

HAC Update for December 11, 2017

	Gain % from Dec 4 to Dec 8
HAC	0.9
S&P 500	0.4
S&P/TSX 60™ Index	0.7

Portfolio Performance / Transactions/End of Week Holdings*

Ticker	Week % Gain**	% Buy/Sell***	% End of Week Holdings****
HXS	0.0	10	26
HXT	0.7	-10	18
FHD	0.9		5
XLF	1.6		9
FHF	1.5		3
IWM	-1.1		11
XLB	0.6		7
FHM	1.3		3
FHG	2.5		3
XLI	1.5		12
CASH			0

* Transactions and End of Week Holdings are % of portfolio

** Based on price from a sell/buy during the week where applicable

*** Buy/Sell may not be equal due to use of cash

**** Includes trades on last day of week

Market/Portfolio Comments

Last week, the S&P 500® ended up with a gain of 0.4%. The stock market had a volatile ride, opening higher on Monday and the falling for the day and then over the next two days. In the end the S&P 500 ended up higher for the week with positive performances on Thursday and Friday. Friday's rally was supported by a better than expected Nonfarm Payroll report that showed employment rose by 228k, better than the 200k expected. This week, the U.S. Federal Reserve meets on Tuesday and Wednesday and is expected to announce an increase in its benchmark interest rate. As of Friday, December 8th, the CME Group (<http://www.cmegroup.com/trading/>

interest-rates/countdown-to-fomc.html), published that investors have a 90% probability expectation that the U.S. Federal Reserve will raise its rate on Wednesday of this week. In this case, it is the words in the announcement that go along with the interest rate decision that will probably have an impact on the overall levels of the stock market.

Last week, the Canadian stock market ended up with a gain of 0.7%. Generally, the energy sector and the gold miners were weaker and the Canadian banks were stronger. Last week, HAC produced a gain of 0.9%. HAC's underhedged U.S. dollar position decreased in value as the Canadian dollar gained 1.3% relative to the U.S. dollar.

Consumer Discretionary (FHD)

The consumer discretionary sector has continued to perform well. Investors are still banking on consumers to help support the economy.

U.S. stock market (HXS) – Increased position last week

The U.S. stock market produced a gain last week. Seasonal tendencies are supportive of the stock market at this time, especially in the second half of December. The stock market has a historical tendency to perform well in the days before and after Christmas, with this phenomenon often being referred to as the Santa Claus rally.

Canadian stock market (HXT) – Reduced position last week

Last week, the Canadian stock market was positive. HAC reduced its position in the Canadian stock market in order to increase its position in the U.S. stock market, which has a seasonal tendency to outperform the Canadian stock market in mid-December.

U.S. Materials (XLB/FHM)

The U.S. materials sector typically outperforms at this time of the year. Recently, the sector has been starting to show signs of stability.

Industrials (XLI/FHG)

The industrials sector typically outperforms at this time of the year and has a seasonal period that lasts until the end of the year. Last week, the industrials sector outperformed the U.S. stock market. The good news is that the sector has historically been one of the top performing sectors in December.



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U.S. Financials (XLF/FHF)

The U.S. financial sector typically starts its seasonal period of outperformance in mid-December. Recently, the U.S. financial sector has been performing well, largely on the perception that the U.S. Federal Reserve interest rate increase will help the sector. In addition, investors are anticipating that the proposed tax cuts in the U.S. will help stimulate economic growth which would positively impact the U.S. financial sector.

U.S. Small Caps (IWM)

The small cap sector typically starts its seasonal period in mid-December. Last week the sector was negative as investors favoured the large cap sectors, which are expected to be larger beneficiaries from the proposed U.S. tax cuts.

Please visit <http://www.horizonsetfs.com/HAC> for the complete historical performance of HAC.



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The indicated rate[s] of return on the website is [are] the historical annual compounded total return[s] including changes in [share or unit] value and reinvestment of all [dividends or distributions] and does [do] not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns.

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