From the Portfolio Management Desk

Global Reaction to the Situation in China

August 25, 2015

We've seen significant global market volatility in the last few days, mainly as a result of the Chinese government's decision to devalue their currency. This action was a signal to global markets that China's GDP growth is weakening by more than forecasted. The result was fear of a potentially deflationary environment characterized by slower global economic growth. China is the largest consumer of oil and commodities globally, which was reflected in the decline in oil prices and the markets of commodity producing nations such as Canada.

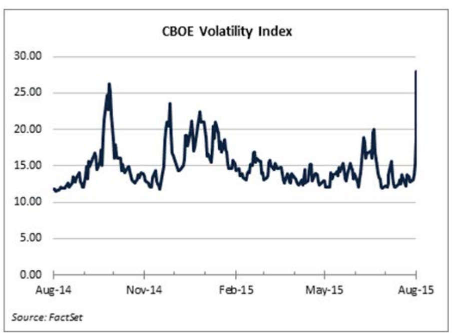
On August 24, 2015, the impact of China's currency devaluation was felt throughout the world:

- Hundreds of billions of dollars were wiped from the world's financial markets as the Chinese rout sent shares tumbling in Europe, Asia, Canada and the U.S.
- The U.S. stock market suffered its largest sell-off in four years as the Dow Jones ended the day down 588 points.
- In London, the FTSE 100 decreased in value by £74 billion.
- European stock markets suffered their worst day of trading since 2011.
- Australia's market suffered its biggest fall since 2009, and Japan's Nikkei was down over 4%.
- China's Shanghai composite index was the worst hit, suffering an 8.5% drop, the biggest sell-off in eight years.
- The S&P/TSX was down 420 points as oil dropped below $38/barrel.

Recent Market Volatility has Created a Wealth of Opportunities

"The market correction has left real estate stocks globally trading at significant discounts to NAV. We think stock prices can and will remain volatile in the near term, however, we believe volatility creates opportunity and we are actively searching for those companies whose share prices have been unduly punished"

Sam Sahn, Portfolio Manager at
Timbercreek Asset Management
Sub-advisor for Counsel Global Real Estate



The plunge in stocks was accompanied by a corresponding spike in volatility as shown by the CBOE Volatility Index (VIX), considered by many to be the world's premier barometer of investor sentiment and market volatility.

The decline in global markets is certainly large, but by no means catastrophic by historical standards. It is, however, having a psychological impact on stock owners. Many analysts believe it was more of a correction, especially in Western markets.

While Chinese growth has slowed considerably, the latest development should come as no surprise. The Chinese market has been slowing for months; they have devalued their currency and lifted government intervention.

Eric Lascelles, Chief Economist at RBC Global Asset Management (RBC manages a portion of Counsel Income Managed Portfolio and Counsel Regular Pay Portfolio) provides additional reasons for calm within the markets:

1. Chinese equity problems are not relevant to the performance of global equity markets.

2. Chinese credit problems do matter because of contagion risk, however, are resolvable and are being resolved by the national government.
3. Notwithstanding recent foibles in the Chinese equity space, Chinese policymakers are thought to be more capable than most.

> "There is no single smoking gun for the current drop in emerging markets (EM) assets and currencies. It is not correct to blame China, or the Fed, or commodities prices in isolation. Instead, broad themes that affect investor perceptions of EM over a multi-year period continue to unfold. The confluence of these interrelated forces and the most recent timing of events have worked to the detriment of investor sentiment in EM, but we see these as temporary and in some cases cyclical. Indeed, the wholesale contagion creates investment opportunities for the savvy investor as it paints inherently disparate countries with the same broad brush. We believe the investment rationale for EM remains strong and we urge investors to maintain the long-term view."
>
> Acadian Asset Management
> *Sub-advisor for Counsel Global Dividend*

Our belief is that much of the selling is indiscriminate in nature, in that many companies with very strong balance sheets and high quality assets as well as supporting cash flow are being punished along with everything else.

Most global markets seem to have rebounded quite nicely at the time of writing, although China is still down. Today, in an effort to stabilize markets, People's Bank of China (PBOC) said it would cut the one-year bank lending rate and the one-year deposit rate by 25bps, and reduce the reserve requirements by 50 bps for most big banks.

What Does This Mean for the Counsel Portfolios?

The Counsel Portfolios remain well diversified and allocated across various asset classes and geographic markets. Last summer, we reduced the portfolios' allocation to Canada to lower its exposure to the commodity sectors. This re-allocation was also a result of asset allocation analysis which pointed to expected lower returns from Canada versus other markets. In addition, we also introduced an allocation to Counsel Global Trend Strategy to provide the portfolios with additional downside risk protection when the markets were particularly volatile, such as it is this week. In general, we are satisfied with the level of protection provided by the Counsel Global Trend mandate in the portfolios over the course of this correction (August 18 – 24, 2015), during which time the mandate's returns were down only 1/3 of the MSCI World Index (the Index declined 8.5% over this period).

In the near term, we expect this volatility to continue; however we believe our mandates are well positioned for these types of market occurrences. As always, we believe that communicating with your Financial Advisor, following a long term financial plan, and investing in a well diversified portfolio is the best course of action in any market environment.

Sincerely,

Corrado Tiralongo
Chief Investment Officer, Counsel Portfolio Services
Portfolio Manager, IPC Private Wealth

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