THE INDEPENDENT SOURCE

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CHARITIES WE SUPPORT

By Neil

The Jefferson|Steele team is proud to support our community by participating in various charitable events throughout the year. In the coming weeks, we are focusing our efforts on two charities that we have supported over the years.

On October 24th, Dwight, Tyler, Paul and I, will be wedging our way into bicycle spandex in support of the fight against juvenile diabetes. This will be the third consecutive year that we will be participating in the JDRF Ride for Diabetes Research.

For over 40 years, JDRF has been a global leader in the search for an end to type 1 diabetes (T1D), through both research funding and advocacy. Their research is committed to improving the lives of every person with T1D and to curing this disease. To learn more about JDRF please visit: www.jdrf.ca, and if you would like to support our efforts, please visit our Team page at: http://jdrfca.donordrive.com/index.cfm?fuseaction=donorDrive.participant&participantID=247257

During the month of November, I will be once again sacrificing my face in support of Movember. Below is an article about the history of Movember and great strides they have been made over the years in drawing attention to men's health issues. If you would like to support my fundraising efforts, please visit my page at: http://ca.movember.com/mospace/10052837

MOVEMBER ®

Movember is the month formerly known as November, where men and women across the globe join together to raise awareness and funds for men's health issues – specifically prostate and testicular cancer initiatives. Once registered at Movember.com, men grow and women support a Mo (Mo is Aussie slang for moustache, where Movember began) for 30 days, getting friends and family to donate to their efforts.

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A Hairy Tale: The History of Movember

In 2003, two mates Travis Garone and Luke Slattery from Melbourne Australia were having a quiet beer at the Gypsy Bar on Brunswick St, Fitzroy when their conversation turned to recurring fashion trends. They questioned where the Mo had gone and joked about bringing it back.

The two friends decided to talk their mates into growing a Mo. Inspired by a friend's mother who was fundraising for breast cancer, they decided to make the campaign about men's health and prostate cancer. They designed rules and guidelines for Movember (which are still in place today) and agreed to charge ten dollars to grow a Mo. Trav designed the first Movember logo, and they sent around an email titled *Are you man enough to be my man?* They found 30 guys willing to take up the challenge.

Those first 30 Mo Bros grew their moustaches with such enthusiasm that in 2004 a decision was made to formalise the concept and get all participants growing for a cause. Adam Garone stepped up to help take Movember to the next level, registered a company and created a website. Justin Coghlan (JC) came on board to run the campaign in Queensland.

The guys researched men's health issues and agreed to formally support prostate cancer as their cause. They also explored prostate cancer groups and Adam approached the Prostate Cancer Foundation of Australia (PCFA). The PCFA agreed to accept funds from the 2004 campaign but was not an official men's health partner. 450 Mo Bros raised $54,000, with Spain and the UK becoming home to the first international Mo Bros. The entire proceeds were donated to the PCFA - all costs were covered by the four co-founders until (and including) the 2005 campaign. That first Movember cheque to the PCFA was the largest single donation they received.

JC joined Luke, Trav, and Adam to run the 2005 campaign, and the Urchin team designed a new campaign creative with the concept 'Give Prostate Cancer A Kick In The Arse'. A formal agreement was struck with the PCFA and they became Movember's first official men's health partner. The campaign that year saw 9,315 Mo Bros raise AUD $1.2 million for the PCFA.

The following year in 2006, the four co-founders established an official Australian charity, the Movember Foundation. By now, the campaign was too big to manage on nights and weekends, so Adam and Luke began working for Movember full time. Together they employed Movember's first full time employee, and the campaign was run from Prahran in Melbourne, and Luke's apartment in Queensland. Luke developed Movember's official tagline *Changing the face of men's health*.

Further research into men's health in Australia revealed that depression was a significant issue, and *beyondblue: the national depression and anxiety initiative* was brought on as Movember's second men's health partner.

That year, the campaign was launched in New Zealand in partnership with The Prostate Cancer Foundation of NZ. Small unofficial campaigns were also run in the UK and Spain. A total of 56,129 Mo Bros and Mo Sistas in Australia and New Zealand raised AUD $9.3 million.

In 2007, encouraged by the growing enthusiasm and efforts of Mo Bros and Mo Sistas around the world, the four co-founders decided to grow the campaign internationally. Adam moved to Los Angeles to launch the US and Canadian campaigns in partnership with The Prostate Cancer Foundation and Prostate Cancer Canada. JC launched the UK campaign with The Prostate Cancer Charity, and Luke ran the Australian and New Zealand campaigns. A small campaign was also run in Spain in partnership with FEFOC. The

Movember Board was formalised and extended beyond the four co-founders.

Prostate Cancer Stats:
Prostate cancer is the most common cancer in Canadian men and is the second largest cause of male cancer deaths in Canada. Each year around 23,600 new cases are diagnosed in Canada and close to 4,000 Canadian men die of the disease every year, which exceeds the number of women who die from breast cancer annually. Despite these figures, the level of awareness, understanding and support for prostate cancer lags significantly behind that of women's health causes.

- 1 in 7 men will develop prostate cancer during his lifetime and 1 in 28 will die of it.
- A man dies from prostate cancer every 22 minutes.
- In 2013, 23,600 new cases of the disease will be diagnosed and 3,900 men will die of prostate cancer.
- Prostate cancer is the most frequently diagnosed cancer in men.
  The incidence rates are nearly double in African Canadian men.
- If detected and treated early, there is a 95 percent survival rate associated with prostate cancer.

Sources:
http://ca.movember.com/?home

Supporting our Olympic Athletes

We continue to support Olympic hopefuls Nikola Girke and Luke Ramsay. Nikola and Luke are training to qualify for the Rio 2016 Games in the brand new Nacra 17 catamaran class.

The Nacra is one of the most exciting boats in the Olympics. Its powerful, state-of-the-art design makes it a very demanding catamaran to sail, both physically and technically.

Our team is committed to supporting local Olympic athletes. Unfortunately, some of the same tensions that affect national politics are also seen in Canadian Olympic sailing; while over half of the Olympic sailing team is consistently made up of Vancouver-based athletes, money is not always distributed in appropriate proportions, leaving talented sailors such as Nikola and Luke with a significant funding gap to fill.

We encourage you to check out their website, www.nikandluke.com to follow their campaign and watch great footage of the team in action.

FIXED INCOME COMMENTARY

Fixed Income Update- Lorica Investment Counsel Inc.

By Gary Morris CFA, President – Lorica Investment Counsel Inc. and Thomas Gomes CFA, Portfolio Manager, Lorica Investment Counsel Inc.

North American bond markets are caught in an intense struggle between the forces of US recovery on one hand and European and Japanese stagnation on the other, with the penultimate arbiter – the Federal Reserve – treading precariously in the middle. The struggle was never more evident than during the last quarter when US and Canadian yields were prevented from responding to the relatively strong US economic data by successive declines in European bond yields, whilst the Fed stirred things up with ambiguous communication. Never-the-less bond investors have begun to plan for a day when the *risk-on* trade is no longer in vogue.

Not surprisingly yield and yield spread volatility, rose significantly during Q3, aggravated by slimmed down dealer inventories which proved a poor match for marginal market flows. US Treasuries were volatile, e.g. 10-years traded in a 31 basis point range but ended the quarter exactly where they started. Canada's were similarly volatile, with 10-years trading in a 33 bps range, but ending the quarter 9 bps below where they started. Finally, corporate bonds were also volatile – Canadian corporate mid-term AA and A yield spreads traded in 11 and 10 bps trading ranges respectively – finishing at the upper end of the ranges at quarter-end.

Capital markets also had to contend with an onslaught of geopolitical risks (Israel-Gaza, ISIS, Russia-Ukraine, Scotland, etc.) that seem to be a constant feature of today's globalized markets. Although the world pre-Credit Crisis was not devoid of geopolitical risk, the linkages today, between global markets and global economies are that much stronger, while the global economy is that much weaker.

Outlook & Strategy

We are confident that the U.S. recovery will continue, albeit at a moderate pace – gone is the exuberant housing led, consumer driven growth of the previous decade, replaced with more balanced, sustainable but moderate growth. Europe and Japan will continue to struggle with poor demographics and too much sensitivity to exports; while the BRICS should do better. Fortunately for Canada, its exports are still dependent upon the growing U.S. economy, which should bode well.

The bond market will adjust upwards, as first U.S. and then Canadian monetary policy adjusts to the reality of a U.S. recovery that is on firm footing. The front end of both yield curves will be higher as investors price in higher short term rates that will be in place next year. The long-end in both markets have begun to detach themselves from central bank QE and forward guidance, but this process will be ongoing. Lower bond yields in Europe and Japan will continue to act as a magnate to North American yields which has resulted in some flattening of the U.S. yield curve, but less for the already-flat Canadian yield curve. Given the relatively low carry in bond markets, returns will likely be low. We believe less market risk is warranted and will maintain a relatively short duration position to mitigate a rise in yields.

Owning credit has been a profitable strategy as long as the Fed and a sidelined BoC have been supportive. The question facing investors is how much valuations reflect the economy or the central bank supported level of risk. Given the uncertainty embedded in valuation and the reality of poorer market liquidity, we think a more conservative orientation to credit is justified.

Source:
www.loricaic.com

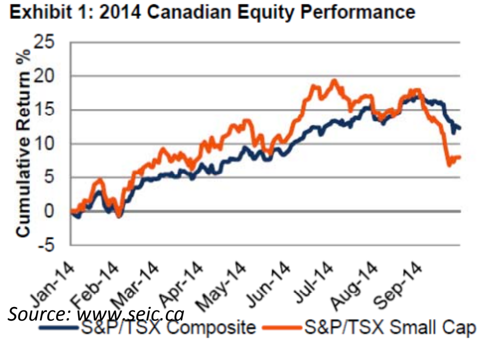
MARKET COMMENTARY

Canadian Equity Markets: Less Volatile Than You Might Think

By Roy Borzellino, CFA – Vice President and Senior Portfolio Manager, SEI

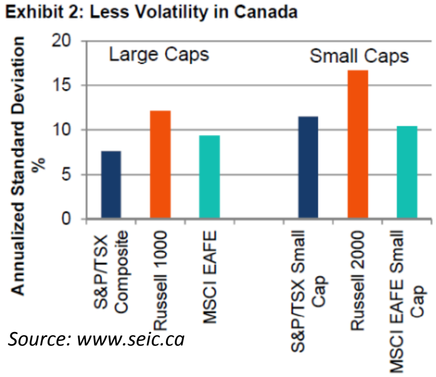
After surging to 16.8% by the end of August, the S&P TSX Composite Total Return Index pulled back in September to end the first nine months of the year at 12.2%. The move was felt most acutely in the small-cap market, which fell just over 9% during the month versus about half that much for the broader market. At first glance, the market may appear to be extremely volatile. In reality, Canadian markets have been significantly less volatile than other major global developed markets, and their performance has been better, as demonstrated in Exhibits 1 and 2.

Exhibit 1: 2014 Canadian Equity Performance



Source: www.seic.ca

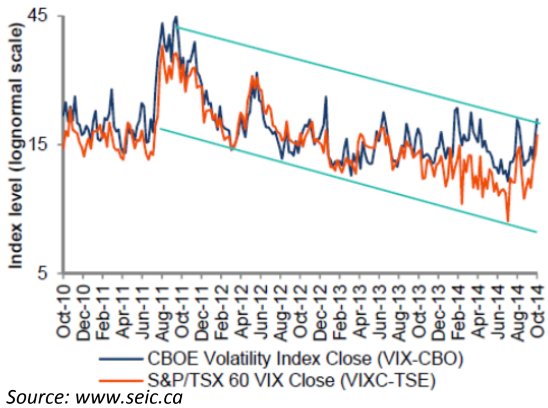
Exhibit 2: Less Volatility in Canada



Source: www.seic.ca

Interestingly, volatility has not been a key determinant of stock pricing. For the last four years, implied volatility (also known as future expected volatility) has been on a downtrend and has been in lock-step with the broader volatility seen in the U.S. equity market, as seen in Exhibit 3. Much of this volatility reduction has been the result of Canadian companies reporting profits in line with investor expectations. As Investor confidence increased with each positive earnings report, volatility fell.

Exhibit 3: Implied Volatility is Trending Lower



Source: www.seic.ca

While implied volatility in September did move higher, it has not been on the basis of disappointing earnings but rather on exogenous factors such as deflation risks, a potential slowdown in Europe, weaker oil prices and also speculation over the path of future interest rates.

A Catch-Up Rally

Looking beyond volatility, Canadian equity markets trailed most developed markets during the 2013 rally; therefore we view the strong 2014 year-to-date returns for Canadian equities as a period of catch up. Recently, large-cap equities have been outperforming small-cap equities. This is not a phenomenon limited to Canada, it is a consequence of a slowly developing business cycle we are seeing this in most developed markets. For example the Russell 1000 gained 13.8% in Canadian dollar terms, while the small-cap Russell 2000 has managed just 0.7% (year-to-date 2014).

The divergent performance between small- and large caps is not volatility and, in fact, it should be somewhat expected. In September, small-cap stocks reacted to changes in high-yield credit spreads whereas large-cap stocks were less affected. This is because most small companies access debt markets through high-yield bonds, and lines of credit while most large-cap companies are able to access financing at investment grade rates. Recently we have witnessed both high-yield bond rates and credit spread widening. This will put pressure on the financing ability of small-cap companies. Add in global geopolitical tensions, weakness in commodity prices and it is no surprise that small caps are trailing.

Conversely, we are moving into a more mature stage of the economic recovery, one whereby traditionally small-cap stocks should perform better than large cap as we progress into later stage cyclicality which will favour the commodity sensitive S&P/TSX Small Cap Index.

Outlook

The 2015 earnings forecast for the Canadian market still remains bullish. Large-cap stocks are expected to deliver a year-over-year profit growth of 12.4%; while Small Cap stocks are expected to grow their bottom lines by 54.9% next year in addition to the 34.5% growth expected in 2014. While the expectations remain bullish and valuations are considered fair, the equity market is due for a correction (a decline of about 10%). Small-caps are almost there. That noted we still believe equity markets have the potential to continue climbing for several years to come, but corrections are a healthy part of any long-term upward trend in equities. We would view a 10% decline as a buying opportunity.

North American growth is likely to remain positive, but slower than its historical trend. Canadian real estate is at an all-time high, but is now mostly moving sideways with pockets of regional strength. Even with the U.S. Federal Reserve (Fed) moving to end its asset purchase program, global central banks are still in an accommodative mood. The European Central Bank and the Bank of Japan have recently begun taking additional stimulus measures. Meanwhile, the Fed, Bank of England and Bank of Canada are all maintaining low interest rates. This perpetuates a goldilocks environment for stock where bad news is still good news because it will keep the stimulus coming.

Source:
Roy Borzellino, “Canadian Equity Markets: Less Volatile Than You Might Think,” SEI Commentary, October 2014

EDUCATIONAL TIDBIT
Bank Drafts

There is a common misconception that bank drafts are a preferred form of payment. Unfortunately, this is no longer the case. We thought we would provide a bit of information on the topic.

Bank drafts have an inherent flaw – they do not indicate the “source of funds,” that is, the name and account number of the client whose money paid for the draft.

Due to increased Anti-money laundering (AML) controls, we are only able to accept bank drafts if they originate from a Canadian Financial Institution and additional details are provided by the institution- evidence that the funds to purchase the draft were drawn from the respective bank account. This may delay the receipt of funds and we have had instances where banks are unwilling to provide the necessary information, for privacy reasons.

Bank drafts are commonly used in money laundering, as part of the “layering” process- carrying out complex financial transactions to camouflage the illegal source. Anti-money laundering (AML) is a term mainly used in the financial and legal industries to describe the legal controls that require financial institutions and other regulated entities to prevent, detect, and report money laundering activities. As part of this, Richardson GMP is required to have clients provide proof of the source of funds for any bank draft deposits.

The preferred methods of payment to your Richardson GMP account include cheques and the direct transfer of funds from your bank account (either by wire or through online banking).

Feel free to contact any of the team members if you would like further clarification.