



CLIENT

DECEMBER 31, 2017

NEWSLETTER

Message from the Managing Director, Private Client

A year ago in our December 2016 newsletter, the macro themes in the financial markets centered around Brexit, Trump's surprise victory, and troubles in the oil patch due to oversupply. Well, a year later the broad themes are the same. In 2016 the pound weakened significantly post Brexit and it has remained weak throughout 2017 as the reality of leaving the EU sinks in. Trump's victory initially has been a boon for financial markets in the US with the S&P posting positive returns since he was elected; while he is making a great deal of alarming noise and bluster, his policies have generally been pro-business. Finally Crude oil continues to recover from its low of ~\$27 per barrel in February 2016 to back above \$60 at the end of 2017; this has helped the energy sector.

In 2017, investors were rewarded by looking through the year's news headlines and instead were rewarded for being focused on the improving global economies. For the first time in several years, the bulk of the world's economies posted positive growth which in turn led to another year of strong returns. In fact, the MSCI ACWI Index, a proxy for global equity markets, was positive in all 12 months for the first time in history. Emerging markets led all global regions with a greater than 30% return. Despite higher commodity prices, Canada lagged the world as Canadian oil traded at a discount and NAFTA concerns weighed on the overall market. In contrast to global equity markets, Canadian bonds ended the year relatively flat, consolidating in the second half of the year in response to the strong Canadian Economy. The investment team was able to navigate these markets as the benefit of Highstreet's quantitative and fundamental analysis is that it enables a disciplined approach.

As we close the year, nine of eleven of the Highstreet Pooled Funds delivered better than benchmark returns.

Developing a repeatable and disciplined investment process is one of the Highstreet's key strengths, and as a result the investment team is excited to announce that we have been selected to manage a \$1 billion Dividend Income mandate. Highstreet successfully launched its Dividend Income Fund in 2013 with both portfolio managers and researchers working together to develop a compelling investment offering. Highstreet's quantitative research identified the importance of investing in dividend paying stocks that have attractive yields and valuation, while at the same time growing their dividends and experiencing lower price volatility. Focusing on these attributes has served the Highstreet Dividend Income Fund well over the last few years and we believe that these will continue to be important in the future.

As we look forward to 2018, the backdrop for investing remains attractive as global economies and company earnings strengthen. This should be supportive of equity markets and we would expect the rest of the world to continue to provide greater opportunities versus the US, which has been the clear leader for several years. Highstreet takes a global view to investing as this provides better diversification and return opportunities for investors. A more global view has been of particular benefit to Balanced Fund investors as over the last several years, the US equity market has experienced strong returns and been a diversifier for Canadian investors. Although the global investment backdrop continues to look attractive, the US equity



market is less attractive relative to the rest of world due to the strong returns over the past few years. This has resulted in the Balanced Fund increasing exposure to the Europe, Emerging Markets and Canada while reducing exposure to the US equity market.

While 2017 has been another good year for Highstreet and our clients, this is the time of year when we reflect on what is most important in our lives. On behalf of everyone at Highstreet, we wish you a healthy and Happy New Year.

Warm regards,
Michael Hodgson

Highstreet Welcomes Hang Gao



Hang Gao joined Highstreet as a Senior Analyst, Research. After a journey of passive investing and robot advisory at WealthSimple, Hang is eager to put his tech background into active management. Highstreet is glad to have Hang to enhance

our ETF business and other research initiatives. Hang comes to us with a Master of Quantitative Finance and Bachelor of Science in Statistics, both from University of Waterloo.

Congratulations to the following Highstreet Staff on their Milestone Anniversaries!



Grant Wang 5 year anniversary. Grant is the Senior Vice-President, Head of Research and Co-Chief Investment Officer.

Going Online



One message Highstreet continues to hear from clients is the desire to receive less paper. If you are receiving printed statements in the mail and wish to stop receiving them, let your relationship manager know.

Highstreet clients have the ability to receive all of their statements online through the Highstreet website. If this is something you might be interested or would like more information on, your relationship manager would be happy to walk you through it.

As always, we would love to hear from you. If you have any questions, concerns or comments do not hesitate to reach out to your relationship manager.

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Events and Sponsorship

Stay tuned for upcoming events and sponsorships in the New Year.