A PORTFOLIO MANAGER'S PERSPECTIVE

2017 Market Outlook and Position

WEALTH MATTERS

*As part of our February 15, 2017 Wealth Matters webcast, we heard from **Daniel Bubis**, President and Chief Investment Officer of Tetrem Capital Management. His presentation, summarized on this page, provided an overview on Tetrem Capital Management's 2017 outlook and positioning. Please see the reverse for highlights of the other half of the webcast, in which Noel Perera, Regional Vice-President, Wealth Planning at Assante Private Client, discussed how your assets can be distributed to your loved ones in a tax efficient manner.*

Tetrem Capital Management

- 100% employee-owned boutique investment management firm.
- Founded in 2004, based in Winnipeg with offices in Boston and Toronto.
- Assets under management as at December 31, 2016 of $4.5 billion.
- Offers investment management services to institutional and private clients.
- Complete our own proprietary research to drive investment decisions.

Investment Process

- Highly structured investment process where the key investment criteria work to strike the best balance between opportunity and risk.
- Take a conservative approach to maximize upside potential relative to downside risk.
- If you get the downside right, the returns will take care of themselves.
- This process is followed within the context of the current market.
- We are more balanced between risk and opportunity today than a year ago or after the financial crisis when the market presented more opportunities.

Four Pillars: The VMER Framework

1. Valuation
2. Mean reversion

Opportunity oriented – Look at the opportunistic value to drive the upside.

3. Economic moat
4. Risk

Risk Management oriented – Search for limited downside risk in stronger companies for a diversified portfolio.

Outlook for 2017

- Our outlook at the start of 2017 is very different than from a year ago.
- Interest rates – In the last 35 years we have seen a secular decline in interest rates.
    - We believe the secular lows were hit in the summer of 2016 and there is a potential for higher interest rates over the long term as part of the cycle following the economic crisis.
    - As interest rates rise, the best value will be in financial services.
- Consumer confidence – Consumer confidence moved up dramatically in November to a 15-year high in December.
    - This is positive and will encourage economic growth.
- We have benefited from strong performance and reflation (fiscal policy to expand a country's output and curb the effects of deflation) in the U.S. and Canada in the last four to five months.
- High public debt remains a long-term risk.

Interest rate cycle illustrated by Tetrem Capital Management

A WEALTH PLANNING PERSPECTIVE

Death and Taxes: What you Need to Know Now

WEALTH MATTERS

*Many Canadians are seeking assurance on how their assets may be distributed to their loved ones and that it will be done in a tax-efficient manner. During the Wealth Matters webcast, **Noel Perera**, Regional Vice-President, Wealth Planning at Assante Private Client, discussed the options available on death and the applicable taxation for four common assets held by Canadians.*

Most assets are deemed a disposition at fair market value on the date of death. Therefore, properties that were previously untaxed may be subject to taxation at the time of death. Some exclusions may apply, especially where the spouse or common-law partner is the beneficiary.

Non-registered assets

- Most non-registered investment assets are subject to taxation at death unless they are left to spouse or common-law partner.
- Joint tenancy – In many situations, assets held in joint tenancy include the right of survivorship and the assets will pass automatically to the joint owner regardless of the deceased's will. This allows for a smooth transition of assets and a reduction in probate fees.
- Tenants in common – Ownership of an asset by two or more individuals that does not include the right of survivorship means the deceased's property will form part of the estate and is passed on in accordance with his or her will.

RRSP

On death, the RRSP can be transferred to:

- The estate of deceased (joint election available).
- A surviving spouse or common-law partner.
- A financially dependent child/grandchild. Qualifying Beneficiary
- A financially dependent disabled beneficiary.
- A non-qualifying beneficiary.

Transferring the balance directly to a qualifying beneficiary may allow for a deferral of the initial income inclusion.

TFSA

- Successor holder – Surviving spouse or common-law partner inherits the account and becomes the account holder.
    - Allows the spouse to avoid potential income inclusion after death.
- Beneficiary – TFSA rolls to the beneficiary at fair market value with no tax implications.
    - Any increase in value after death is taxed in the beneficiary's hands.
- Estate – TFSA is an asset of the estate at fair market value and will be distributed based on the terms of the will.

RESP

Death of beneficiary

- Family Plan – Remains intact for other beneficiaries of the plan.
- Individual Plan – A new beneficiary can be named, or the subscriber can withdraw their contributions and return CESG and other incentive grants.

Death of subscriber

- RESP forms part of the estate of the subscriber unless joint subscriber is named.
- RESP asset does not become property of the beneficiary when subscriber dies.

Your Assante advisor is available to help

If you have questions regarding the taxation of your assets upon death, talk to your advisor for assistance.

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