



Partners

QUARTERLY
PROFILE

2nd Quarter 2017

barometer

HIGH INCOME

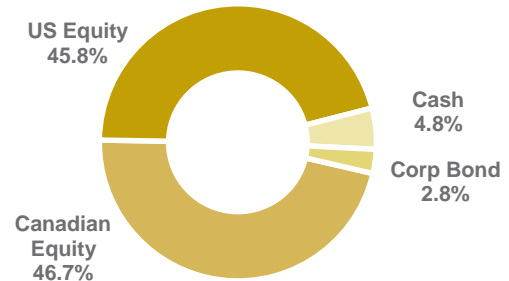
PORTFOLIO OBJECTIVE

The investment objective of the portfolio is to achieve a high level of income by investing primarily in Canadian income trusts, Canadian fixed income securities, and other Canadian income producing securities.

PORTFOLIO REVIEW

Despite a short-lived pause in some bellwether technology stocks, the quarter resumed a positive

ASSET ALLOCATION



MAJOR HOLDINGS

COMPANY	% OF PORTFOLIO
ROYAL BANK OF CDA	3.48%
MICROSOFT CORP	3.27%
CITIGROUP INC NEW	3.26%
WASTE CONNECTIONS INC	3.22%
CDN NTL RAILWAY CO	3.20%
ALBEMARLE CORP	3.19%
JPMORGAN CHASE & CO	3.18%
TEXAS INSTRS INC	3.14%
GNRL DYNAMICS CORP	3.08%
RAYTHEON CO	3.08%

2nd Quarter 2017	QTD	1YR	3YR	5YR	10YR
Barometer - High Income*	0.5%	6.2%	2.9%	7.7%	9.2%
Customized Benchmark	0.3%	4.1%	3.5%	5.2%	6.6%

*Return Data Source: Inception to March 2009 are representative gross, composite WRAP returns in C\$ which are linked thereafter to RJ Partners Program composite, gross returns in C\$. All performance data represents past performance and is not necessarily indicative of future performance. Benchmark: 50% FTCUBI, 20% TSX Capped REIT, 30% TSX Equity Income.

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tone. For the most part, the market has discounted Trump's delayed and derailed reforms as well as his other promised initiatives. Solid economic growth and robust earnings in the U.S. and Europe have taken over as the catalyst to buoy markets. Further, credit markets have continued to narrow, allowing companies to borrow and refinance at lower rates seen in years. This is indicative of the market confidence in leaders' low risk premiums.

While central banks outside the U.S. maintain easy monetary policies, the U.S. continues to move towards a normalized rate environment – migrating from extreme measures – which is supportive of strengthening economic activity. Rate increases typically benefit US financials and industrials, as well as the US dollar. This increase coupled with strong leading economic indicators such as industrial production and ISM manufacturing numbers point to continuing strength through the remainder of 2017.

With increases to the short end of the yield curve, pressure remains on long term rates from persistently large US balance sheet. If this balance sheet begins to shrink, as alluded in the May Federal Open Market Committee (FOMC) minutes, a steeper yield curve will likely create further opportunities – we remain vigilant as some sectors will be challenged.

For Barometer clients, portfolios have been well positioned over this past quarter. With the continued improvement in US fundamentals, our themes – technology, financials, industrials and now healthcare – continue to show relative strength, while we have side stepped a persistent decline in energy and materials. Technology stocks have finally hit the levels of 2000, but this time with earnings and lower multiples – setting up further opportunities if earnings continue to expand. Traditional businesses continue to face disruption. Consumer discretionary companies like Amazon.com, Inc., that have straddled over to the technology world are changing the way the consumer purchases. This transformation is also being experienced within financials, with fintech companies providing further opportunities for consumers and banks. Traditional financials in the U.S. have also benefited from some rate normalization, low regulation and a strong domestic economy. Industrials, specifically defense companies, are seeing an increase in orders in the U.S. and around the world as the geo-political climate remains on high alert. Healthcare has emerged as a leading sector, with companies like Johnson & Johnson experiencing profit growth, and bio tech firms are seeing robust product development. These growth themes continue to contribute to the portfolio.

The High Income Strategy increased its weighting in industrials maintaining positions in defense companies such as Raytheon Co. and Northrop Grumman Co., which have benefited from the increase in military spending around the world. In addition, transportation names, such as Canadian Pacific Railway Ltd. and Canadian National Railway Co. comprises the holding within industrials. Within technology, Microsoft Corp. and Visa Inc. have been solid performers. and financials such as Bank of America Corp. and Citigroup Inc. were added. Over the quarter there were some reductions in Canadian banks.

OUTLOOK

Portfolios remain positioned to benefit from increased economic activity, as our models continue to point to US themes. This is supported by improving key economic indicators, combined with limited recessionary and inflationary indicators on the horizon. As the US economy will likely continue to expand, the Federal Reserve (the “Fed”) look to tighten monetary policy, while other major central banks are easing to boost economic activity. In addition, the Fed has begun to speak of a strategy to shrink its balance sheet, which in theory could steepen the yield curve and consequently provide further opportunities for select sectors. Looking towards the remainder of the year, the backdrop for equities remains favourable, and our portfolios continue to be focused on growth. As always, we monitor our portfolios daily and are prepared to make tactical adjustments required as dictated by our risk assessment models.

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