<u>In this issue</u>: Market update, By the numbers, What to do, Chart of the week, What are we reading, Crypto Corner, Adjusting Investment behaviour, Canaccord Portfolio Manager Kevin Vandermeer.

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What is happening? Credit: Personal Credit is one beast, corporate credit is another animal. Yesterday, even though trade worries were swirling through financial markets, Bayer turned to the credit market looking to borrow $15 billion to help finance its purchase of Monsanto. Credit investors responded with $52 billion in bids. From the time it was clear that the tax cut bill would include a repatriation feature, clients have asked us how it might impact the credit market. We replied that it might temporarily cut the supply of credit from companies looking to borrow to enhance the value of their stock through buybacks. However, we felt it would not impact the demand for credit coming from our nation's public pensions and the credit funds they hire. Yesterday was an illustration of that demand. There are likely going to be a couple more jumbo bond deals in the relatively near future. AT&T is likely going to tap the credit market to help fund its Time Warner acquisition, and either Disney or Comcast is likely going to borrow to help fund the purchase of many of Fox's assets. Given the flows from pensions into credit- Pensions continue to allocate fresh new tax money to credit, indicating this credit-led equity bull market should continue and intensify despite equity investor confusion, but we think these deals will also be met with strong demand. This demand is so intense that it is likely going to support more M&A activity.

CAN Equity (CAD)	YE 2017	Wk-end	Chg this week	Chg in 2018
S&P/TSX Comp	16209	16314	0.7%	1.6%
S&P Total Return	54003	55074	0.8%	2.0%
S&P TSX 60	960	964	0.7%	0.5%
US Equity (USD)				
S&P 500	2674	2780	0.0%	4.0%
S&P Total Return	5213	5465	0.1%	4.9%
Nasdaq	6903	7646	1.3%	12.2%
Inter. Equity (USD)				
MSCI World	1586	1623	0.3%	2.3%
MSCI EAFE	2051	2000	-0.5%	-2.5%
MSCI Emerg. Mkts.	60879	60541	-1.1%	-0.6%
FTSE 100 (GBP)	7699	7681	-0.6%	-0.7%
DAX 30 (KR)	12918	12767	1.9%	0.7%
Commodities (USD)				
Gold	1303	1281	-1.3%	-2.0%
Oil (Crude Brent)	$66.61	$73.37	-4.1%	10.1%

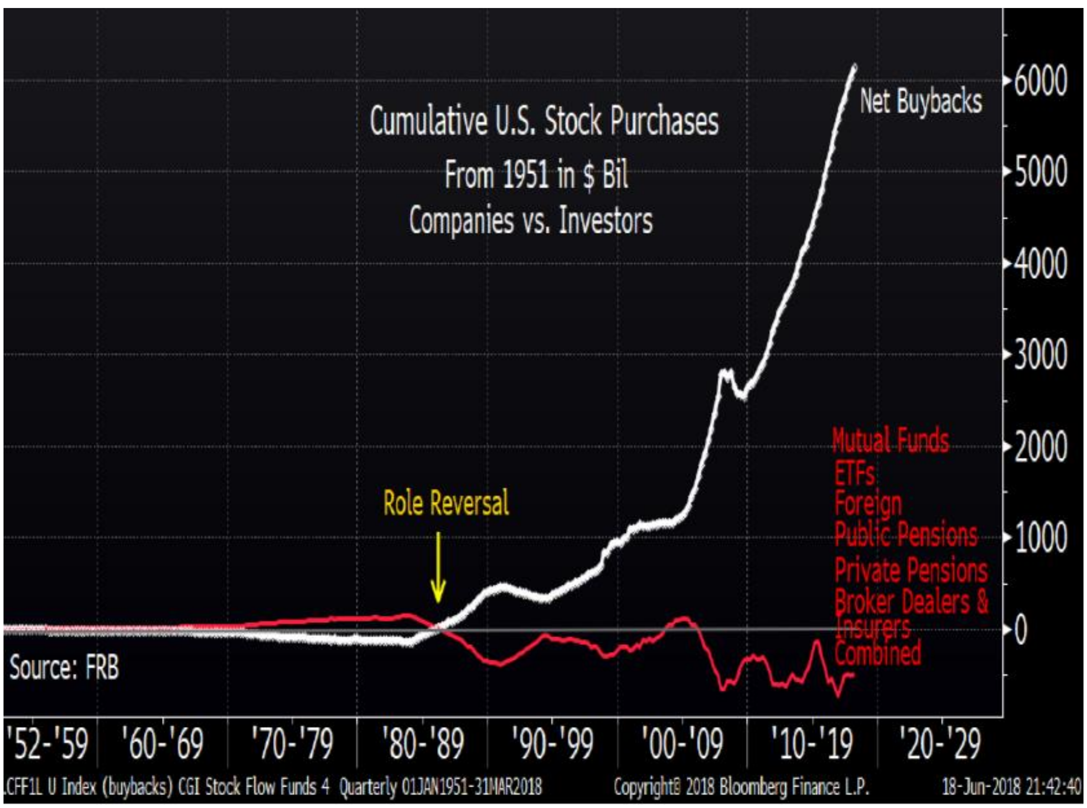
What to do?

Asset mix – a pause before a final lift-off? As sector rotators, we understand that once late cyclicals have completed their cycle, the next rotation is into defensive areas of the market. This rotation usually occurs around cyclical market peaks shortly before recessions unfold. However, our forward-looking economic indicators do not point to a hard-landing before 2020. Therefore, this leaves market-based variables as the potential culprits for the next recession. We calculated that the mix of US 10-year Treasury yields climbing above 3.25%, oil prices above $75/bbl and the DXY above 95 would bring our reflation index into the tightening zone. The last three recessions were preceded by a jump of our index into that zone. Fortunately, the recent relapse in bond yields and oil prices is buying investors some time. Otherwise, since February lows, equities have been tracking the historical script from the 10%-correction mark quite closely. The good news is that if this roadmap is any guide, near-term market choppiness should be followed by an impressive equity rally in H2/18. The bad news is that this lift-off could be the last hurrah before stocks enter a bear market in "time" or in "price". The outcome will depend where bond yields, oil, the US$ and Fed funds settle once late cyclicals have completed their relative price cycle.

Discover how to use sector ETFs to balance your portfolio to a global perspective. To read further: Click to read a global perspective from our strategist: [Click here] [The YTD results so far]

Chart of the Week: Credit and Buybacks + Alternative Asset class diversification in US Pension Funds

The pendulum may be beginning to swing from debt-fueled buybacks to debt-fueled M&A. To note: The New York Common Fund is putting $500 million into real estate funds and $418 million into private equity funds. The Pennsylvania State Employees' pension is investing $50 million in a private credit fund and $75 million in a buyout fund. The Connecticut pension is placing $25 million with a buyout fund. The South Carolina pension is investing $223 million in private equity funds. The Tallahassee pension is putting $40 million into value-added real estate funds. The Texas Employees' pension is investing $50 million in a private real estate fund, $50 million in a real estate fund, and $30 million in a buyout fund. The Texas Permanent School pension is putting $21 million into an enhanced credit fund, $75 million into an opportunistic real estate fund and $60 million into a real estate fund. The Texas Teachers' pension is investing $200 million in real estate funds. The Louisiana Teachers' pension is putting $75 million into a hybrid private equity and private credit fund. The Nashville pension is investing $80 million in a direct lending fund, $25 million in a mezzanine debt fund, and $20 million in an opportunistic debt fund. The Arkansas Teachers' pension allocated $30 million to a real estate fund, $30 million to a buyout fund, and $30 million to a private equity fund. CalPERS is putting $100 million into a high-yield bond fund, $353 million into a buyout fund, and $300 million into a private equity fund. The Oregon pension is investing $450 million in buyout funds and $250 million in a private equity fund. The New Mexico Public Employees' pension is placing $50 million with a private equity fund. The Hawaii pension is investing $60 million in opportunistic real estate funds.



What are we reading:

- Bourdain was launched on this piece in the New Yorker: "Don't eat before you read this piece."
- Tesla's competition heats up- Porsche forges ahead on electric sedan
- Agricultural tariffs, the truths behind the American hypocrisy of a cross border war- and why the US bought $20M of Cheddar Cheese
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Crypto Corner: Whether you like it or not, you should know more and can't ignore.

- Your Coins on the big board at Coindesk
- Bitcoin on the big board- Wall St.
- Securities Law implications for the offering of tokens: OSC paper
- The energy cost of Bitcoin mining. Misconception or truth.

Investment Advisory and Financial Planning: Improving your Investment Behaviour

Introducing: Kevin J. Vandermeer, CFA, FCSI, Managing Director

Kevin is Lead Portfolio Manager of the investment team. Prior to joining Canaccord Genuity in the fall of 2017, Kevin launched his own hedge fund and worked for one of Canada's largest banks where he co-managed C$3.7 billion. Kevin has been recognized as one of Canada's TopGun Investment Minds as well as a previous recipient of a Lipper Award for outstanding fund performance. Kevin graduated from the University of Toronto with a Bachelor of Commerce "With Distinction", is a CFA charter holder and a Fellow of Canadian Securities Institute (FCSI).

Kevin is providing our team with added depth in the Canadian Portfolio space, building concentrated, but diversified portfolios using Quantitative, Technical and Fundamental Analysis to find top quality picks for value and long term growth in your equity portfolio.

Kevin has built an array of Canadian focused mandates for Canaccord Clients. We were lucky enough to sit down and ask about them. Q&A with Kevin

Q. You have managed money in a wide array of mandates, Hedge Fund, Mutual Fund, and Institutional strategies. What makes you excited about the current Canadian Mandates offered for Canaccord clients right now?
A. We have taken a very thorough multidiscipline approach. This is a process driven, back tested creation that focused on 3 factors: Fundamentals, Technical Analysis and Quantitative Analysis. Using all three we can narrow down the portfolio to 35 quality pics across the Canadian Index to build an effective Canadian allocation in a clients portfolio.

Q. What are the Distinct Advantage to using this as a Canadian Component of the Portfolio?
A. This is a core Canadian dividend product. It is completely diversified across our market, utilizing all 11 Global Industry Classification sectors. All businesses produce a dividend, and as mentioned above have been screened using the multidiscipline approach of Tech/Quant/Fundamental analysis.

Q. How does this differ from a Mutual Fund?
A. It's based on an SMA (Separately Managed Account) platform. This provides individual cost base and dividend disbursements for each client. Greater transparency, each client sees all the holdings and how they are being weighted in the portfolio. Better fee structure. The fees can be written off in non-registered/corporate accounts, and are negotiable based on size. With this offering we can beat the generic fee structure offered by the fund companies.

Q. What are your top three names in the portfolio right now?
A. This is a difficult question. The names in the portfolio are there because they met certain criteria and we believe in the model. However, these three have some of the highest Tech/Quant/Fundamental scores:
1. Norbord (OSB)
2. Magna (MG)
3. Fairfax Financial (FFH)

Thanks for the insight Kevin. We appreciate your time. If you are a holder of the Canadian Dividend Mandate or interested in hearing more, please call us and we can schedule a time to speak to Kevin.

***Please let us know if you think there is someone in your network who would benefit from this note. We are always happy to include them on the list. You are our best source of referrals.**

Check us out at: www.stevestavridis.ca