **Ipsos Reid "Value of Financial Advice" Investment Funds Institute of Canada, 2012.

Food for Thought

Economic Theory Using a Burger

This year marks the 30th anniversary of the Big Mac index, published by *The Economist*. The index is intended to be a "light-hearted" guide to comparing the purchasing-power parity (PPP) of various currencies. PPP is the idea that over the long run, exchange rates of two countries should adjust so that an identical basket of goods and services should cost the same in both countries. Instead of using a basket of goods, the index uses a Big Mac hamburger, which is available in approximately 120 nations.

The index determines an exchange rate that results from comparing the cost of a Big Mac in a nation's currency to the cost in the U.S. Comparing this to the actual exchange rate indicates whether a currency is under- or over-valued to the U.S. dollar. Although the Big Mac index was intended to be just a fun way to look at exchange-rate theory, it has gained much attention over its life and has been included in several economic textbooks and within various academic studies.

According to the index, today's low Canadian dollar is under-valued. The chart shows how Canada has fared over the past 10 years. How does Canada compare to other countries? Visit: economist.com/content/big-mac-index

Big Mac Index — Canada from 2005 to 2015

	2015	2010	2005
Big Mac Price (CDN)	$5.85	$4.17	$3.28
Exchange Rate (CAD/USD)	0.775	0.961	0.800
Valuation (+over / -under)	-5.3%	+7.2%	-14.2%

Source: The Economist. Data for 07/2015, 07/2010, 06/2005

Tax Planning

Income-Splitting Opportunities to Consider

Here are some ways to shift taxable income from higher-income to lower-income spouses or common-law partners (CLPs), or to children. Please consult with a legal/tax advisor regarding your situation as some strategies may not be applicable or may involve proper structuring to be effective.

- **Spousal Loan** — If the higher-income spouse/CLP makes a loan to the lower-income spouse/CLP at Canada Revenue Agency's prescribed rate (currently one percent), the net of any investment income earned in excess of the interest charged on the loan is taxed in the lower-income spouse/CLP's hands.
- **Family Trust** — If the higher-income spouse/CLP makes a loan at the prescribed rate to the family trust for the benefit of his/her minor children, the net of any investment income earned by the family trust in excess of the interest charged on the loan may be taxed in the lower-income children's hands.
- **Pension Splitting** — Up to 50 percent of eligible pension income may be split between eligible spouses/CLPs on their respective tax returns.
- **CPP/QPP Sharing** — Spouses/CLPs can apply to have their Canada Pension Plan/Quebec Pension Plan (CPP/QPP) pensions split between them for tax purposes.
- **Spousal RRSP** — If the higher-income spouse/CLP contributes to a Registered Retirement Savings Plan (RRSP) for the benefit of the lower-income spouse/CLP, future withdrawals may be taxed in the lower-income earner's hands.
- **Capital Gain/Loss Planning** — Sophisticated transactions could be explored to transfer unrealized capital losses from the lower-income spouse/CLP to the higher-income spouse/CLP or to transfer unrealized or future capital gains of the higher-income earner to the lower-income earner.
- **Insurance Planning** — Life insurance solutions may be available that can result in investment income being tax-exempt when the death benefit is paid to the lower-income spouse/CLP and/or children on a tax-free basis.
- **Cash Flow Allocation** — The higher-income spouse could pay for family expenses, such as income tax instalments, final tax liabilities, Registered Education Savings Plan (RESP) contributions and through the gifting of Tax-Free Savings Account (TFSA) contributions for the lower-income spouse/CLP. The lower-income earner's funds could also be used for investment purposes to enable future investment income to be taxed at their lower marginal tax rate.

Being Thankful

Measuring Happiness

Living in Canada, we have much to be thankful for. Canada often ranks as one of the best countries in which to live, and the recent United Nations ranking of the world's happiest countries is no exception. The 2015 report on the state of global happiness places Canada in the top five countries globally.

What makes a nation happy? According to the report, six variables account for most of the variation among countries: real Gross Domestic Product (GDP) per capita, healthy life expectancy, social support, perceived freedom to make life choices, perceived freedom from corruption, and generosity. Tracking well-being as a national indicator is a relatively new concept but has gained attention due to evidence that a society's well-being can impact its economic status.

Not only are we a happy nation, but Canada places at the top of many other international rankings, including:

- **Most Reputable & Admired Country, 2015** — Reputation Institute
- **Government Net Debt/GDP, G7 Countries, 2015** — OECD
- **Best Place to Live, Safe Cities Index, 2015** (Toronto and Montreal ranked at #1 and #2) — Economist Intelligence Unit
- **Best Country for Business, G20 Countries, 2014** — Forbes

Source: Global Happiness Report: http://worldhappiness.report/.

Don’t Forget: Gain from Your Losses

Since the 2007/08 financial crisis, both the Canadian and U.S. stock markets have experienced lengthy bull runs, which may mean that you have gains in your securities portfolio. When realizing gains, also realizing capital losses may work to your benefit. Before the end of any calendar year, consider reviewing your securities portfolio to see if there are investments in a loss position that you may wish to sell in order to take advantage of tax-loss selling.

In general, when an investment is sold for proceeds that are less than the amount that it cost to purchase, the result is a capital loss. For tax purposes, 50 percent of the capital loss can be used to offset any taxable capital gains (i.e.: 50 percent of capital gains) realized during the year to reduce your current tax liability. Capital losses cannot offset employment or dividend income.

If you are unable to use all of your capital losses in the current tax year because you do not have sufficient capital gains to offset the losses, you can carry the net capital loss back to any previous three taxation years to recover taxes paid on taxable capital gains. Alternatively, you can carry the net capital losses forward indefinitely to use against future taxable capital gains.

When undertaking tax-loss selling, don’t forget about the “superficial loss rules”, which have been put in place to prevent taxpayers from creating artificial transactions to generate capital losses. They will apply if: i) you, or an “affiliated person” (which includes a spouse/common-law partner or your Registered Retirement Savings Plan), acquire property identical to that which was sold for a loss in a period that is either 30 days before or after the date of the loss transaction; and, ii) 30 days after the loss transaction, you, or an affiliated person, own the identical property. As a result, you will not be able to use the capital loss in the current year to offset capital gains. Instead, the capital loss will be added to the adjusted cost base of the identical property.

Please speak with a tax advisor prior to engaging in tax-loss selling.

Putting Investors First: Upcoming Changes to Your Statements

You may be aware of the changes to client reporting requirements within the investment industry, which are intended to improve the fee and performance information available to every Canadian investor. Over the coming quarters, your statements will provide greater visibility on fees and commissions paid for your investments, which can help facilitate a better understanding of the costs associated with your investments.

This is a great change for the industry. We’ve always believed in being transparent when it comes to the fees associated with the products and services that we provide, but there has never been an industry standard. We understand that investors have a choice when it comes to their advisors and their investments and that providing the best information can only help you to make informed decisions. We are committed to delivering a high standard of service and we believe in the value of our advice. Studies have shown that investors who work with advisors have three times the net worth and four times the investable assets of those who don’t work with an advisor.*

Our goal is to provide the best wealth management support to help you achieve financial success. Should you have any questions about the ongoing reporting changes or the fees you pay, please don’t hesitate to contact us. We are here to help.

*Ipsos Reid “Value of Financial Advice” Investment Funds Institute of Canada, 2012.

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