February, 2017

Dear client,

The fourth quarter of 2016 delivered more unexpected events, continuing with what had already been a surprising year. Few people predicted Donald Trump’s victory in the U.S. presidential election, a result that had a strong influence on capital markets. Although stocks initially sold off after the vote, investors soon turned back to equities, anticipating a pro-growth Trump agenda characterized by tax cuts, reduced regulation and increased infrastructure spending. The “Trump effect” was even more pronounced in U.S. and global bond markets, where yields rose dramatically as prices fell.

Most global equity markets advanced in the fourth quarter, resulting in generally solid results for the year. The MSCI World Index rose 2.0% in U.S. dollar terms during the three-month period, bringing its gain for the year to 8.2% (4.9% in Canadian dollars). The S&P 500 Index, a broad measure of the U.S. equity market, was up 3.8% for the quarter and finished 2016 with an increase of 12.0% (8.6% in Canadian dollars), including dividends.

Canada’s equity market, meanwhile, completed a strong turnaround from the previous year’s weak results, finishing as one of the world’s best-performing markets in 2016. Canadian energy and materials companies were buoyed by rising prices for oil and other commodities. Supportive business conditions and a post-election rally in Canadian bank stocks, based on the expectation of higher global interest rates, helped to boost the market further. The benchmark S&P/TSX Composite Index climbed 4.5% in the fourth quarter, capping off an impressive 21.1% gain for the year. Overseas, markets were somewhat mixed, with strong quarterly results in Japan, Britain, Germany and France, while Hong Kong’s Hang Seng Index lost ground amid relatively tepid results in Asia. China’s Shanghai Index was up in the fourth quarter, but finished the year with a loss of more than 12% in local currency terms.

Based on uncertainty in the global economy, bond yields had remained depressed for most of the year, but sharply reversed course in the fourth quarter, reflecting the market’s anticipation of U.S. fiscal expansion and higher inflation with Trump’s election. Although not unexpected, the U.S. Federal Reserve announced a long-awaited 0.25% increase in the federal funds rate in mid-December, causing bond prices to fall further. The yield on the benchmark U.S. 10-year government bond, which had reached a record low in July, climbed 53% during the quarter, finishing the year at 2.44%.

Canadian bond yields also rose in this context, but the Bank of Canada kept its overnight lending rate unchanged at 0.50%, citing significant slack in the Canadian economy and lingering uncertainty in the global economy. The FTSE TMX Canada Universe Bond Index, a broad measure of Canadian government and corporate bonds, lost 3.4% for the three-month period. The index remained positive for the year, however, adding 1.7%.

Although 2016’s surprises – which in addition to Trump’s victory include the decision by the U.K. to leave the European Union and an agreement by many oil-producing countries to limit their output – created volatility and uncertainty in the capital markets, they also created opportunities for experienced investors, and will continue to do so in the coming year. We continue to recommend a diversified, professionally managed portfolio that is tailored to your individual investment objectives to take advantage of opportunities as they arise, while protecting your investments from further volatility.

In closing, we would like to wish you and your family all the best for the year ahead, and to remind you that our team is just a phone call away should you wish to discuss your investment portfolio in greater detail.

Sincerely,

**The DCA Advisor Team:**

Dave, Mark, Chris, Shane & Ted

*The information in this letter is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, National Post, Bloomberg, and Trading Economics. Index information was provided by Bloomberg, TD Newcrest and PC Bond, and all quoted equity index returns are on a total return basis (including dividends). This material is provided for general information, should not be considered an offer or solicitation to buy or sell securities, and is subject to change without notice. Every effort has been made to compile this material from reliable sources; however, no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please contact me for individual financial advice based on your personal circumstances.*