CIBC Wood Gundy

CIBC World Markets Inc.
606 – 5811 Cooney Rd
Pacific Business Centre
Richmond BC V6X3M1

Tel: (604) 270-6457
Fax: (604) 273-7684
Toll Free: 1-800-341-9909

January 2014

2013 Performance Report

Enclosed is your performance report for the one-year and five-year periods ending on December 31, 2013. The report shows the value of your accounts on a combined basis. RESPs and 'In Trust' accounts are shown separately.

'Inflows' is defined as how much money came into your accounts, including amounts transferred from another CIBC Wood Gundy account. 'Outflows' is defined as funds withdrawn from an account, including transfers to another CIBC Wood Gundy account. The difference between 'inflows' and 'outflows' is the net amount you saved (or took out) from your accounts.

Revenues are defined as total distributions, dividends and interest paid into your account (and does not include any change in share prices). Profit is a combination of revenue and change in security prices. The percentage profit on a five-year basis is the average annualized (per year) return for the past five years.

The report also shows a comparison of how your accounts performed against various indices. The first index is the Canadian bond index. The second is the global stock market index (currency adjusted so the declining Canadian dollar added to the big 25% gain in global stocks, meaning global stocks earned close to 33% in Canadian dollar terms). The third is the Canadian stock market index.

In our 'Index and Stock Strategy' we are about 2/3rds Global and 1/3 Canadian. Global stocks were definitely the place to be in 2013.

Overall, most clients have experienced returns that are quite strong in comparison to these index average returns on a five year basis, and about as expected on a one year basis.

Clients that expressed a desire for a very safe portfolio that includes little or no stock exposure (and in some cases very good liquidity as well through use of money market funds) have done well on a five-year basis, but did not fare as well in 2013. This was due to a combination of low interest rates and a poor year in the bond market. As you see on the report, the Canadian bond market (see DEX bond index) declined 1.19% in 2013 (due to increasing medium- and long-term interest rates this past summer). Ten-year Government of Canada bond interest rates for example increased almost one percent in 2013, and when interest rates increase, bond prices fall. If we do take some risk in these accounts, bond investments may be complemented by some preferred shares, Real Estate Investment Trusts (REITs), and perhaps an oil and gas trust. All these areas also had an off-year in 2013 as the prices of these yield-type securities tend to fall when medium- and long-term interest rates increase. With current yields of 4% to 6% on quality preferred shares, 6% to 9% on REITs and as high as 13% on decent oil and gas trusts, these investments look pretty good to us for 2014.

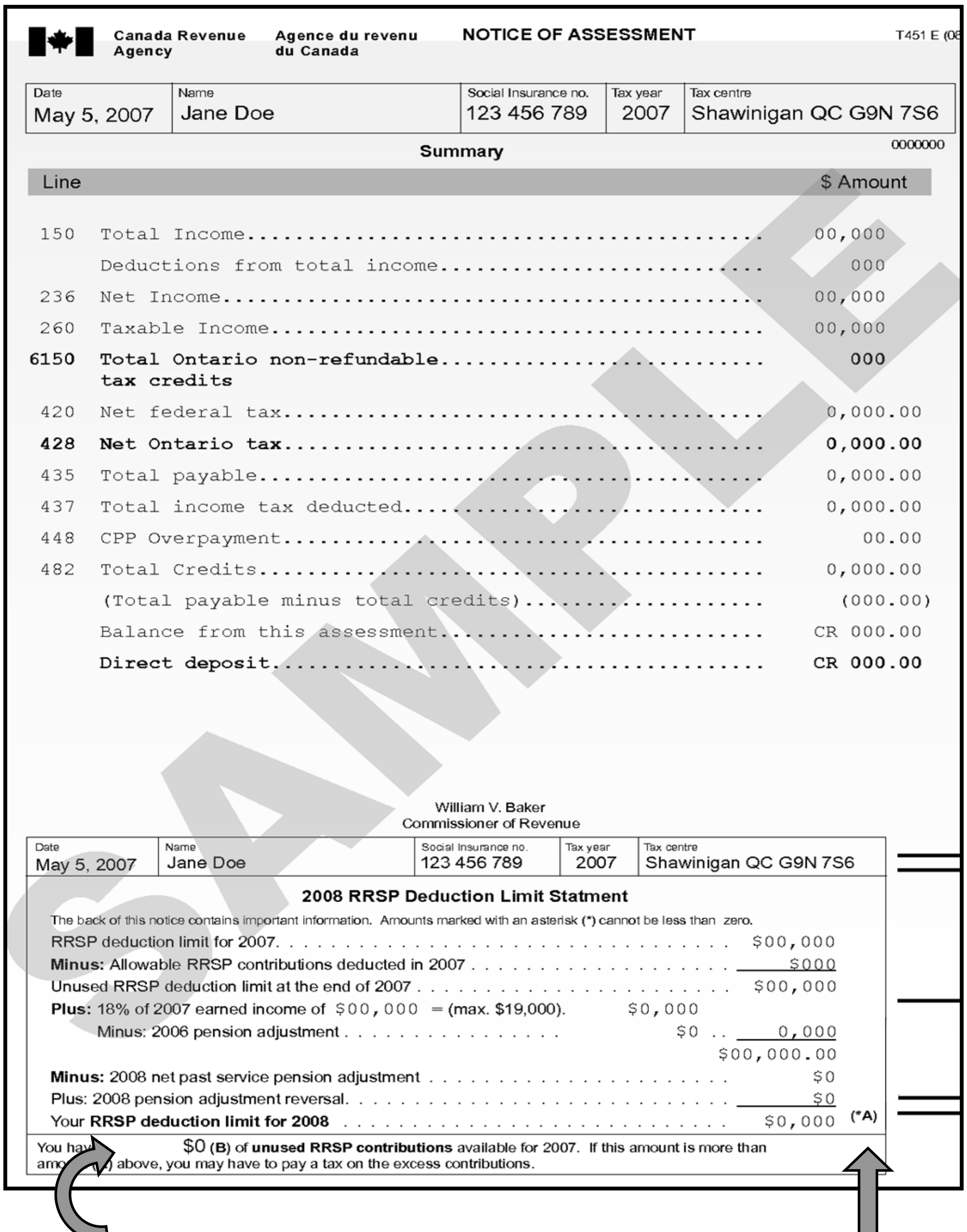
In 2013, we continued our focus on increasing fixed income quality and being relatively defensive in terms of the nature of our stocks we own. Also on the stock side, in late 2013, we added some gold and heathcare stock exposure to our “Index and Stock Strategy” due to the current inexpensive (unloved) valuations in these traditionally ‘defensive’ sectors.

As we said in last year’s newsletter, we thought that equities could surprise on the upside in 2013 as retail investors finally began returning to the stock market and competing short-term guaranteed investment paid so poorly. This trend may continue for a while yet. The U.S. experienced a 4.1% growth in GDP last quarter, U.S. housing prices are improving, and aggressive monetary easing in Europe and Japan have helped their economies. Thus, we may be able to enjoy a reasonable stock return environment for a while longer (perhaps another year or two is our best guess); and if so, markets may trade to levels that will require some caution and more defensive positioning of accounts. We have had five pretty good years in client accounts and as we know from market history, stocks in general do not follow a consistent upwards trajectory forever.

TFSAs and RRSPs

We have spoken to a lot of clients about how you wish to fund TFSA contributions for 2014 and are proceeding with a number of ‘in kind’ contributions right now. We will endeavor to contact all remaining clients over the next couple of months, but please do not hesitate to contact us, particularly if your preference is an ‘in kind’ rather than cash contribution. We now begin year six of TFSA contributions and the limit is $5,500 for 2014. Please note that CRA is almost one year behind in tracking your TFSA contributions, so if your CRA Notice of Assessment says you did not make a contribution in 2013 that might not be current.

It is also RRSP time. Your limit is eighteen percent of trailing net earned income (plus net rental income) to a maximum of $23,820 for 2013 (and $24,270 for you early bird 2014 contributors). If you are in a pension fund, your RRSP limit is lower. Check your Notice of Assessment for your deduction limit — see Amount (A). Also shown on your Notice of Assessment is any RRSP contributions done but not yet deducted — see Amount (B). The form can be a bit confusing and sometimes overcontributions can be mistakenly made so please pay special attention when Amount (B) is anything but $0 — as said this is 'RRSP money contributed but yet to be deducted'. If that is the case, please let us know and we will probably suggest using that amount towards your RRSP this year.



Canada Revenue Agency | Agence du revenu du Canada | NOTICE OF ASSESSMENT | T451 E (08

Date	Name	Social Insurance no.	Tax year	Tax centre
May 5, 2007	Jane Doe	123 456 789	2007	Shawinigan QC G9N 7S6

0000000

Summary

Line		$ Amount
150	Total Income	00,000
	Deductions from total income	000
236	Net Income	00,000
260	Taxable Income	00,000
6150	**Total Ontario non-refundable tax credits**	**000**
420	Net federal tax	0,000.00
428	**Net Ontario tax**	**0,000.00**
435	Total payable	0,000.00
437	Total income tax deducted	0,000.00
448	CPP Overpayment	00.00
482	Total Credits	0,000.00
	(Total payable minus total credits)	(000.00)
	Balance from this assessment	CR 000.00
	Direct deposit	**CR 000.00**

SAMPLE

William V. Baker
Commissioner of Revenue

Date	Name	Social Insurance no.	Tax year	Tax centre
May 5, 2007	Jane Doe	123 456 789	2007	Shawinigan QC G9N 7S6

2008 RRSP Deduction Limit Statment

The back of this notice contains important information. Amounts marked with an asterisk (*) cannot be less than zero.

RRSP deduction limit for 2007		$00,000
Minus: Allowable RRSP contributions deducted in 2007		$000
Unused RRSP deduction limit at the end of 2007		$00,000
Plus: 18% of 2007 earned income of $00,000 = (max. $19,000).	$0,000	
Minus: 2006 pension adjustment	$0	0,000
		$00,000.00
Minus: 2008 net past service pension adjustment		$0
Plus: 2008 pension adjustment reversal		$0
Your **RRSP deduction limit for 2008**		$0,000 (*A)

You hav… $0 **(B)** of **unused RRSP contributions** available for 2007. If this amount is more than amo… above, you may have to pay a tax on the excess contributions.

Amount (B) **Amount (A)**

As income splitting on RRIF income is now allowed, spousal RRSPs are not as important as they were in the past; however if one spouse will be in a materially lower income tax bracket in retirement, spousal RRSPs can still be advantageous.

It is ‘New Years Resolution Time’, so we encourage all our working age clients to open up (or add to) monthly saving plans. Canadians used to save about 10% of disposal income and today save less than 3%. Believe it not, high income earners (who seldom have forced savings via pension plans) often have the hardest time saving enough to retire when they would really like to. Automation of saving will fix this. We all see many debits on our monthly chequing statement, so it feels nice to have at least one of these debits being paid to oneself.

With a signed form, we can now set up ‘inbound electronic transfer’ from any Canadian financial institution. Also, if you are a CIBC client and bank online, you can add your CIBC Wood Gundy account as a ‘bill payee’. Search for ‘CIBC WG’, type in your eight-digit CIBC Wood Gundy account number and presto, you can add funds to your account here with a click of a button.

Taxes – uggh!

This is a busy time of year and tax time is also around the corner. Cheryl is our team’s ‘tax info expert’ and knows as much as anyone out there in terms of calculating fun things like ‘return of capital (ROC)’ and ‘phantom distributions’. A few of our clients also know a lot about all the ‘fun’ intricacies of ROCs and we bet they are also first on the block to get their Christmas lights out. As always, we are here to help you with regard to tax reporting.

Fees

Enclosed with your recent December statement was a list of every fee under the sun that our firm could charge. Our clients pay virtually none of these fees as we have various ways to waive them. Thus, we ensure no TFSA and RESP fees are charged, smaller RRSPs have fees waived and we buy “funds” on no load basis (without the stated $75 fee). Larger RRSPs pay $125 plus tax and that is typically the only fee that applies. Whoever dreamed up the “special hourly consultation fee” of $150 per hour must not have spoken to any advisor that I know (as I have never seen anyone charge such a fee).

Thanks to all clients who have referred someone to our practice in the past. It is really appreciated. We will continue to do our very best for any new and existing client. We were pleased to hear we again obtained, for the third year in a row, the designation of 'Five Star Wealth Manager' which is awarded annually to the top two percent of wealth managers in the Vancouver area.

We continue to add some clients to our practice but our new account minimum remains on the high side at around $1 million. We are always pleased though to help anyone you know with some general advice over the phone (regardless of how much they have to invest) and we welcome as clients any direct family members regardless of account size.

Please call us if you have any questions whatsoever, including any stemming from your review of this performance report. All the best in 2014 and it's a pleasure to be of service.

Regards,
CIBC Wood Gundy

Neil Pope

Neil Pope, MBA
Investment Advisor, First Vice President
604-207-8578
neil.pope@cibc.ca

John A. Doyle, CIM, FMA
Associate Investment Advisor
604-207-8585
john.a.doyle@cibc.ca

Melanie Burns
Investment Advisor Assistant
604-207-8583
melanie.burns@cibc.ca

Cheryl Sy, B.Sc.
Investment Advisor Assistant
604-207-8581
cheryl.sy@cibc.ca

Sylvia Gao, B.Sc.
Sales Assistant
604-207-8576
sylvia.gao@cibc.ca