Mulvihill Market Update

July 2018

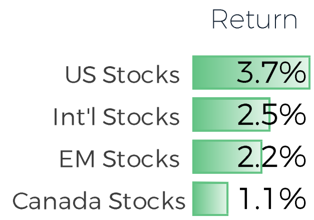
Portfolio Performance

Total Returns (CAD $)	1M	YTD	SI
Growth Mandate	1.1%	5.4%	3.4%
Moderate Mandate	0.8%	4.0%	2.0%
Conservative Mandate	0.6%	2.6%	0.8%
Canada Stocks (S&P TSX)	1.1%	3.1%	4.4%

Mandate	Stocks	Bonds	Commodities
Growth	75%	15%	10%
Balanced	55%	35%	10%
Conservative	30%	70%	0%

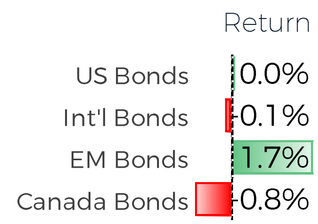
How are we positioned?

Stocks



Global Stock markets rallied in July with all four geographic regions of focus advancing. US stocks outpaced other markets up 3.7%, bringing 2018 returns to 6.5%. Canadian stocks returned 1.1% while emerging market stocks bounced 2.2% but still remain down -4.6% in 2018. The Mulvihill portfolio mandates continue to have no exposure to emerging market equities, we view US equities, specifically small cap and value oriented US stocks, as providing better risk reward opportunities.

Fixed Income



Fixed Income remains under pressure globally in 2018 with emerging market declines leading to the downside off -2.2%. In July however, emerging market fixed income returns were the only group in the green. Our allocation to fixed income remains as low as possible in each portfolio as interest rates rise from depressed levels globally.

Portfolios

The three portfolios (Growth, Moderate and Conservative) recorded positive performance in July. The best performing holding in July was US Dividend Growth (DGRO) up 4.1% while exposure to Gold (CGL) continued to be a drag on performance off 2.6%. The US Dollar declined nearly 1% vs Canadian dollar, offsetting some gains in the US holdings. Exposure to the US Health Care Sector was added in the month (ZUH) while US value (RPV) was decreased.

Current Market Outlook:

Over half the year is gone and the summer doldrums are upon us. The Hamptons and Muskoka are filled with financial types trying unsuccessfully to relax. It seems a good time to briefly list and review the issues we think are meaningful and try to assess where we are today.

Global Economies: The U.S. is by far the strongest as second quarter real GDP came in at 4.1%. Canada also recorded a robust recovery; after a weak April, May GDP was up 0.5%. Europe on the other hand, is weaker, reporting a moderate 0.4% in the first quarter. China remains positive but also continues to slow. Overall, there is no reason for alarm, but we are almost certainly past the point of peak growth rates.

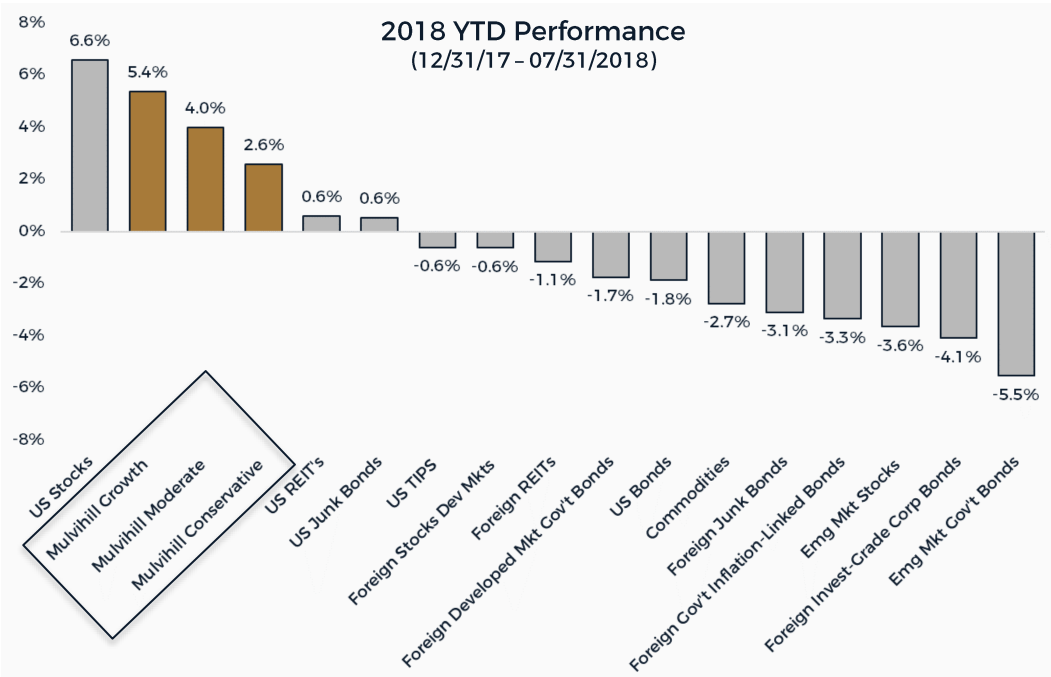
Central Banks: The Fed remains on course to raise rates gradually and slowly reduce the huge balance sheet that was built up during the period of quantitative easing. The European Central Bank would like to tighten policy, but the weak GDP growth keeps it from moving ahead. Japan still has the most aggressive program, and China has recently injected more liquidity into the system to offset the slower GDP growth. While monetary expansion is much lower than during the post-crisis period, there is no reason to believe we have reached the point that a lack of liquidity would have a negative impact on markets. That day however remains on the horizon. There is currently a lot being written about the likelihood of "an inverted yield curve", when short term interest rates (which are regulated by the Fed) are higher than longer term rates (which are market based). Such an occurrence has taken place one year before each of the last three recessions. Certainly such evidence requires one to pay attention, although it has been my experience that when everyone "knows" something will happen, it often doesn't.

Geopolitics: Tariffs and trade are no longer just fuel for theoretical discussions but are having a real effect on the economy and earnings. Over 40% of S&P corporate revenues come from outside the U.S., and over 40% of S&P companies mentioned in their quarterly reports the negative impact of tariffs on costs. More problematic is the risk of an escalation into a real trade war and the serious long-term implications of such an eventuality. The consensus, as well as my own opinion is that NAFTA and Europe negotiations will come to some laborious resolution, but the U.S. dispute with China has the potential for a more unfavourable outcome. The mid-term U.S. elections and the resulting infighting and name calling leading up to them will also provide reasons to be observant. As long as Mr. Trump is President, we will continue to experience volatility caused by his outbursts.

The Market: While the S&P 500 has not made new all-time highs, it is a positive that it broke out above the 2800 level that had been resistance since February. We have previously stated that it was important that market bellwethers, the financial and industrial sectors, acted better and such is the case, although not to the extent one can relax. Market breadth remains tepid, but not negative. It is of some concern that small-cap stocks are underperforming, which suggests a risk-off mindset by investors. So far it is only a short-term observation, but value stocks are outperforming growth stocks which is another sign of an aversion to risk. A contrarian would say these are positives since markets flame out not when everyone is worried but when euphoria is at its highest level. There are many more market factors to consider and it can't be said definitely that the S&P is now clear to resume its march higher. I am seeing more reasons to expect a bullish outcome, but selecting the right sectors and individual stocks will be more and more important.

July Chart in focus

- 2018 has been a challenging environment across asset classes
- Chart compares ETF's that track various asset classes vs the Mulvihill Portfolio mandates



Global Market Performance

Total Returns (CAD $) As of 7/31/2018

	1Mo	YTD	1Yr	3Yr	5Yr	10Yr
			Annualized Total Returns			
Global Stocks	2.1%	7.6%	16.5%	8.9%	14.8%	9.4%
Global Bonds	-1.2%	2.2%	3.7%	2.4%	6.1%	5.0%
US Stocks	2.6%	10.6%	21.1%	12.4%	18.6%	13.3%
Canada Stocks	1.1%	3.1%	11.7%	7.5%	8.8%	5.0%
International Stocks	1.4%	3.5%	10.8%	4.9%	11.0%	5.9%
Emerging Market Stocks	1.1%	-0.9%	8.7%	8.9%	10.3%	5.4%
US Aggregate	-1.0%	2.2%	3.3%	1.4%	7.2%	6.2%
Canada Aggregate	-0.8%	-0.2%	2.0%	1.1%	3.3%	4.2%
International Aggregate	-1.2%	1.5%	3.9%	2.7%	5.5%	4.3%
Emerging Market Aggregate	0.6%	1.5%	3.9%	4.5%	9.6%	9.3%

An Introduction to Mulvihill Capital's partnership with Wealthsimple

Mulvihill Capital is pleased to announce it has partnered with Wealthsimple, Canada's leading digital advice platform, to offer three investment portfolios managed by Mulvihill Capitals experienced team of portfolio managers. For more information on this partnership, to learn about the investment portfolios being offered, or how to get invested visit www.mulvihill.com

How do I get signed up?

Sign up directly through our personalized link:
https://wsim.co/v8fx0zp

Schedule some time with Mulvihill Capital to discuss this new and exciting transition

Phone: 416-681-3917
Email: wealthsimple@mulvihill.com

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