

ISSUE 13
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Investor Report

**North
American
Fund**

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SAFETY ■ STRENGTH ■ STABILITY

UTC North American Fund Investor Report

An investor should consider a fund's investment objectives, risks, charges and expenses carefully before investing. This and other important information can be found in the Fund's Prospectus. Obtain a Prospectus from our website or at any of our UTC Investment Centres and read carefully before investing.



UNIT TRUST
CORPORATION

Q4 2014 ECONOMIC OVERVIEW & OUTLOOK

UTC North American Fund Investor Report

Global Economic Themes

- Growth in 2014 was underwhelming compared to prior estimates. In October, the IMF forecast growth of 3.3% compared to their previous prediction of 3.4%. There is expected to be uneven recovery among advanced and developing economies, slow but steady growth from the world's top GDP contributors and continued willingness for accommodative monetary policies by many leading nations' central banks. There have also been increased geopolitical risks this year particularly with Russia/Ukraine and in the Middle Eastern/African region which are seemingly contained for now, and the price of oil has fallen sharply. IMF now expects growth of 3.8% this year.
- Latest economic data showed that the U.S. economy grew by 2.7% in the third quarter, following 2.6% growth in the prior quarter. The increase in economic activity was largely due to more robust private sector demand as a result of cheaper oil boosting real income and consumer sentiment, combined with a continued accommodative monetary policy. According to the IMF, the U.S. economy is projected to grow 3.6% in 2015.
- As at September 30th 2014, Canada's economy grew 2.3% y-o-y. The increase was attributed to improved manufacturing data which overshadowed the recent sharp decrease in the price of oil. Analysts expect a much more subdued trajectory for growth in 2015 if lower oil prices are sustained and are monitoring the effect of a potential U.S. Fed interest rate hike on the Canadian dollar.
- Eurozone growth was 0.8% y-o-y for Q3 2014. Despite being supported by the European Central Bank's (ECB's) monetary policy measures and an improving operational environment, the recovery in Europe is likely to continue to be dampened by high unemployment at 11.5% and slowing business activity. Euro-area inflation has been at less than half the ECB's goal of just below 2% for more than a year which further suggests some sort of central bank action going into 2015. The decline in inflation reflects a stronger fall in energy price inflation and a somewhat lower annual increase in the price for services.
- China's GDP grew 7.3% y-o-y for Q3 2014, which is above the policymakers' 7% target for 2014 but the lowest growth rate since 1990. Real estate, which drives about 20% of Chinese GDP, is still facing structural challenges. There is substantial scope for more productive investments in sustainable energy, public transport, environmental projects and other priority areas. Chinese exports are also a prospect as plunging oil prices will provide a boost. Chinese disposable income is also on the rise. At the end of November, the People's Bank of China cut benchmark deposit rates to 2.75% from 3% and benchmark lending rates to 5.6% from 6%.
- Other commodity-driven emerging economies are facing huge declines in their revenues due to the prevailing bear market for commodities. Russia recently revised its growth outlook citing the declines in energy prices. Geopolitical threats still linger and may be compounded by further declines in oil.

Q4 2014 ECONOMIC OVERVIEW & OUTLOOK

UTC North American Fund Investor Report

Equity & Fixed-Income Market Outlook & Strategy Q1 2015

- The economic performance of the U.S. economy is likely to continue to influence investor sentiment and consequently the financial markets. However, actions of the central banks will also play a role in influencing the direction of these markets.
- Management expects stocks to be influenced by corporate earnings growth versus the expansion in price/earnings multiples seen last year. It is expected that corporate earnings growth will continue at a moderate pace through the rest of the year. It is the general consensus by analysts that valuations are reasonable from a historical perspective, that stock market performance should be more or less in line with the rate of earnings growth, and that the bull market that has been taking place over the past five years has further room to run.
- The Fed has reiterated its commitment to keep the Fed Funds rate at a target of 0-0.25% until the U.S. economy's recovery is on a "satisfactory footing". The analysis would suggest that this could happen in the not-too-distant future (late 2015 to early 2016). As such, the outlook for U.S. fixed-income prices is neutral with a chance of negativity, and the maturity profile/duration of portfolios should be kept short (relative to the benchmark) to minimise interest rate risk.
- The strategy through Q1 2015, will involve a reduction in the Fund's cash position through increasing and restructuring its fixed-income allocation of the Fund. Management's tactical position for the quarter involves the acquisition of high-credit quality, liquid, corporate bonds, not exceeding 5% of fund size.

NORTH AMERICAN FUND

INVESTOR REPORT

Review of Fund Performance and Strategy

- For the year 2014, the net portfolio return was 8.58%. The fund's performance was positively impacted by its positions in top-performing sectors namely, information technology and health care, which outperformed the broad index with returns of 17.75% and 25.18% respectively.
- The bond component returned of 0.08% over the period, whilst the benchmark (Barclays U.S. Aggregate Government /Credit Index) produced a return of 6.01% over the same period. The underperformance of the bond component relative to the benchmark was as a result of maintaining a short duration of approximately 3.44 years versus the benchmark of over 10 years.
- Fund is well-positioned to perform in the short to medium-term given the overweight position in U.S. equities, as well as the reduction of cash into fixed-income.

**UTC NORTH
AMERICAN FUND**
Performance Summary
as at December 31, 2014

Cumulative Returns (%)			Annualised Returns (%)		
3-Month	Year to Date (YTD)	Since Inception	1 Year	3 Years	5 Years
3.52	8.58	116.55	8.58	24.55	21.72

Returns are average annualised total returns, except those for periods of less than one year which are cumulative.

¹ The fixed income component's benchmark, the Barclays Capital U.S. Aggregate Government/Credit Index, has a longer maturity profile than the Fund's fixed-income component, extending beyond 25 years, with approximately 55% of the portfolio in the 1 to 5 year time bucket, versus management's 5-year focus. Furthermore, management has sought to acquire securities with a credit rating of AA versus the index's credit quality ratings which goes further down the scale to the minimum of investment grade classification.

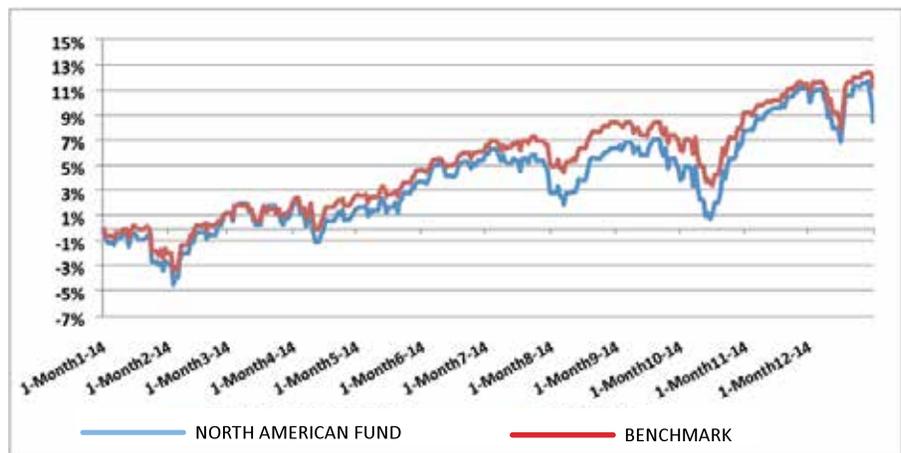
NORTH AMERICAN FUND INVESTOR REPORT

UTC NORTH AMERICAN FUND (NAF)

Benchmark Index and UTC North American Fund cumulative returns for the year to date period ended December 31, 2014

UTC NORTH AMERICAN FUND (NAF) Benchmark Index Cumulative Return - Red Line

UTC NORTH AMERICAN FUND Cumulative Return - Blue Line



* The UTC NORTH AMERICAN FUND (NAF) Benchmark comprises the S&P 500 Equity Index (70% weighting) and the Barclays Capital U.S. Aggregate Government/Credit Bond Index (30% weighting)

UTC NORTH AMERICAN FUND

Top 10 Holdings

as at December 31, 2014

Top 10 Holdings

% of Portfolio Net Assets

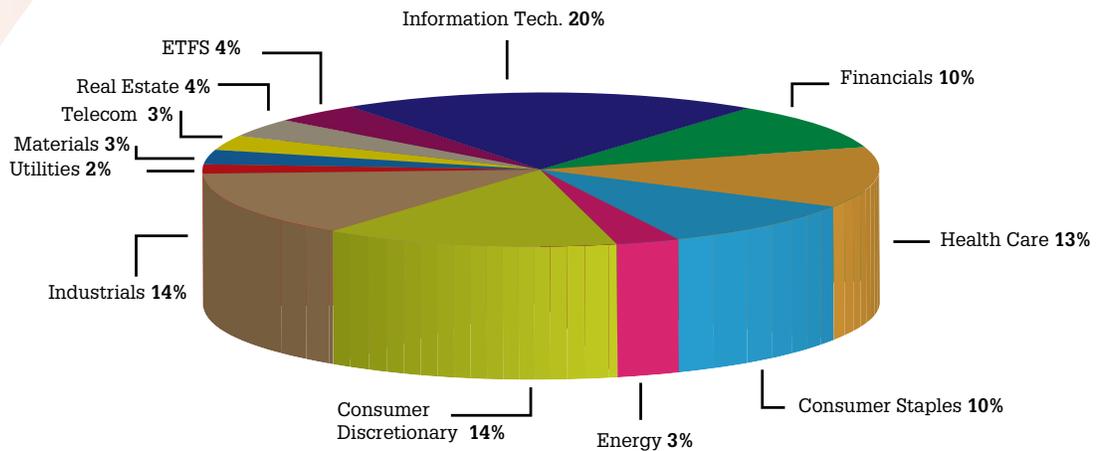
APPLE INC (AAPL)	7.37%
UNION PAC CORP (UNP)	4.86%
HUMANA INC (HUM)	4.48%
WELLS FARGO & CO (WFC)	3.38%
TJX COS INC (TJX)	3.21%
3M CO (MMM)	2.90%
NOVARTIS AG (NVS)	2.82%
FASTENAL CO (FAST)	2.53%
TE CONNECTIVITY LTD. (TEL)	2.19%
TRUSTEES OF PRINCETON UNIV	2.17%
Total Top 10 Holdings	35.91%

NORTH AMERICAN FUND INVESTOR REPORT

UTC NORTH AMERICAN FUND

Equity Sector Mix

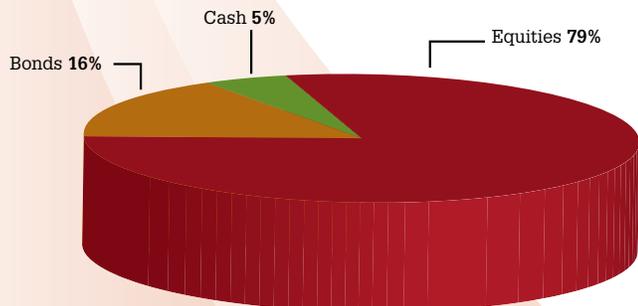
as at December 31, 2014



UTC NORTH AMERICAN FUND

Asset Allocation

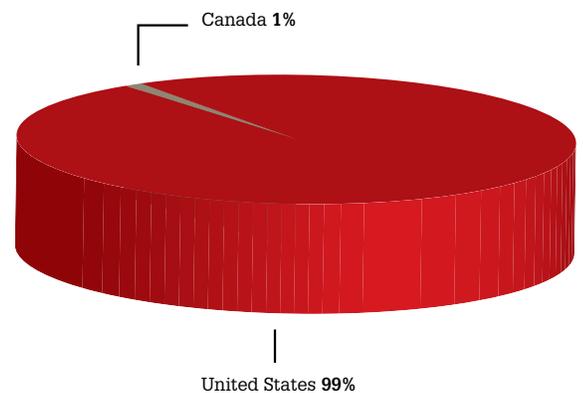
as at December 31, 2014



UTC NORTH AMERICAN FUND

Country Mix

as at December 31, 2014



NORTH AMERICAN FUND

INVESTOR REPORT

Glossary of Terms

Asset Allocation – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward trade-off based on an individual's or institution's specific situation and goals.

Benchmark – A standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

Commodity – A physical substance, such as food, grains, and metals, which is interchangeable with another product of the same type, and which investors buy or sell, usually through future contracts on an exchange. The price of the commodity is subject to supply and demand.

Duration – The measurement of how long, in years, it takes for the price of a bond to be repaid by its internal cash flows.

Economy – Encompasses everything related to production and consumption of goods and services in a particular geographic region.

Economic growth – An increase in the level of production of goods and services by a country over a certain period of time. Economic growth is usually brought about by technological innovation and positive external forces.

Economic slowdown – A decrease in economic growth, especially one that follows a period of robust growth.

Equity or stock – Ownership interest in a corporation in the form of common stock or preferred stock.

Equity or stock market – General term for the organized trading of stocks through exchanges and over the counter.

Fixed-Income security – A security that pays a specific interest rate, such as a bond or money market instrument.

Fixed-Income market – Financial market where securities that yield fixed-income (bonds and treasury bills) are bought and sold.

Gross Domestic Product (GDP) – The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Inflation – The rate at which the general level of prices for goods and services are rising, and, subsequently, purchasing power is falling.

ISM Non-Manufacturing Index – An index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the United States, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data.

Headline inflation – The raw inflation figure as reported through the Consumer Price Index (CPI) that is released monthly by the Bureau of Labor Statistics. The CPI calculates the cost to purchase a fixed basket of goods as a way of determining how much inflation is occurring in the broad economy.

Core inflation – A measure of inflation that excludes certain items such as food and energy prices, which face volatile price movements. Core inflation eliminates products that can have temporary price shocks because these shocks can diverge from the overall trend of inflation and give a false measure of inflation.

Industrial production – This economic indicator measures the amount of output from the manufacturing, mining, electric and gas industries.

Leading economic indicators – Economic data, usually of macroeconomic scale, that is used by investors to interpret current or future investment possibilities and judge the overall health of an economy.

Sources: Investopedia.com, Investorwords.com, BusinessDictionary.com, Thefreedictionary.com

