

EDITORIAL

"A time to mourn and a time to dance"

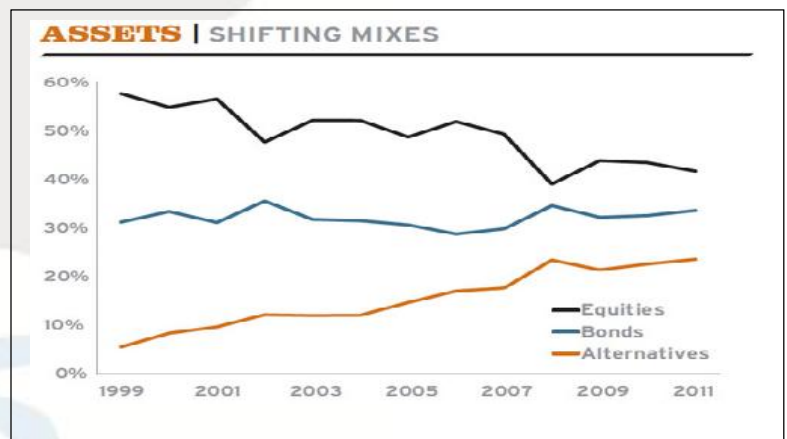
It has been a busy season on the East side of the globe. Crimea officially split from Ukraine and as pro-Russia separatists now continue to escalate actions in other Eastern cities in Ukraine, tension abounds. On March 8th, Malaysia Airlines Flight 370 carrying 227 passengers went missing on a routine flight to Beijing from Kuala Lumpur which has created angst amongst family members and friends.

Despite these recent upheavals, let us not forget some of the joys that we have experienced this quarter. The 2014 Olympics took place in Sochi, Russia, where Canada finished with the fourth-most medals and third-most golds. Some especially memorable moments included going undefeated in both the men's and women's ice hockey to eventually take home the gold; the women's win in overtime over the US was absolutely sensational. We also took home the gold in both men and women's curling. So it is with our walk of faith; challenging trials intertwined with times of celebration. Thankfully, God's Word already told us what to expect!

PORTFOLIO UPDATE

A Primer on Alternative Investments

This past quarter, the team was hard at work preparing for the launch of our non-traditional pool which focuses largely on alternative or non-traditional investments. Alternative investments have quickly become a buzz word in the industry due to their increasing popularity as shown in the graph and for good reason as we'll explain.



Source: Pension Investment Association of Canada

April 2014

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"Whatever you do, work heartily, as for the Lord and not for men, knowing that from the Lord you will receive the inheritance as your reward. You are serving the Lord Christ."

- Colossians 3:23-24 (ESV)

The term alternative investments is fairly broad in nature and pertains to any investments outside the scope of the traditional bond and stock markets. They do not trade on public exchanges and could include real assets, hedge funds, commodities, private equity and structured products to name a few. They may have the potential for high yields, high returns, or both. Alternative investments typically do not react with the ups and downs of the bond and stock markets which makes them even more compelling. Including them in a portfolio offers true diversification that the old bond/stock model no longer provides. All in all, the case for holding the asset class within a portfolio is unquestionable.

There are some hurdles to investing in alternative investments, however. These come mainly in the form of high investable minimums and sometimes restricted liquidity or what is known as a lock-up period. Knowing the importance of including alternative investments in a balanced portfolio and the hurdles needing to be overcome, we have devised a way for the mainstream investor to access these opportunities, via our pooled products.

[An Introduction to our Third Pooled Fund](#)

In November of last year, we launched the Covenant Fixed Income Pool as a complement to our existing Mortgage Pool. In its short existence, it is already demonstrating strong returns and we expect that it will compete with the consistency in return (9.11% annualized return since inception as of March 31, 2014) that the Mortgage Pool has provided.

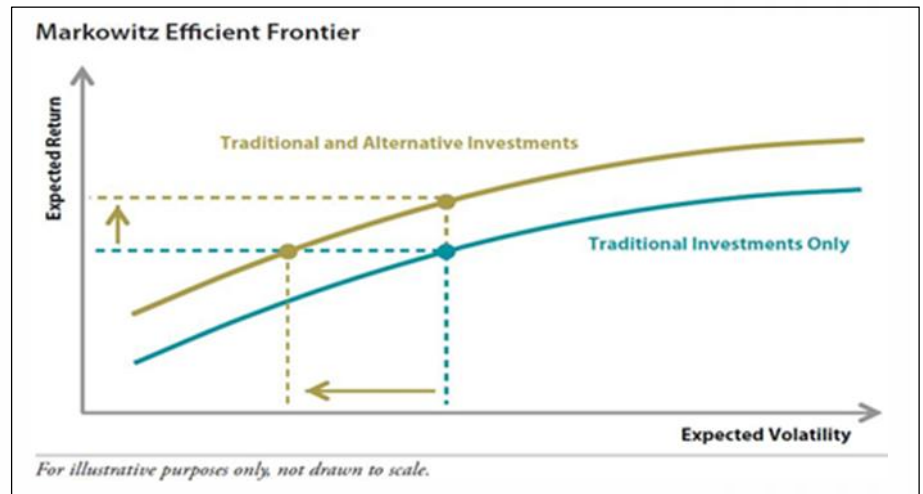
More recently, we officially launched our Non-Traditional Equity Pool, the first offering in our equity pool line-up. The goal of the pool is to invest in tangible investments that offer high cash flows along with the potential for capital appreciation and may include real properties, raw land, and infrastructure. Again, these types of investments react independently of the traditional markets equating to a more steady return regardless of whether we are in an up or down market. Lastly, we expect our Traditional Equity Pool to quickly follow suit and we are excited that this will round out our overall allocation for clients.

Because there can be a high amount of analysis required before investing in alternative investments, accessibility can be an issue which is why we have a dedicated team of analysts who are able to do the heavy lifting on our clients' behalf. Thus, the formation of these pooled funds is a significant milestone.

The inclusion of the non-traditional equity pool will serve to increase the overall risk-adjusted return (see graph on next page) in order to achieve a higher return without the added risks traditionally attached.



These Covenant Pooled Funds allow our clients to access opportunities that are simply not available through conventional channels and in the next edition of the newsletter we will focus in much more depth on the contents of the new pools.



Source: Baird's Advisory Services Research, 2010

MARKET OUTLOOK

Global Growth Will Be Muted

In the US, Janet Yellen conducted her first policy meeting as chairwoman whereat the Federal Reserve made the decision to further taper its monthly bond buying to \$55 billion. At the ensuing press conference, she hinted that we could see a hike in rates about six months or so after the end of quantitative easing, which analysts are putting at mid-2015. One of the fallouts is that the Canadian dollar could remain low through 2014 predicated on US assets such as T-bills gaining momentum.

China suffered its first domestic corporate bond default. With China still facing numerous headwinds and credit growth slowing, many economists are downgrading their GDP growth forecast for the year.

Elsewhere, deflation still looms in both the Eurozone and Japan despite strong stimulative measures and Japan has yet to show the significant wage growth necessary in order to sustain a long-lasting recovery. The outlook for global growth was recently revised downward to 3.6% for the year by the International Monetary Fund and looking solely at the two largest economies, it is easy to see why. It is a picture of a slowly recovering US and a struggling China.

SUMMARY

Momentum stocks have gone out of fashion as we move towards a risk-off situation with investors clinging to more defensive names, taking risk off the table. As at the time of issue, US markets are flat year to date. Combine that with a dampened outlook for global growth, we see alternative investments taking centre stage. Stabilizers such as our Mortgage Pool and Non-Traditional Equity Pool will help to steady returns while weathering potential storms.

With the eventual line-up of four pooled funds and the upcoming launch of our Traditional Equity Pool, it is important to speak with your Portfolio Manager to ensure we have the appropriate documentation to proceed with these changes if you haven't done so in the past few months. Lastly, we look forward to unveiling some enhancements to our client statements that will help to achieve an even greater level of transparency through our reporting.

THE TEAM

Travels & Anniversaries!

This past quarter has been one filled with travels, anniversaries and in some cases both. Stephen and his wife Sue celebrated their 30th wedding anniversary this past February in England and France.

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2014



Amanda along with her husband Tim also celebrated their 5th wedding anniversary in the Mayan Riviera. In February, Elyse experienced her first trip to New York and is already planning her next trip out; one highlight she shared was seeing Les Miserables on Broadway.

As we celebrate the Year of the Horse according to the Chinese Zodiac, Victor returned to his homeland of Singapore to spend time with his family during Chinese New Year.

During spring break, Glenn along with his family celebrated his mother in law's 70th birthday in Ontario and following the festivities seized the opportunity to visit its US neighbour New York for a few days, marking his sons' first journey to see the bright lights. (Left to right: Colin, Evan and Sean).

