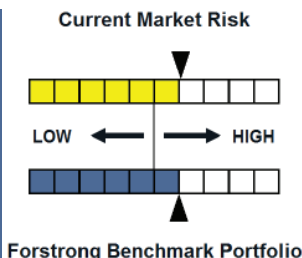


Forstrong Investment Committee
 Wilfred Hahn (Global Strategic Advisor & CCO)
 Mark Arthur (CEO)
 Tyler Mordy (President & CIO)



Current Portfolio Strategy

The world of financial assets has moved into a “see-saw” phase. Not only has overall volatility risen as we had expected, the various factors that have contributed to fairly robust investment returns over the past 6 to 7 years have fractured somewhat.

Growing policy divergences amongst the world’s major central banks, slowing corporate earnings growth, slumping oil prices, as well as extreme concerns with the slowing economic growth rate of China have been some of the contributing factors unsettling investors recently. That said, our perspectives at this time are quite different from the prevailing concerns of the consensus.

It is not often that crowds are correct in their market expectations. For example, we note that investment sentiment with respect to China, emerging markets and financial markets in general is nearly as extreme as during the darkest days of the Global Financial Crisis of 6 to 7 years ago.

Opportunities are to be found amongst such unsettled conditions, especially given the “see-saw” environment that we anticipate. We maintain that risk, when bought cheaply, will lead to higher returns. Presently, risk in some asset sectors is at near bargain-basement levels.

What do we see differently? Firstly, falling energy costs are generally positive for economic growth, not negative. No economic recession in North America has ever been triggered by an oil price slump.

Secondly, investors’ memories of crashing financial markets in 2008-2009 are still quite fresh. We, too, recognize the many developments that pose economic and financial challenges over the long-term. However, central banks have become much more responsive and less constrained philosophically with their actions and interventions. They are not nearly as complacent as they were 7 years ago. While it is true that they cannot produce any real wealth, for the time being, they do have available some powerful policy options. This should not be overlooked.

Thirdly, fears of slumping emerging economies and markets are not reasonable. For example, no distinction is being made between commodity-producing and commodity-importing countries. The former are suffering; the latter are benefitting; both being tarred by the same brush. Also, economic growth, particularly in various Asian countries, is still at rates well above that of the developing world. That, coupled with very low valuations, makes a compelling case.

All of the above factors suggest that a “see-saw” environment will prevail for some time. Different opportunities will “see” in and “saw” out at varying times. An active approach is ideal for just such an environment. In response, we highlight some of our

main investment themes and strategies:

Asset Mix Shift Favoring Equities. Cash levels in core portfolios are slightly lower at 3.0% (down from 4.0% previously.) Significantly, we are also shifting towards equities modestly and reducing bond holdings and durations. Bonds have sharply outperformed in recent months as equity markets have generally slumped.

The following metrics being quoted apply to our Moderate Core portfolio and are indicative of the scale of change. Excluding the assets in the Opportunity Section of the portfolio, equities were increased to 4.3% above weight. Overall bonds have been reduced to 3.4% below benchmark.

Shifts in Regional Preferences. Allocations to Canadian equities were increased at the expense of U.S. stocks in response to improving valuations. We remain overweight in European, Japanese and selected emerging markets (India, Poland and Frontier markets.)

Income, Income, Income: A major investment theme that we frequently extoll is a response to a “global income crisis.” This remains an enduring theme though subject to short-term credit market cycles. An ageing populace will continue to want to buy yield and income. As such, all of our portfolios have cash yields above their benchmarks.

Opportunity Investments Increased. We employ opportunity investments — a number of these referred to above — that are defined as asset-types that can provide diversification; superior growth opportunities; and are aligned with larger “Super Trends.” These are now broadened to approximately 20 holdings and now represent 25% of our balanced and aggressive portfolios (up from 22.5% previously).

Currencies Unhedged. There is still little compelling reason to hedge assets held in the major foreign currencies (with the possible exception of Japan). We expect the European economy to accelerate and increase its trade surplus, this contributing to a rising euro. The Canadian dollar, though now much cheaper, is expected to remain in a narrow trading range vs. the U.S. dollar.

The objective of our ETF Managed Portfolio strategies outlined here is to achieve stable, positive returns over the long-term without assuming excessive risk. We believe that the best approach in today’s atypical investment climate is to build 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 4, 2015				Investment Stance
Net Asset Mix	Versus Benchmark			Change from previous quarter
	Under	Neutral	Over	
Cash	■			↓ Decreased
Total Equity			■	↑ Increased
Total Fixed Income	■			↓ Decreased
Opportunity		■		↑ Increased
CDN Investments				
Bonds		■		● Unchanged
Stocks		■		↑ Increased
US Investments				
Bonds		■		↓ Decreased
Stocks	■			● Unchanged
INTL Investments				
Bonds	■			● Unchanged
Stocks			■	● Unchanged

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