MARCH 2015 NEWSLETTER

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Market Review

The first quarter of 2015 has seen markets in Canada and the U.S. modestly positive. The S&P/TSX was up 1.85%, and the S&P 500 was up 0.4%.

	Mar 31/14 Close	Dec 31/14 Close	Mar 31/15 Close	90-Day % Change	1-Year % Gain
S&P 500	1,872	2,059	2,067	0.4%	10.4%
S&P/TSX Composite	14,335	14,632	14,902	1.85%	3.95%

While North American markets have been flat during this quarter, European and Japanese markets had strong gains, up 12.4% and 19.7% respectively.

World Indexes	YTD
S&P/TSX Composite	**1.85%**
S&P 500	**9.8%**
MSCI World	**11.31%**
MSCI Europe	**12.44%**
MSCI Emerging Markets	**11.41%**
MSCI Japan	**19.67%**
MSCI Pacific ex. Japan	**11.64%**

**Performance in Canadian Dollars*

Interest Rates

Interest rates continued to fall in 2015; this has become a bit moot for our bond positions, as we have long felt the risk-reward on longer term government bonds to be unattractive.

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Canadian T-Bills and Bonds Yields

	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015
90 day	**0.91%**	**0.91%**	**0.54%**
180 day	**0.93%**	**0.93%**	**0.56%**
1 year	**1.00%**	**0.99%**	**0.57%**
2 year	**1.13%**	**1.01%**	**0.507%**
5 year	**1.63%**	**1.33%**	**0.775%**
10 year	**2.15%**	**1.78%**	**1.365%**
30 year	**2.67%**	**2.33%**	**1.989%**

U.S. T-Bills and Bonds Yields

	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015
90 day	**0.02%**	**0.01%**	**0.03%**
180 day	**0.04%**	**0.04%**	**0.135%**
1 year	**0.10%**	**0.21%**	**0.225%**
2 year	**0.59%**	**0.66%**	**0.567%**
5 year	**1.78%**	**1.65%**	**1.380%**
10 year	**2.51%**	**2.17%**	**1.934%**
30 year	**3.21%**	**2.75%**	**2.546%**

International 10-Year Bond Yields

	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015
Japan	**0.52%**	**0.31%**	**0.39%**
U.S.	**2.51%**	**2.17%**	**1.93%**
Germany	**0.95%**	**0.54%**	**0.18%**
Canada	**2.15%**	**1.78%**	**1.37%**
U.K.	**2.42%**	**1.75%**	**1.58%**
France	**1.28%**	**0.78%**	**0.47%**
Spain	**2.13%**	**1.54%**	**1.20%**
Italy	**2.33%**	**1.82%**	**1.24%**
Portugal	**3.14%**	**2.62%**	**1.67%**
India	**8.51%**	**7.85%**	**7.74%**

Investors continue to face an absence of low-risk fixed-income investments that produce sufficient income to fund retirements.

Dividends

Historically investors have been able to rely on interest from government and high-quality corporate bonds to provide secure income.

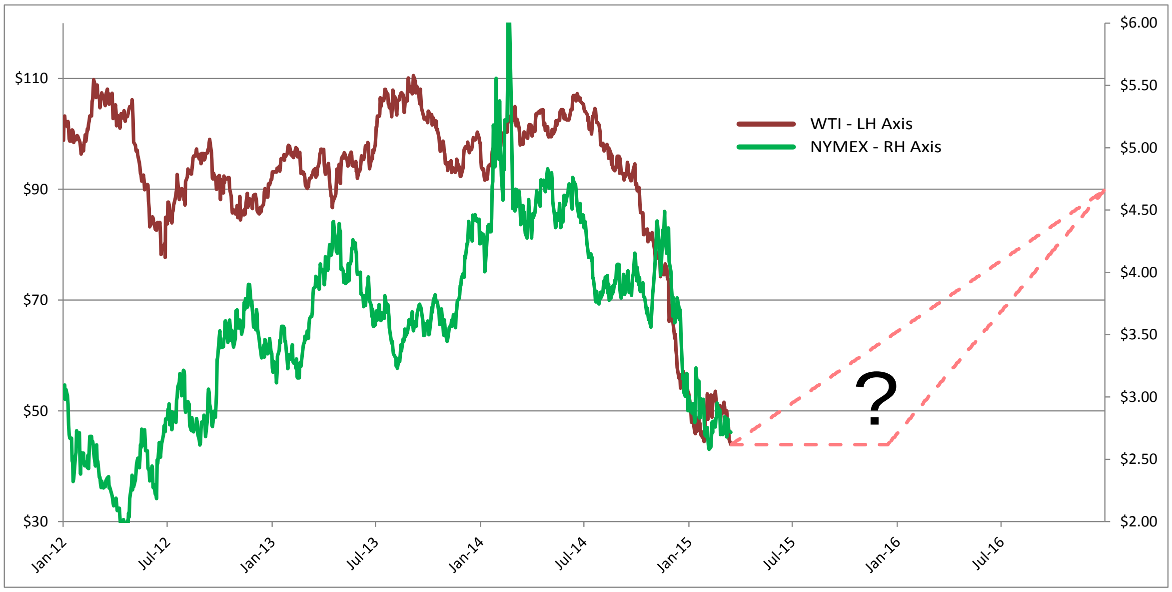
With interest rates on these bonds at today's extraordinarily low levels, investors have had to focus on dividend-paying shares in order to earn a reasonable yield. While this incurs more risk and volatility than a bond portfolio (of high-quality and short duration), we have been fortunate that 16 of our 20 largest equity positions increased their dividends during the last 12 months.

	2014 Q1 Dividend	2015 Q1 Dividend	% Increase
Suncor (SU)	**$0.23**	**$0.28**	**21.7%**
Manulife (MFC)	**$0.13**	**$0.155**	**19.2%**
Wells Fargo & Co. (WFC)	**$0.30**	**$0.35**	**16.7%**
S&P 500 Trust ETF (SPY)	**$0.9802**	**$1.1349**	**15.8%**
Raymond James (RJF)	**$0.16**	**$0.18**	**12.5%**
Royal Bank of Canada (RY)	**$0.67**	**$0.75**	**11.9%**
Telus (T)	**$0.36**	**$0.40**	**11.1%**
Brookfield Infrastructure (BIP.UN)*	**$0.48**	**$0.53**	**10.4%**
Toronto Dominion Bank (TD)	**$0.43**	**$0.47**	**9.3%**
Brookfield Renewable Power (BEP.UN)*	**$0.3875**	**$0.415**	**7.1%**
Bank of Nova Scotia (BNS)	**$0.62**	**$0.66**	**6.5%**
Power Financial Corp (PWF)	**$0.35**	**$0.3725**	**6.4%**
Fortis (FTS)	**$0.32**	**$0.34**	**6.3%**
Johnson & Johnson (JNJ)	**$0.66**	**$0.70**	**6%**
BCE Inc.//Bell (BCE)	**$0.5825**	**$0.6175**	**6%**
Bank of Montreal (BMO)	**$0.76**	**$0.80**	**5.3%**

**Paid in CDN$, but dividend is based on the US$ amount.*

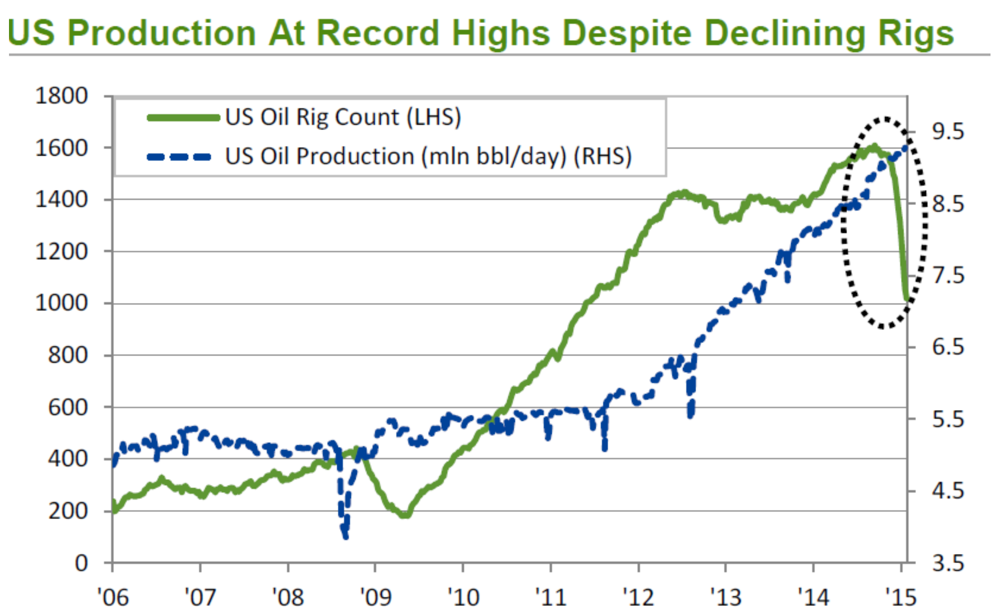
Within the last 12 months, Raymond James Ltd. has undertaken an underwriting liability or has provided advice for a fee with respect to the securities of Royal Bank of Canada, Brookfield Infrastructure, Toronto Dominion Bank, Brookfield Renewable Power, and Bank of Montreal.

Oil and Gas



Source: Raymond James Ltd.

The above chart indicates the recent price behaviour of oil and natural gas, and Raymond James' expectations of oil returning to a $70 to $90 range. While no one can predict how long this will take, or whether we get another price retreat before the recovery, our expectation is that the current low price is unsustainable and the market will eventually settle at a higher level. The amount of working oil rigs is down approximately 49%* in North America, and this should eventually lead to less supply of North American oil, thus supporting a price closer to the estimated marginal cost.



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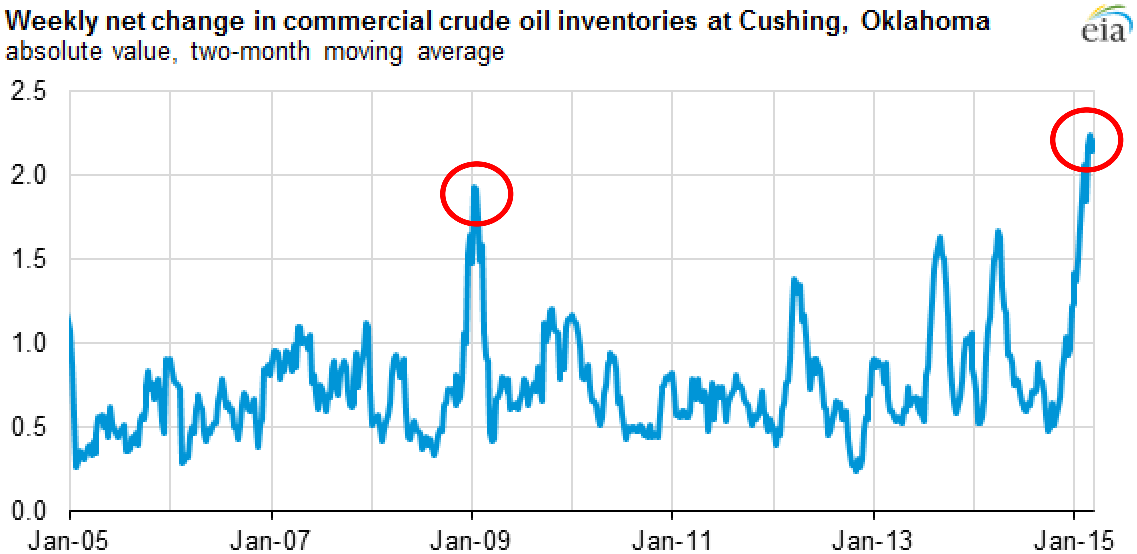
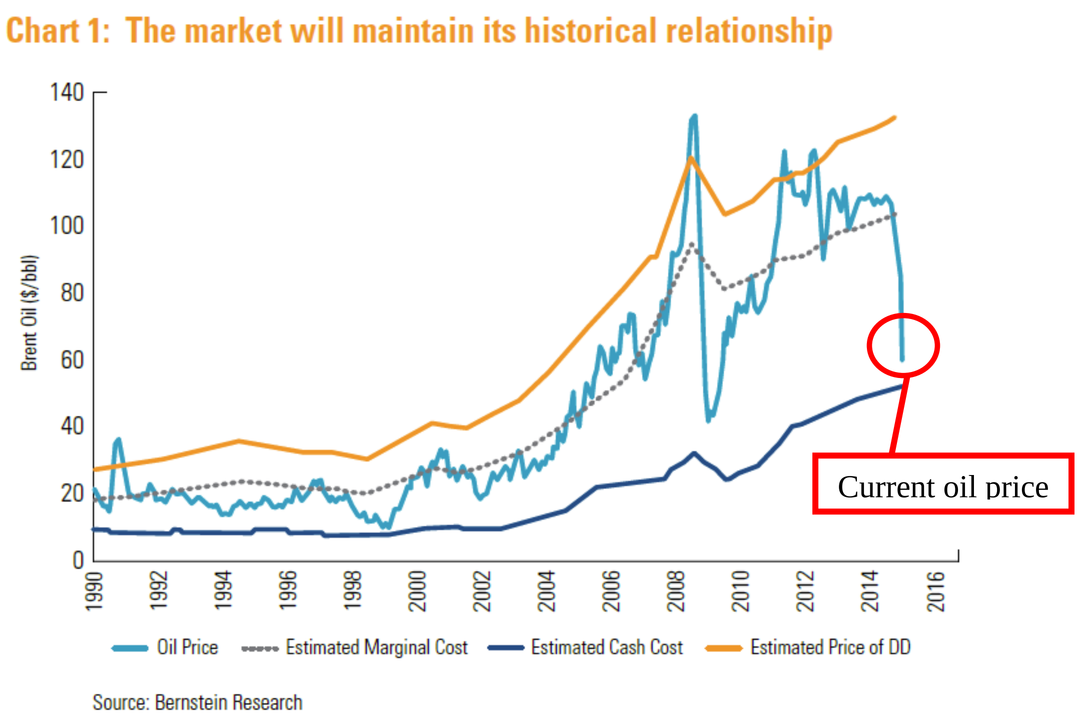
Source: Raymond James Ltd.
*Baker Hughs Rig Count – March 27, 2015



Source: U.S. Energy Information Administration

While oil inventories are at record levels, the last time we experienced this was in January of 2009, which in hindsight was a very attractive time to buy oil companies.



The best way to benefit from this opportunity is to gradually accumulate an oil and gas position over the next few months. Oil and gas producers are inherently more volatile than many other industries, so I recommend focusing on the highest quality companies (rather than the intermediates and juniors, which could go up more if we are right). Many of these companies have net insider buying, and we can make recommendations for investors who find oil and natural gas companies suitable for their risk tolerance and environmental sensibilities.

Suncor Inc. $37.01 *(close March 31st)*

Suncor is Canada's largest oil producer and will likely be the "go to" name when foreign investors choose to return to Canada's oil sector. In 2014 41% of the net earnings were from refining and marketing, reducing Suncor's dependence on oil prices. Suncor's cash cost per barrel was $33.80 in 2014, down from $37.00 in 2013. More cost reductions are expected. As of December the company had $5.495 billion in cash on the balance sheet. With a current dividend yield of 3% we feel that the total return on Suncor shares over the next couple of years will be attractive.

Nuclear Negotiations with Iran

This newsletter is being written on March 31st, and nuclear negotiations between Iran and six world powers are in the eleventh hour. These negotiations will determine how much Iranian oil is on the world markets in the future. Should an agreement be reached this will likely lead to a drop in oil prices and oil company shares, and I would consider this a buying opportunity. Should an agreement not be reached I would expect oil shares to rally. By the time you receive this newsletter the results of the negotiations should be public.

Outlook for 2015

Due to the length of time of this bull market (6+ years) we don't think that now is a time for heroic bets on the market.

Our strategy is to continue to invest in high-quality dividend paying shares, while leaving funds on the sidelines in daily interest accounts for future opportunities as they arrive.

Client Appreciation Event / Open House

Mark your calendars for Thursday, June 11th! With the overwhelming success of our Client Appreciation last year, we are again hosting the event at the Westwood Tennis Club in Nanaimo from 4:00 pm to 7:00 pm. The very talented guitarist, Dave Hart, will again be playing beautiful guitar music. Look out for your mailed invitation at the beginning of May.

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