

FINAL QUARTER REVIEW

Our initial hypothesis and recommendation in 2013 of diversifying client investments with a strong focus on dividend and global funds has proven to be accurate. We believe that established Canadian, American and European blue chip dividend paying companies will continue to reward investors in the remaining quarter of 2013.

The prior year's strategy in holding Canadian Real Estate driven funds have also been advantageous to investors. In the past, the income and capital appreciation components of this asset class have provided a low volatility, high return scenario for many years. We can, however, see the tipping point in the near future. In anticipation of rising interest rates in 2014 and 2015, curtailed returns in these funds are to be expected. We could even be moving into a temporary slowdown, flat line or decline scenario in Canadian Real Estate. Further diversification out of this sector may be necessary, depending on future economic indicators and outlook in the coming months.

INSTANT VOLATILITY

In this day and age of social media and 24 hour news cycles – day trading has become much more common amongst the public and equity funds alike. This “instant notification” era we find ourselves in has a direct correlation to the volatility we experience on a day-to-day basis. Due to a lack of knowledge and experience day traders have developed a ‘knee jerk’ reaction to their ceaseless stream of business news. An otherwise small pebble thrown into the market pond creates a large short term impact amplifying market response.



This effect is further magnified by automated trading programs created to respond to sudden changes and fluctuations in the market. Sensing the wave created by the day traders, the programs then trigger their own response. The combined reactions amplify one another, creating a temporary volatility storm. Eventually, the market irons out abnormal blips and comes back to longer term fundamental and technical indicators. It is essential to stay focused on the longer time horizon and not over-react to instantaneous fluctuations.

FUND PERFORMANCE VALUES

STANDARD LIFE FUNDS	YTD
IDEAL MONTHLY INCOME	+3.47
IDEAL DIVIDEND INCOME	+8.16
IDEAL CDN DIVIDEND GROWTH	+5.89
IDEAL U.S. DIVIDEND GROWTH	+17.36
IDEAL GLOBAL DIVIDEND GROWTH	+17.22
CANADA LIFE FUNDS	YTD
ENHANCED DIVIDEND FUND	+12.27
REAL ESTATE FUND	+5.94
GLOBAL EQUITY FUND (SETANTA)	+23.42
EUROPEAN EQUITY FUND (SETANTA)	+20.95
U.S. VALUE FUND	+28.54

MARKET PERFORMANCE VALUES

	TIME PERIOD	RATE
S&P / TSX COMPOSITE INDEX	YEAR TO DATE	+5.54
CANADIAN COMMODITY PRICE INDEX	MAY 2012- MAY 2013	-0.91%

ECONOMIC DIRECTION

The United States Federal Reserve has recently opted to keep their stimulus package in place. The Reserve is seemingly convinced that the United States economy is not ready to stand on its own, despite an underlying momentum within. This is shown in the job market, where a substantial improvement in the hiring of employees has yet to show consistent stabilization. From an investment standpoint, many investors had high expectations and were preparing for a curbing of the Federal Reserve's monthly bond purchases. Eventually, we will see United State governments taper the stimulus relief and natural growth to take hold. However, the stimulus and assistance will continue for the foreseeable future.

Canada appears to be closer to stabilizing its economy. In the last year, 40,000 companies, with at least one employee, have been created. This has effectively offset four years of stagnant growth, and replaced companies lost during the recession. With plans of interest rising, it would seem that the Canadian economy is in a position to move forward in the long term.

CONCLUDING NOTES

Given that most of you, depending on your risk tolerance, have benefited from excellent growth throughout the year, we would recommend you consider taking advantage of the "reset" feature available in your Segregated Fund Contract. Resetting your contracts will lock in the guarantees at these new market levels. This allows you to continue to benefit from additional gains, while mitigating the downside risk. Please do not hesitate to contact our office to explore these options in addition to reviewing your portfolio.

ONLINE INVESTMENT REPORTS

Online monitoring of your investment accounts is available. For more information about setting up access to this service, please contact our money product support team member, Sanju Shampur at:
 416-488-3080 ext. 238 or
sanju@deacon-kalata.com

Thank you for your continuing trust and confidence.

Sincerely,



Gregory Deacon



Paul Kalata