Stock market corrections are a normal part of any cycle. Unfortunately the cause and timing of corrections are virtually impossible to predict. The trigger this time was China devaluating their currency in an attempt to boost exports and prevent a further slowdown. The result was a global equity market sell-off. Sending the S&P 500 Index down over 10% from 2015 highs, the Shanghai Index down more than 38% from 2015 highs and the TSX Composite down nearly 15% from 2015 highs. The TSX has been hit harder given it's +30% exposure to energy and mining sectors.

Although it is normal to be fearful during periods of volatility, it is never a good idea to act on these fears as you can easily miss the rebounds. Over the last 50 years, despite nearly twenty-two corrections over 10% on the S&P 500, the index has continued to make new highs. The median length and depth of these corrections has been 129 days and -18% peak to trough. It pays to stay patiently invested. We are currently on the 25th day of this correction.

We believe global central banks will take necessary actions to ensure market stability. Specifically, we believe the Fed will delay it's much anticipated rate hike to 2016. We also believe, the Chinese authorities will take further measures such as another interest rate cut and/or launch a stimulus package. The Chinese authorities have managed a number of challenges in this economy successfully. We expect that their actions will be sensible and effective in restoring growth.

Despite the recent turbulence, global economic fundamentals remain strong. According to our research, the US, the world's largest economy, continues to grow at over 2%. Auto sales are the highest in 8 years, homes sales are the highest in 10 years and the unemployment rate is lowest in 7 years. In Europe, a Greek exit was averted and bond markets have stabilized. China, the world's second largest economy, is undergoing a transition from an export lead economy to a consuming one. Its GDP growth, although slowing is still the highest in the world at over 7%.

Over the last year, LDIC has been reducing its exposure to cyclicals (mining and energy) which are strongly tied to Chinese growth. We have been increasing our exposure to the consumer discretionary, technology and healthcare sectors which are more strongly tied to the US economy. Further, our newly launched LDIC North American Small Business Fund and Healthcare Special Opportunities

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Fund remain heavily weighted to cash, 57% and 45% respectively. In recent days, we have been increasing our weighting to fixed income in our more conservative mandates and reducing small cap exposure in our more aggressive mandates.

Our core focus continues to be finding and investing in quality companies with stable earnings, strong balance sheets and regular distributions. While these companies are not immune to corrections they do recover quickly and fully.

S&P 500 Corrections & Bear Markets Since 1928

Table 1: S&P 500 Corrections & Bear Markets Since 1928*

Peak Date	Trough Date	Peak Price	Trough Price	Percent Decline	Number of Days
5/14/1928	6/12/1928	20.44	18.34	-10.3	28
9/7/1929	11/13/1929	31.92	17.66	-44.7	66
4/10/1930	6/1/1932	25.92	4.40	-83.0	771
9/7/1932	2/27/1933	9.31	5.53	-40.6	170
7/18/1933	10/21/1933	12.20	8.57	-29.8	93
2/6/1934	3/14/1935	11.82	8.06	-31.8	398
4/6/1936	4/29/1936	15.51	13.53	-12.8	23
3/6/1937	3/31/1938	18.68	8.50	-54.5	385
11/9/1938	4/8/1939	13.79	10.18	-26.2	149
10/25/1939	6/10/1940	13.21	8.99	-31.9	225
11/9/1940	4/28/1942	11.40	7.47	-34.5	529
7/14/1943	11/29/1943	12.64	10.99	-13.1	135
5/29/1946	10/9/1946	19.25	14.12	-26.6	130
2/11/1947	5/19/1947	16.14	13.77	-14.7	98
7/24/1947	2/14/1948	16.12	13.84	-14.1	200
6/15/1948	6/13/1949	17.06	13.55	-20.6	358
6/12/1950	7/17/1950	19.40	16.68	-14.0	35
1/5/1953	9/14/1953	26.66	22.71	-14.8	249
8/2/1956	2/12/1957	49.74	42.39	-14.8	190
7/15/1957	10/22/1957	49.13	38.98	-20.7	97
8/3/1959	9/28/1960	60.71	52.48	-13.6	415
1/3/1962	6/26/1962	71.13	52.32	-26.4	173
8/22/1962	10/23/1962	59.78	53.49	-10.5	61
2/9/1966	10/7/1966	94.06	73.20	-22.2	238
9/25/1967	3/5/1968	97.59	87.72	-10.1	160
11/29/1968	5/26/1970	108.37	69.29	-36.1	537
4/28/1971	11/23/1971	104.77	90.16	-13.9	205
1/11/1973	10/3/1974	120.24	62.28	-48.2	622
11/7/1974	12/6/1974	75.21	65.01	-13.6	29
7/15/1975	9/16/1975	95.61	82.09	-14.1	61
9/21/1976	3/6/1978	107.83	86.90	-19.4	525
9/12/1978	11/14/1978	106.99	92.49	-13.6	62
10/5/1979	11/7/1979	111.27	99.87	-10.2	32
2/13/1980	3/27/1980	118.44	98.22	-17.1	44
11/28/1980	8/12/1982	140.52	102.42	-27.1	614
10/10/1983	7/24/1984	172.65	147.82	-14.4	284
8/25/1987	12/4/1987	336.77	223.92	-33.5	99
7/16/1990	10/11/1990	368.95	295.46	-19.9	85
7/17/1998	8/31/1998	1186.75	957.28	-19.3	44
3/24/2000	10/9/2002	1527.46	776.76	-49.1	915
11/27/2002	3/11/2003	938.87	800.73	-14.7	104
10/9/2007	3/9/2009	1565.15	676.53	-56.8	510
4/23/2010	7/2/2010	1217.28	1022.58	-16.0	69
4/29/2011	10/3/2011	1363.61	1099.23	-19.4	154

* Corrections are declines of 10% or more. Bear markets are declines of 20% or more.
# of days includes weekends and holidays.
Source: Standard & Poor's Corporation and Haver Analytics.

Please contact the Investment Team (Michael, Genevieve, Andrew or Sacha) with any questions or comments you may have at 416-362-4141 or email info@ldic.ca