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MARKET SUMMARY— Canadian equity markets continued to struggle with the broad based S&P/TSX Composite index shedding 4.04% on a total return basis through the month of August. The back-to-back decline of Canadian real GDP in the first and second quarters of this year lead to fear that the economy had fallen into recession, combined with ongoing concerns of continued weakness for commodities and the slowdown in the emerging markets, particularly a faltering economy in China. Smaller capitalization stocks also got hammered as the TSX Venture plunged, taking back 5.88% over the last month of the summer.

The pain experienced in Canada was not exclusive to this country and was equally shared with its neighbor to the south. In the United States, all three major stock indices declined more than 6%. The S&P500 index dropped 6.03% on a total return basis through August, while the blue chip Dow Jones plunged 6.20%. The more tech heavy NASDAQ was also drawn lower, losing 6.70%.

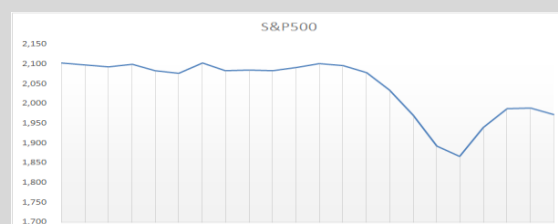
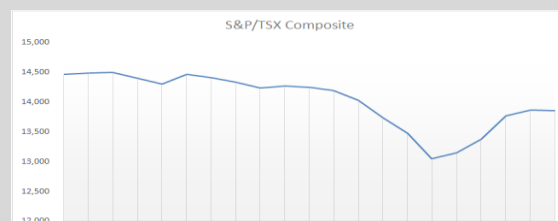
On a further note, the recurring theme of global weakness continues to weigh on the world economy. Many resource sensitive regions in the emerging markets were affected negatively by the combination of the slowdown in China, drop in commodity prices, persistent U.S. dollar strength and the intensifying weakening among developed nation currencies (relative to the US\$ dollar). Equity volatility around the world has surged dramatically over the past month, which has only served to exacerbate the synchronized global market sell-off.

The equity picture was much the same across the Eurozone, to varying degrees depending on the country; the Euro STOXX index fell 9.12% on a total return basis through August, however, year-to-date total returns remain solidly in positive territory. The MSCI EAFE (Europe, Asia and Far East) index dropped 7.36%, and the MSCI Emerging Markets index handed back 9.05%.

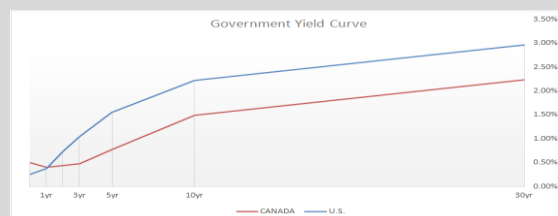
Despite the magnitude of price pull-backs, we're reminded that August is traditionally a very thinly traded month for global equities as traders and institutional investors take summer vacation. Hence, price movements and the market's reactions to news and events is often amplified across lower trade volumes.

MARKET DIARY -- MONTH AT A GLANCE

Equities	Close Aug 31	MoM TotRet	YTD TotRet
S&P/TSX Composite	13,859.12	-4.04%	-3.47%
S&P/TSX Venture	559.16	-5.88%	-19.44%
Dow Jones	16,528.03	-6.20%	-5.68%
S&P500	1,972.18	-6.03%	-2.88%
NASDAQ	4,776.51	-6.70%	1.74%
FTSE 100	6,247.94	-5.95%	-2.09%
EURO STOXX 50	3,269.63	-9.12%	6.76%
Nikkei 225	18,890.48	-8.18%	9.25%
MSCI EAFE	4,858.78	-7.36%	-0.21%
MSCI Emerging Markets	349.91	-9.05%	-12.85%



Fixed Income	Yield	MoM Chg	YTD Chg
			
BoC Overnight Rate	0.50%	n/c	-50 bps
3mos Canada T-Bill	0.36%	-3 bps	-56 bps
2yr Canada	0.44%	+3bps	-57bps
10yr Canada	1.49%	+5 bps	-30 bps
30yr Canada	2.23%	+11 bps	-10 bps
			
Fed Funds Rate	0.25%	n/c	n/c
90d U.S. T-Bill	0.02%	-69 bps	-81 bps
2yr UST	0.74%	+12 bps	+11 bps
10yr UST	2.22%	+2 bps	+2 bps
30yr UST	2.96%	+2 bps	+8 bps



Currencies	Aug 31	MoM Chg	YTD Chg
CAD/USD	0.7610	-0.41%	-11.56%
USD/CAD	1.3140	+0.37%	+13.07%
CAD/EUR	0.6788	-2.40%	-4.56%
CAD/JPY	92.2560	-2.52%	-10.47%
CAD/GBP	0.4959	+1.39%	-10.23%

Market Factors	Aug 31	MoM Chg	YTD Chg
Volatility Meter – VIX	28.43	+134.57	+48.07
Advance/Decline – TSX	1.16	-0.64	-0.26

Source: Bloomberg

Certainly much of the headline price effect was influenced by thinner volumes but the overall theme and direction has been one of increased volatility and the perception of higher risk and market uncertainty. While equity valuations have succumbed to pressure, longer term expectations remain favourable, and despite the risks identified, equities remain compelling and we continue to favour an overweight position relative to bonds.

While equity gyrations have garnered the majority of investors' attention, a wider range of markets have been involved in the correction. Bond yields declined significantly in August, commodity prices continued to come under pressure, and currency valuations continue to move in favour of U.S. dollar strength for most major currencies.

CANADA—The Canadian economy has desperately struggled through 2015 and despite contracting for two consecutive quarters (Q1=-0.2% and Q2=-0.1%), the economy did manage a return to growth in June, and the overall depth and breadth of economic retrenchment has not been sufficient to meet the conventional definition of recession. Relative disparity across industry sectors and regions illustrates this point well; the energy sector has been battered by the decline in oil prices, but elsewhere the economy has actually appeared quite resilient. As one would expect, oil producing/exporting provinces including Alberta, Saskatchewan and Newfoundland are experiencing out-right recession conditions that are spilling into other areas of their regional economies. In other provinces however, the effects have been far more mild and confined.

It is important to note that the overall influence from significantly lower oil prices has not resulted in a curtailment of oil production (i.e. Canadian and global producers continue to pump out supply well in excess of current demand) but rather, in painful reductions to capital programs and spending. This has a more direct and immediate economic effect, and has likely exacerbated the downward price spiral and will protract the timeframe for ultimate recovery.

One might expect that the lower Canadian dollar (currently at ~\$0.75 CAD/USD) might help export growth off-set some portion of the energy related malaise, but in reality, Canadian exports are not significantly more competitive today than they were over a year ago since USD appreciation against the CAD has not been unique—the USD has strongly appreciated against most global currencies, leaving the relative differentials (and competitiveness of exports) substantially unchanged. So with the Canadian (and global) economic outlook feeble, and expectations for a close Canadian Federal election in October adding to investor uncertainty and market volatility, the Canadian narrative remains a challenging one.

UNITED STATES—Since the start of 2015, markets have been speculating when the Federal Reserve would shift direction and initiate a gradual unwind of the highly accommodative monetary environment that has been in place for nearly a decade now. In its most recent incarnation, the Sep 16 FOMC meeting was one of the most highly anticipated events in some time, however, the Fed retained a passive approach and opted to leave rates unchanged at 0.25%. Citing the usual suspects in its post announcement statement, specifically, sustainably low inflation levels and a still improving labour market, the Fed also cited a “lack of certainty surrounding the health of the global economy”. While markets initially liked the prospect of lower rates for longer (or at least until the next FOMC meeting in December), they ultimately rethought this decision and concluded that the perceived ongoing economic headwinds and uncertainty suggested by the action (or inaction) probably aren't a good thing. The Fed's own tone of uncertainty and fear of acting decisively aren't positives for business or investor confidence. More than almost anything else, markets

hate uncertainty. While the Fed has kicked the can down the road a little, there remains one last FOMC meeting in 2015 (December 15-16), but increasingly, the risk that it may not be until 2016 when we see a change in monetary direction, is becoming more probable.

GLOBAL—Concerns principally with the slowing economy in China, and the emerging markets more generally, have cast a shadow of uncertainty over expectations for global economic growth. Interestingly enough, while the Chinese economy only comprises about 13% of aggregate global GDP, its contribution to global growth is a more prominent 33%. But still, one must put the slowdown in China into perspective—despite a markedly lower growth output, the Chinese economy continues to advance at a rate that any developed country would be envious of. And consensus expectations do not suggest that the Chinese economy is heading for a hard landing.

European financial risks have abated as the repercussions from Greece are largely being considered rear view mirror issues (and for many, although occupying headlines for some time, Greece was substantially a non-event to begin with).

ASSET ALLOCATION —TACTICAL POSITIONING

Strategic asset mix addresses the blend of the major asset classes offering the risk/return trade-off best suited to an investor's profile. It can be considered to be the benchmark investment plan that anchors a portfolio through many business and investment cycles, independent of a near-term view of the prospects for the economy and related expectations for capital markets. Tactical asset allocation refers to fine tuning around the strategic setting in an effort to add value by taking advantage of shorter term fluctuations in markets.

Fixed Income	<i>Underweight</i>
Canadian Equities	<i>Neutral</i>
U.S. Equities	<i>Overweight</i>
International Equities	<i>Overweight</i>
Emerging Markets	<i>Underweight</i>

- *Overweight equities versus fixed income*
- *Underweight government debt versus investment grade credit*
- *Overweight exposure to U.S. and international equities*
- *Sector diversify; favoured Consumer Discretionary, defensive Consumer Staples, Technology and Healthcare*
- *Focus on quality*
- *With volatility likely to be elevated, time entry points—buy on pullbacks*

KEY ECONOMIC INDICATORS – CANADA



Event	Date	Consensus Est.	Prior
RBC Canadian Manufacturing PMI (Aug)	Sep 1	49.4 A	50.8
Int'l Merchandise Trade (Jul)	Sep 3	-\$1.20Bil (-\$0.59Bil A)	-\$0.48Bil (-\$0.81Bil R)
Unemployment Rate (Aug)	Sep 4	6.8% (7.0% A)	6.8%
Net Change in Employment (Aug)	Sep 4	-5.0k (12.0k A)	6.6k
Participation Rate (Aug)	Sep 4	65.7% (65.9% A)	65.7%
Housing Starts (Aug)	Sep 9	190.5k (216.9k A)	193.0k (193.3k R)
Building Permits MoM (Jul)	Sep 9	-5.0% (-0.6% A)	14.8% (15.5 R)
Capacity Utilization Rate (2Q)	Sep 10	81.7% (81.3% A)	82.7% (82.6% R)
New Housing Price Index YoY (Jul)	Sep 10	1.3% (1.3% A)	1.3%
Existing Home Sales MoM (Aug)	Sep 15	0.3% A	-0.4%
Manufacturing Sales MoM (Jul)	Sep 16	1.1% (1.7% A)	1.2% (1.5% R)
Int'l Securities Transactions (Jul)	Sep 16	-\$10.12Bil A	\$8.51Bil (\$8.79Bil R)
CPI YoY (Aug)	Sep 18	1.3% (1.3% A)	1.3%
CPI Core YoY (Aug)	Sep 18	2.1% (2.1% A)	2.4%
Wholesale Trade Sales MoM (Jul)	Sep 21	0.8% (0% A)	1.3%
Retail Sales MoM (Jul)	Sep 23	0.7%	0.6%
Retail Sales Ex Auto MoM (Jul)	Sep 23	0.5%	0.8%
Industrial Product Price MoM (Aug)	Sep 29	n/a	0.7%
GDP MoM (Jul)	Sep 30	n/a	0.5%
GDP YoY (Jul)	Sep 30	n/a	0.6%

A=actual; R=revised

Source: Bloomberg

KEY ECONOMIC INDICATORS – U.S.



Event	Date	Consensus Est.	Prior
Markit US Manufacturing PMI (Aug F)	Sep 1	52.9 (53 A)	52.9
Construction Spending MoM (Jul)	Sep 1	0.6% (0.7% A)	0.1% (0.7% R)
ISM Manufacturing (Aug)	Sep 1	52.5 (51.1 A)	52.7
Wards Domestic Vehicle Sales (Aug)	Sep 1	13.70Mil (13.80Mil A)	13.92Mil
Wards Total Vehicle Sales (Aug)	Sep 1	17.30Mil (17.72Mil A)	17.46Mil
Factory Orders (Jul)	Sep 2	0.9% (0.4% A)	1.80% (2.2% R)
Initial Jobless Claims (Aug 29)	Sep 3	275k (282k A)	271k (270k R)
Trade Balance (Jul)	Sep 3	-\$42.2Bil (-\$41.86Bil A)	-\$43.84Bil (-\$45.21Bil R)
Change in Nonfarm Payrolls (Aug)	Sep 4	217k (173k A)	215k (245k R)
Unemployment Rate (Aug)	Sep 4	5.2% (5.1% A)	5.3%
Average Hourly Earnings YoY (Aug)	Sep 4	2.1% (2.2% A)	2.1% (2.2% R)
Labor Force Participation Rate (Aug)	Sep 4	62.7% (62.6% A)	62.6%
Consumer Credit (Jul)	Sep 8	\$18.80Bil (\$19.097Bil A)	\$20.74Bil (\$27.018Bil R)
Import Price Index YoY (Aug)	Sep 10	-11.1% (-11.4% A)	-10.4% (-10.5% R)
Wholesale Inventories MoM (Jul)	Sep 10	0.3% (-0.1% A)	0.9% (0.7% R)
Wholesale Trade Sales MoM (Jul)	Sep 10	0.1% (-0.3% A)	0.1% (0.4% R)
PPI Final Demand YoY (Aug)	Sep 11	-0.9% (-0.8% A)	-0.8%
PPI Ex Food and Energy YoY (Aug)	Sep 11	0.7% (0.9% A)	0.6%
U. of Mich. Sentiment (Sep P)	Sep 11	91.1 (85.7 A)	9.19
Retail Sales Advance MoM (Aug)	Sep 15	0.3% (0.2% A)	0.6% (0.7% R)
Retail Sales Ex Auto MoM (Aug)	Sep 15	0.2% (0.1% A)	0.4% (0.6% R)
Industrial Production MoM (Aug)	Sep 15	-0.2% (-0.4% A)	0.6% (0.9% R)
Capacity Utilization (Aug)	Sep 15	77.8% (77.6% A)	78.0%
Business Inventories (Jul)	Sep 15	0.1% (0.1% A)	0.8% (0.7% R)
CPI YoY (Aug)	Sep 16	0.2% (0.2% A)	0.2%
CPI Ex Food and Energy YoY (Aug)	Sep 16	1.9% (1.8% A)	1.8%
Housing Starts (Aug)	Sep 17	1160k (1126k A)	1206k (1161k R)
Housing Starts MoM (Aug)	Sep 17	-3.8% (-3.0% A)	0.2% (-4.1% R)
Building Permits (Aug)	Sep 17	1159k (1170k A)	1119k (1130k R)
Building Permits MoM (Aug)	Sep 17	2.5% (3.5% A)	-16.3% (-15.5% R)
Philadelphia Fed Business Outlook (Sep)	Sep 17	5.9 (-6 A)	8.3
FOMC Rate Decision (Upper Bound Sep 17)	Sep 17	0.25% (0.25% A)	0.25%
FOMC Rate Decision (Lower Bound Sep 17)	Sep 17	0.00% (0.00% A)	0.00%
Existing Home Sales (Aug)	Sep 21	\$5.5Mil (\$5.31Mil A)	\$5.59Mil (\$5.58Mil R)
Existing Home Sales MoM (Aug)	Sep 21	-1.6% (-4.8% A)	2.0% (1.8% R)
Markit US Manufacturing PMI (Sep P)	Sep 23	52.8	53.0

Durable Goods Orders (Aug)	Sep 24	-2.3%	2.0% (2.2% R)
Durables Ex Transportation (Aug)	Sep 24	0.1%	0.6% (0.4% R)
New Home Sales (Aug)	Sep 24	515k	507k
New Home Sales MoM (Aug)	Sep 24	1.6%	5.4%
GDP Annualized QoQ (2Q T)	Sep 25	3.7%	3.7%
Personal Income (Aug)	Sep 28	0.4%	0.4%
Personal Spending (Aug)	Sep 28	0.3%	0.3%
Real Personal Spending (Aug)	Sep 28	n/a	0.20%
S&P/Case-Shiller US HPI YoY (Jul)	Sep 29	n/a	4.49%
Consumer Confidence Index (Sep)	Sep 29	97.0	101.5

A=actual; R=revised

Source: Bloomberg

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