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BULL CAPITAL MANAGEMENT INC.

QUARTERLY MARKET COMMENTARY – QUARTER ENDED MARCH 31, 2016

Overview

The first quarter of 2016 generated mixed results across various asset classes (equities and fixed income), but one consistent theme was that the quarter was fairly clearly broken into two distinct halves. Following a fairly dramatic decline through the first six weeks of the quarter, there was a clear change in market sentiment in the second half of the quarter. Contributing to the recovery were reduced concerns of the US economy entering a recession, further stimulus actions by the European Central Bank to calm worries over their banks and low inflation, and an upward move in the price of oil on hints of production restraints (from Saudi Arabia and Russia). While the price of oil will show virtually no change over the course of the full three months, it too began a rapid ascent from the mid-February lows (from as low as \$26 to over \$40 before finishing the quarter at \$37), which contributed strongly to Canadian equity market returns. The end result for the markets varied depending on the extent of the original decline and the strength of the subsequent rebound from the mid-quarter lows. The US and Canadian markets ultimately generated positive returns in the quarter, while many of the International equity markets declined. Another major impact on returns, from the perspective of a Canadian investor, was the reversal of the Canadian dollar, in particular in comparison to the US dollar. Bucking a general trend that has more or less been occurring since early 2011, the US dollar fell sharply in the first quarter declining roughly 11% against the Canadian dollar after reaching its high in mid-January (ultimately finishing the quarter 6.3% lower). As a result, the currency support that has been boosting the returns on non-Canadian investments vanished fairly quickly pushing all non-Canadian investments into negative territory. The recent strengthening of the Canadian dollar is actually due more to the weakening US dollar as the Canadian dollar has moved very little against either the euro (gain of 1.7%) or the yen (decline of 1.1%). In line with the increase in equity markets, bond yields declined further at the end of the first quarter from already low levels.

Global Equity (in local currency terms unless noted otherwise)

The slight positive performance achieved by the US equity market was outweighed by the decline in the International markets as both Japan and Europe remained negative despite their second half rebounds. This resulted in a decline of roughly 2% for the overall global market in local currency terms (though as noted above the strengthening Canadian dollar caused the global market to be pulled down by 6.5% in Canadian dollars). In general, there appeared to be some 'mean reversion' in the first quarter, as some of the weakest performing sectors in 2015 experienced the strongest rebounds to start this year and vice versa. After leading the pack in 2015, Health Care was the largest decliner in the first quarter, whereas Energy, the biggest laggard last year, was among the top performing sectors thus far in 2016. Interestingly, positive contributions also came from the Utilities and Telecoms sectors, which are generally considered to be more defensive. From a regional perspective, emerging markets as a whole enjoyed the largest rebound after struggling for several years, led by Latin America, which gained 11.8% in the quarter.

Canadian Equity

After struggling through a difficult year in 2015, the S&P/TSX Composite was among the top performing developed equity markets to begin this year (up 4.5%), with a significant tailwind in the form of rapidly rebounding prices in oil and other commodities. While the negative trend continued through the first six weeks of the quarter, with a decline of 6% through February 11, it was offset by a jump of over 10% in the remainder of the quarter. Also contributing to the strength of the Canadian market was the Bank of Canada announcement that there would likely be no further interest rate cuts, suggesting a degree of recovery in the Canadian economy, which was further supported by strong GDP numbers in January. This rebound also coincided with the rapid recovery in the Canadian dollar. Health Care was the only negative sector in Canada and it was down over 50% due to the continued freefall of Valeant. Materials was the leading sector in the quarter gaining 20%, with Telecoms, Utilities and Energy also making strong positive contributions.

Fixed Income

The Canadian bond market continued to move ahead in the first quarter with a gain of 1.4% with long term bonds the strongest performing component of the market, given the overall decline in bond yields. Long bonds gained 2.6% in the quarter, while short-term bonds were up only 0.4%. As with the equity markets, there was a fairly sharp reversal in bond yields with the yield on 10-year Government of Canada bonds falling from 1.39% to a low of 1.00% through mid-quarter only to finish the quarter at 1.23%. Provincial bonds were once again the strongest sector in the market (due in large part to their long duration) gaining 1.6%, while corporate bonds followed closely behind at 1.5% and federal bonds were up 1.1%. Global bonds had a very strong quarter with a gain of over 7% (in USD), though this was reduced to just 0.5% in Canadian dollar terms.



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Bull Capital Management Inc. - Research Report

Capital Market Performance for the Period Ending March 31, 2016

Benchmark Index	Asset Class	Quarter	Year to Date	One Year	Three Year	Five Year	Ten Year
MSCI World (C\$)	Global Equity	-6.49	-6.49	-1.00	15.93	12.92	5.38
MSCI ACWI (C\$)	Global Equity (incl. Emerging Markets)	-5.94	-5.94	-1.91	14.53	11.56	5.19
S&P500 (C\$)	US Equity	-4.90	-4.90	4.36	21.36	18.30	8.15
MSCI EAFE (C\$)	International Equity	-8.98	-8.98	-5.95	10.95	8.45	2.88
MSCI EM (C\$)	Emerging Markets	-0.80	-0.80	-9.80	3.64	1.64	4.11
S&P/TSX Composite	Canadian Equity	4.54	4.54	-6.57	5.03	2.10	4.05
S&P/TSX Small Cap	Canadian Small Cap	8.52	8.52	-5.70	-0.60	-4.98	0.02
FTSE TMX Corporate Bond	Canadian Corporate Fixed Income	1.51	1.51	0.68	3.65	5.31	5.64
FTSE TMX Universe Bond	Canadian Fixed Income	1.39	1.39	0.77	3.86	5.14	5.21
FTSE TMX 91 Day T-bill	Canadian Cash	0.13	0.13	0.51	0.82	0.88	1.66

Source: FTSE TMX Bond, MSCI Barra, S&P Dow Jones Indices