Desjardins
Financial Security
Investments Inc.

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To: All Smart Investing Email Club Members

Re: 2013 Year End Market Update

Hello All,

The past year was a rewarding one for equity investors, as most major stock markets around the world registered strong gains against a backdrop of an improving global economy. Prices for many fixed-income securities such as government bonds were down slightly, however, in response to the growing likelihood of higher interest rates.

In economic developments, steady improvement in the United States in areas such as employment, housing and manufacturing throughout 2013 allowed the U.S. Federal Reserve to announce a gradual withdrawal of its extraordinary stimulus measures, which have kept interest rates at historic lows and supported the economy since 2009. Elsewhere, growth remained moderate across other developed economies, with Europe emerging from recession in the second quarter of the year. Several emerging markets experienced a slowdown, though their growth rates continued to be positive. Overall, business conditions remained quite supportive and some of the risks that had earlier dampened the recovery began to recede.

These developments boosted investor confidence and supported the gains in share prices, particularly in the latter half of the year. Japan's market advance was the best in the developed world, as central bank stimulus and strong profits helped to propel the Nikkei Index an incredible 57% higher for the year. The S&P 500 Index in the U.S. soared 32% to a record high and its best annual performance since 1997. The MSCI World Index added 24% and the MSCI Europe Index rose 22%, reflecting the brighter prospects for the region. Results for several emerging market bourses, however, were weighed down by the anticipation of higher interest rates and the heavy cost of structural reforms in their local economies. China's Shanghai Index dipped 7%, and the MSCI Emerging Markets Index slid 5% for the year. (All returns are in local currency terms.)

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Canadian stocks overall posted double-digit gains in 2013, but underperformed both the U.S. and world markets for the third year in a row. The benchmark S&P/TSX Composite Index rallied toward the end of 2013 to gain 13% for the 12-month period, with strong results from health care, industrials and consumer discretionary stocks and weakness in the materials and utilities sectors. The Canadian dollar, meanwhile, lost about 6.5% versus the U.S. dollar, providing an additional benefit to those with global investments.

Yields of fixed-income securities increased in 2013 in reaction to the improving U.S. economy and Fed signals that it would be reducing or "tapering" its economic stimulus policies. For example, the yield of the 10-year U.S. Treasury bond finished the year near 3.0%, up from about 1.6% in late May. The flip side of rising yields is declining prices for interest-rate sensitive securities, including government bonds, many corporate bonds, and real estate investment trusts. The DEX Universe Bond Index, which measures the value of Canadian government and investment-grade corporate bonds, was down 1.2% for the year.

While equities in 2014 may not match their stellar returns of last year, many of the conditions that have supported market advances remain in place for the year. Any increases in interest rates are widely expected to be moderate, economic growth is still positive, and inflation remains under control. A diversified portfolio that is tailored to your individual investment objectives continues to allow you to participate in the potential for further gains while helping to protect your investments from market corrections.

With that I will close. I would like to take this opportunity to wish you and your family all the best for the year ahead, and to remind you that I am simply an email or phone call away if you require help making an investment decision or you would like to discuss your investment portfolio in greater detail.

Sincerely,

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The information in this letter is derived from various sources, including CI Investments, Signature Global Asset Management, Cambridge Global Asset Management, Globe and Mail, National Post, Bank of Montreal Economics, and Trading Economics. Index information was provided by TD Newcrest and PC Bond. Returns for the S&P/TSX and S&P 500 indexes are total returns (including dividends) while other indexes are price returns. This material is provided for general information and is subject to change without notice. Every effort has been made to compile this material from reliable sources; however, no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please contact me for individual financial advice based on your personal circumstances.