HAHN INVESTMENT STEWARDS

GLOBAL WEALTH PERSPECTIVES

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Executive Perspective

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In this Spring Edition of the Global Wealth Perspectives, we focus on the "competitive" challenge that most retirees — present and future — are part of, whether they wish to or not. As everyone is aware, interest rate levels have fallen to extraordinary lows around the globe; many nations are experiencing the lowest rates on record.

The Global Insight article (beginning on this page) tackles the topic straight on. Wilfred Hahn explains the continuing phenomena of the "Global Income Crisis." How should one respond? We lay out some suggested tactics. Investment managers have an important role to play in this global "income competition."

I hope you will also enjoy the client profile article on page 3. In this edition, we interview long-time client and acquaintance Roger Thompson. Roger, a successful businessman, has always had a keen interest in financial markets and economics. We have been honoured to have him as a client.

Finally, on page 4, you will find the Portfolio Update which, in summary form, outlines our current market views and strategies.

I hope that you will find this edition informative. We strive to make the content of this publication interesting and beneficial. To that end, we welcome any feedback that you may have.

Sincerely, Mark Arthur, C.E.O.

What's New at HAHN

HAHN professionals often speak at investment conferences and are frequently quoted in the media.

Tyler Mordy, President, will be speaking at the upcoming 2015 Exchange Traded Forum.

Robyn Graham, VP Institutional Services, will be presenting at the 2nd annual The ETF Conference.

To view links to more interviews as well as our firm's articles and publications please visit our website.

Last Quarter's Highlights

- Investment returns overall were strong for the past quarter for all portfolio mandates, also handily exceeding benchmarks. Low interest rate levels continue to foreshadow a much lower pace of sustainable returns.
- U.S. equities (S&P500 index) rose sharply, up 10.2% over the past quarter and 29.2% over the past 12 months. Crucially, almost half of the return was attributable to the slumping Canadian dollar vs. the U.S. dollar. In comparison, Canadian stocks (S&P/TSX Composite Index) rose only 2.6% and 6.9%, respectively.
- Fixed-income markets and income-oriented assets in general, generated strong returns during the first quarter of 2015. Canadian bonds (FTSE TMX Canada Universe Bond Index) returned 4.2%. U.S. and international bonds, while flat in local currency terms, generally returned in excess of 10% in Canadian dollar terms.
- The world continues to be marked by tepid economic growth, disinflationary trends, active currency competition and continued aggressive monetary policies on the part of the world's major central banks.
- At present, a major factor impacting global financial markets is the policy schism between the U.S. Federal Reserve and the central banks of Japan and Europe.
- Commodities in general remained under price pressure. A key trend was the continuing slump in oil prices; WTI Crude having fallen 46% over the past year.
- The Canadian dollar has remained depressed versus the U.S. dollar. Falling 8.7% in January alone, the Canadian currency has since stabilized, declining 8.4% for the quarter.

HAHN GLOBAL INSIGHT

Global Income: Winning at a Losing Game

Wilfred J. Hahn, co-CIO & Chairman
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Savers and investors striving to build-up retirement assets continue to face the challenges of the new 21st century. As interest rate levels have fallen and economic growth around the world is generally slower, it requires more assets to generate the returns that are needed to support a given retirement lifestyle.

In a sense, the cost of retirement has inflated sharply. Why? It requires more assets today to earn a given amount of return. Therefore, consumer price inflation may be low, but not the type of inflation that applies to the purchase price of income.

Two other dynamics add to present retirement challenges. Firstly, there is a surge in demand for reasonable income earnings from retirement assets because the leading edge of the "Baby Boom" has begun to enter the retirement years. In a sense, that creates a competition for a finite amount of income. Secondly, people are living longer. Their longevity is increasing. That should be seen as a good thing — a blessing for humans — but not so from the perspective of an actuary.

In their view, this is seen as "longevity risk." For a number of decades now, actuaries have underestimated the increase in human longevity. That cuts two ways. For one, the average length of retirement is increasing (assuming that the retirement age does not increase as quickly as that of mortality); and, the risk that one actually lives longer than expected also increases.

So we see here a clash between the constraints of income economics and the general "social good" of living longer. Growing old doesn't come cheaply seen from the perspective of a pension fund manager living in a low-interest rate world. It points to a rather warped, but true, reality. It is this: the biggest "negative" risk that can happen to people, is to become too old … and even worse, to become older than expected.

Not only do pension systems today creak and groan under the strains of retiree income requirements, economists sometimes lament what they call "demand deficiency syndrome", this largely being attributable to aging populations. As people become older, they naturally tend to spend and consume less. Economists attribute this to be the main ailment behind slow economic growth. None of this should be surprising, really. It all comes full circle and is evidence to the fact that financial and economic systems are indeed extensions of the human life cycle.

So what can we do to minimize the "financial bad" of what should be seen as a "social good" … that, being to live longer? There are a number of options. Most obviously, people must simply save more and build up larger income generating assets in order to generate the types of returns that are needed.

Not everyone will be able to do so, of course. In any case, the math here will not work if everyone were to respond in this way. Yet, as individual decision-makers, should we not choose to accumulate more savings, we are bound to face less-than-desirable circumstances at some point in our retirement.

As mentioned there are additional options. People can choose to stay in the work force past the usual retirement age. Even income from a part-time job can adequately supplement income requirements and reduce a savings run-down.

Also, asset managers can be of help. Two necessary solutions are outlined here. Firstly, they must increase their universe of investment opportunities. The world is still a big place, offering a wide variety of opportunities for greater returns.

That is indeed the approach that we adopted as a firm when we launched our Income Focus series of portfolios back in 2008. In response to what we defined as a "Global Income Crisis" we widened our search for income to the global "oyster." As fate would have it, these portfolios have had exemplary performance to date.

Then, again, at the start of 2014 we launched another new portfolio — Special Opportunities Focus. This was a further response to the Global Income Crisis, only now tuned to a world with low, low interest rates levels … which in some countries, are today at all-time lows. These portfolios have a very wide global ambit, and have greater degrees of freedom to assemble a diversified set of assets.

The biggest "negative" risk that can happen to people, is to become too old … and even worse, to become older than expected.

The types of portfolios just described must be supported by a systematic research process. Our investment strategy team assembles what we perceive to be investable themes, ideas and special-situation opportunities from around the world. These active, tactical ideas are summarized in a document entitled Super Trends and Tactical Views. We then seek to align and anchor all of our portfolios to these Super Trends as these are longer-running trends. Tactical Views apply to the shorter-term active strategies. Taken all together, this "world-wide" approach we have described is one of the ways to address retirement fund challenges.

A second approach is to bias investments over the longer-term towards countries with higher birth rates. This tactic is in fact one of the investment themes we are pursuing. There is a wide difference in population growth by country. For example, today, the majority of core European nations actually have negative population growth, as does Japan. On the other hand, other nations have much higher population growth. For example, India is adding 1.2% to their population every year; the Philippines 1.9% (as a comparison, the U.S. population is growing at 0.76% per annum).

Higher population growth (everything else being equal) leads to higher workforce growth, ergo higher economic growth. Ultimately, in theory, this should translate into higher income and investment returns. That doesn't always happen over shorter periods of time, but should manifest itself over the long term. Pursuing this theme, people living in lower-growth populations can attempt to glean some of the benefits of faster-growing populations.

The Global Income Crisis continues, and if anything, we expect it will become much more acute in future years. Any investment that can generate solid income will be in high demand. That in time, will likely lead to excesses that will need to be monitored through a sensible risk regime. For example, it would not be surprising to see more investment funds begin to take on leverage. With low interest rates returns and low wage growth, some will see leverage as a necessity to boost returns. While that tactic may well succeed for a period of time, it nonetheless will add to risks.

In conclusion, retirement is approaching for an ever greater proportion of the world's population. It is, therefore, crucial to understand the financial effects of this demographic trend. It is a challenge that is a competitive one; meaning that there will be both winners and losers.

CLIENT PERSPECTIVE

Interview: Roger Thompson

Roger Thompson is a retired business owner and executive who now combines his love of golf with a charitable foundation that helps exchange students enhance their university experiences.

What were your family's personal circumstances growing up?

As a child, I had responsibilities which included common things like shoveling snow and taking the garbage out. We were not poor but we were not big spenders either. There was definitely a strong sense of duty and the importance of hard work in our household.

Tell us about your investing history.

I started my portfolio with my RRSP funds and invested them in Government of Canada stripped coupon bonds in 1980 which was easy because they were paying 16% interest. I held them to maturity and got a real appreciation for the power of compound interest. You're making money even when you're sleeping.

To what do you attribute your success?

One of the best decisions I made was to go to the Ivey business school at Western before business degrees were really fashionable. It was great timing as I felt that I had the wind behind me and only a little competition ahead of me.

What did you do after school?

I wanted to get my MBA, but I was tired of school by then and really wanted to get married to my girlfriend of four years, so I went to work for IBM instead. They had a great training program, and although I was not an engineer and weak technically, I was really good at sales. I had a lot of enthusiasm and became one of their most successful salespeople. Even though I was doing really well compared to my peers, IBM was ultimately not for me. After consulting with many friends, one of whom owned a Canadian Tire franchise, I decided to leave IBM and join Canadian Tire as a dealer. By 1970 I was at head office in charge of the dealers.

How did you become a HAHN investor?

After a while, I started taking finance courses because I had more free time and wanted to learn more about investing. I'd known Wilfred Hahn for some time and I really trusted him and his investment process. It was an easy decision to have him manage my assets. It didn't hurt to have the founder of the company as my personal advisor either.

How do you occupy your time now?

I'm retired and split my time between Toronto and Florida. I'm an avid golfer so I keep active and my wife has taken up the game so we can enjoy it together. We really enjoy the physical and social aspects of the game and it's also led to another passion of mine which is a charity that supports student exchanges.

Tell us a little about the charity.

It's called the Canadian Robert T. Jones Scholarship Foundation; named after the legendary Bobby Jones, founder of The Masters golf tournament. The endowment was originally funded by the

generosity of golfers, so that's the connection. Each year we sponsor 16 exchange students between two Canadian universities — Western and Queens — and the University of St. Andrews, Scotland. Students are eligible to apply for the scholarship in their second year and we have a very qualified group of trusted professionals who examine and rate the applicants. The award is for $6,000. We have put 169 students through the program since inception. The experience has been incredible and the feedback we get is that it has enriched their educational experience and their lives immeasurably.

If you would like more information for your children or grandchildren on the Canadian Robert T. Jones Scholarship Foundation, please visit **www.bobbyjones.ca** or contact Roger Thompson at **roger270@sympatico.ca**.

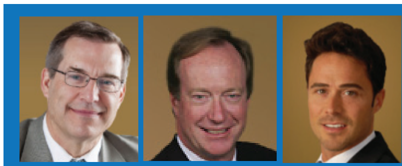
Notable Quotes

"Expect the best. Prepare for the worst. Capitalize on what comes."

Zig Ziglar

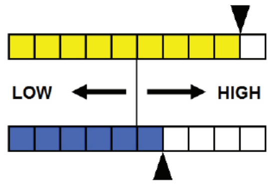
"The art is not in making money, but in keeping it."

Proverb



HAHN Investment Committee
Wilfred Hahn (Chairman & co-CIO), Mark Arthur (C.E.O.) & Tyler Mordy (President & co-CIO)

Current Market Risk



HAHN Benchmark Portfolio

Current Portfolio Strategy

Significant portfolio shifts are mandated at this time. Large new factors are expected to ripple through global financial markets. Most of these factors have been driven by political economic initiatives; and the impact that these might already have had on key prices.

Consider that the world's three most important prices have been dramatically changed in the space of a few short months. Firstly, the US dollar has soared versus the rest-of-world. In fact, its appreciation has been the most rapid on record since the European euro was launched in 1999. This has dramatic implications and impacts on many levels.

Secondly, the price of oil (fossil energy in general) has plunged 60% from a high of USD $110 per barrel (WTI) to near $40 recently. One cannot yet be sure that oil prices have completed a bottom, however, we expect energy prices to stay low for some time. This is another price movement that causes economic polarizations in the world. For instance, oil-exporting nations will suffer; oil-importing nations have a great windfall.

Finally, viewed globally, interest rates have continued to slide in both nominal and real terms. This trend has already been underway for a number of years. Recently, as much as two-thirds of the sovereign bond markets in Europe are yielding negative interest rates. Going forward, the term "yield" may go the way of the buggy whip. "Croupier rates" may now become a more apt term. While we would never have forecast interest rates to fall as low as they have, we nonetheless reason that this state of affairs can continue for a long time. We call it the "anti-interest" era; and largely it can be seen as a form of intergenerational wealth transfer.

As mentioned, the course of global political economics is creating the current financial environment and significant policy squabbles therefore can yet be expected ahead. Major policy schisms have already emerged between the major central banks of Japan, Europe and the U.S. These implications will be evident before long.

The following sections highlight our major investment themes and strategies:

Minor Asset Mix Shift. It remains a slow-growth world (despite the persistent optimism in the U.S.). In view of risks, general low visibility; continuing monetary opportunism, one-upmanship in the currency battles; and high-volatility incidents, we continue to believe that one should not veer too far from a balanced asset mix. Cash levels in core portfolios have now been reduced from 6.2% to a more neutral stance of 3.2%. There are better return opportunities to be found elsewhere.

Moving Away From US Dollar; into Euro. The euro has virtually plummeted in recent months; now down approximately 35% from its 2007 peak against the dollar of US 1.60. We expect the dollar to remain the world's main reserve currency, however, the current thrust is unsustainable. We now expect the European economy to accelerate. A booming trade surplus is expected to emerge for the Eurozone.

EAFE Equities. We removed an underweight in European equities the previous quarter. This position is being maintained; however, now removing the euro hedge. A similar stance now applies to Japan where corporate earnings have been strengthening. A yen hedge versus the US dollar has also been removed.

Canadian Dollar Strategies. Our underweight in Canadian equities and bonds over past quarters was rewarded. However, the Canadian dollar has already fallen substantially versus the US dollar. In response, we are gradually shifting up exposure to Canada and moving away from U.S. equities (and US dollar exposure). That said, a full-fledged economic recovery for Canada is still a ways off. The world remains in a long and deep commodity down cycle.

Increasing Emerging Markets — Selectivity Continues. We continue to hold positions in Vietnam and China A-shares. The latter investment, however, has been reduced as it has more than doubled in price over the past year. This quarter we have added a diversified investment in fast-growing frontier markets as part of our opportunity investments. A position in India equities has also been added.

Searching the Globe for Above Average Yield. In response to an ongoing global income crisis, we continue to seek above-average yield and income wherever possible. Presently, our portfolios continue to deliver yields substantially above their benchmarks.

Opportunity Investments Changed. We continue to employ a significant number of opportunity investments. These are asset-types that can provide diversification; superior growth opportunities; and are aligned with larger "Super Trends." Currently 18.75% of core portfolios are allocated to these strategies, the same as the previous quarter. This quarter we removed a position in gold-related investments as well as reducing Chinese "dim sum" bonds. We have maintained exposure to emerging market bonds, but lowered exposure to US dollars.

The objective of our ETF Managed Portfolio strategies is to achieve stable, positive returns over the long-term without assuming excessive risk. More so than ever, the best approach for today's atypical investment climate remains building portfolios that are globally diversified across many asset types, informed by a concerted focus upon a variety of traditional and non-traditional risk factors.

Quarter 02, 2015 — Investment Stance

Net Asset Mix	Versus Benchmark: Under	Neutral	Over	Change from previous quarter
Cash	■			↓ Decreased
Total Equity		■		↑ Increased
Total Fixed Income		■		↑ Increased
Opportunity			■	● Unchanged
CDN Investments				
Bonds	■			● Unchanged
Stocks		■		↑ Increased
US Investments				
Bonds		■		↑ Increased
Stocks	■			↓ Decreased
INTL Investments				
Bonds		■		↓ Decreased
Stocks			■	↑ Increased