RAYMOND JAMES | Steele Wealth Management

Second Quarter 2015

“Sell in May and Go Away Works, Finally”

Equity Markets Dip in May/June As Investors Worry about Rising Rates and Greece

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Equity Markets Weaken as Economy Looks for Direction, Greece vs. the EU

- The S&P/TSX Composite Total Return Index lost 1.6% during the 2nd quarter of 2015.

- The generally more defensive and consumer-oriented sectors, Health Care, Telecom, Financials, Consumer Discretionary and Consumer Staples, led the TSX Composite Index in the quarter while the more cyclical and business-oriented sectors, Energy, Materials, Industrials Information Technology and Utilities, trailed.

- Oil prices ended Q2 at US$59/bbl WTI up from US$48 at the end of Q1. North American active rig counts have been cut in half since 2014 in reaction to lower oil prices while foreign rig counts, though lesser in number, are down only marginally. The decline in North American rig counts has been a major driver of oil prices as oil speculators grow optimistic that falling rig counts will lead to higher prices. Despite the rapid decline in rig counts, North American oil production has continued to rise as a result of improving active rig productivity. The more time companies spend drilling wells in the complex shale basins, the more efficient they get at extracting oil. Moreover, most active drills are currently focused oil extraction, not exploration or initial drilling. Another driver of oil prices was the decline in U.S. oil inventories since Q1 as demand for oil rose as a result of the onset of the summer driving season. A positive conclusion to the Iranian nuclear talks poses a major risk to the oil price outlook as it would likely allow Iran to increase production and boost the global supply glut. The talks were expected to conclude on June 30th but were subsequently extended beyond this date.

- Interest rates remained in focus as the U.S. Federal Reserve edges closer to raising rates, which by consensus, is expected to happen at the September or October Fed meetings. That said, many commentators believe that as long as inflation remains tame, the Fed will stay the course and will not raise its key interest rate. Meanwhile, as Canada stares down a possible recession on the back of lower oil prices and a still mostly absent manufacturing and retail sales recovery, the Bank of Canada may look to cut its key interest rate further. Elsewhere, such as in China, India and Russia, interest rates continue to be cut as growth lags behind expectations. Economic growth was weaker than expected in Q2, particularly in North America, where lower oil prices were expected to boost consumer spending and business confidence. Retail sales have been incredibly weak as consumers have been banking their oil related savings.

- After winning an election in January, Syriza, the far-left, anti-bailout, anti-austerity party, quickly got to work renegotiating the terms of the Greek bailout and austerity programs. Following several months of deliberations and temporary financial support of the Greek financial system, the Greek government and the European coalition are still far apart. As of June 30th, Greece has defaulted on its IMF loans and it requires access to bailout funds to meet its debt obligations. Greek PM Tsipras called a referendum vote on the latest proposal tabled by the European coalition which took place on July 5th. The vote resulted in a decisive victory for the "No" vote which means Greece will likely harden its stance against austerity. World equity markets have been fairly docile amidst this mounting problem and only more recently have shown some angst related to the possibility of a "Grexit" (i.e. Greece leaving the EU). A Grexit would result in Greece defaulting on most of its sovereign debt and its EU partners would see their debt burdens rise possibly causing a crisis of confidence in these countries and the Euro itself. At which time, some of the more troubled countries may also opt to leave the Eurozone, cut their debt load and gain the stabilizing benefit of running their own currency.

PIMG Model Benchmarking Disclosures

- The numbers presented on the following two pages reflect those of our two models, Balanced Growth and Balanced Income. As a client of Steele Wealth Management, you may or may not have your account linked to one or both of these models. In our discussions prior to signing your PIMG documentation, we outlined which model(s), if any, your accounts would be linked to. If you are unsure whether your account is linked to one or more of these models, please let us know and we can clarify this for you.

- Model returns presented are those of two individual accounts whose returns 100% reflect that of the model's holdings and transactions and are not impacted by deposits or withdrawals that could impact return calculations. The accounts we use to reflect model performance incur a 1% annual investment management fee, charged monthly, which is also subject to 13% HST, charged monthly, for a total cost of 1.13% annually. Your individual account performance may deviate from the model account based on any differences in fees charged relative to the model account, differences in account holdings relative to the model account as well as any deposits or withdrawals made throughout the reporting periods outlined.

- On January 15th, 2014, we materially changed the composition of our two model portfolios. We renamed our Tactical Taxable and Tactical Registered models to Balanced Growth and Balanced Income and made major changes to model allocations and exposures. The Tactical Taxable and Tactical Registered models were invested in 80%-85% common equity and 15%-20% preferred equity and our exposure was virtually 100% in Canadian dollars and Canadian companies. The Balanced Growth model has an asset allocation of ~75% common equity and ~25% fixed income, of which half is invested in preferred equity, and roughly 40% exposure to non-Canadian securities. The Balanced Income model has an asset allocation of ~50% common equity and ~50% fixed income, of which a third is invested in preferred equity, and roughly 30% exposure to non-Canadian securities. With these changes, our two models now reflect a more universally appropriate choice, in terms of asset allocation and risk, for the vast majority of our clients and investors in general. As a result, we expect these new models will remain in force for the foreseeable future.

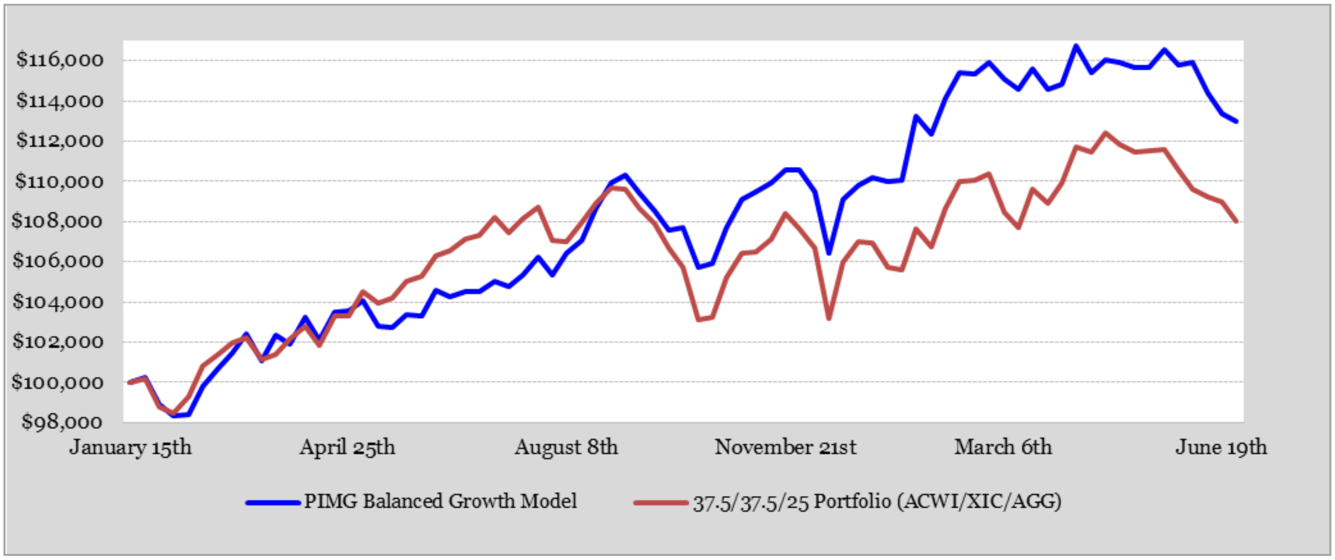
- As a result of the model changes outlined above, we also changed our benchmarks to reflect the new asset allocations and exposures. Benchmark information is detailed in the disclosures at the bottom of the following two pages.

Benchmark of iShares XIC/ACWI/AGG (37.5%/37.5%/25%)

vs

The PIMG Balanced Growth (BG) Model

January 15th, 2014 (Inception of BG Model) to June 30th, 2015



01/15/2014 – 06/30/2015	PIMG Balanced Growth Model	37.5% XIC / 37.5% ACWI / 25% AGG	iShares XIC	iShares ACWI	iShares AGG
Cumulative Return Since Inception	12.97%	8.01%	9.95%	7.19%	5.13%
Compound Annual Return	8.81%	5.48%	6.79%	4.92%	3.53%
Standard Deviation	7.03%	7.38%	11.06%	11.09%	3.26%
Sharpe Ratio	0.83	0.34	0.34	0.17	0.16
Largest Monthly Gain	4.16%	3.53%	4.13%	5.51%	2.22%
Largest Monthly Loss	-1.98%	-2.94%	-4.12%	-4.23%	-0.73%
Number of Up Months	12	10	10	10	9
Number of Down Months	6	8	8	8	9
Correlation with Balanced Growth	--	0.87	0.84	0.76	-0.27

PIMG Balanced Growth Model	3 month	6 month	9 month	12 month	3 year	5 year	10 year	Inception
	-1.78%	3.05%	4.82%	7.52%	n/a	n/a	n/a	12.97%

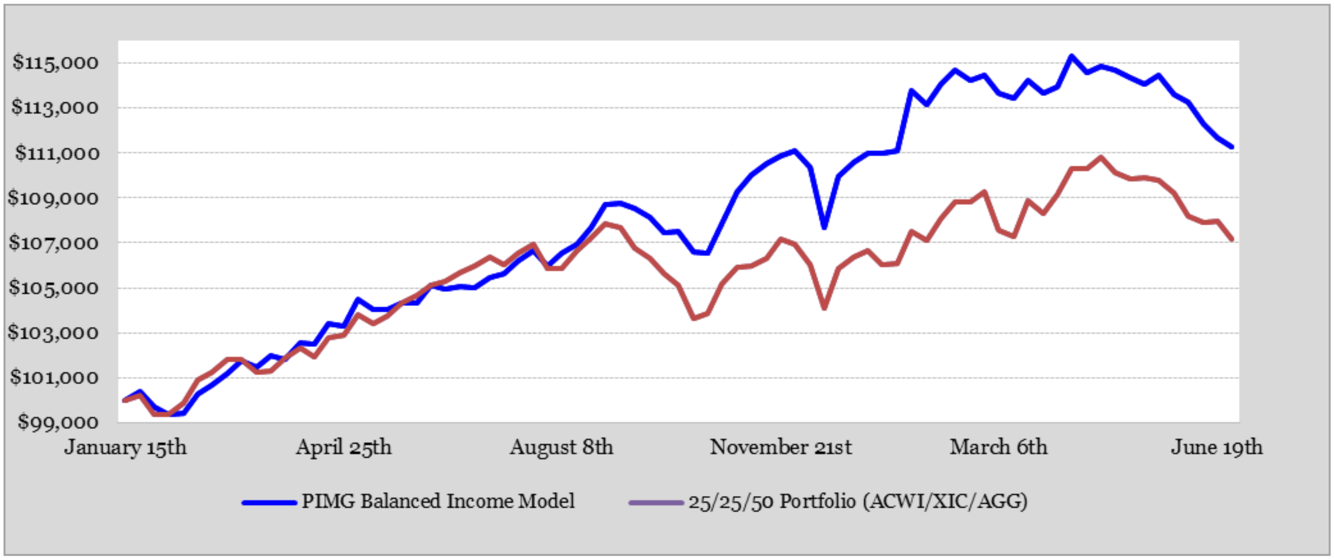
We have assumed a 1% investment management fee plus 13% HST when calculating the returns for our PIMG models. To the best of our knowledge, the ETFs used as benchmarks track the indices they represent though material tracking error and misrepresentation can occur which is beyond our control. The 37.5% XIC / 37.5% ACWI / 25% AGG index is an index consisting of 37.5% iShares XIC (S&P/TSX Compositie Index ETF), 37.5% of iShares ACWI (All-Country World Index ETF) and 25% iShares AGG (Barclays Aggregate Bond Fund). Volatility and correlation data are calculated from weekly returns. For the purpose of calculating Sharpe ratios, a risk-free rate of 3% is assumed. All returns presented for the PIMG Models and the ETFs used for comparison are in Canadian dollars. Data used to calculate returns are derived from Market-Q (for ETFs) and Dataphile (for the Models). All returns presented are "total returns", meaning they include all dividend payments & interest payments.

Benchmark of iShares XIC/ACWI/AGG (25%/25%/50%)

vs

The PIMG Balanced Income (BI) Model

January 15th, 2014 (Inception of BI Model) to June 30th, 2015



01/15/2014 – 06/30/2015	PIMG Balanced Income Model	25% XIC / 25% ACWI / 50% AGG	iShares XIC	iShares ACWI	iShares AGG
Cumulative Return Since Inception	11.30%	7.18%	9.95%	7.19%	5.13%
Compound Annual Return	7.70%	4.92%	6.79%	4.92%	3.53%
Standard Deviation	5.00%	4.85%	11.06%	11.09%	3.26%
Sharpe Ratio	0.94	0.39	0.34	0.17	0.16
Largest Monthly Gain	2.49%	2.48%	4.13%	5.51%	2.22%
Largest Monthly Loss	-0.96%	-2.17%	-4.12%	-4.23%	-0.73%
Number of Up Months	12	11	10	10	9
Number of Down Months	6	7	8	8	9
Correlation with Balanced Income	--	0.83	0.84	0.71	-0.16

PIMG Balanced Income Model	3 month	6 month	9 month	12 month	3 year	5 year	10 year	Inception
	-2.26%	0.80%	3.40%	5.61%	n/a	n/a	n/a	11.30%

To the best of our knowledge, the ETFs used as benchmarks track the indices they represent though material tracking error and misrepresentation can occur which is beyond our control. The 25% XIC / 25% ACWI / 50% AGG index is an index consisting of 25% iShares XIC (S&P/TSX Compositie Index ETF), 25% of iShares ACWI (All-Country World Index ETF) and 50% iShares AGG (Barclays Aggregate Bond Fund). Volatility and correlation data are calculated from weekly returns. For the purpose of calculating Sharpe ratios, a risk-free rate of 3% is assumed. All returns presented for the PIMG Models and the ETFs used for comparison are in Canadian dollars. Data used to calculate returns are derived from Market-Q (for ETFs) and Dataphile (for the Models). All returns presented are "total returns", meaning they include all dividend payments & interest payments.

PIMG Balanced Growth Model

Lost 1.78% during the quarter (from April 1st to June 30th)

The model's asset allocation as of June 30th was 3.5% cash, 15.9% bonds, 12% preferred equity, 5.1% alternatives and 63.5% common equity.

Top five outperformers in Q2 were:

- Legacy Oil + Gas (Energy/Light Oil) at +57.14%
- AMC Networks (Consumer Discretionary/Media) at +8.38%
- Suncor Energy (Energy/Integrated Oil & Gas) at +6.86%
- Rogers Communications (Telecom/Diversified) at +5.61%
- FedEx Inc (Industrials/Courier & Logistics) at +4.67%

Top five underperformers in Q2 were:

- TransForce Inc (Industrials/Trucking) at -15.00%
- Progressive Waste Solutions (Industrials/Waste Management) at -9.47%
- Performance Sports Group (Consumer Discretionary/Branded Sports Goods) at -9.02%
- Aimia Preferred C (Preferred Share/Fixed Reset) at -7.24%
- Brookfield Asset Management Preferred Z (Preferred Share/Fixed Reset) at -6.53%

During Q2, we bought:

- PIMCO Monthly Income Fund (PMO005): We purchased an oversized position in the PIMCO Monthly Income Fund to provide some exposure to traditional fixed income securities like government bonds and mortgage-backed securities. The fund is well diversified and also has some corporate bond and emerging market bond exposure. The fund targets a 4% distribution and we believe this distribution is reliable given the fund's industry leading management cost and its manager's ability to make big bets when great opportunities arise, such as its current short position in U.S. treasuries and parallel long position in Australian government bonds. We believe bets like this have a high probability of success and due to the leverage aspect, add meaningfully to fund returns.

- iShares Core MSCI EAFE IMI ETF (XFH): We purchased a full position in iShares XFH in order to reduce the U.S. dollar exposure associated with our position in iShares XMW while maintaining global equity exposure. This ETF is invested mainly in Europe and Japan and slightly increases the model's exposure to these geographies versus iShares XMW. The switch also results in a lower ETF-related management cost as XFH costs just 0.20% versus XMW at 0.48%.

- iShares S&P Global Consumer Discretionary Index ETF (XCD): We purchased a full position in iShares XCD to reduce the U.S. dollar exposure associated with our position in iShares IYC while maintaining consumer discretionary exposure. iShares XCD is more attractively priced than iShares IYC as it includes various fairly priced automotive companies (e.g. Toyota Motor, Daimler AG, Honda Motor, Volkswagen AG) but for the most part the underlying companies are the same. We believe it is important to remain overweight the consumer discretionary sector as lower oil prices should eventually result in a much higher level of consumer spending.

During Q2, we sold:

- Suncor Energy (SU): We sold our position in Suncor as its valuation had become stretched relative to oil prices. It appeared that the shares were pricing in an oil price of US$75/bbl WTI and a natural gas price of CDN$3.12/mcf AECO despite prices of only US$51/bbl WTI and CDN$2.46/mcf at the time of sale. As we believed these prices would not be achieved for quite some time, we sold the shares to capture the gains we had made.

- First Capital Realty Debenture F (FCR.DB.F): We sold our position in First Capital Realty Debenture F as its yield-to-call fell to 3.5% which is far too low for a security with meaningful credit risk in a rising rate environment, especially when compared to the yields offered by many preferred shares presently.

- Manulife Financial Preferred H (MFC.PR.H): We sold our partial position in Manulife Preferred H as its yield-to-call fell to 3.6% which was low compared to other Manulife preferred shares. We believed MFC.PR.H would trade $1-$2 below our sale price at its reset date if other preferred shares are accurately forecasting interest rates.

- iShares MSCI All-Country Low Volatility Equity ETF (XMW): We sold our position in iShares XMW to reduce the U.S. dollar exposure associated with this position.

- iShares U.S. Consumer Services ETF (IYC): We sold our position in iShares IYC to reduce the U.S. dollar exposure associated with this position.

- Horizon Seasonal Rotation ETF (HAC): We sold our position in Horizon HAC to reduce our model's overall ETF management costs. Horizon HAC's management cost can be as high as 3% annually. As we consider seasonal factors in our investment decision making process, the minute strategy diversification that this ETF brings does not offset its high cost.

PIMG Balanced Income Model

Lost 2.26% during the quarter (from April 1st to June 30th)

The model's asset allocation as of June 30th was 4.1% cash, 21.7% bonds, 9.1% convertible debentures, 14.3% preferred equity, 4.6% alternatives and 46.2% common equity.

Top five outperformers in Q2 were:
- iShares JP Morgan USD Emerging Mkt Bond ETF (ETF/Emerging Market Bonds) at +3.83%
- Horizon Seasonal Rotation ETF (ETF/Seasonal Rotation Strategy) at +2.66%
- Rogers Sugar Debenture D (Convertible Debenture) at +1.44%
- Student Transportation Debenture C (Convertible Debenture) at +1.25%
- Royal Bank of Canada (Financials/Diversified) at +1.19%

Top five underperformers in Q2 were:
- Progressive Waste Solutions (Industrials/Waste Management) at -9.47%
- RioCan REIT Preferred C (Preferred Share/Fixed Reset) at -9.33%
- Fortis Inc (Utilities/Diversified) at -8.19%
- Aimia Preferred C (Preferred Share/Fixed Reset) at -7.24%
- Crescent Point Energy (Energy/Light Oil) at -6.80%

During Q2, we bought:

- PIMCO Monthly Income Fund (PMO005): Same reasoning as the Balanced Growth Model.

- iShares Core MSCI EAFE IMI ETF (XFH): Same reasoning as the Balanced Growth Model.

During Q2, we sold:

- iShares J.P. Morgan USD Emerging Market Bond ETF (EMB): We sold our position in iShares EMB after emerging market bonds rallied after a dismal winter. We expect emerging market bonds to remain under pressure for the foreseeable future as Russia's economy weakens further and as an ongoing trend of U.S. dollar strengthening hampers emerging market liquidity.

- First Capital Realty Debenture F (FCR.DB.F): Same reasoning as the Balanced Growth Model.

- iShares MSCI All-Country Low Volatility Equity ETF (XMW): Same reasoning as the Balanced Growth Model.

- Horizon Seasonal Rotation ETF (HAC): Same reasoning as the Balanced Growth Model.

- Manulife Preferred A (MFC.PR.A): This security was redeemed by the issuer on June 19th and we received $25 per share in cash.

- Calloway REIT Debenture B (CWT.DB.B): This security was soon to be redeemed by the issuer so we converted the debenture into trust units as per the right of conversion. We received 38.835 units of CWT.UN for every $1,000 face value of the debenture. We will likely hold the trust units for the foreseeable future as the REIT expects to grow rapidly and its shares carry an above average yield of 5.6%.

Going Forward:

The models underperformed in the quarter due to the strong performance of foreign markets (e.g. Europe, China, and Japan), of which we are underweight, and the weak performance of our fixed reset preferred share holdings which have now reached irrational levels in our opinion.

Unlike the rest of the fixed income market which is reacting to the prospect of rising interest rates, the fixed reset preferred share market is pricing in near record low rates in perpetuity. Most fixed resets, particularly those of lesser credit quality, now assume that 5 year Government of Canada bond rates will remain at approximately 1% forever based on their current trading prices. We think this is absurd. We added to our fixed reset holdings in Q1 when the yield-to-call on many securities reached the 6-9% annual return range. Many of these securities now offer yield-to-calls of 10-15% at the first call date and 8-10% at the second call date. We believe it is possible that interest rates could remain low for an extended period of time. That said, we believe it is highly unlikely that the Government of Canada 5 year rate will remain at the 1% level for as long as 8-10 years, which is the time frame in which most fixed resets reach their second call date. For this reason, we see 8-10% annual returns as being highly attractive, even when compared to common equities, and will at least maintain, if not increase our exposure to fixed resets going forward.

Last quarter, we highlighted our dedication to consumer-oriented stocks. As consumers opted to save rather than spend their oil-related windfall, these stocks underperformed in aggregate in Q2 after leading the market in Q1. That said, the performance of underlying stocks was mixed with model holdings AMC Networks and Canadian Tire rising in the quarter and Performance Sports Group and iShares IYC falling. We continue to believe that the oil-related savings will eventually be spent and that most consumer-oriented stocks should benefit in the coming quarters.

We significantly reduced our U.S. dollar (USD) exposure in the quarter reducing our exposure from 22.1% to 13% in Balanced Growth and from 15.8% to 4.6% in Balanced Income. We decided to reduce our USD exposure as we believe that the decline in oil, and in turn, the decline in the Canadian dollar (CAD) relative to the U.S. dollar is mostly played out. Any further declines will likely be temporary and we see greater risk of CAD appreciation. We expect to maintain some USD exposure as we wish to continue owning individual U.S. stocks with unique growth opportunities.

We continue remain cautious on the equity market and are comfortable with our generally defensive position. Along with above average equity market valuations as measured by various price-to-earnings multiples, global corporate earnings growth has been negative since mid-2014, a worrying trend for value-oriented investors. Rising populism may accelerate this earnings decline, particularly in North America, as higher minimum wages and potentially higher taxes bring corporate profit margins closer to their historical average. We believe corporate profits could fall 20-30% and still be at what most investors deem a reasonable level within a historical context.

As at the end of Q2, the models yield 2.5% (Balanced Growth) and 3.8% (Balanced Income) from 2.4% and 3.7% at the end of Q1.

Sincerely,

Steele Wealth Management

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