MARKET PERSPECTIVE | *April 8, 2015*

MANDEVILLE
PRIVATE CLIENT INC.

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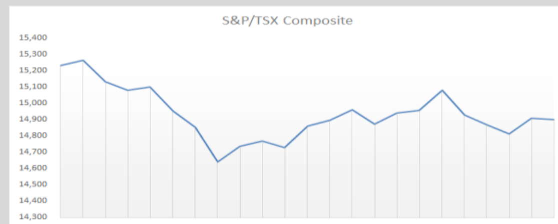
MARKET SUMMARY—After exhibiting significant broad based strength in February, global equity markets pulled back in March with most major North American indices retracing approximately half their previous month's gains. The significant exceptions were Europe and Japan which extended their rallies and added positively, albeit more modestly, to the significant run ups experienced in the first two months of the year. The Eurozone in particular and the EuroSTOXX 50 index finished up 17.9% YTD to the end of March on a total return basis. The Nikkei 225 index was up 10.7% net of dividends to March 31. A sharp divergence in global monetary policies has created an environment which, thus far, has reflected an inverted image of the regional equity performance in 2014, with Europe and Japan leading through the first quarter.

In North America, the broad based S&P/TSX Composite index fell 1.88% net of dividends in March, but ended the first quarter marginally positive handing investors a cumulative total return gain of 2.58%. The smaller capitalization S&P/TSX Venture index lost 3.75%, bringing its year-to-date performance to an unimpressive -2.16%. On a sector attribution basis, Canadian markets have experienced considerable choppiness but all sectors have generally moved in similar direction. The energy sector specifically, which sold off from mid-February to mid-March has since rebounded and shown particular strength since the beginning of April. Energy performance has generally taken its cue from the price of crude oil which has followed the same trend and by early April WTI was pushing USD$54 per barrel. The overall sharp decline in oil prices since the highs reached in June 2014 remains a recurring global theme. Despite the uncertainty that remains with respect to the trajectory of ultimate recovery, the consensus continues to suggest that oil prices have overshot fair value and should eventually rise over the course of the next several quarters. A price equilibrium of approximately USD$80 per barrel for WTI would resolve the medium term supply and demand imbalance.

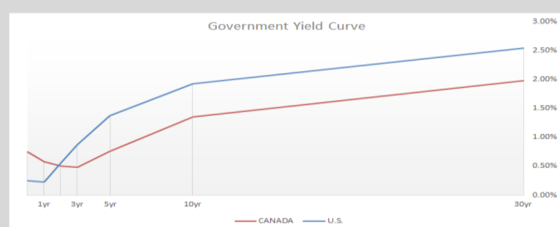
As the price of crude has risen over the last several weeks, strength for the Canadian dollar has followed. The CAD$ has gained nearly 2% against the U.S. dollar in the past month but is still down about 7.0% since the start of the year. Although this performance may appear weak, the context of comparison typically referenced is the USD$, which has appreciated considerably against most every world currency. Aside from U.S. dollar strength, the CAD$ has actually performed relatively well against most other major currencies over the last year.

MARKET DIARY -- *MONTH AT A GLANCE*

Equities	Close Mar 31	MoM TotRet	YTD TotRet
S&P/TSX Composite	14,902.44	-1.88%	+2.58%
S&P/TSX Venture	680.07	-3.75%	-2.16%
Dow Jones	17,776.12	-1.85%	+0.33%
S&P500	2,067.89	-1.58%	+0.95%
NASDAQ	4,900.89	-1.16%	+3.86%
FTSE 100	6,773.04	-1.95%	+4.25%
EURO STOXX 50	3,697.38	+2.85%	+17.90%
Nikkei 225	19,206.99	+2.70%	+10.69%
MSCI EAFE	5,106.44	-1.52%	+4.88%
MSCI Emerging Markets	410.51	-1.42%	+2.24%



Fixed Income	Yield	MoM Chg	YTD Chg
BoC Overnight Rate	0.75%	n/c	-25 bps
3mos Canada T-Bill	0.54%	-3 bps	-38 bps
2yr Canada	0.50%	+3 bps	-51 bps
10yr Canada	1.35%	+5 bps	-43 bps
30yr Canada	1.98%	+6 bps	-35 bps
Fed Funds Rate	0.25%	n/c	n/c
90d U.S. T-Bill	0.02%	+1 bps	-2 bps
2yr UST	0.56%	-6 bps	-10 bps
10yr UST	1.92%	-7 bps	-25 bps
30yr UST	2.54%	-5 bps	-21 bps



Currencies	Mar 31	MoM Chg	YTD Chg
CAD/USD	0.7884	-1.40%	-8.38%
USD/CAD	1.2686	+1.37%	+9.16%
CAD/EUR	0.7346	+2.84%	+3.29%
CAD/JPY	94.6960	-0.94%	-8.10%
CAD/GPB	0.5321	+2.68%	-3.67%

Market Factors	Mar 31	MoM Chg	YTD Chg
Volatility Meter – VIX	15.29	+1.95	+13.87
Advance/Decline – TSX	0.67	-0.42	+0.57

Source: Bloomberg

Rounding out the equity markets, the MSCI EAFE and MSCI Emerging Markets indices fell in March after showing strength in the prior month. EAFE equities were down -1.52% and EM down -1.42% on a total return basis during March.

The multi-year bull market, now nearly six years running since the bottom of the 2008-2009 global credit crisis, is drawing to the later stage of the cycle. While this particular cycle has been more protracted and flatter than most, this fact will likely continue to provide ongoing support for financial markets albeit with the classical symptoms of increased market volatility. The desynchronization of global monetary policies and growth rates that often accompanies the later stage of the cycle is a tell-tale marker of where we are now—the United States is exhibiting relative strength and broad based economic growth, sufficient for an expected near term shift in monetary policy direction by the Fed, while Europe and Japan move in the opposite direction with their central banks applying massive amounts of stimulus to revive a sustainable path for growth. The oil shock that has manifest since last summer remains a more unique external variable that has provided an overlay of uncertainty but will likely provide an equally compelling opportunity for benefit once crude oil eventually rebounds in the quarters ahead.

CANADA—With the influence of falling crude oil prices, our previous market commentaries have highlighted the risk of a near term dip in Canadian economic growth, particularly following the -0.2% set-back in the November GDP data. On the same day that the January GDP number was to be released (March 31), Bank of Canada governor Stephen Poloz publicly described the state of the Canadian economy as “atrocious”. When the GDP estimate was released, it indicated that the Canadian economy contracted -0.1% in January, the second negative reading in three months. While the central bank’s comments were more vivid than typically used, and likely regrettably so as the colour of this comment did not sit well among economists and investors alike, Poloz presumably only intended to convey that Q1 GDP would likely be a low growth quarter, particularly relative to the type of growth numbers investors have been accustom to seeing recently. But with two of the last three monthly GDP reports coming in negative, is there real cause for concern regarding the state of the Canadian economy?

Considering comments by the central bank and the negative start to Q1 GDP, it is highly likely that the first quarter will indeed be marginally above zero at best, however, there remain two additional months for which the data will not be available for some time yet. Clearly weakness in the energy sector and significant devaluation in crude prices has had a negative influence on Canadian growth rates as we expected they would, and for which the Bank of Canada took the unexpected pre-emptive measure of implementing a 25 basis point cut to the Bank Rate in January. Longer-term however, the Bank of Canada has set its expectation that the energy impact may be more contained to the front end rather than protracted—i.e. economic conditions should improve through the second half of 2015. This argument and its effect on Canadian growth rates however will more likely depend on how fast crude oil prices take to stabilize and eventually recover. In addition, housing starts and retail sales data do not appear to be helping the overall picture, and while the employment situation seems to be holding firm, the full impact of lower oil prices on employment rates likely hasn’t yet been realized.

What could potentially help improve the Canadian economy through the second half of 2015? Continued resilience in U.S. employment and economic growth would undoubtedly be supportive for the Canadian economy, and particularly with the Canadian dollar at a more competitive level (i.e. around or below 80 cents to the U.S. dollar), this should assist on the export front. As well, a quicker and more sustained economic recovery across the Eurozone (and more remotely across the emerging markets) would, among other things, promote greater demand for resources and lend support for commodity prices that would be stimulative for the Canadian economy.

UNITED STATES—Widely anticipated and long discussed has been the notion of an impending reversal of U.S. monetary policy and the shift to a tightening stance lead by an imminent Fed rate hike. While this notion may seem somewhat long in the tooth, with expectations of a mid-2015 policy shift dating back to the fall of last year, it does appear that the patience exhibited by the Federal Reserve may be starting to wane. In public statements following the FOMC meetings in late March, Fed Chair Janet Yellen specifically removed reference to "patience" with respect to the Fed's policy attitude. While the Fed may not be as patient as it once was, this however does not mean that it is *impatient.* And even after the central bank does initiate rate increases, Yellen commented that monetary policy will remain *highly accommodative*, meaning that the trajectory from that point forward will likely be more shallow and drawn out, unlike many previous transitions. While less patient, the Fed is unlikely to move in the next couple of months—and particularly not with the recent disappointing U.S. job growth numbers. What the Fed will need to determine is whether the softness in the March labour report foreshadows a more substantial slowing in the labour market than anticipated, or if this is simply a reflection of temporary factors that will revert. The FOMC cited that it needs to see further improvements in the labour market and be *reasonably confident* that inflation will exceed its 2% target in the medium term before the Fed acts.

What appears to be evident is that focus is shifting from not only when (i.e. the timing of a rate hike), but to the magnitude of increase. Markets have grown accustomed to the idea of a rate hike, but more importantly, to the expectation that it could be relatively smaller in magnitude and more measured in pace.

Recent economic data have painted a weaker picture for Q1 GDP growth which has been revised downward but still above trend. Whether this is in part due to temporary factors promoting softer labour data or the effects of a harsh winter throughout much of the north and eastern United States, the consensus believes that lower growth during the first quarter will result in a more significant rebound in Q2. The key risks to the overall U.S. economic forecast remain primarily a high U.S. dollar and low energy/oil prices which have had a material impact on headline inflation.

The significant rise in the U.S. dollar that began with talk of Fed tapering (i.e. reduction of quantitative easing), and accelerated through its eventual removal, appears to be getting tired. A 25% rise in the USD$ against most major world currencies is significant but with improvement now taking hold across the Eurozone and surprises to the upside in the region's economic outlook, in addition to the magnitude of U.S. rate hikes being possibly less dramatic, foreign capital allocators have fewer compelling reasons to overweight exposure to U.S. dollar assets. Not surprisingly, the U.S. dollar has had a choppy ride as of late, with more downside pressure than upside recently, and this trend may likely continue as foreign investors re-calibrate their assessment of U.S. opportunities versus prospects elsewhere in the world.

GLOBAL—Since the European Central Bank adopted a more aggressive stance toward monetary policy in January and began pouring on economic stimulus in the form of significant government debt repurchases, economies across the region have responded positively. Economic data has shown marked improvement, so much so that should the Eurozone continue on its current trajectory towards a faster than forecasted rebound, the ECB could potentially end quantitative easing sooner than planned. In recent comments, ECB president Mario Draghi underlined the central bank's commitment to "implement government bond purchases until at least September 2016 and in any case until inflation is sustainably back on track". Members of the ECB's executive committee have commented that "if the current path brings the Eurozone economies to their goals sooner, then the ECB's decisions are not so fixed that they cannot be adjusted". And while the situation remains fluid, the same logic should be assumed to apply in *both directions*.

Overall our positioning remains biased towards equities versus bonds, and while the United States is still attractive, from a valuations perspective it may be relatively less so in light of a significantly improving Eurozone. Within Canada, the oil shock has taken a toll on broader markets and we remain cautiously focused on defensive sectors with higher relative emphasis on staples versus cyclicals, and particularly those with a greater global revenue base.

ASSET ALLOCATION —TACTICAL POSITIONING

Strategic asset mix addresses the blend of the major asset classes offering the risk/return trade-off best suited to an investor's profile. It can be considered to be the benchmark investment plan that anchors a portfolio through many business and investment cycles, independent of a near-term view of the prospects for the economy and related expectations for capital markets. Tactical asset allocation refers to fine tuning around the strategic setting in an effort to add value by taking advantage of shorter term fluctuations in markets.

Fixed Income	*Underweight*
Canadian Equities	*Neutral*
U.S. Equities	*Overweight*
International Equities	*Overweight*
Emerging Markets	*Underweight*

- *Overweight equities versus fixed income*
- *Overweight exposure to U.S. and international equities*
- *Focus on quality and lower beta securities*
- *Focus on defensive equity sectors*
- *With volatility likely to be elevated, time entry points—buy on pullbacks*

KEY ECONOMIC INDICATORS – CANADA

Event	Date	Consensus Est.	Prior
RBC Manufacturing PMI (Mar)	April 1	48.9 A	48.7
Int’l Merchandise Trade (Feb)	April 2	-$2.0Bil (-$0.98Bil A)	-$2.45Bil (-$1.48Bil R)
Ivey Purchasing Managers Idx SA (Mar)	April 6	49.9 (47.9 A)	49.7
Building Permits (MoM Feb)	April 9	3.3%	-12.9%
New Housing Price Index (MoM Feb)	April 9	0.1%	-0.1%
New Housing Price Index (YoY Feb)	April 9	1.6%	1.4%
Unemployment Rate (Mar)	April 10	6.9%	6.8%
Net Change in Employment (Mar)	April 10	0.0k	-1.0k
Participation Rate (Mar)	April 10	n/a	65.8%
Manufacturing Sales (MoM Feb)	April 15	n/a	-1.7%
Existing Home Sales (MoM Mar)	April 15	n/a	1.0%
Bank of Canada Rate Decision	April 15	0.75%	0.75%
CPI (YoY Mar)	April 17	1.0%	1.0%
CPI Core (YoY Mar)	April 17	2.1%	2.1%
Retail Sales (MoM Feb)	April 17	n/a	-1.7%
Retail Sales ex-Autos (MoM Feb)	April 17	n/a	-1.8%
Int’l Security Transactions (Feb)	April 17	n/a	$5.73Bil
Wholesale Trade Sales (MoM Feb)	April 21	n/a	-3.1%
Industrial Product Price (MoM Mar)	April 29	n/a	1.8%
GDP (MoM Feb)	April 30	n/a	-0.1%
GDP (YoY Feb)	April 30	n/a	2.4%

A=actual; R=revised *Source: Bloomberg*

KEY ECONOMIC INDICATORS – U.S.

Event	Date	Consensus Est.	Prior
Markit Manufacturing PMI (Mar F)	April 1	55.3 (55.7 A)	55.3
Construction Spending (MoM Feb)	April 1	-0.1% (-0.1% A)	-1.1% (-1.7% R)
ISM Manufacturing (Mar)	April 1	52.5 (51.5 A)	52.9
Total Vehicle Sales (Mar)	April 1	16.9Mil (17.1Mil A)	16.2M
Domestic Vehicle Sales (Mar)	April 1	13.5Mil (13.4Mil A)	12.9Mil
Initial Jobless Claims (Feb 28)	April 2	286k (268k A)	282k (288k R)
Trade Balance (Feb)	April 2	-$41.2Bil (-$35.4Bil A)	-$41.8Bil (-$42.7Bil R)
Factory Orders (Feb)	April 2	-0.4% (0.2% A)	-0.2% (-0.7% R)
Change in Non-farm Payrolls (Mar)	April 3	245k (126k A)	295k (264k R)
Unemployment Rate (Mar)	April 3	5.5% (5.5% A)	5.5%
Avg. Hourly Earnings (YoY Mar)	April 3	2.0% (2.1% A)	2.0%
Labour Force Participation Rate (Mar)	April 3	62.8% (62.7% A)	62.8%
Wholesale Inventories (MoM Feb)	April 9	0.2%	0.3% (0.2% R)
Import Price Index (YoY Mar)	April 10	-10.2%	-9.4%
Retail Sales (MoM Mar)	April 14	1.0%	-0.6%
Retail Sales ex-Autoes (MoM Mar)	April 14	0.7%	-0.1%
PPI Final Demand (YoY Mar)	April 14	n/a	-0.6%
PPI ex-Food & Energy (YoY Mar)	April 14	n/a	1.0%
Business Inventories (Feb)	April 14	0.3%	n/a
Industrial Production (MoM Mar)	April 15	-0.2%	0.1%
Capacity Utilization (Mar)	April 15	78.7%	78.9%
Housing Starts (Mar)	April 16	1040k	897k
Housing Starts (MoM Mar)	April 16	15.9%	-17.0%
Building Permits (MoM Jan)	April 16	-2.0%	3.0% (4.0% R)
Philly Fed (Apr)	April 16	5.0	5.0
CPI (YoY Mar)	April 17	0.1%	0.0%
CPI ex-Food & Energy (YoY Mar)	April 17	1.7%	1.7%
U of Michigan Sentiment (Apr Prelim)	April 17	93.7	93.0
Existing Home Sales (Mar)	April 22	n/a	4.88Mil
Existing Home Sales (MoM Mar)	April 22	n/a	1.2%
New Home Sales (Mar)	April 23	n/a	539k
New Home Sales (MoM Mar)	April 23	n/a	7.8%
Durable Goods Orders (Mar)	April 24	n/a	-1.4%
Durable Goods Orders ex-Trans (Mar)	April 24	n/a	-0.4%
S&P/Case Shiller HPI (YoY Mar)	April 28	n/a	4.5%
GDP Annualized (QoQ Q1 A)	April 29	n/a	2.2%
FOMC Rate Decision	April 29	0.25%	0.25%

KEY ECONOMIC INDICATORS – U.S. (con't)

Event	Date	Consensus Est.	Prior
Personal Income (Mar)	April 30	n/a	0.4%
Personal Spending (Mar)	April 30	n/a	0.1%

A=actual; R=revised

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