

Raymond Sawicki, MBA, CFA

Senior Vice President and Chief Investment Officer

MARKET SUMMARY— June was a tumultuous month for financial markets in the wake of the Brexit vote, which resulted in an outcome that sent shock waves through the global financial markets. Global equities took a hit but rebounded through the last couple of days in June after investors recovered from the initial surprise. This upward trend continued into July and by late summer most markets had returned to their pre-Brexit levels.

The S&P TSX Composite returned 3.91% in July while its smaller cap counterpart, the S&P TSX Venture, gained an impressive 9.01%. To the south, U.S. equity markets fared well in July with the S&P500 index returning 3.69% to investors while the NASDAQ managed a gain of 6.65% for the month.

After news of the Brexit vote broke, European markets were initially quite shaken and equities plunged. The FTSE however appears to have recovered and closed out July with a return of 3.44%, sitting at the height of its price trajectory for the last year. The EURO STOXX 50 also rallied, returning 4.52%. Emerging markets maintained composure and steadily climbed throughout July with the MSCI EM delivering a solid 5.03% return.

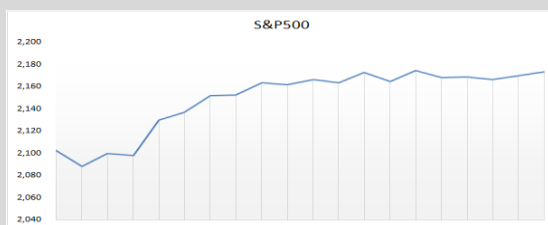
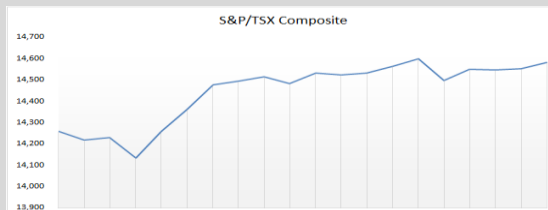
GLOBAL— While slower global economic growth and greater uncertainty have persisted through the summer creating a challenging environment for investors, the overall backdrop is at least somewhat less muddy now than it was several months ago, which has generally factored in positively for financial markets.

Brexit has left a number of blemishes on the global markets but given recent challenges to the U.K.'s withdrawal, it now appears that the actual likelihood of this occurring is less probable. And as such, the overall market fallout from the Brexit turmoil has been mostly muted, with the exception of the downward spiral of the British pound. But even the pound on a trade-weighted basis has not been hit that hard. Brexit hasn't had a great or long lasting impact on emerging markets either, whose course seems more vulnerable to current high debt levels than to European economic headwinds.

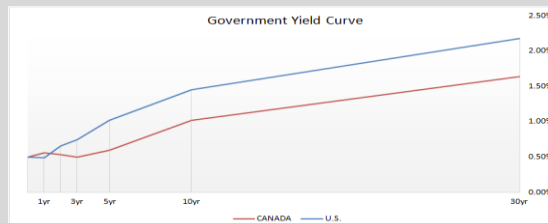
U.S. labour activity has been resilient but strength in the job market has been largely offset by weaker corporate profits and slower capital expenditures. Most analysts have continued to revise downward their growth expectations for 2016 and 2017, as well as lower their forecasts for inflation.

MARKET DIARY -- MONTH AT A GLANCE

Equities	Close July 31	MoM TotRet	YTD TotRet
S&P/TSX Composite	14,848.24	3.91%	14.13%
S&P/TSX Venture	797.83	9.01%	51.78%
Dow Jones	18,710.15	2.94%	7.38%
S&P500	2,200.59	3.69%	7.66%
NASDAQ	5,201.25	6.65%	3.87%
FTSE 100	6887.44	3.44%	10.33%
EURO STOXX 50	3,091.60	4.52%	-5.38%
Nikkei 225	16,735.83	6.39%	-12.07
MSCI EAFE	4,849.57	5.07%	0.42%
MSCI Emerging Markets	381.82	5.03%	11.77%



Fixed Income	Yield	MoM Chg	YTD Chg
 BoC Overnight Rate	0.50%	n/c	n/c
3mos Canada T-Bill	0.52%	4.2 bps	2.5
2yr Canada	0.54%	2.1 bps	5.9 bps
10yr Canada	1.03%	-3.4 bps	-13.67 bps
30yr Canada	1.64%	-7.4 bps	-50.7 bps
 Fed Funds Rate	0.50%	n/c	n/c
90d U.S. T-Bill	0.25 %	-0.5 bps	-26.5 bps
2yr UST	0.66%	7.37 bps	39.23 bps
10yr UST	1.45%	-1.66 bps	-81.63 bps
30yr UST	2.18%	-10.20 bps	-83.31 bps



Currencies	July 31	MoM Chg	YTD Chg
CAD/USD	0.76	-4.11%	5.69%
USD/CAD	1.30	0.82%	-5.39%
CAD/EUR	0.69	-1.48%	3.14%
CAD/JPY	78.31	-1.92%	-9.84%
CAD/GBP	0.58	-0.28%	18.21%

Market Factors	July 31	MoM Chg	YTD Chg
Volatility Meter – VIX	14.19	-0.09	-0.22
Advance/Decline – TSX	1.15	0.07	0.60

Source: Bloomberg

The experience however from previous volatility episodes post the 2008 financial crisis suggests that this pessimism may be overdone. Global growth remains fragile but the fundamentals haven't changed significantly since the beginning of the summer. The probability of a U.S. or even global recession within the next 24 months was elevated in the spring, and some may believe remains elevated today, but Brexit has had little impact in advancing these probabilities materially. The U.K. referendum did however confirm three things; the Brexit fallout was not as dire as headlines had suggested at the time (late June), the economic impact was more limited to only the U.K., and the impact was primarily limited to financial markets (and not real assets).

Looking towards the fixed income markets, we have seen negative yields regionally, and there is no economic rationale why sovereign bond yields cannot be negative (as counter-intuitive as that may seem)! If the market views liquid sovereign bonds as a safe haven against risk, then negative yields simply imply that investors are paying an insurance premium for the benefit of protecting their wealth. CIBC issued Maple bonds in late August with a **negative 5 bps** interest yield to maturity. In Japan, the negative yield syndrome has been even more pronounced with negative yields of 50 bps or more. While conceptually it may seem illogical to pay someone to lend money but the reality is partly a function of the lower financial-asset return structure (i.e. the prolonged period of historically low interest rates and financial asset returns). Negative yields should only pose a problem if investors don't moderate (i.e. lower) their portfolio return expectations (an action that is necessary in the current environment). Without lower rate of return targets, investors will assume too much risk per unit of expected return and will invest capital inefficiently.

UNITED STATES— Recent expectations have pointed to resilient U.S. economic growth and a robust job market but at least half of this expectation has failed to deliver. Second-quarter GDP growth came in at just 1.2% versus more buoyant consensus expectations of 2.5%, however still above the revised first quarter GDP level of 0.8%. While underwhelming, U.S. growth remains squarely positive and slightly improved quarter over quarter. The consumer side of this equation continues to be the driving force, but this could not offset the negative influence caused by inventories (-1.2%). Inventory problems however often reverse themselves in near future quarters.

The weaker than expected GDP growth has continue to prolong Fed inaction in raising short-term lending rates. In an attempt to clarify a muddy policy timeline, Federal Reserve Chair Janet Yellen signaled growing support for an interest rate increase during the central bank's annual gathering in Jackson Hole in late August. Yellen commented that, "in light of the continued solid performance of the labour market, and our (i.e. the Fed's forward) outlook for economic activity and inflation, I believe the case for an increase in the federal funds rate has strengthened in recent months". Despite this positive signal from the Fed, the market has heard this rhetoric before with a seemingly endless path of inaction—the significant question remains WHEN, not IF, the Fed will ultimately chose to change its policy stance, and while arguments have been advanced that it could occur sooner, the market still believes this is unlikely to occur until the end of 2016 at earliest. So until rates actually begin to move higher, relative strength for the U.S. dollar remains supported by accommodative monetary conditions and the USD should remain strong. In this respect, the long running U.S. dollar bull market may not be over just yet.

The combination of slower (i.e. sub-2%) GDP growth, and historically lower inflation has the world's major central banks responding with highly accommodative monetary policies. Negative interest rates and quantitative easing programs have become the norm in Europe and Japan, but there has been little relative pickup in economic activity or inflation in those regions. It therefore appears that monetary stimulus is becoming **less effective**. This is leading market watchers to question whether central banks are running out of options for generating meaningful growth and stimulus. Of the world's major developed economies, only the U.S. appears sufficiently fit to consider a tightening of monetary conditions. On the surface as mentioned, there seems little reason to do so now. However, the speed limit of the U.S. economy is so low at present that the economy could nevertheless overheat. As a result, the case for raising rates sooner rather than waiting too long, could be credible and possibly even necessary to avoid more negative outcomes.

CANADA— Canadian financial markets have generally performed well on a global basis through 2016 driven by an improvement in commodity prices, particularly oil and gold prices, and a modest but sustainably positive economic outlook. Regional setbacks such as the Alberta wildfires have curtailed the maximum potential but the market consensus believes that the Canadian economy will continue to deliver modest positive growth through the balance of the year that will surpass most developed world economies but Canada will lag the expansion seen in the United States.

Weakness in the Canadian dollar has not generated the outsized growth catalyst that was expected from a more competitive currency (versus the USD). The CAD has struggled to extend its rally beyond the first quarter of this year when it came close to reaching purchasing power of parity at CAD\$1.25/USD. Longer term, Canada is unlikely to match the pace of future interest rate increases with the U.S., and therefore, continued pressure on the Canadian dollar can be expected.

The Canadian housing market continues to be a source of concern, or rather the Vancouver/Toronto housing epicenters specifically. Rampant and seemingly unending escalation in home prices and the affordability of housing in these two metropolitan centers has created a distortion of the Canadian housing market and led to implementation of, at least in the Vancouver instance, a new 15% non-resident tax on real estate to help curb the house price euphoria. Whether tax measures such as these will be adopted elsewhere (i.e. Toronto), or even effective, remains to be seen but the risk of regional housing bubbles building is a clear reality.

OIL/COMMODITIES— The rebound in the price of oil (WTI) had been progressing nicely since bouncing from the devastating fall to almost \$28/barrel. After four consecutive months of increases through June, WTI fell 7.1% in July, led by speculation of growing inventories and a rising trade-weighted US dollar. August saw oil prices revert halfway through the month, erasing the prior month dip but then falling partly back through the last two weeks of August. Directionally, WTI has established a new base, and global supply levels are less out of balance in light of increasing demand. The market continues to expect a measured, longer term improvement in the price of oil back to an equilibrium level somewhere in the mid USD\$60/barrel from currently around \$46/barrel.

KEY ECONOMIC INDICATORS – JULY & AUGUST – CANADA



Event	Date	Consensus Est.	Prior
RBC Canadian Manufacturing PMI (Jun)	Jul 4	(A 51.8)	52.1
Bloomberg Nanos Confidence (Jul 1)	Jul 4	(A 56.7)	58.3
Int'l Merchandise Trade (May)	Jul 6	-2.70Bil (A -3.28Bil)	-2.94Bil (R -3.53Bil)
Building Permits MoM (May)	Jul 7	1.50% (A -1.90%)	-0.30% (R 0.10%)
Unemployment Rate (Jun)	Jul 8	7.00% (A 6.80%)	6.90%
Net Change in Employment (Jun)	Jul 8	5.0k (A -0.7k)	13.8k
Housing Starts (Jun)	Jul 11	189.5k (A 218.3k)	188.6k (R 186.4k)
Bank of Canada Rate Decision (Jul 13)	Jul 13	0.50% (A 0.50%)	0.50%
New Housing Price Index MoM (May)	Jul 14	0.20% (A 0.70%)	0.30%
New Housing Price Index YoY (May)	Jul 14	2.20% (A 2.70%)	2.10%
Manufacturing Sales MoM (May)	Jul 15	-0.80% (A -1.00%)	1.00%
Existing Home Sales MoM (Jun)	Jul 15	(A -0.90%)	-2.80%
Int'l Securities Transactions (May)	Jul 18	(A 14.73Bil)	15.52Bil
Wholesale Trade Sales MoM (May)	Jul 21	0.20% (A 1.80%)	0.10% (R 0.20%)
Retail Sales MoM (May)	Jul 22	0.00% (A 0.20%)	0.90% (R 0.80%)
Retail Sales Ex Auto MoM (May)	Jul 22	0.30% (A 0.90%)	1.30%
CPI YoY (Jun)	Jul 22	1.40% (A 1.50%)	1.50%
CPI Core YoY (Jun)	Jul 22	2.00% (A 2.10%)	2.10%
Consumer Price Index (Jun)	Jul 22	128.9 (A 129.1)	128.8
GDP YoY (May)	Jul 29	1.20% (A 1.00%)	1.50%
Industrial Product Price MoM (Jun)	Jul 29	0.10% (A 0.60%)	1.10% (R 1.20%)
RBC Canadian Manufacturing PMI (Jul)	Aug 2	(A 51.9)	51.8
International Merchandise Trade (Jun)	Aug 5	-2.84Bil (A -3.63Bil)	-3.28Bil (R -3.50Bil)
Unemployment Rate (Jul)	Aug 5	6.90% (A 6.90%)	6.80%
Net Change in Employment (Jul)	Aug 5	10.0k (A -31.2k)	-0.7k
Participation Rate (Jul)	Aug 5	(A 65.4)	65.5
Building Permits MoM (Jun)	Aug 8	1.50% (A -5.50%)	-1.90% (R -2.10%)
Housing Starts (Jul)	Aug 9	191.0k (A 198.4k)	218.3k
New Housing Price Index YoY (Jun)	Aug 11	(A 2.50%)	2.70%
Existing Home Sales MoM (Jul)	Aug 15	(A -1.30%)	-0.90%
Manufacturing Sales MoM (Jun)	Aug 16	0.50%	-1.00%
Retail Sales MoM (Jun)	Aug 19	0.50%	0.20%
CPI YoY (Jul)	Aug 19	1.40%	1.50%
CPI Core YoY (Jul)	Aug 19	2.10%	2.10%
Current Account Balance (2Q)	Aug 30	-	-\$16.77Bil
Quarterly GDP Annualized (2Q)	Aug 31	-	2.40%

A=actual; R=revised

Source: Bloomberg

KEY ECONOMIC INDICATORS – JULY & AUGUST – U.S.



Event	Date	Consensus Est.	Prior
Markit US Manufacturing PMI (Jun F)	Jul 1	51.2 (A 51.3)	50.7 (R 51.3)
ISM Manufacturing (Jun)	Jul 1	51.3 (A 53.2)	51.3
Construction Spending MoM (May)	Jul 1	0.60% (A -0.80%)	-1.80% (R -2.90%)
Wards Domestic Vehicle Sales (Jun)	Jul 1	13.40Mil (A 12.76Mil)	13.33Mil (R 13.18Mil)
Wards Total Vehicle Sales (Jun)	Jul 1	17.30Mil (A 16.61Mil)	17.37Mil (R 17.22Mil)
Factory Orders (May)	Jul 5	-0.80% (A -1.00%)	1.90% (R 1.80%)
Trade Balance (May)	Jul 6	-\$40.0Bil (A -\$41.1Bil)	-\$37.4Bil
ISM Non-Manf. Composite (Jun)	Jul 6	53.3 (A 56.5)	52.9
Initial Jobless Claims (Jul 2)	Jul 7	269k (A 254k)	268k (R 270k)
Unemployment Rate (Jun)	Jul 8	4.80% (A 4.90%)	4.70%
Average Hourly Earnings YoY (Jun)	Jul 8	2.70% (A 2.60%)	2.50%
Change in Non-Farm Payrolls (Jun)	Jul 8	180k (A 287k)	38k (R 24k)
Wholesale Inventories MoM (May)	Jul 12	0.20% (A 0.10%)	0.60% (R 0.70%)
Wholesale Trade Sales MoM (May)	Jul 12	0.50% (A 0.50%)	1.00% (R 0.80%)
PPI Final Demand YoY (Jun)	Jul 15	0.00% (A 0.30%)	-0.10%
PPI Ex Food and Energy YoY (Jun)	Jul 15	1.00% (R 1.30%)	1.20%
Industrial Production MoM (Jun)	Jul 15	0.30% (A 0.60%)	-0.40% (R -0.30%)
Capacity Utilization (Jun)	Jul 15	75.10% (A 75.40%)	74.90%
Business Inventories (May)	Jul 15	0.10% (A 0.20%)	0.10%
Retail Sales Advance MoM (Jun)	Jul 15	0.10% (A 0.60%)	0.50% (R 0.20%)
Retail Sales Ex Auto MoM (Jun)	Jul 15	0.40% (A 0.70%)	0.40%
CPI YoY (Jun)	Jul 15	1.10% (A 1.00%)	1.00%
CPI Ex Food and Energy YoY (Jun)	Jul 15	2.20% (A 2.30%)	2.20%
Housing Starts (Jun)	Jul 19	1165k (A 1189k)	1164k (R 1135k)
Housing Starts MoM (Jun)	Jul 19	0.20% (A 4.80%)	-0.30% (R -1.70%)
Building Permits (Jun)	Jul 19	1150k (A 1153k)	1138k (R 1136k)
Building Permits MoM (Jun)	Jul 19	1.20% (A 1.50%)	0.70% (R 0.50%)
Philly Fed Business Outlook (Jul)	Jul 21	4.50 (A -2.90)	4.70
Existing Home Sales (Jun)	Jul 21	5.48Mil (A 5.57Mil)	5.53Mil (R 5.51Mil)
Existing Home Sales MoM (Jun)	Jul 21	-0.90% (A 1.10%)	1.80% (R 1.50%)
Consumer Confidence Index (Jul)	Jul 26	96 (A 97.3)	98 (R 97.4)

New Home Sales (Jun)	Jul 26	560k (A 592k)	551k (R 572k)
New Home Sales MoM (Jun)	Jul 26	1.60% (A 3.50%)	-6.00% (R 0.00%)
Durable Goods Orders (Jun P)	Jul 27	-1.40% (A -4.00%)	-2.30% (R -2.80%)
Durables Ex Transportation	Jul 27	0.30% (A -0.50%)	-0.30% (R -0.40%)
Cap Goods Orders Nondef Ex Air (Jun P)	Jul 27	0.20% (A 0.20%)	-0.40% (R -0.50%)
FOMC Rate Decision (Jul 27)	Jul 27	0.50% (A 0.50%)	0.50%
Advanced Goods Trade Balance (Jun)	Jul 28	-\$61.0Bil (A -\$63.3Bil)	-\$60.6Bil (R -\$61.1Bil)
GDP Annualized QoQ (2Q)	Jul 29	2.50% (A 1.20%)	1.10% (R 0.80%)
Chicago Purchasing Manager (Jul)	Jul 29	54 (A 55.8)	56.8
University of Michigan Sentiment (Jul F)	Jul 29	90.2 (A 90)	89.5
Markit US Manufacturing PMI (Jul F)	Aug 1	52.9 (A 52.9)	52.9
Construction Spending MoM (Jun)	Aug 1	0.50% (A -0.60%)	-0.80% (R -0.10%)
ISM Manufacturing (Jul)	Aug 1	53 (A 52.6)	53.2
Wards Domestic Vehicle Sales (Jul)	Aug 2	13.06Mil (A 13.77Mil)	12.76Mil
Wards Total Vehicle Sales (Jul)	Aug 2	17.30Mil (A 17.77Mil)	16.61Mil
Initial Jobless Claims (Jul 30)	Aug 4	265k (A 269k)	266k
Factory Orders (Jun)	Aug 4	-1.90% (A -1.50%)	-1.00% (R -1.20%)
Durable Goods Orders (Jun F)	Aug 4	-4.00% (A -3.90%)	-4.00%
Trade Balance (Jun)	Aug 5	-\$43.0Bil (A -\$44.5Bil)	-\$41.1Bil (R -\$41.0Bil)
Change in Nonfarm Payrolls (Jul)	Aug 5	180k (A 255k)	287k (292k)
Unemployment Rate (Jul)	Aug 5	4.80% (A 4.90%)	4.90%
Average Hourly Earnings YoY (Jul)	Aug 5	2.60% (A 2.60%)	2.60%
Labor Force Participation Rate (Jul)	Aug 5	(A 62.80%)	62.70%
Wholesale Inventories MoM (Jun)	Aug 9	0.00% (A 0.30%)	0.10% (R 0.20%)
Retail Sales Advance MoM (Jul)	Aug 12	0.40% (A 0.00%)	0.60% (R 0.80%)
Retail Sales Ex Auto MoM (Jul)	Aug 12	0.10% (A -0.30%)	0.70% (0.80%)
PPI Final Demand YoY (Jul)	Aug 12	0.20% (A -0.20%)	0.30%
PPI Ex Food and Energy YoY (Jul)	Aug 12	1.20% (A 0.70%)	1.30%
Business Inventories (Jun)	Aug 12	0.10% (A 0.20%)	0.20%
University of Michigan Sentiment (Aug P)	Aug 12	91.5 (A 90.4)	90
Housing Starts (Jul)	Aug 16	1180k	1189k
Housing Starts MoM (Jul)	Aug 16	-0.80%	4.80%

Building Permits (Jul)	Aug 16	1160k	1153k
Building Permits MoM (Jul)	Aug 16	0.60%	1.50%
CPI YoY (Jul)	Aug 16	0.90%	1.00%
CPI Ex Food and Energy YoY (Jul)	Aug 16	2.30%	2.30%
Industrial Production MoM (Jul)	Aug 16	0.30%	0.60%
Capacity Utilization (Jul)	Aug 16	75.60%	75.40%
Philly Fed Business Outlook (Aug)	Aug 18	2	-2.9
New Home Sales (Jul)	Aug 23	579k	592k
New Home Sales MoM (Jul)	Aug 23	-2.20%	3.50%
Existing Home Sales (Jul)	Aug 24	5.55Mil	5.57Mil
Existing Home Sales MoM (Jul)	Aug 24	-0.40%	1.10%
GDP Annualized QoQ (2Qs)	Aug 26	1.20%	1.20%
Consumer Confidence Index (Aug)	Aug 30	97	97.3

A=actual; R=revised

Source: Bloomberg

Mandeville Private Client Inc. is a member of the Canadian Investor Protection Fund (CIPF) and a member of the Investment Industry Regulatory Organization of Canada (IIROC). Mandeville Wealth Services Inc. is a member of the Mutual Fund Dealers Association (MFDA) and the MFDA Investment Protection Corporation MFDA (IPC).

This publication contains the opinions of the writer. The information contained herein was obtained from sources believed to be reliable, but no representation or warranty, express or implied, is made by the writer, Mandeville Private Client Inc. or any other person as to its accuracy, completeness or correctness. This publication is not an offer to sell or a solicitation of an offer to buy any securities. The information in this publication is intended for informational purposes only and is not intended to constitute investment, financial, legal, tax or accounting advice. Many factors unknown to us may affect the applicability of any statement or comment made in this publication to your particular circumstances. Hence, you should not rely on the information in this publication for investment, financial, legal, tax or accounting advice. You should consult your financial advisor or other professionals before acting on any information in this communication.

MANDEVILLE HOLDINGS INC. and the Lion Design are trademarks of Mandeville Holdings Inc. used under license by Mandeville Private Client Inc.

Mandeville Holdings Inc., 1375 Kerns Road, Suite 200, Burlington, Ontario L7P 4V7 Tel.:1-888-990-9155 • Fax: 1-905-331-4245 • www.mandevilleinc.com