RICHARDSON GMP

FIRST QUARTER ACCOUNTABILITY
2015

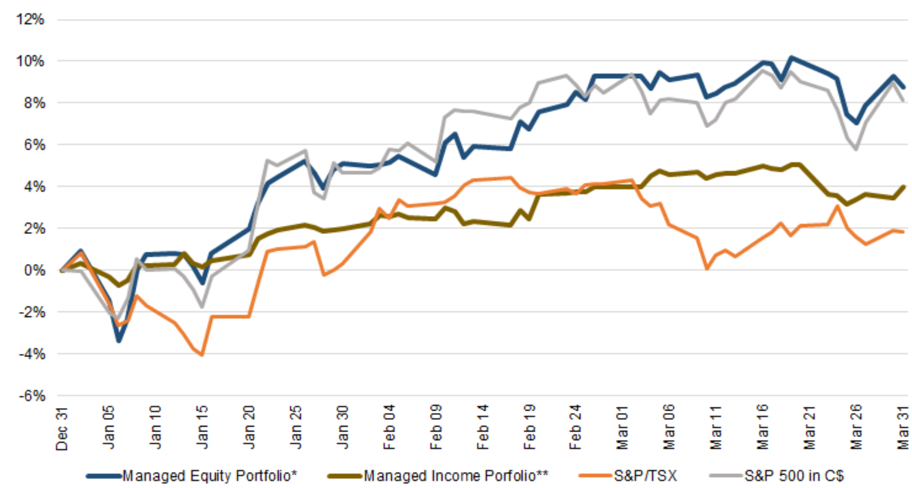
Portfolio Strategy

Make your investment strategy provide the income and capital your family needs. Have a plan. Participate in longer-term trends. Reduce securities losing money. Add to winners. Diversify holdings. Be conscious of risk and have procedures to manage it.

Managed Portfolio Results

Discretionarily managed portfolios had a good start to the year. Equity-focused mandates performed close to a portfolio entirely invested in the U.S., including the currency benefit; yet they had half their assets invested in Canada as well as other securities that reduced risk such as fixed income and hedge funds. Income-focused accounts were able to beat Canadian stock market averages even with a substantial investment in fixed income.

First Quarter 2015 Managed Portfolio Results



Source: RichardsonGMP, net of fees, unaudited

* Managed Equity Portfolio is one specific growth-oriented managed account. Investments are split approximately 85% equity, 10% fixed income and 5% alternative investments.

** Managed Income Portfolio is one specific income-oriented managed account. Investments are split approximately 25% equity, 65% fixed income, 5% alternatives and 5% cash.

Accounts were selected because they had no deposits or withdrawals in the period. The level of cash varied throughout the quarter. Individual managed accounts vary in results due to customization and the effect of implementing changes due to deposits or withdrawals. These accounts are considered representative of a growth focus and an income focus.

OUR PARTNERS

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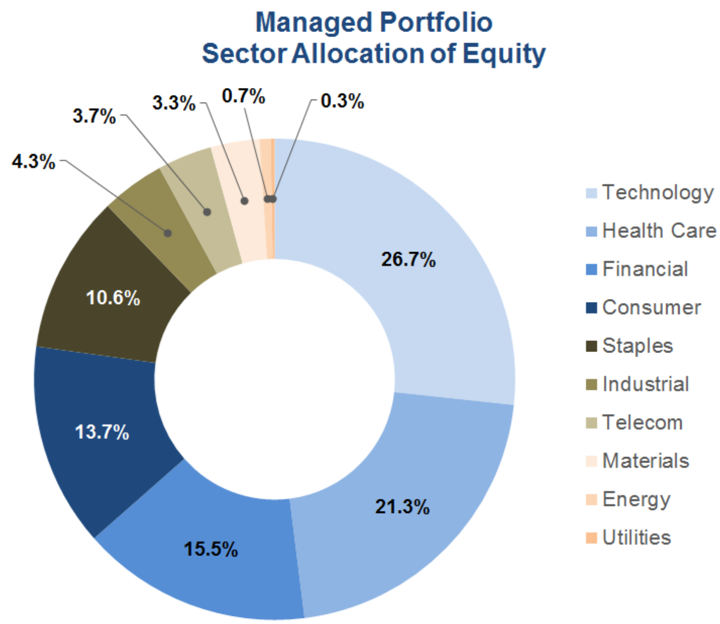
Managed Portfolio Equity Composition

Discretionary managed portfolios continue to have a sector allocation significantly different from the Canadian average.



Source: RichardsonGMP as at April 14, 2015. Consolidated, all accounts managed by Brad Hunter. Model equity positions only. ETFs held in the portfolio have their securities distributed to underlying sectors.

Investments in **technology companies** have continued to grow, now representing the largest sector owned. The appreciation in many of the underlying technology positions account for most of the greater exposure. Constellation Software is the second largest holding and the top technology performer.

Health continues to be a large component of portfolios, but exposure was reduced over the quarter. Shares of Mylan were sold due to a tax regime change. Half of the Biotech Index was sold for a quick profit. Half of Gilead Sciences was eliminated because of slowing revenue growth from rival product entries. This sector continues to show leadership. Expensive valuations are beginning to be a worry. Biogen is now the largest holding, and consistent with my philosophy of adding to winners and selling losers, more Biogen was recently acquired.

Financial stocks account for 15% of the portfolio. They still represent less exposure than Canadian and U.S. averages. Purchases have been made of wealth management companies such as in CI Financial and U.S. Investment Dealer Blackstone Group. Low interest margins on loans have kept the portfolio underweight in traditional mortgage and banking stocks. Financial companies that have participated in growth of global stock markets are more favoured.

The consumer sector peaked a year-and-a half ago and exposure was steadily decreased from managed portfolios. However, a resurgence of leadership over the last few months has caused me to add consumer positions. Currently, Exchange Traded Funds focused on a broader group of consumer stocks compliments individual picks.

The **energy sector** has almost no exposure in the portfolio. This is really a reflection of the level of uncertainty as to where energy stocks are headed in the short-run. Crude oil inventories are extremely high, global supply continues to grow, individual companies are posting significant cash flow reductions, capital spending decreases, job cuts, and limited access to new investor capital. Optimism is high that commodity prices will rebound and some energy stocks have also risen. Valuations are attractive, but only assuming a U$60+ West Texas crude price.

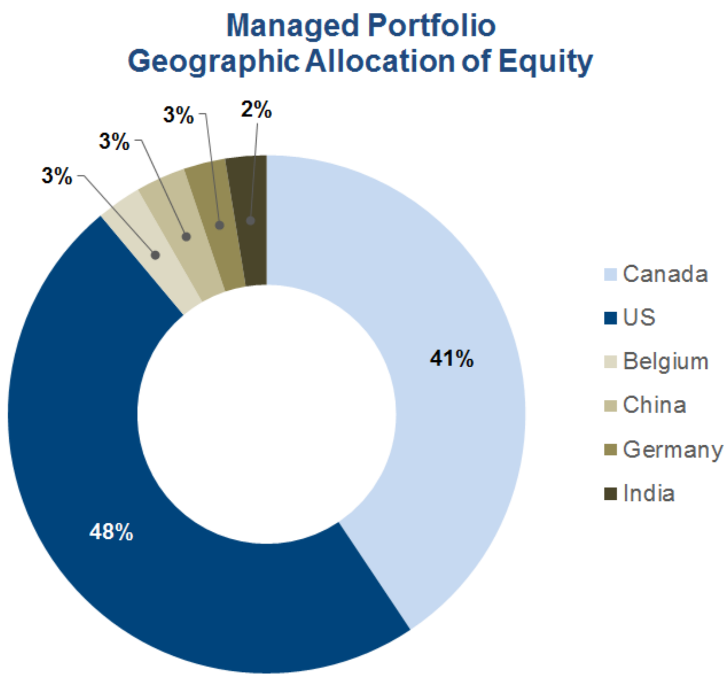
Investors can choose to buy higher quality, more senior companies that are not down very far, but are likely able to survive if energy prices are persistently low. Alternatively investors can buy riskier, smaller, and highly levered companies that are significantly down from their highs, hoping for higher energy prices giving them a larger recovery gain or potentially get taken over at a higher price. However, if oil turns down again, or even remains around U$50 for the remainder of the year these stocks can continue to fall a long way.

It is hard to have conviction on whether the large amount of oil inventory, drop in earnings and reduced capital expenditures will keep energy stocks falling, or if the cheap stock valuation and escalating conflicts in the Middle East will push energy prices up. So I'm on the sidelines.

Overall, equity positions in managed accounts are invested on average 40% in Canada and 60% outside of Canada. The United States has been the focus of investment. The greater selection of companies and industries, stronger economic growth, as well as the currency appreciation have all been reasons to continue to have a large exposure to the U.S..

Exposure to Canada will most likely continue to decrease for the remainder of the year. Unless there begins to be compelling reasons to invest in energy without significant risk.

I do expect exposure to international markets outside of the U.S. to grow significantly over the next two years. Strength in the U.S. currency as well as the establishing of interest rate hikes by the Federal Open Market Committee are both reasons that eventually leadership should pass from the U.S. to Europe, Asia, and Emerging Markets. Other countries like Europe and China are focusing on monetary easing while the U.S. is on the cusp of monetary tightening. The effects of these policies takes time. Germany, China, and India are currently favourite areas. Owning international positions that are hedged to either the Canadian and/or U.S. dollar are also being considered.



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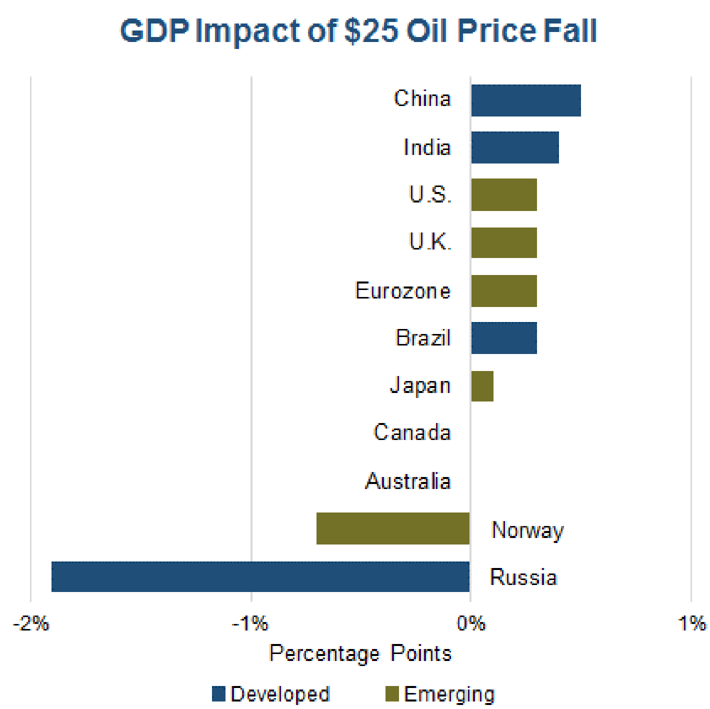

Source: BlackRock Investment Institute and UBS, November, 2014

Oil Slick

The chart to the left by BlackRock Investment Institute shows the simulated impact on GDP after one year per permanent twenty-five dollar decline in the price of oil, as estimated by UBS in an economic model that takes into account linkages between economies, GDP and inflation.

Falling oil prices should help oil importing economies. The transportation industry wins by significant cost savings from fuel. Consumers should have more money to spend, and companies that manufacture that use petroleum products as inputs should have lower costs.

The stimulus of low energy prices combined with low interest rates has powerful growth potential. A stronger U.S. dollar may offset some of this growth in the U.S.. Also, financial turmoil over the last few has turned North Americans off spending to some extent. Investors may decide to keep the energy savings and reduce debt, rather than spend it.

Security	Curr	12/31/2014 Value	Buys Date	Buys Price	Sells Date	Sells Price	3/31/2015 Value	1st Quarter Dividends	Total Return
Top Performers									
Valeant Pharmaceuticals International		166.33					250.21		50%
Constellation Software Inc		345.44					437.76	1.000	27%
Biogen Idec Inc	U	339.45					422.24		24%
Qorvo Inc (prev. RF Micro; 4:1 consol)	U	66.36					79.70		20%
Apple Inc	U	110.38					124.43	0.470	13%
Ross Stores Inc	U	94.26					105.36	0.235	12%
Great West Lifeco Inc		33.59					36.62	0.326	10%
Core Portfolio									
Gilead Sciences	U	94.26			3/3/2015	102.25	98.13		6%
Blackstone Group	U		2/19/2015	37.53			38.89		4%
			3/26/2015	37.73					
BCE Inc		53.28	2/17/2015	55.70			53.62	0.650	1%
St. Jude Medical	U	65.03			3/26/2015	65.63	65.40	0.290	1%
Colgate Palmolive Co	U	69.19					69.34	0.360	1%
Saputo Inc		34.92					34.81	0.130	0%
Walton Westphalia		5.00					5.00		0%
Open Text Corp		67.61					66.86	0.173	-1%
North West Co Inc		26.20					25.03	0.290	-3%
Bank of Nova Scotia		66.31			3/10/2015	62.72	63.54	0.660	-3%
Royal Bank		80.24					76.24	0.750	-4%
National Bank of Canada		49.44					46.24	0.500	-5%
International and Sector									
Ishares Nasdaq Biotech ETF	U	303.35			2/27/2015	337.01	343.43		12%
Ishares MSCI India ETF	U	29.95					31.99		7%
Ishares MSCI Belgium ETF	U	16.21			3/3/2015	17.23	16.89		5%
Ishares US Home Construction ETF	U		3/26/2015	27.38			28.23		3%
Ishares China Large Cap ETF	U		1/26/2015	43.78			44.45		2%
Consumer Discretionary Sector SPDR	U		2/12/2015	74.39			75.13	0.255	1%
Ishares Russell 2000 Growth ETF	U		3/18/2015	152.70			151.55	0.296	-1%
Horizons Beta S&P/TSX Energy Bear ETF			3/10/2015	16.19			14.93		-8%
Watchlist									
Baxter International	U	73.29					68.50	0.520	-6%
Qualcom Inc	U	74.33					69.34	0.420	-6%
Shaw Communications B		31.35	2/17/2015	29.75			28.43	0.282	-8%
Canfor Pulp Products			2/23/2015	16.94			14.97		-12%
Micron		35.01	2/17/2015	32.60			27.13		-22%
Other Sales									
Whitecap Resources		11.44			2/19/2015	13.58		0.063	19%
Priceline.Com Inc	U	1,140.21			2/27/2015	1,238.03			9%
Gamestop	U	33.80			1/9/2015	32.13			2%
					2/27/2015	36.85			
Mylan Inc	U	56.37			2/27/2015	57.17			1%
Pason Systems		21.89			1/5/2015	20.50			-6%
Raging River Exploration		7.34			1/6/2015	6.35			-13%

Source: Richardson GMP as at March 31, 2015

Analysis of First Quarter Trading Activity

1. **Equities in managed accounts had a fantastic quarter.** The equity portion of portfolios rose by roughly 8%, far outstripping the Canadian average of 1%. The U.S. S&P 500 grew a meagre 1%, but if the U.S. dollar growth is also considered, Canadian investors were able to make over 8% on funds invested in U.S. securities on average.
2. **Seven of the thirty-two positions held at the end of the quarter grew by over 10%.** Health and technology stocks had the largest positive impact on the portfolio. These sectors are generally held in larger proportion in the portfolio and continue to be part of the core model.
3. **A change in the management of discretionary portfolios is taking place this year.** A greater exposure to exchange traded funds (ETFs) is being implemented. ETFs are fantastic instruments for quickly gaining exposure to a market sector or a specific country. As baskets of securities, they are a means of getting the averages in a specific investment area, reducing the exposure to individual company news. Investors can exit positions quickly as well, allowing trading to occur more in line with market sentiment changes. With hundreds of ETFs available, investors are really getting *an* average, but certainly not *the* average. The primary purpose of using these liquid instruments in managed portfolios is to allow active management and tactical shifts between countries and sectors.
4. **The International and Sector ETF strategy had a positive impact on results in the quarter.** Focusing on biotechnology, home construction, and the consumer as well as India, China, and the U.S. market allowed portfolios to participate to a greater extent in the leading growth areas of financial markets.
5. **Sales of positions took place for a variety of reasons**. Priceline was sold because of deterioration in its financial ranking in my model. Fortunately, the company posted strong earnings allowing an exit towards a high. Gamestop was sold in two halves because of initially violating stop loss levels; then later because of failing earnings revision, growth and price momentum tests. Mylan was sold to avoid a large tax distribution that would have occurred because of the company reorganizing to incorporation in the Netherlands. It is being watched for possible re-entry. The three energy positions had violated stop loss levels long ago and sales this quarter were attempting to catch highs. This worked for Whitecap, but unfortunately Raging River was not sold at a particularly good time.
6. **Stocks on the watch list all represent companies that are posting strong results, but have individual challenges taking place.** Qualcomm has some uncertainty over royalty revenues from cell phones sold in China. Canfor is benefiting from sales in U.S. dollars while incurring Canadian costs, but there was some weakness in paper prices recently. Micron has been growing but lately overall semiconductor sales in the industry have been slowing. All of these companies rank well on my models, but are being watched to see if they violate stop loss levels. Likely sales of half at a time will be implemented if weakness persists.
7. **Overall, January and February had very pleasant two-month gains.** At the end of February, some selling took place to lock in gains and reduce risk of giving those profits back. Mylan, Priceline, and Gamestop were eliminated. Half of the exposure to the Biotech index was sold. Exposure to Belgium was reduced. March ended up being a generally flat month but often with significant swings and reversals, making it very difficult to determine which direction the trend is. When the trend is unclear, raising cash makes sense.
8. **The second quarter has been entered with a cash balance in accounts.** Much of this cash is held in the iShares U.S. Short Treasury ETF, which is a simple way for me to hold U.S. cash in accounts. So currency exposure to the U.S. dollar is still fairly high, but there is significant room for additional investment.

Performance returns are as of March 31, 2015 and are based on an actual representative account. Please note that the past performance is not necessarily an indicator of future performance. The indicated rates of return are gross of fees and/or commissions. Individual results of client portfolios may differ from that of the representative portfolio as fees may differ, and performance of specific accounts is based on specific account investiture. The noted representative portfolio may not be appropriate for all investors.

Succeeding with Investments

Join me over a lunch seminar where I'll share my views on the financial markets – in particular what is happening in the world and how it affects the strategy for securities owned.

Topics of discussion will include:

- Global investing environment
- Examination of current market and securities trends
- Portfolio strategy and risk management

Date:	**Thursday, May 7th, 2015**
Time:	**11:45am – 1:00pm**
Location:	**Richardson GMP** **47th Floor 400, 525 8th Avenue SW**
RSVP:	**Rita Penno by telephone 403.355.6034 or** rita.penno@richardsongmp.com

Lunch and refreshments will be provided.

Please pass this invitation to anyone who may benefit from attending.

Regards,

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