

July 2015

Drama in Greece and volatility in Chinese stock markets

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Greece has been making international news recently because of the country's inability to repay its debt. On the global scale, Greece is an insignificant player with its economy representing only 0.3% of the world economy as measured by gross domestic product (GDP). However, because of its ties to the Eurozone, it has received much attention from investors. The government debt in Greece totals 323 billion euros. Following two "bailouts" in 2010 and 2012, approximately three-quarters of its debt is now owed to non-private players, including Eurozone countries, the European Central Bank (ECB) and the International Monetary Fund (IMF). These lenders have a realistic expectation that some form of writedown and restructuring will happen, and they also have the balance sheets to absorb losses. As a result, the damage of a "Grexit" was expected to be contained. After months of negotiations and the drama of a referendum, the Greek government finally accepted the terms proposed by its creditors in exchange for new aid to keep its economy and banking system solvent. We welcome this decision.

The media also reported extensively on the volatility in China's financial markets. Due to government-imposed currency and cash flow restrictions, Chinese citizens have limited access to global capital markets. Their avenue for investing is dominated by domestic real estate, saving accounts at local banks and shares of domestic companies through "A" share markets. A shares are listed on the Chinese stock exchange, cater to domestic Chinese investors and have strict limits on participation by foreign investors. "H" shares and American depositary receipts (ADRs) are traded in foreign exchange markets with no discrimination. In general, these represent the blue chips of Chinese markets. Chinese companies are listed on various exchanges with different rules and restrictions.

As private wealth grows along with the Chinese economy, demand for investments has increased substantially and domestic stock markets have been flooded with cash and new investors. As you would imagine, it is only a matter of time before valuations become an issue. This time, the volatility is concentrated in the restricted A share markets. The H share and ADR markets have not had the same valuation problem and, as a result, have not been as volatile.

Even with a setback, investors will continue to look for opportunities to gain exposure to the growth in China. China is the world's second-largest economy with an annual GDP growth estimate that surpasses all developed countries. This growth opportunity is exploited by individuals, private companies and Chinese companies that are trading in the A share, H share and ADR markets, as well as the multinational companies that do business in China. Our participation is mainly through multinational companies such as Apple,

Microsoft, Airbus Group and, to a lesser degree, ownership of H shares and ADRs. We pay close attention to valuations and enjoy the freedom we have to shift our investments to other asset classes and markets.

We are pleased to report that events in Greece and China are not having a material impact on the performance of our portfolios. As well as having zero exposure to Greece and exposure only to high-quality Chinese companies, our portfolios are also diversified by countries and sectors. We monitor valuations and quality, which keeps us away from speculative segments of the markets.

Combined top 15 equity holdings as of June 30, 2015 of a representative balanced United Financial portfolio with alpha-style equity exposure:*

1. Manitoba Telecom Services	6. Klepierre	11. Citigroup
2. Atco	7. Loblaw Companies	12. Toronto-Dominion Bank
3. Empire	8. Altagas	13. AXA
4. E-L Financial	9. Canadian Natural Resources	14. Industrial Alliance
5. Suncor Energy	10. Canadian Tire	15. SNC

Combined top 15 equity holdings as of June 30, 2015 of a representative balanced United Financial portfolio with value-style equity exposure:*

1. Toronto-Dominion Bank	6. American International	11. Anadarko Petroleum
2. Apple	7. Manulife Financial	12. Boeing
3. Royal Bank of Canada	8. UnitedHealth Group	13. Tokio Marine
4. Bank of Nova Scotia	9. Citigroup	14. Sanofi
5. Microsoft	10. CIBC	15. Willis Group

*Approximately 37% fixed-income, 7% enhanced income, 49% equities and 7% global real estate.

To see the top 15 holdings of the individual United Pools or of the United equity Alpha mandates, please visit the United Financial web page by right clicking on this link and selecting “open web link in browser”: <http://www.assante.com/wp/optima/financials.jsp#united15>.

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