



Partners

QUARTERLY
PROFILE

2nd Quarter 2017

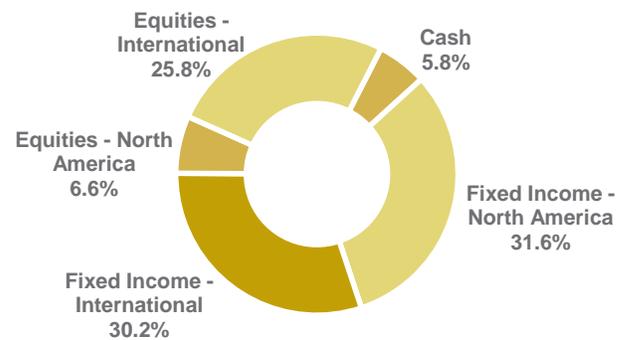


GLOBAL INCOME FOCUS

PORTFOLIO OBJECTIVE

The Forstrong Global Income Focus mandate seeks to provide high income and modest capital appreciation by constructing a balanced portfolio comprised of globally diversified, income-oriented exchange traded funds (ETFs).

ASSET ALLOCATION



MAJOR HOLDINGS

COMPANY	% OF PORTFOLIO
VANGUARD US AGR BD HEDG ETF	15.56%
HORIZONS MNGD GBL OPP CL E ETF	12.50%
VANGUARD TL BD MKT ETF	8.75%
ISHARES INTL TREASURY BD ETF	7.30%
ISHARES J P MORGAN EM LCL ETF	7.30%
VANGUARD GLOBAL EX-US RLES ETF	6.00%
BMO EMERGING MARKETS BOND UN	5.84%
SPDR BLOOM BARC S/T INTL TREAS	5.84%
POWERSHARES II SR LN PORT ETF	5.83%
VANGUARD HI DIV YLD INX FD ETF	5.38%

2nd Quarter 2017	QTD	1YR	3YR	5YR	10YR
Forstrong Global Income Focus*	1.1%	6.4%	9.3%	9.2%	N/A
Customized Benchmark	0.6%	3.0%	7.8%	8.6%	6.1%

*Return Data Source: Inception returns are manager provided, gross of fees in C\$. All performance data represents past performance and is not necessarily indicative of future performance. Benchmark: 70% Citi WBIG, 5% 91D TBill, 25% MSCI ACWI

Forstrong utilizes a global, multi-disciplined investment approach, focusing upon a long-term investment horizon and providing stability through all investment climates with an emphasis on risk management and low turnover.

PORTFOLIO REVIEW

Political turbulence continued in the second quarter of 2017, as the ongoing investigation into Russian interference in the U.S. federal election (and potential collusion with members of the Republican Party) came to the forefront following the termination of FBI Director James Comey and his subsequent testimony. These events pushed the White House into a defensive posture and further deteriorated the administration's ability to focus on enacting legislation. With inflation cooling off somewhat and increasing skepticism towards Washington, interest rates accelerated downwards, with the U.S. 10 year dropping as low as 2.13% before recovering in late-June.

In Europe, politics were also front and center. Emmanuel Macron's newly formed République En Marche party secured a historic victory in the French presidential elections. European equities rallied sharply on the news, as Macron's reform-minded and pro-Euro platform helped to further alleviate EU disintegration fears and gave rise to hopes of an improving alliance between France and Germany. Attention then shifted to the U.K., where incumbent Prime Minister Theresa May called a snap election with hopes of consolidating power in advance of Brexit negotiations beginning with the EU. The gamble backfired, as May's Conservative Party lost 13 seats and were forced to strike a deal with Northern Ireland's Democratic Unionist Party in order to form a government. Investors funneled their wrath into currency markets, as the pound sold off sharply in the aftermath of the election.

The Fed continued its rate hike cycle in mid-June, lifting the Fed Funds target to 1.25%. While the hike had once again been largely priced in, financial markets fixated on the Fed's plans to begin tapering their balance sheet. The Bank of Canada, Bank of England and European Central Bank all made statements in June perceived to be hawkish (or less dovish), which contributed additional upwards pressure on global bond yields into the end of the quarter.

The portfolio had positive absolute returns over the quarter and managed to outperform the benchmark. Performance was benefitted by overweight positioning in equities relative to fixed income; specifically in global markets outside of North America. Overweight exposure to emerging market assets (equities and fixed income) performed strongly, as foreign inflows continued alongside improving trade data and corporate earnings. Additionally, the partial Canadian dollar hedge on U.S. assets continued to shield the portfolio against losses as the U.S. dollar weakened further during the quarter.

The portfolio's short duration fixed income positioning detracted from performance as interest rates trended lower over the period. A position in U.S. senior leveraged loans underperformed as the floating rate payment structure yields minimal duration. Overweight exposure to Australian equities underperformed global equity indices as iron ore prices fell sharply, while the heavy weighting in financials was negatively impacted by the perceived dovish stance of the Reserve Bank of Australia.

OUTLOOK

A global rotation from tight fiscal/loose monetary to loose fiscal/tight monetary conditions has been a key theme we've been monitoring since early 2016. On the monetary side, we expected that central banks worldwide would seek to emulate the US Federal Reserve's "policy normalization" leadership.

However, the abrupt (and seemingly coordinated!) hawkish commentary of late from central bankers in the Eurozone, Britain and Canada has startled investors. Fears have emerged that higher rates coupled with a potentially chaotic unwinding of unorthodox policies could derail the nascent global growth momentum.

While cognizant of the risks (the "3 steps and a stumble" adage comes to mind), we expect central banks to adopt a gradualist approach to tightening policy. Economic growth and reflation have been encouragingly synchronized across global regions this year, but are still relatively modest in historical terms. The recovery remains vulnerable to a shift in consumer and business expectations and "escape velocity" will likely be impossible given structural impediments such as aging demographics and high debt levels.

All things considered, a slow and steady recovery would be a favourable backdrop for equity markets; providing a stable operating environment for businesses while limiting prospects for aggressive tightening. However, as central banks are eager to restock their monetary toolkits, we will be keeping a very close eye on all policy communications.

The portfolio continues to maintain an overweight equity positioning, with exposure increasing modestly this quarter. Profits were taken on Spanish equities, after stellar year-to-date performance eroded their dividend yield. A new position in Norwegian equities was added to the portfolio. With oil prices likely to find support near current levels, Norway offers a favourable risk/return trade-off and is one of the highest yielding nations in the developed world.

Fixed income duration remains short and underweight low yielding developed markets outside of North America. A position in U.S. dollar-denominated emerging market sovereign bonds was replaced with a Canadian dollar-hedged position with a similar asset class exposure. Overly pessimistic sentiment towards the Canadian dollar coupled with the Bank of Canada telegraphing rate hike intentions warranted an increased hedge ratio on U.S. dollar-denominated assets.

Clients invested in Forstrong Global Income Focus portfolio will have an allocation of their portfolio invested in Horizons Managed Global Opportunities ETF ("HGM"), a Canadian-listed Exchange Traded Fund that is sub-advised by Forstrong Global Asset Management ("Forstrong"). While Raymond James Ltd. believes that maintaining a position within HGM provides more efficiency relative to maintaining HGM's underlying positions, Forstrong has a direct interest in the management fees of HGM and benefits from the increase in assets of HGM.

Performance is calculated gross of fees. The opinions expressed by the investment manager(s) contained here do not imply or mean that Raymond James Ltd. endorses or approves of that content. Views and opinions expressed in this document may not be accurate over the long term. These opinions are current as of the date of this document but are subject to change. Raymond James Ltd., Member - Canadian Investor Protection Fund.