



INVESTMENT STEWARDS

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# Special Review – October 2014

## How Are Portfolios Doing?



Wilfred J. Hahn  
Chairman,  
co-Chief Investment Officer  
[whahn@hahninvest.com](mailto:whahn@hahninvest.com)

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# Recent Global Market Trends

All statistics in currencies as noted for each section.

Benchmarks October 15, 2014		\$CDN						
INDEX	MTD	Sep-14	Aug-14	Jul-14	3 Mths	6 Mths	12 Mths	YTD
<b>CDN Indexes</b>								
FTSE TMX Canada Universe Bond Index	1.46	-0.63	1.07	0.63	1.50	3.73	6.83	7.48
FTSE TMX Canada Short Term Bond Index	0.62	-0.03	0.24	0.16	0.37	1.06	2.90	2.76
S&P/TSX 60	-7.08	-3.52	1.72	2.34	-0.52	5.31	19.46	4.69
<b>US Indexes</b>								
Barclays U.S. Aggregate	2.43	2.31	0.82	1.94	5.14	3.55	13.01	12.28
Barclays U.S. 20+ Year Treasury	6.80	0.98	4.05	2.89	8.11	9.63	22.62	31.10
Barclays U.S. Short Treasury	1.08	2.93	-0.05	2.05	4.99	1.61	9.24	6.91
S&P 500	-5.00	1.56	3.70	0.78	6.15	7.82	30.16	8.38
<b>GLOBAL Indexes</b>								
MSCI ACWI ex USA	-5.21	-1.98	0.27	1.18	-0.56	0.80	13.89	-0.18
MSCI EAFE	-5.97	-0.95	-0.44	0.18	-1.20	-0.74	13.33	-2.35
MSCI Emerging Markets (SM)	-1.71	-4.63	1.96	4.17	1.30	4.22	13.38	6.01
London Gold PM Fix	2.25	-2.54	-0.25	-0.12	-2.90	-4.89	-0.31	7.98

\* 3,6, and 12 Mths returns are from end of September

# How Are We Doing?

## Portfolio Performance Update

### Gross-of-Fees Performance Summary - CAD Currency <sup>1</sup>: October 15 2014

Portfolios/Benchmarks	Inception Date	2014 Returns		Total Return (Annualized)					Annual Excess Return	
		15-Oct 2014	YTD 2014	One Year	Three Year	Five Year	Ten Year	Since Inception		
<b>Core ETF Portfolios</b>										
Conservative Core	30/06/08	0.46	10.00	12.30	7.96	7.82	N/A	8.35	2.90	
Composite Benchmark % (5, 12.5, 12.5, 35, 35) <sup>2</sup>		-0.16	7.00	10.94	6.46	5.53	N/A	5.45	N/A	
Moderate Core	30/06/03	-1.38	7.84	13.19	8.81	7.05	7.17	7.54	2.05	
Composite Benchmark % (5, 25, 25, 22.5, 22.5) <sup>2</sup>		-2.19	5.83	14.03	9.66	6.94	5.60	5.50	N/A	
Aggressive Core	30/06/03	-3.26	5.98	15.19	11.54	8.24	7.76	8.43	1.81	
Composite Benchmark % (5, 40, 40, 7.5, 7.5) <sup>2</sup>		-4.63	4.43	17.82	13.52	8.50	6.43	6.63	N/A	

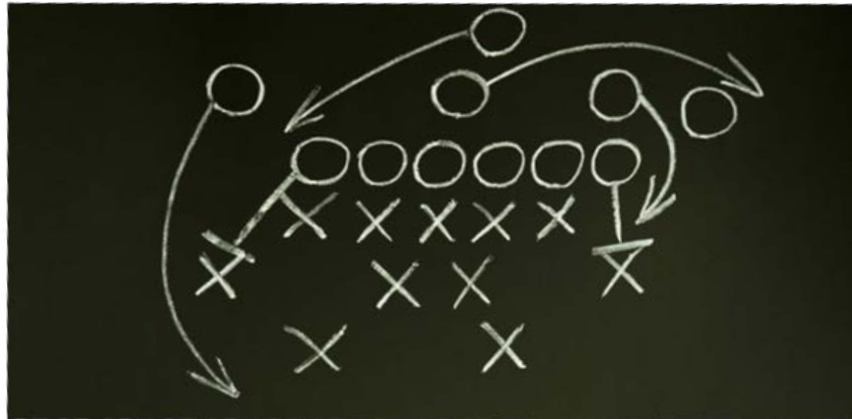
<sup>1</sup> Performance statistics for ETF Managed Portfolios are calculated from documented actual investment strategies as set by HAHN's Investment Committee and applied to its portfolios mandates, and are intended to provide an approximation of composite results for separately managed accounts. Actual performance of individual separate accounts may vary with average gross "composite" performance statistics presented here due to client-specific portfolio differences with respect to size, inflow/outflow history, and inception dates, as well as intra-day market volatilities versus daily closing prices. Performance numbers are net of total ETF expense ratios and custody fees, but before withholding taxes, transaction costs and other investment management and advisor fees. Past investment results provide no indication of future performance. Future returns are dependent on the general investment environment, the nature of the investment mandate and specific portfolio risks. A rate of return for one year or less is not annualized.

<sup>2</sup> Benchmark performances do not include any fees and are derived exclusively from a blend of the following indexes in the percentages above : CAD 90-day Treasury Bill Index, MSCI ACWI Index in \$Cdn, S&P TSX Composite Index, Citi WBIG Bonds in \$Cdn, and FTSE TMX Canada Universe Bond Index. See full performance report for more details.

# Portfolios Are Doing Well

Our Recent Playbook

1. Boosted cash
2. Focus on “higher yielding portfolios”
3. Balanced counter-weighting positions

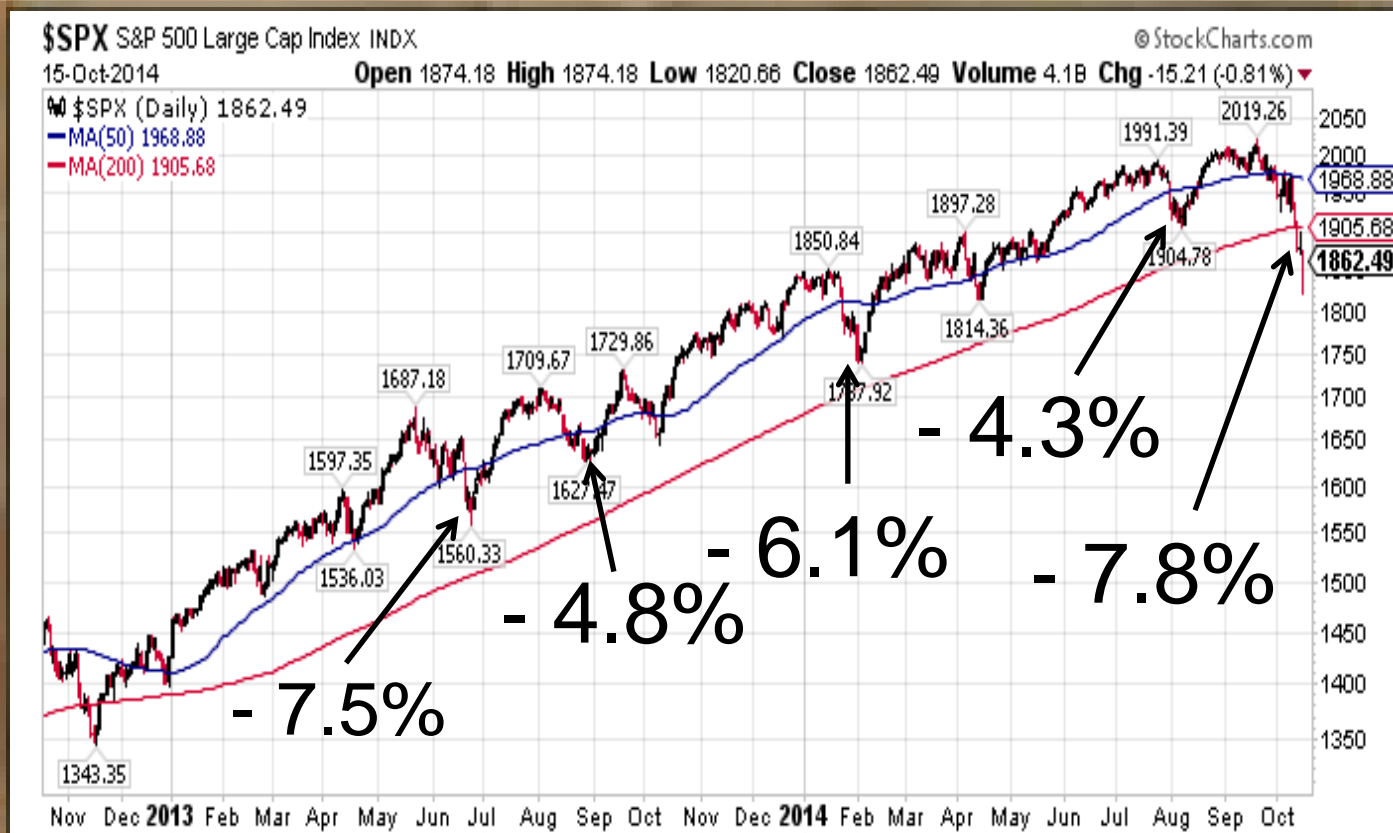


# Low-Downside Factors at Work

- ✓ Fixed-income has melted up ... off-setting equities
- ✓ “Low volatility” securities have outperformed
- ✓ “Higher yield” securities have outperformed
- ✓ Opportunity assets delivered strong non-correlation

# One-Eyed Equity Volatility

Just How Does Recent Financial Market Correction Compare?



# Balance Brings Stabilizing Portfolio Characteristics

**\$USB** 30-Year US Treasury Bond Price (EOD) INDX

15-Oct-2014

Open 143.03 High 143.03 Low 143.03 Close 143.03 Chg +1.09 (+0.77%)

© StockCharts.com



**\$SPX** S&P 500 Large Cap Index INDX

15-Oct-2014

Open 1874.18 High 1874.18 Low 1820.66 Close 1862.49 Volume 4.1B Chg -15.21 (-0.81%)

© StockCharts.com



# Policymaker's Playbook

- ✓  Boost economic growth
- ✓  Try & try again to boost economic growth!
- ✓  Boost economic growth ... any way possible!



# Monetary gods are at War

“All is fair in War ... & Geopolitics”

Mario Draghi, Chief of  
European Central Bank



Haruhito Kuroda, Head of  
Bank of Japan



Jens Weidmann, Chief of German  
Bundesbank



Zhou Xiaochuan, Head  
of People's Bank of  
China

# Unorthodox and New Policies to date More High -power ones to come.

**FRB QE1**

**ECB**

**LTRO**



**BOJ QE**

**Infinity**

**FRB**

**QE2**

**ECB Limited**

**QE**

**3 QE**

**#?**

**OPMF**  
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# Non-addled Markets' Realism

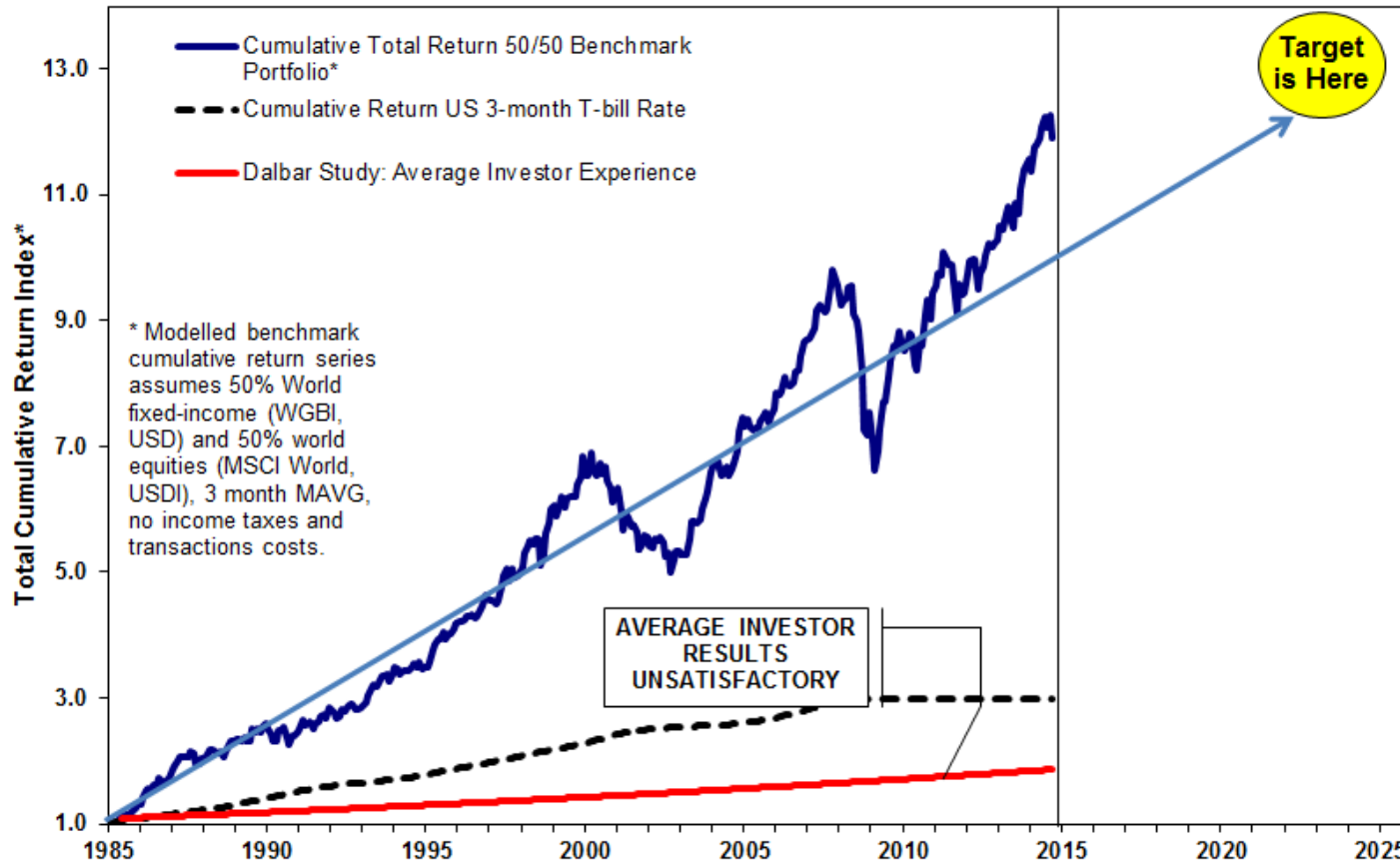
- ✓ Market portfolios do not go up each and every month ... nor, in fact, each year. Avoiding “big mistakes” and big downturns makes the deciding difference over the long-term.
- ✓ Our signature investment style — “top down global risk management” and “limited downside” is coming through and carrying the day.

# Non-addled Markets' Realism - contd

- ✓ Realize that the world is experiencing a new era, most certainly vis-à-vis financial markets. Our long-term strategic views take this into account.
- ✓ Managing responses (of clients, advisers, portfolio managers) carries a critical role in the success of long-term investment results.

# Benefit of Long-Term Investing

**Theoretical Global Portfolio 50% Bonds/50% Equities**  
From 1985 to September 2014, Monthly, Total Return Indices



# Best Approach for Reality

- ✓  Stay in inflating assets!
- ✓  Stay diversified!
- ✓  Keep nerves in check
- ✓  Stick to playbook