April Client Communication

BANWELL FINANCIAL INC.
Integrity Competence Service

March 9th of this year marked the fifth year anniversary of the current bull market that we are presently experiencing. From the market lows of March 2009, the S&P 500 Index in the U.S. has gained more than 180%, and the MSCI World Index is up 140%.

In January of this year, the U.S. equity market declined by 6% in January. This modest pullback is a reminder that capital markets rarely take a path uniformly upward. ***As advisors and investors, we should all take in stride the inevitable volatility with equity markets.***

In any given year, it is statistically normal to have three 5% corrections, and there's a 57% chance of a 10% drawdown. The anomaly was 2012 and 2013, when we didn't have any meaningful drawdowns and volatility was below average (source: Goldman Sachs Asset Management).

"Equity markets have not seen a substantial correction since 2011, and as the U.S. Federal Reserve withdraws economic stimulus, the likelihood of volatility in 2014 is increasing. Nonetheless, the environment for high yield should remain supportive…"

Barry Allan, President
Marret Asset Management Inc.

Barry Allan is a highly respected Toronto based fixed-income manager with experience at Altamira Investments, and now manages money for CI Investments.

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We have recently participated in the most recent ***J.P. Morgan Asset Management: Guide To The Markets*** narrative with Dr. David Kelly. This 60 page report is an *overwhelming* guide to markets, demographics, money flows, valuations, and many other points of reference that are not always easily understood!!

Allow us to offer a brief summary of slide 58, described by Dr. Kelly as the ***most important slide.*** Slide 58 illustrates the asset class returns over the past ten years.

Asset classes are: REIT's, MSCI Emerging Markets, MSCI EAFE, S&P 500, Russell 2000, DJ UBS Commodity Index, Barclays Bond Index, Tremont Market Neutral Index, and Cash.

The simple, yet highly important message from Dr. Kelly is that a balanced approach has worked quite well, and has been a productive strategy for most investors. The worst year for this balanced strategy was -24% in 2008, and the best year was 22.2% in 2009.

The average annual return of this balanced strategy from 2004 to the end of 2013 has been 7.9%. For those of you who have *not yet* read our February 2014 newsletter we noted our global income/yield strategies gained on average 8.5% for 2013.

The top performing asset class in four of the last ten years was REIT's, followed by MSCI Emerging Markets in three of the last ten.

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It should be noted that many of our recommended global yield portfolios (Paid To Wait Strategy) and even to a lesser degree our Canadian yield portfolios have exposure to many if not all of these asset classes.

Exposure to these various asset classes is not a static allocation, but something that is adjusted on a regular basis by the portfolio management team. These adjustments can be a function of buying low and selling as a security appreciates to fair market value…or it can be the decision of the money managers to either overweight, or avoid an asset class completely.

Although owning a professionally managed portfolio may be a reasonably passive approach to investing…please be aware there are numerous strategies taking place every day to enhance returns and/or protect capital.

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In summary, our global outlook for 2014 is decidedly sunnier than in recent years. However, we do expect that several squalls will emerge to roil markets and test *investors over the course of the year. While the global economy remains somewhat fragile, it has and should continue to strengthen over the coming year.*

Signature Global Asset Management
CI Investments

Interestingly…the Signature Diversified Yield portfolio has a 15% weighting to cash illustrating the defensive posture of the Signature team (as of Feb. 22/14).

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Another topic of conversation with the J.P. Morgan material was potential risk with U.S. equities after the large gains we have experienced. "We still like U.S. equities and believe on balance they are fairly valued."

Acknowledging the S&P 500 Schiller Cyclically Adjusted P/E is somewhat on the high side, but factoring in Price to Earnings, Price To Book, Price To Cash Flow, Price to Sales, and other common metrics the conclusion is fairly valued.

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We still believe strongly and recommend Phil Taller who is the lead manager behind our Mackenzie U.S. Mid Cap (formerly Universal American Growth) portfolio. Phil Taller's outlook commentary:

⇒U.S. economy seems to be in a solid recovery…
⇒The short term concern is the Fed aggressively restricts the money supply…
⇒Manager believes this will not happen and therefore is fully invested…
⇒Companies are very profitable with ample cash on the balance sheet…

The Russell Mid Cap Total Return Index would be the appropriate benchmark for this portfolio.

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After three brutal years for gold and precious metals, this sector is showing signs of a recovery. The Dynamic Strategic Gold portfolio holds a combination of gold producing companies, and physical gold bullion. Strategic Gold is up 14% on the year (to March 31/14).

Gold declined from $1,900 per ounce (U.S.) in September 2011 to $1,188 on December 19, 2013. Precious metals equities declined by approximately 70% during this period.

On January 17^{th}, 2014, BaFin, the German equivalent of the Securities and Exchange Commission (SEC) in the U.S., announces that precious metals prices were manipulated worse than the London Interbank Offered Rate (LIBOR).

Please call our office for a most interesting Sprott Asset Management commentary on the series of events involved with the pricing of gold.

As of early April, gold trades at approximately $1,320 per ounce and Eric Sprott believes the price of gold will exceed $2,000 per ounce this year!!

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As always, further to our newsletter commentary, we are pleased to offer specific comments with respect to your own investment accounts, and welcome the opportunity to do so.

We wish you and your family an enjoyable spring season and thank you again for allowing us to be of service.

ALL THE BEST FROM THE ENTIRE TEAM AT BFI.

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"The most important thing in the Olympic Games is not to win but to take part, just as the most important thing in life is not the triumph, but the struggle. The essential thing is not to have conquered, but to have fought well."

Pierre de Courbertin, The Olympic Creed
Inspired by Bishop Ethelbert Talbot, Speech, Olympic Games 1908