RAYMOND JAMES

Steele Wealth Management

First Quarter 2012 – "Escalator to Heaven"

U.S. Markets Continue To Ride While World Markets Are Without Power

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U.S. Markets Climb at a 45° Angle While World Markets Have a Bumpy (& Lumpy) Ride

- The S&P/TSX Composite Index gained 4.35% during the first quarter of 2012.

- The mostly consumer-facing sectors – Health Care, Consumer Discretionary, Financials, Consumer Staples, IT and Industrials – outperformed the TSX Composite Index throughout the quarter.

- While the mostly industry-facing sectors – Energy, Materials, Telecom and Utilities – underperformed the TSX Composite Index.

- The S&P 500's fourth quarter outperformance continued into the New Year returning 12.7% in the first quarter of 2012. U.S. manufacturing, jobs and housing data repeatedly beat expectations early in the quarter forcing many market participants to shift their view from neutral or bearish to bullish. As a result, expectations overshot and data in general came in at or below expectations in March. Outside of the U.S., economic activity came in largely at or below expectations throughout the quarter.

- Inflation continued to decline throughout the first quarter. Central bankers repeatedly noted concern over rising oil prices but most deem the effects will be transitory. U.S. Federal Reserve Chairman Ben Bernanke stated that long-term inflation appears on-track to be 2%, the bank's target rate, and hinted that further monetary stimulus is improbable until inflation pressures subside and/or the economic outlook worsens. The Chinese central bank reiterated its commitment to cooling the frothy real estate market despite inflation falling below 4%, the bank's long-run inflation target. In response, many commentators in China restated concern that policymakers may wish to see a double-digit drop in real estate prices to improve affordability and suppress social unrest, which will likely be at the expense of capital markets in China and abroad.

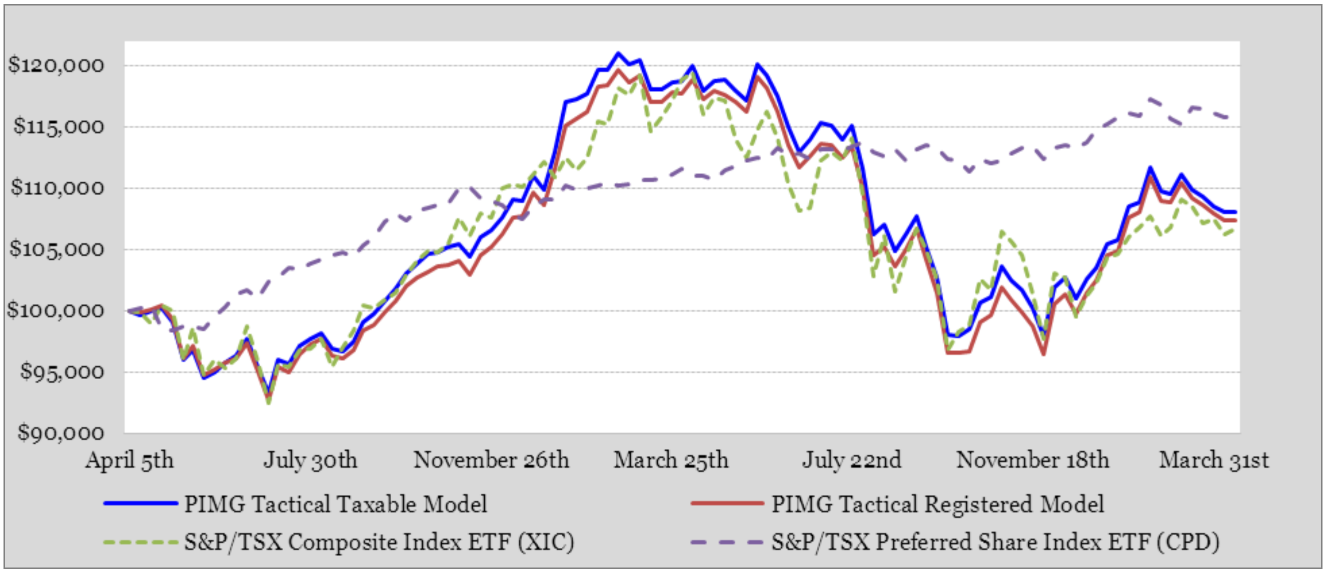
- Commodities markets were resilient in the first quarter, with the Commodity Research Bureau Index up 1%, despite downward revisions to emerging market growth. Precious metals and oil led the pack, benefitting from upward revisions to U.S. economic growth, elevated odds of additional monetary stimulus and rising tensions in the Middle East.

- Emerging market performance varied throughout the quarter with China's Shanghai Composite gaining 2.88% in Yuan terms and 0.83% in CAD terms and India's BSE Sensex gaining 12.61% in Rupee terms and 14.69% in CAD terms.

- The European debt crisis was "second page news" for most of the first quarter as Greece secured a second bailout, the European Central Bank (ECB) issued €1.02 Trillion in emergency loans in December and February and Italian and Spanish bond yields hit a more sustainable level of 5%. The focus has turned to economic growth and the effects of rising prices and austerity going forward. Spanish bond yields started to rise in late March as investors grew concerned about Spain's still frothy real estate market, its elevated budget deficit and the specter of having to bail out or nationalize much of the Spanish banking sector due to its real estate market exposure.

The S&P/TSX Composite Total Return & Preferred Share Indices
vs
The PIMG Tactical Taxable & Tactical Registered Models

April 5th, 2010 (Inception) to March 31st, 2012



	PIMG Tactical Taxable Model	PIMG Tactical Registered Model	S&P/TSX Composite Index ETF (XIC)	S&P/TSX Preferred Share Index ETF (CPD)
Cumulative Return Since Inception	7.97%	7.39%	6.66%	15.85%
Compound Annual Return	3.93%	3.65%	3.30%	7.68%
Standard Deviation	11.35%	11.36%	15.39%	4.02%
Sharpe Ratio	0.08	0.06	0.02	1.16
Largest Monthly Gain	7.87%	7.80%	6.48%	3.33%
Largest Monthly Loss	-9.89%	-10.21%	-9.12%	-1.59%
Number of Up Months	12	12	11	17
Number of Down Months	12	12	13	7
Correlation with Tactical Taxable	--	0.99	0.85	0.25

We have assumed a 1% performance fee 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. Volatility and correlation data are calculated from weekly returns. For the purpose of calculating Sharpe ratios, a risk-free rate of 3% is assumed.

PIMG Tactical Taxable Model:

- Gained 4.35% during the quarter
- The model's asset allocation as at March 31st was 20.3% cash, 23.7% preferred equity and 56.1% common equity.

PIMG Tactical Registered Model:

- Gained 4.81% during the quarter
- The model's asset allocation as at March 31st was 25.7% cash, 18.5% preferred equity and 55.8% common equity.

The top five outperformers in this quarter were:

- New Millennium Iron (Materials/Iron Ore) at +82.09%
- Sandvine Corp (IT/Network Hardware) at +37.72%
- Finning International (Industrials/Heavy Machinery) at +27.87%
- Sun Life Financial (Financials/Life Insurance) at +27.14%
- Connacher Oil and Gas (Energy/Oil & Gas) at +26.37%

The top five underperformers were:

- Yellow Media Preferred "A" (Media/Advertising) at -67.03%
- SNC-Lavalin (Industrials/Engineering & Construction) at -21.71%
- Copper Mountain Mining (Materials/Copper & Gold) at -16.14%
- Labrador Iron Mines (Materials/Iron Ore) at -14.38%
- Canadian Natural Resources (Energy/Oil & Gas) at -13.11%

During the quarter we bought:

- Labrador Iron Mines: We purchased a full position in Labrador in two stages due to its attractive valuation relative to the large international iron ore producers as well as its peers in the Labrador Trough, particularly its neighbor New Millennium Iron. From our analysis, Labrador was trading at a ~40% discount to the larger international iron ore producers on a forward cash flow basis. In addition, Labrador went from trading at a ~40% premium to New Millennium's valuation to a 50% discount in four months. As the value of potential synergies between the two companies is considerable, we believe any major divergence in valuation will result in a higher likelihood of acquisition on behalf other larger entity.

- TransAlta Corp: We purchased a full position in TransAlta as we wished to add some Utilities sector exposure to the models. TransAlta appeared to be trading at a discount to its power producer peers and its large and reliable dividend is expected to limit TransAlta's ultimate downside. We believe the shares will see considerable upside in the next one to three years as it remedies the issues at its Sundance facility, it gradually diversifies away from coal power and at its below market price purchase agreements (PPAs) expire.

- Eldorado Gold: We purchased a partial position in Eldorado Gold after it fell substantially following the announcement that it will buy European Goldfields. We thought the selloff to be excessive. We like Eldorado as it has an ambitious production growth profile, low cost production and the fact that it operates in relatively stable jurisdictions with low or negative wage growth (Greece, Romania, Turkey).

- SNC-Lavalin: We purchased a partial position in SNC-Lavalin as its engineering and construction (E&C) business segment appeared undervalued relative to the past and to its peers. We believe SNC is not trading at a fair valuation due to its dual risk structure (i.e. ½ of its valuation can be attributed to its utilities/concessions assets and ½ of its valuation can be attributed to its E&C business). Its utilities/concessions assets would typically draw investors who are risk-averse (i.e. value investors) whereas its E&C business would typically draw investors who are risk-seeking (i.e. growth & cyclical investors). We believe SNC could unlock plenty of value should it split the company in two thereby allowing the market to fully and fairly value each business segment.

- iShares S&P/TSX Capped Materials Index: We purchased a partial position in iShares XMA in order to bring our Materials exposure to "Market Weight". We believed the depth and pace of decline seen in the Materials sector was excessive relative to the TSX and that any rally would have to be led by the sector as a result.

- Copper Mountain Mining: We purchased a partial position in Copper Mountain following a decline that left it trading at a ~30% discount to its larger copper producing peers on a cash flow basis. We believe that many copper companies will be interested in buying Copper Mountain when M&A activity reignites due to its simple process, large resource base, proximity to well-developed infrastructure, exploration potential and low political risk (i.e. flagship mine is in British Columbia).

- BCE Inc: We added to our position in BCE, making it a full position. We purchased BCE as we were looking to add to high-yielding defensive stocks and saw Telecom as the most undervalued of the defensive sectors at the time. BCE had underperformed Rogers and Telus for some time and was trading at a discount to both firms on an earnings basis for the first time in at least a year. BCE's exposure to the high growth sectors is similar to Rogers and Telus and we believe BCE will close the relative performance gap and revert to a P/E ratio of 15x or more in the near future.

<u>During the quarter we sold:</u>

- Finning International: We sold our position in Finning International in two tranches. The first sale was to reduce concentration risk as the position had exceeded our "concentration warning level" of 4% of the total model. We decided to sell the rest of the position at a time when Finning was showing resiliency and several bellwethers of the Industrials sector (UNP, CAT, CSX) were showing pervasive weakness. We believed Finning would eventually succumb to the selloff seen in U.S. industrials stocks, particularly CAT, as Finning is merely a CAT distributor.

- Canadian Pacific Railway: We sold the remaining portion of our position in CP Rail as we believed the selloff seen in U.S. railway and industrials shares would eventually come to affect CP shares. We had been looking for a catalyst to sell our position in CP Rail as it appeared to be trading at an unsustainable premium to its peers and was priced-for-perfection in terms of executing its turnaround plan led by Pershing Square.

- New Millennium Iron: We sold our position in New Millennium in two tranches as it began to look materially overpriced relative to its iron ore peers, particularly Labrador Iron Mines.

- Connacher Oil & Gas: We sold our position in Connacher as we wished to reduce our oil sands exposure and limit the credit risk related to our models heading into the seasonally weak period for equities between May-July.

- Student Transportation: We sold a small portion of our position in Student Transportation following a material run-up and multiple ratings downgrades. In addition, the stock had surpassed our "concentration warning level" of 4% of the model and despite our confidence in the story, its small market cap and need for constant access to capital markets due to a high debt load pushed us to reduce our concentration risk.

- Chemtrade Logistics Debenture "A": We sold our position in Chemtrade Logistics as it went from trading at a yield-to-maturity of ~6.8% to a yield-to-maturity of ~5% which is extremely low for a debenture listed by a highly cyclical company with a sizable debt load.

- TD Bank: We sold part of our position in TD Bank as Canadian banks were showing undue strength at a time when U.S. and global banks were selling off due to global growth and European debt concerns. Although we believe in the sustainability of TD's business and dividend, the expected near-term pressure and the fact that the position was far above our 4% "concentration warning level" was enough to trigger a sale in our minds.

- Royal Bank: Similar to TD Bank above, we sold a part of our position in Royal Bank at a time when Canadian banks were unduly strong. Our position was nearing 7% of total model value and although RBC is among the safest banks in the world, the company is still exposed to company-specific event risk.

- Dundee Corp Preferred "B": We sold a portion of our position in Dundee Preferred "B" as it had not fully responded to the rise in interest rates seen in mid-March. Also, as interest rates appeared to "break out" of a trading range, we believed it was likely that rates would continue to rise.

Going Forward:

Our market sentiment has been bipolar lately shifting from bearish in early-Q4 to bullish in late-Q4 (following the announcement of the Long-Term Refinancing Operation) to decidedly bearish in late-Q1. We began to raise cash late in the quarter for three reasons: 1) The European Central Bank still remains against the monetization of sovereign debts in the Eurozone, something that we deem as necessary to put the European Debt Crisis behind us; 2) U.S. earnings growth is slowing to a halt and as a result, corporate profitability may start to normalize; 3) China's aggressive real estate market stance is likely to endure longer than expected resulting in lower demand from the world's #1 raw materials consumer, putting equity and commodity holdings at risk.

We believe that equity and commodity markets have moved too far too fast and are not properly discounting the difficulty corporations will have in expanding profits going forward as well as the still present geopolitical risks (i.e. continued discord in the Eurozone and the Middle East). As a result, we have defensively positioned the models for the upcoming months, as described below.

Our cash positions finished the quarter at ~20% and ~25% in the Taxable and Registered accounts, respectively, both of which are approaching the maximum cash level that we deem as prudent. That said, we are in no hurry to redeploy the cash and would need to see the resolution of several issues before doing so. Specifically, we would need to see a broad-based continuation of the recent trend of positive surprises related to U.S. economic data, a commitment by Chinese policymakers to stimulate the broad economy (or in the very least limit real estate related curbs) and signs that the ECB is growing some tolerance towards the prospect of monetization of European sovereign debt.

We continue to believe that a "barbell" strategy of holding market-/over-weight positions in the relatively depressed sectors (Materials, Energy, Telecom, Consumer Staples) and markets (emerging, small cap) and underweight positions in the relatively expensive sectors (Financials, Industrials, Consumer Discretionary) and markets (U.S., large cap) combined with a sizable position is corporate debt (including preferred shares and convertible debentures) is most prudent. The valuation discrepancies between sectors and asset classes are the result of optimism pertaining to the U.S. economy and pessimism pertaining to the Chinese and emerging market economies. We believe it is unlikely that the U.S. economy will do well if the emerging world is struggling. Additionally, though we wish to hold a position in small cap stocks, we sold most of our microcap holdings during the quarter as these positions tend to do poorly in the May to September period.

Despite being only 74% to 80% invested, the models continue to yield 3.1% to 3.4% annually (vs. the TSX Composite at 2.4%). We are comfortable with our defensively positioned models going into the seasonally weak period for equities and are confident the models will outperform in a down or sideways market. We've altered the adage a bit: "Sell in March for Some Starch (Dry Powder)!"

Sincerely,

Steele Wealth Management