QUARTERLY NEWSLETTER BY NORTHLAND WEALTH MANAGEMENT

ISSUE: FALL 2014

THE ARTISAN

Where Are We Now?

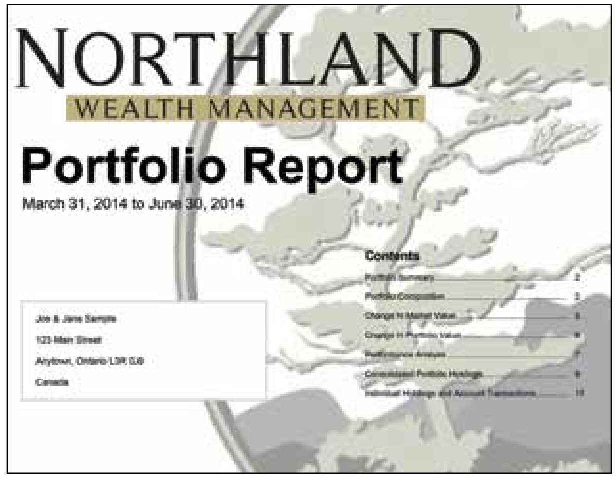
In the last six years steady progress has been made in deleveraging the world's economies. This process of debt reduction has been a slow process and is still going on.

...when an investor is far removed from others in the industry or does not have the necessary contacts, a number of negative effects can be perpetuated...

"Even in bad years, good wines are made, and even in great years terrible wines are made."

...you may believe that you have no filing requirements with the IRS because you spend more time in Canada than in the US...

NORTHLAND
WEALTH MANAGEMENT



NORTHLAND
WEALTH MANAGEMENT

Portfolio Report

March 31, 2014 to June 30, 2014

Contents

Joe & Jane Sample

123 Main Street

Canada

Welcome to the Fall Edition of Northland Wealth Management's quarterly newsletter *The Artisan*. We would like to take this opportunity to highlight our new client statements which will provide a comprehensive view of your investment portfolios across accounts and on a consolidated basis. We report on all of your investments, net of fees, both before and after the effect of cash flows. This will provide an effective tool for gauging whether you are meeting your overall wealth objectives. Included is a sample statement to allow you to become better acquainted with the new format and to obtain a better understanding of the presentation. This is a project to which we have dedicated the better part of a year, along with significant resources, to provide an industry leading report for our clients. We think you will find it of value.

Inside this edition we cover the following topics: the value of effective networking and industry relationships; our quarterly market update and outlook; a closer look at the changing landscape in Canada's west; insight on selecting an enjoyable bottle of wine; and finally some clarity on new reporting requirements for Canadians with U.S. assets.

We hope you enjoy this autumn edition and we wish you and your family all the best during this beautiful Fall season!

PERSPECTIVES

THE NEXT BEST WEST

"The Last Best West" was an advertising slogan used to attract immigration to Western Canada between the years 1896-1914. The Canadian Government took out full page ads in foreign newspapers to encourage immigration to Western Canada. Millions of settlers flooded the region during those 18 years. The recent rise of Western Canada's fortunes since 2002 has created a period of growth and change which parallels that historic era, but what are the realities for Western Canadians living through these expansionary times?

(CONTINUED ON PAGE 4)

WHAT'S NEW

ORIGINS AND UNDERSTANDING

Relationship & Network Building

We are often surprised that many investors, wealth management firms and family offices have limited networks of fellow investors and peers. When an investor is far removed from others in the industry or does not have the necessary contacts, a number of negative effects can be perpetuated. These are but a few of the drawbacks of going at it alone as an investor:

Access to new ideas and investment opportunities:

The investing landscape has been changing at an ever increasing pace. In order to obtain access to niche but timely areas of various markets, such as buying U.S. real estate at bargain valuations from distressed sellers, or purchasing private equity portfolios that need to be sold in the secondary marketplace (as the initial investor requires liquidity) at a discount, the broad but deep connections that are required can only be developed with much time and effort.

Self-Serving Bias: While it is important to be a specialist in a particular area or sector, it is almost impossible to determine whether you are providing value relative to other opportunities which may have better return versus the risks involved without a broader view and network of contacts across sectors.

Not able to see new risks - aka "the canary in a coal mine": We can all remember the period from 2007 and 2008 where lack of information flow from the credit markets made equity investors too comfortable until it was too late. Credit markets were not only weak, but were on life support and failing from the summer of 2007 onward. Firms that had connections via investments or industry contacts in this sector had a much better sense of the immediate risks within the system.

THE MARKETS

UPDATE AND OUTLOOK

Where Are We Now?

Autumn is upon us and memories of the fateful fall of 2008 resurface - the equity market collapse that signaled the beginning of the Great Recession and shook investor confidence to the core. Only in recent months did the TSX Composite Index break the 15,000 mark that was first reached in May and June of 2008. In the last six years steady progress has been made in deleveraging the world's economies. This process of debt reduction has been a slow process and is still going on. One way to calculate the potential duration of deleveraging and thus slow growth is to look back to the Great Depression which lasted for ten years. The lessons learned in the Great Depression shaped government reactions in 2008 and in the years following. Rather than cut costs and add to the slowdown, governments moved to preserve the financial system. This avoided the domino effect of failing financial companies bringing down other companies that marked the 1930s. Another major difference in this period of economic stress is the state of the corporate sector. With the exception of the financial sector and auto sector in the U.S. and Europe (not including Canada for financials) corporations in general have been able to survive and even increase earnings and dividends. Corporate balance sheets have never been stronger which has helped corporations avoid the massive layoffs that occurred during the Great Depression.

> In the last six years steady progress has been made in deleveraging the world's economies. This process of debt reduction has been a slow process and is still going on.

In the U.S. the collapse of the housing market and the resulting wave of foreclosures left the personal financial affairs of many Americans in shambles. In the intervening years U.S. personal debt has been paid down to reasonable levels helped by rising house

ORIGINS AND UNDERSTANDING
(CONTINUED FROM PAGE 2)

prices and improved employment. The U.S. debt burden because of stimulation programs has shifted to governments both state and federal. The U.S. Federal Government either directly, or through the Federal Reserve, has pumped billions of dollars into the U.S. economy. The Financial Sector, the first to be rescued, has already repaid most of the loans and more recently has been in the process of paying billions in fines for their pre-crash indiscretions. Government debt in the U.S. has continued to grow but at a slower rate as expenditures have been cut and tax revenues have increased. Low coupon rates on government borrowing has also been beneficial. With the exception of such events as Detroit's default we have not seen the wave of state and municipal defaults that were a feature of the Great Depression. However this mountain of government debt remains and will present a drag on future growth for years to come.

In Canada our financial system weathered the crash of 2008 very well and our housing sector remained untouched. Despite

Industry Involvement

Northland Wealth attended the SkyBridge Alternatives (SALT) Conference earlier this year, which is committed to facilitating balanced discussions and debates on macro-economic trends, geo-political events and alternative investment opportunities within the context of a dynamic global economy. With over 1,800 intellectual leaders, public policy officials, business professionals, and investors from over 42 countries and 6 continents, the SALT Conference provides an unmatched opportunity for attendees from around the world to connect with global leaders and network with industry peers. Needless to say, it was a great privilege to be invited to SALT as Northland Wealth Management was the only Canadian firm (outside of the Canadian pension funds) to attend this exclusive event. Known within the investment industry as the "Davos of Hedge Funds", notable participants and speakers have included President Bill Clinton, President Sarkozy, Prime Minister Tony Blair, Nouriel Roubini, David Tepper and many more, as such the SALT Conference proved to be an enlightening and informative event.

As a sponsor of The Canadian Association of Family Enterprise (CAFE), we participated at Canada's Family Business Symposium. This annual conference is the ultimate gathering of family enterprise in Canada, which consists of 2 ½ days of keynote presentations and industry workshops delivered by industry experts. This event provided a unique opportunity to connect and network with more than 300 owners, founders, management executives, academics and advisors of family businesses from across Canada as they meet to learn, share experiences and celebrate their success. Arthur Salzer, CEO, as part of the Symposium Committee, participated in the planning and organization of the event along with providing introductions to workshop presenters, highlighted with a keynote presentation from "The Wealthy Barber" David Chilton.

Representing Northland Wealth, Arthur Salzer, CEO, participated at the Opal Family Office/Private Wealth Management Forum where he led a panel of prominent fixed income and credit managers. With over 800 participants in attendance, this event explored the challenges and opportunities associated with investing in emerging markets, alternative investments, real estate, direct energy, and numerous other asset classes. It also addressed many of the softer issues related to the family office such as tax and regulation, asset protection, and philanthropy.

Identify ways to benefit your business:

The development of a strong community of peers and business partners allows us to assist, introduce, or connect clients with other clients or business partners with similar interests. The ability to share and provide valuable insight while building relationships with like-minded individuals, allows one to learn of new opportunities, source deals, or find support with people who have similar aspirations and challenges. While an initial introduction may not appear to have an immediate benefit, the value can be derived in ways that cannot be foreseen.

As a firm, Northland Wealth will continue to dedicate resources, time and effort to building our global network to benefit you, as we strive to have unparalleled access to the highest quality investment opportunities and networks to assist our clients in achieving their dreams, goals and objectives.

PERSPECTIVES:
(CONTINUED FROM PAGE 1)

Calgary, home to Northland's newest office, reflects many of the cross currents running through the economy and society out West. Surprisingly, the City recorded the largest ever increase in population in 2014, reaching 1.2 million residents, a 3.3% change from 2013. Immigration over and above the usual inter-provincial migration needed to fill jobs drove the increase. The changing demographic of Calgary is now more indicative of the Canadian cultural mosaic of Toronto and Vancouver which are rich with ethnic heritage. Among immigrants arriving in Calgary between 2001 and 2006, 78% originated from outside of Europe and North America, predominantly of south and eastern Asian descent.

The changing demographic of Calgary is now more indicative of the Canadian cultural mosaic of Toronto and Vancouver which are rich with ethnic heritage.

What hasn't changed is the economy, as Energy and Agriculture remain Western Canada's dominant industries. Relative to its 10 million inhabitants, the region is one of the world's largest net exporters of both energy and agricultural commodities. However, even this traditional "Texas hedge" of oil and agriculture faces new challenges. The polarizing debate over the extension of pipelines to carry burgeoning levels of conventional and oil sands production has created a glut of oil in the Western Canadian basin. As a result, oil shipments by rail have doubled in the last five years. Last year, these shipments ran headlong into a record Canadian wheat crop causing major storage issues for farmers and accusations of railway favoritism. Reminiscent of the 70's, the Federal government has mandated a delivery standard for the railways to clear the backlog of grain. All the while, oil and gas drilling continues at a record pace in the expectation that the environmental and transportation issues will be resolved.

(CONTINUED ON PAGE 5)

UPDATE AND OUTLOOK
(CONTINUED FROM PAGE 3)

slow economic growth since 2008 Canadian employment has already exceeded 2008 levels. There is cause for concern as Canadian personal debt levels have continued to rise. This is largely due to rising house prices that result in new homebuyers taking on significant debt. Housing remains affordable despite high prices due to historically low interest rates. This leaves many new homebuyers vulnerable to any sharp increase in interest rates. Government concern has led to a tightening of lending rules as to who can qualify for CMHC mortgage insurance.

Canadian government finances are mixed, with the Canadian Federal Government expected to soon have a surplus, while the provinces present a less buoyant picture. The western provinces, with Alberta leading the way, are in good fiscal shape. The Maritime Provinces are doing OK, but Quebec and Ontario have significant budget deficits that are likely only solvable by tax increases - so be prepared!

The Maritime Provinces are doing OK, but Quebec and Ontario have significant budget deficits that are likely only solvable by tax increases - so be prepared!

With the foregoing background, where do we go from here? First let's look at interest rates. With inflation low and economic growth sluggish, there is little pressure on central banks to raise rates. Added to this is the recent economic weakness in Europe which led to a cut in interest rates. It would appear that until growth rates increase, interest rates will remain low. Returning to our comparisons to the Great Depression, this could mean four more years of low interest rates.

At the time of this writing Canadian and U.S. equity markets are in the midst of a correction. As pointed out in our previous issue of the Artisan, equity markets were well overdue for such a decline. So far the pull back is in the 5% range, which may be enough to reduce margin borrowing to more reasonable levels and also reduce speculation. A further 5% decline would be a more convincing correction bringing equity values to more attractive levels and thus setting the stage for a good rebound. Regardless of the depth, any pull back in markets is a healthy event that brings reality back into over excited markets. We by no means think this correction, or even a period of a sideways market, spells the end of the bull market in equities. While we see a further four year period of constrained economic growth we still expect to have growth during that period. Corporations are in good financial shape and corporate profits will continue to see growth. We believe virtually all large cap dividend payers will maintain their dividends and some will even declare dividend increases.

> Regardless of the depth, any pull back in markets is a healthy event that brings reality back into over excited markets.

In the months ahead the U.S. will continue its steady but modest growth which is good news for Canada. Europe will continue to struggle but will finally provide some economic stimulus that will help avoid a return to recession. Currency movements are an increasing factor in the economic environment. The strong U.S. dollar and thus a weak Canadian dollar is a positive for Canada despite the pain it causes snowbirds and some exporters. Given the lacklustre growth potential for Europe, Japan, and perhaps China, the U.S. will continue to attract investors and the U.S. dollar will continue to be strong.

International events still have the potential to threaten markets. Russia will continue to be a risk to any neighbour with significant Russian speaking minorities. Iraq and its struggle with ISIS will continue to be a threat to world oil prices. Unrest in Hong Kong and questions as to growth potential in China could also be a future negative for equity markets. These sorts of external risks are a normal part of equity investment and should not discourage participation in equities. At Northland Wealth Management we continue to emphasize that a diversified portfolio of investments that contain a mixture of dividend-paying equities, income producing real estate and select hedge funds, create the optimal balance of risk and return in this low interest rate environment.

David Cockfield, MBA, CFA
Managing Director & Portfolio Manager

PERSPECTIVES:
(CONTINUED FROM PAGE 4)

Newly found wealth brings with it many rewards and challenges. Numerous infrastructure projects quickly implemented near the peak in 2007, and then mothballed during the depths of the financial crisis in 2008, are now finally being completed. Retail sales are booming and major retailers now consider Calgary for the launch of their flagship stores. However, retail staff shortages are still prevalent, especially in rural areas, due to enticing wages in the oilpatch, forcing retail businesses to curtail their hours of operation or close altogether. Thankfully, provincial and civic authorities have kept a lid on the crime rate while actively addressing the needs of the homeless through affordable housing initiatives. The wild times of bars and clubs on “Electric Avenue” in the Beltline have not returned. (Although they may have simply resurfaced along Edmonton’s booming Whyte Avenue) Attitudes to cyclical economic growth have changed, and there are simply more athletic and entertainment outlets for the local population culminating in the city’s designation as Canada’s Cultural Capital in 2012.

> Numerous infrastructure projects quickly implemented near the peak in 2007, and then mothballed during the depths of the financial crisis in 2008, are now finally being completed.

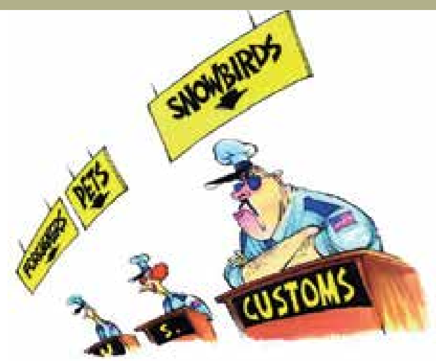
The major flooding of 2013 may yet be seen as the synthesis of the conflicting changes brought about by prosperous times. People of all backgrounds, urban and rural residents, office workers and roughnecks, worked together to repair the widespread damage. Through crisis, perhaps that unique combination of individual self reliance and community support forged in the early days of the Last Best West, has now been passed on to the next generation.

Jerry A. Olynuk, LL.B, CFP, CFA
Senior Vice-President & Portfolio Manager

SELECT UNITED STATES RESIDENCY AND REPORTING ISSUES FOR CANADIANS

Given the recent focus on reporting requirements for Canadians in relation to their US holdings, we reached out to Tim Laceby, Spence Walker and Jim Sandiford of Kreston GTA LLP to get their views on how this is affecting Canadian investors and what steps they need to take to ensure that they are compliant.

Please note the following does not apply to United States of America ("US") citizens/ green card holders.

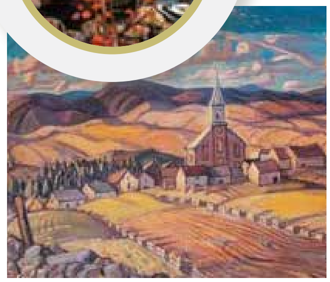


Snowbirds

If you are a Canadian resident and spend a significant amount of time in the US, you may believe that you have no filing requirements with the IRS because you spend more time in Canada than in the US. The General rule is, if during the year, you spend more than 183 days in the US, you would be considered to be a tax resident of the US. Unfortunately, the US also has a residency test called the Substantial Presence Test. The test adds the number of days you were in the US in the current year, plus 1/3 of the days you were present in the US in the prior year plus 1/6 of the days you were present in the US in the second prior year. If the total is 183 or higher, then the US generally considers you to be a US resident for income tax purposes.

(CONTINUED ON PAGE 7)

SELECTING AN ENJOYABLE BOTTLE OF WINE



Have you ever stood in a liquor store looking at row after row of wine, wondering which bottle you should purchase?

The old adage of serving white wine with white meat and red with red meat is far too simplistic. Generally we enjoy our favorite wine with our favorite food, but the key is to select wine based on the "weight" and texture of the meal. For example, heavier meals and sauces require a more robust wine to match their weight and lighter meals and sauces will require lighter and more subtle wines. Here are a few points to consider:

Matching Wine to Meals

- **Heavier** meals such as red meat or game meats (i.e. turkey) with heavy sauces, pasta with an Alfredo sauce, and dishes with lots of butter or gravy match nicely with Zinfandel, Cabernet Sauvignon, Piedmont (northern Italians), and Bordeaux blends
- **Lighter** meals such as chicken, or lightly sautéed meat, seafood and lobster or shrimp in light sauces pair nicely with Tuscan wines like Chianti, Merlot, Pinot Noir and Red Burgundy wines, California chardonnay, French whites, and Sauvignon Blancs.

- **Spicy** foods match with slightly more fruity or sweeter wines like Sancerre (France), Sauvignon Blanc (especially good from New Zealand), Gewurztraminer (Germany and California), and Pinot Grigio (Italy and California).
- When serving **chocolate**, a port wine or coffee is traditional. But chocolate also matches well with some Cabernets.
- **Sparkling wines** such as Cava (Spain), Prosecco (Italy), and regions of California can provide much of the mystique and delight of the original Champagne (France) yet offer much better value while pairing well with delicate, lightly textured foods.

Do your homework. If you want a bottle of wine for a special occasion, there are websites on which you can research the type of wine you are looking for. Winespectator.com is a good place to start. Take time to read the reviews and ratings to find a wine that will work well for the occasion.

Get assistance. Shops specializing in wine are usually knowledgeable about the wines they stock. Describe to them what kind of wine you are looking for and you should get a reliable recommendation.

Keep track of good wines you drink. Write down the name of the winery, varietal, and country of origin. If sampling wine at the tasting room of a winery, they will typically provide you an information sheet on the wines you taste – be sure to make note of your favorites.

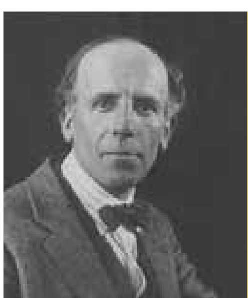
Select a wine by its rating. Stores will often post the rating of wines particularly when a wine has a high rating. A rating of 90 or more is excellent. Wine Spectator and Wine Advocate are more common rating services. Most wines are not submitted to competitions so you do miss some great wines if you only purchase wines based on their ratings.

Points to Consider

- Don't worry about vintage wines until you become more educated about wines.
- Even in bad years, good wines are made, and even in great years terrible wines are made. Always ask questions.
- Consider experimenting with a new wine. It is fun and much more interesting than drinking the same wine all the time.
- Often people select a wine because they like the label. Remember the label has absolutely nothing to do with the quality or taste of the wine.

Selecting wine is fun - there are so many wines to choose from. When exploring different wines you can learn so much about the countries and regions that produce those wines – it's like travelling the world in search of that perfect glass of wine. Enjoy your journey!

Paul Mascard
President



Saint Hilarion (photo on page 6)

By: Arthur Lismar of the Group of Seven

In the summer of 1925, Arthur Lismer traveled to the neighbouring province of Quebec, visiting Île d'Orléans, Saint-Hilarion and Baie-Saint-Paul. It was a period when the Group of Seven was garnering attention outside of Toronto and Montreal, notably showing at the prestigious Wembley exhibition in England in 1924. On an individual level, Lismer was in his final years of serving as the vice-principal at the Ontario College of Art, a position he held until 1927, and his artistic reputation was well established. This painting features Lismer's characteristic confident brush-strokes, which charmingly capture the quiet activity of the quaint town.

SELECT UNITED STATES RESIDENCY AND REPORTING ISSUES FOR CANADIANS

(CONTINUED FROM PAGE 6)

If you are deemed an income tax resident of the US, you are then liable to pay income tax in the US on your worldwide income for the year, and you may even be subject to the dreaded US estate tax on your worldwide assets. If you spend between 120 and 182 days in the US every year, you would be deemed a US resident by the Substantial Presence Test. If you are in this situation, there is an election (form 8840) that can be

filed with the IRS that notifies them that you have a closer connection to Canada than the Unites States. This form cannot be filed late. By filing this form, you would only have to file and pay income taxes in Canada.

Moving to the US from Canada

Are you considering a move to the US? Below are some of the more common income tax implications of moving and changing your income tax residency from Canada to the US.

House in Canada

When you leave Canada, there is no deemed disposition of your house for Canadian income tax purposes, unless you start to rent out the house. When you sell the house in the future there may be tax payable and there are multiple forms to be filed. You may be able to claim the house as your principal residence for the years you were living in it while a resident of Canada. This will generally result in no Canadian income tax payable on the sale of the house while you were in Canada.

(CONTINUED ON PAGE 8)

SELECT UNITED STATES RESIDENCY AND REPORTING ISSUES FOR CANADIANS

(CONTINUED FROM PAGE 7)

In general, when you sell the Canadian house, the US would tax the gain on the sale of the house using the original cost of the house. There is an election (form 8833) available under the Canada US income tax treaty to bump up the cost of the house if it was your principal residence to its fair market value when you leave Canada.

Non-registered Investments

When you leave Canada, you are deemed to have sold most of your non-registered investments for the fair market value on the date of departure and are required to pay income tax in Canada on the deemed capital gains, if any.

Generally, the US does not consider there to have been a disposition and reacquisition of the investments when you become a US resident and will tax any future gains based on the original cost of the investment. There is an election (form 8833) available under the Canada US income tax treaty to bump up the cost of the investments to their fair market value on the date of departure from Canada.

Registered Retirement Savings Plans

When you leave Canada, there is no deemed disposition of your Registered Retirement Savings Plan ("RRSP") or Registered Retirement Income Fund. ("RRIF"). Future income growth inside the plan is not taxable in Canada until funds are withdrawn. As funds are withdrawn, withholding taxes will need to be paid to the Canada Revenue Agency.

In General, the US treats an RRSP and RRIF the same as a non-registered account and because of this, the income earned in the RRSP is taxable in the US in the year it is earned. An election can be filed (form 8891) to defer taxation of the income until it is withdrawn from the plan. As there is no Canadian deemed disposition of the assets upon departure from Canada, there is no election to increase the adjusted cost base of the underlying RRSP assets to the fair market value on the date of departure. A similar result can be obtained by crystallizing/triggering any gains in the RRSP prior to leaving Canada.

To discuss your specific situation in detail, please feel free to contact your Northland Wealth representative.

PFP® CIM®

Jeff Sproul, Hon BBA, PFP, CIM
Vice President, Wealth Management & Associate Portfolio Manager

RECOMMENDED READING

Who: The A Method for Hiring

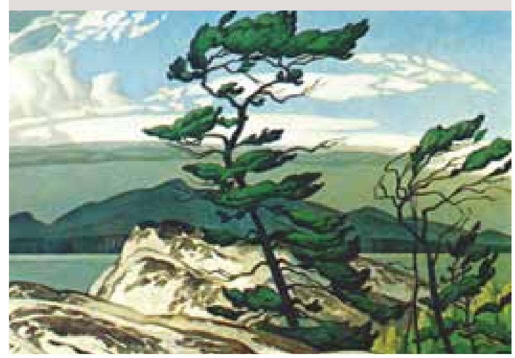
by Geoff Smart and Randy Street

Whether you're a member of a board of directors looking for a new CEO, the owner of a small business searching for the right people to make your company grow, or a parent in need of a new babysitter, it's all about Who. In business, you are who you hire. In Who, Geoff Smart and Randy Street offer simple, easy-to-follow steps that will put the right people in place for optimal success.

A Thousand Splendid Suns

by Khaled Hosseini

A moving story about two women set in Afghanistan. The book's story illustrates both the second class, serf-like treatment of two women and their subjection to physical and emotional brutality that was allowed, enabled and endorsed. We also get to see the bravery, kindness and self-resilience of these same two women. Despite the harsh reality of the story, the humanness and compassion shown by both women while trying to survive in such a brutal and oppressive environment is very uplifting.



NORTHLAND
—WEALTH MANAGEMENT—

8965 Woodbine Avenue
Markham, Ontario L3R 0J9

508 – 24 Ave S.W., Suite 300
Calgary, Alberta T2S 0K4

(888) 760-6596 (NLWM)
www.northlandwealth.com