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Our Philosophy

We believe that long-term financial security is the result of sound investment disciplines and risk management practices.

Helping clients feel secure in their goals is our first priority.

We believe in:

- Partnership with our clients in the goal setting process
- Clearly identifying each client's unique financial needs and objectives
- Consistent application of a logical disciplined investment approach
- Accountability through adherence to strategies consistent with client financial goals
- Absolute confidentiality

Investors are Worried – Ignoring the Long Term Fundamentals

The weak Canadian currency, as well as the slowing economy, is shaking the confidence of many Canadian investors as we have witnessed from the sluggish local market performance since the beginning of this year. If you have travelled to the US or almost anywhere else in the world recently, you may be kicking yourself right now. The loonie has declined about 15% compared to the USD since last year, which makes travelling outside of Canada more expensive. Canadian investors are sitting in a slow car that is stuck in the mud, waiting for the Canadian economy to regain its momentum.

Not only travel, but food prices from the grocery stores have been rising at a rate more than double that of the overall inflation rate. In addition, interest rates have remained low; and the Canadian TSX Composite Index has lost value compared to a year ago.

On the other hand, US investors are also worried about rising interest rates but are not ignoring the long term fundamentals. The US economy continues to grow at a “reasonable” rate. We continue to believe strong allocations to US investments have an important place in most portfolios.

In this issue, we will cover:

- *North America Market Performance and Outlook*
- *Strong US Currency and Weak Canadian Currency*
- *European Political, Economic Overview and Investment Opportunities*
- *The Volatility of the Chinese Market and its Implications*
- *Investment Strategy Update*
- *Options for RRSPs at Retirement and Lower RRIF Withdrawal Minimums*
- *Community Charitable Support*

North America Market Performance and Outlook

According to the July report from Statistics Canada, the Canadian Gross Domestic Product (GDP) shrank for the 5th consecutive month.

Performance of the Global Market

Financial Markets	Level	Current Quarter	Past Quarter	Trailing 12 Months
Canada (S&P/TSX Composite Index)	14553	-2.3 	1.8 	-3.9 
US (S&P 500 Index)	2063	-0.2 	0.4 	5.2 
China (CSI 300)	4473	10.4 	14.6 	106.6 
Europe (DJ Euro Stoxx 50)	3424	-7.4 	17.5 	6.1 
India (Sensex)	27780	-0.63 	1.67 	7.52 
Japan (Nikkei 225 Index)	20236	5.4 	10.1 	33.5 
United Kingdom (FTSE 100)	6521	-3.7 	3.2 	-3.3 

*Note: Performance is measured in local currencies; changes are the indices changes that do not include income.
Source: Bloomberg, Raymond James.*

The Bank of Canada announced another interest rate cut of 0.25% in July to curtail the slowness of the economy. As we mentioned in our previous issue, this move was unexpected but not surprising. About half of the companies in the TSX missed their first quarter earnings estimates (113 out of 240), and according to the information we had collected as of early August for Q2, 67 out of the 131 companies that have reported missed their earnings estimates. It is understandable that the Bank of Canada felt obligated to do something to pick up the economy. However, the interest rate was already at a historical low before the cut, so the effect of this latest cut is still to be proven. Neither individuals nor corporations are likely to be motivated or have much further capacity to borrow more. We believe the real intention behind the interest rate cut is to push the Canadian currency down against the US dollar and try to jump start the economy by stimulating exports. Effective or not, this move is highly dependent on whether Canadian major trading partners are in good shape to import. As we will discuss later, the commodity demand and price has been quite weak for the past year due to slowness in the emerging markets. As a country heavily reliant on commodities, we think the slump of the commodity price is and will be one major headwind for Canadian exports and the entire economy for a period of time.

The market reactions from both the equity and bond markets have been volatile since the interest rate cut. It is worth noting that the bond portfolio (consists of least 20-30% of an “average” portfolio) works to reduce the volatility of portfolios.

Across the border, the US economy has been growing at a steady pace (0.6% growth and 2.3% growth for the first and second quarters this year). From the corporate earnings perspective, over 70% of the S&P 500 companies beat their earnings estimates (352 out of 496) for Q1. As for the last quarter, 320 out of 431 companies that have reported (by early August) so far have beaten their earnings estimates. As the labour market data and consumer confidence keeps improving, that is no doubt good news for our economy as the US is our largest trading partner.

Strong US Currency versus Weak Canadian Currency

In the last issue we discussed Canadian and US monetary policy. We maintain our opinion that the Bank of Canada will hold its “wait and see” stance, while the US Federal Reserve will take a more hawkish posture. Our prediction is the Federal Reserve will hike the interest rate at least once this year. The magnitude of the hike will be small and we anticipate a short-term market over-reaction following the first hike. When that happens, the divergence in Monetary Policy between the two nations will be even larger. As a result, the “Loonie” will devalue further against to the US dollar.

Commodities and Currencies

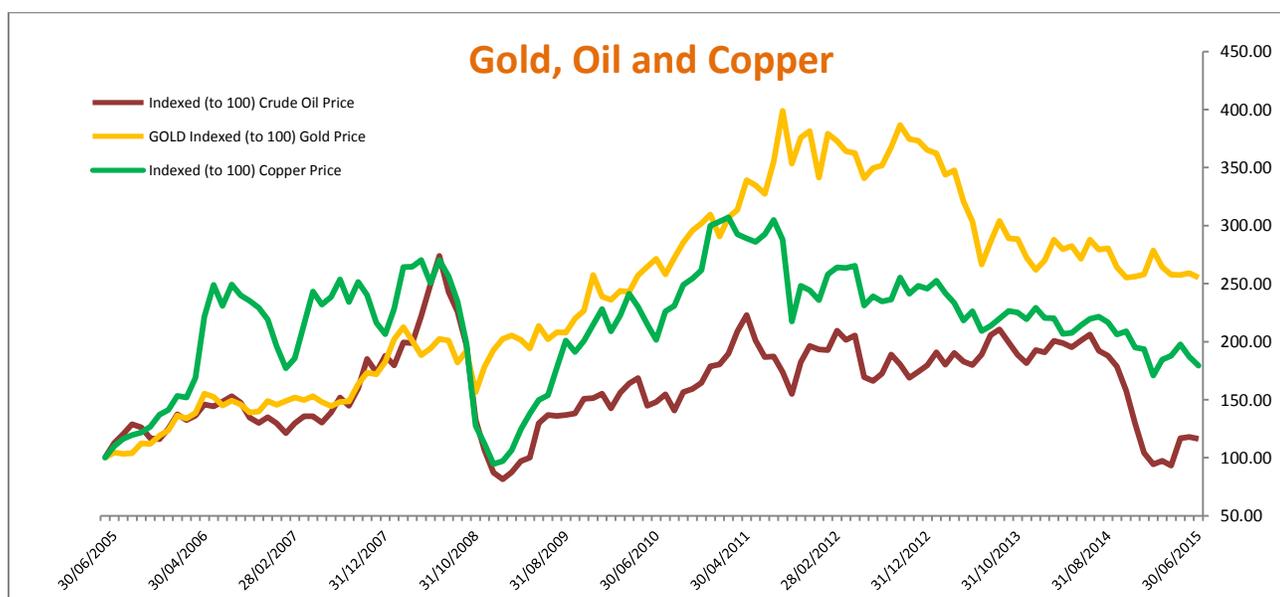
Currency, Oil & Gold	Level	Current Quarter	Past Quarter	Trailing 12 Months
Canadian Dollar (in US Dollars)	\$0.80	1.50	 -8.40	 -14.60
Oil (US\$/bbl)	\$59.47	24.90	 -10.60	 -43.60
Gold (US\$/oz.)	\$1,172.00	-1.0	 -0.10	 -11.70
US Dollar (Trade-Weighted)	\$95.49	-2.90	 9.00	 19.70
Copper (US\$/lb)	\$2.57	-4.60	 -4.10	 -17.80

Source: Bloomberg, Raymond James.

As mentioned, we believe the Canadian government intends to maintain a weak “Loonie” in order to help out the economy, so it is likely to remain weak even if the oil price rebounds later this year. From a short-term perspective, a weaker CAD simply reduces the money in each Canadian’s pocket. Importers such as retailers will start to raise prices as they are being forced to pay more for their inventories, and manufacturers have to pay more for their imported equipment. The purchasing power of Canadian consumers will be curtailed as the “Loonie” loses its value and salaries don’t keep pace with the rising cost of living.

To regain growth in the Canadian Economy, the government may use fiscal policy (increase spending and reduce taxes) rather than use monetary policy (rather than adjust the interest rates as they are doing right now). However, the Canadian government is not planning to introduce further stimulus anytime soon according to various announcements made by the Finance Minister.

Additional government actions will unfold as we near the Canadian federal election this fall. For now, the biggest possible support for the Canadian economy is from the US economy. We believe the US market has entered a secular bull market which may last for another 5-10 years.



Source: Thompson One

European Political, Economic Overview and Investment Opportunities

Turning our attention to the world, the drama in Greece seems to be never ending. We believe it would be mutually beneficial for the Greek government and the European Union (EU) to reach a debt repayment agreement. European market performance has deteriorated (-7.4%) because of this protracted debate. The implication of a Greek default is considered a lot more severe than the actual default of the country itself. If Greece receives “special treatment” by the EU, other countries that are deeply in debt such as Spain and Italy may do the same. That would be a much bigger concern. To put it into perspective, the Greek economy is worth about 250 billion Euros which only accounts for 1.5% of the Eurozone’s overall economy. The effect of this drama may continue. We reiterate our decision to simply stay out of the European area until the Greek debt issue is resolved. We would also like to see if the countries in the EU can make cohesive long-term decisions.

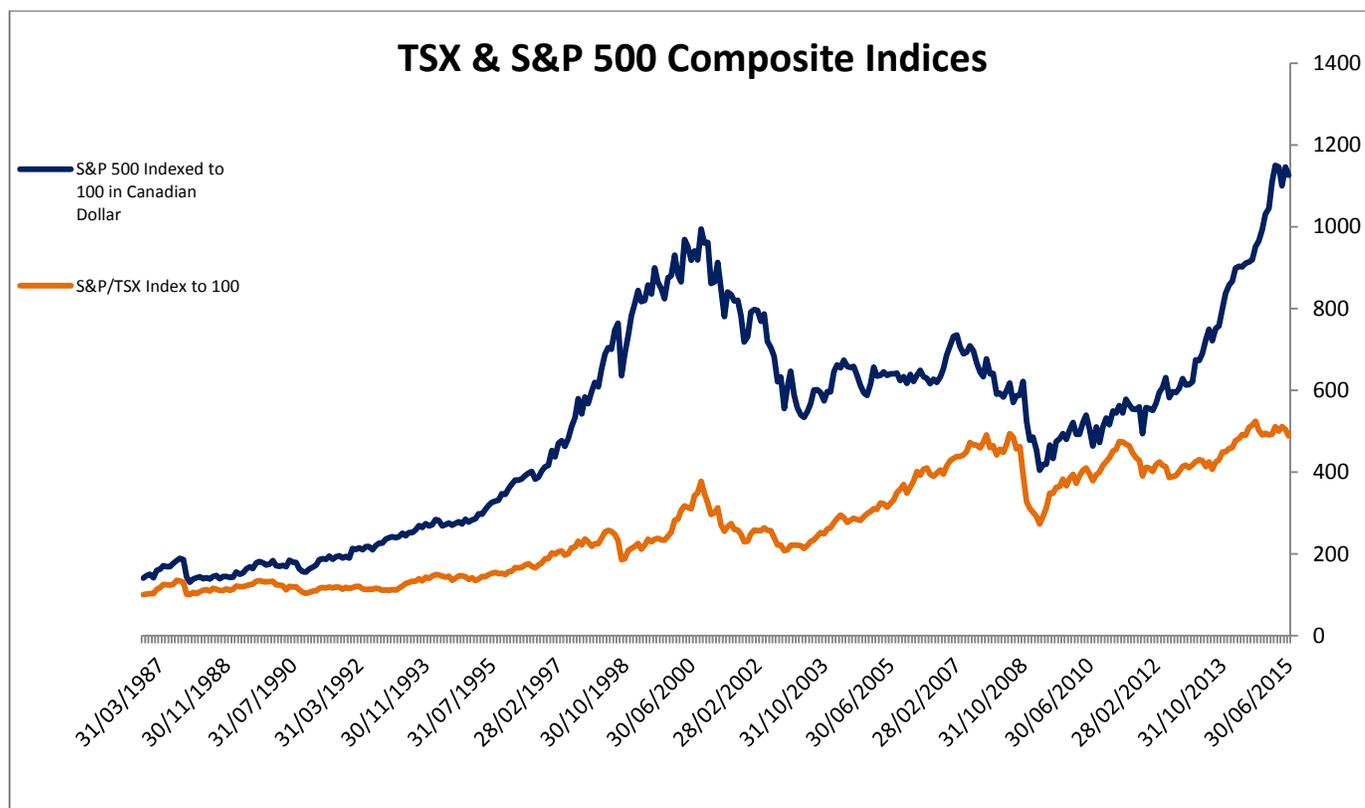
Volatility in China and its Implications

China is Canada’s second largest trading partner behind U.S. Falling growth rates in China has not done much to help Canadian exports. Being a giant commodity buyer, their demand for commodities has been weak for quite some time. Despite negative expectations, the Chinese economy surprisingly reported GDP growth of 7% for the past quarter compared to the same period a year earlier. However, a short time ago, the Bank of China allowed its US pegged currency to de-value for three straight days, and it is now sitting close to a four year low compared to the strong US dollar. A lot of questions continue to rise concerning the true direction of China’s economy: such as “is China’s surprisingly good GDP number for Q2 accurate and where is their economy really heading?”

The Chinese stock market which many believe to have little to do with the economy itself has been highly volatile. Despite government intervention and regulation of daily gain and loss limits, the Shanghai composite index has managed to lose a quarter of its value in about two weeks during July. Investors appear to have lost confidence. In a developing financial market like China, we believe investor confidence appears to play a much more critical role compared to the underlying fundamental data. Investor confidence can take years to build we saw in China from 2008 to 2014. Given the situation as it exists today, we have no plan to expose our clients to the Chinese market.

Investment Strategy Update

1. We are not invested significantly in any commodity business and haven't been for some time.
2. We are invested in three basic material businesses: Agrium (agriculture chemicals), PPG industries (speciality chemicals) and Valero Energy (oil and gas refining and marketing). Taken together, these three basic material investments represent approximately 5.3% of an "average" portfolio.
3. There has been no investment in oil and gas production in any equity portfolio since Suncor was sold in May, 2014.
4. On the strategic side, we began shifting some portion of all portfolios away from Canadian securities towards US securities when the Canadian dollar was above par during 2011. In the last quarter of 2013, we shifted further towards US securities when the U.S./Canadian dollar was in the \$1.10-\$1.12 range.



Source: Thompson One

For more information about our historical return, investment approach and risk management, please visit our website. For more information about your portfolio, please consult your quarterly report or call us to discuss.



Options for RRSPs at Retirement and Lower RRIF Withdrawal Minimums:

Robert Hughes, Financial Advisor

Options for RRSPs at Retirement

By the end of the year in which a Registered Retirement Savings Plan (RRSP) holder turns 71, he/she must change his/her account to an income producing vehicle. Individuals have three options for this, and they can use one, or a combination of the options.

Convert to a Registered Retirement Income Fund (RRIF)

RRIFs are very similar to RRSPs, as they can hold the same types of investments. The main difference is that RRIFs require an annual minimum withdrawal. This minimum withdrawal is based on a percentage of the fair market value of the assets in the RRIF on January 1 of that year. You have the option to use your spouse's age to change the required withdrawal amount (this option must be selected prior to the first RRIF withdrawal). There is no maximum withdrawal amount. Please contact me if you would like to see a table showing the minimum required withdrawal percentages given different ages (for RRIFs established after 1993).

Convert to a Life Annuity

A life annuity is a guaranteed lifetime income stream provided by an insurance company in exchange for a lump sum investment from an RRSP. The income received can be a level amount for life, or it can be indexed for inflation. Annuities are similar to pensions in that they can be structured as "joint and survivor", where a percentage of the income continues to the surviving spouse upon death of the first spouse (can be up to 100%). Upon death (or in a joint and survivor annuity, upon the death of the second spouse), generally no residual benefit remains for the estate or heirs. Annuity income is calculated based on age and gender of the RRSP holder at the time of purchase. Prevailing interest rates are also a factor in determining the income received from an annuity.*

Convert the RRSP to cash

Assets are transferred out of the RRSP. The full value of the RRSP would be taxable in that year as income. Individuals usually don't elect to cash out of an RRSP as 100% of the value of the RRSP would be taxed in the year of withdrawal. It is up to the individual to determine if he/she wants to reinvest the assets in a non-registered account, TFSA (as room permits), GIC or other investment option.

Lower Minimum RRIF Withdrawals

One of the most welcome changes in the 2015 Federal Budget is the lower minimum withdrawal rates for RRIFs. These new RRIF rules mean seniors will be able to defer income taxes because of the new reduced minimum withdrawal amounts. Today's low interest-rate world coupled with seniors now living longer, meant an increasing risk that some seniors would outlive their nest eggs. Seniors who require more income than the minimum withdrawals provide may not be able to take advantage of the further tax deferral.

With various RRSP options to consider at retirement and changing withdrawal limits for RRIFs, many people are asking the question, "Will our retirement funds be sufficient to cover our retirement". We have heard this concern from many clients as we help them prepare for their retirement. We are here to help families work through these issues and help build them a safe and secure future.

* Annuity income benefits are protected by Assuris, the insurance company equivalent of the Canadian Deposit Insurance Corporation (CDIC). Benefits of up to \$2,000 per month are guaranteed to the annuity holder should the insurance company become insolvent.

GIVING BACK TO THE COMMUNITY

“Giving back to the community is in the DNA of Dalrymple Wealth Counsel, and an important part of our vision of the future. We choose our partners carefully – where we have a relationship to build a better tomorrow.”

... Ian Dalrymple



Marisa Bertoia, Branch Administrator

What Skate with Daniel Accomplished



Our foundation supports b.r.a.i.n.child and the SickKids Foundation for brain tumour research. The \$675,000 that Skate with Daniel has raised has been used for research, medical symposia and purchasing medical equipment.

As I reflect on our last event, an oh so special night with Chantal Kreviazuk, wonderful memories come to mind and I find myself thinking of how our charity has grown over the years with the support of Raymond James, Dalrymple Wealth Counsel and many more; and how much closer we are to finding a cure for the cause and treatment of brain tumours. It all started from a simple hockey game played by Daniel and his friends. Never in my wildest dreams did I think we could accomplish so much so soon; I am both humbled and awed by this, as are my family, friends and all who volunteered alongside us.

As we continue along on our journey assisting in raising awareness for brain tumour research I share with you the first verse and my favourite part of "Drop A Pebble In The Water"; a poem written by poet laureate James W. Foley. His words inspire me and truly capture how I feel towards all those who have helped us over the years.

*"Drop a pebble in the water:
just a splash, and it is gone;
But there's half-a-hundred ripples
Circling on and on and on,
Spreading, spreading from the centre,
flowing on out to the sea.
And there is no way of telling
where the end is going to be."*

I encourage those of you who are interested in learning more about "Skate With Daniel Charity" to visit our website www.skatewithdaniel.com. On the website you will find the 2014-15 Annual Report, which showcases the role we and many others play and what we have all accomplished by working together.

GRAND SPONSORS

\$500,000 – \$999,999

The Daniel Bertoia Family Fund - Skate with Daniel

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