

ISSUE 20
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Investor Report

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**North
American
Fund**

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

Q3 2016 ECONOMIC OVERVIEW & OUTLOOK

UTC North American Fund Investor Report

Global Economic Themes

- In July, the IMF lowered its expectation for global growth in 2016 from 3.2% to 3.1% as Britain's exit from the European Union (EU) as well as other geopolitical events continue to weigh on economic growth. A similar one basis point cut was made to its 2017 forecast which now stands at 3.4%. Other than the EU, growth will also be muted in Japan as the strengthening yen continues to weigh on Japanese exports.
- Early estimates indicate that US growth will be less than expected in the third quarter. Analysts had been predicting 2.9% growth but are now forecasting 2.8% as the consumer continues to weigh on economic growth. There were falls in both Retail Sales and Industrial Production numbers in August and inventories were little changed. The unsure economic environment has prevented the US Fed from raising rates during the third quarter.
- Canada is likely to come out of a very weak second quarter and record a 3.7% growth in GDP for third quarter 2016. The stabilization in the price of the oil, low borrowing rates and fiscal stimulus is expected to drive the economy forward.
- In the Euro Area, momentum for third quarter growth likely slowed as industrial output fell. This measure is key for the region as it affects job growth. Additionally, 'Brexit' fallouts are expected to further hamper growth prospects going forward.
- China's GDP is likely to expand at around 6.3% for the third quarter as August indicators indicate better incoming economic data. Both Retail Sales and Industrial Production showed signs of improvement. There have also been signs of stabilization in the residential housing market. Analysts believe that the People's Bank of China (PBOC) will lower its benchmark rate in the first quarter of 2017.

Q3 2016 ECONOMIC OVERVIEW & OUTLOOK

UTC North American Fund Investor Report

Equity & Fixed Income Market Outlook & Strategy Q4 2016

- In the fourth quarter, we expect that there will be some upside for global economic growth prospects which will be coupled with greater market volatility. With US equities seeing highs this past quarter, there is also an expected rebound for emerging markets.
- With the anticipation of a volatile final quarter of 2016, market events are likely to include, not exhaustively: the US Presidential election, a likely referendum in Italy, further political fallout in the EU and the tightening in US Monetary Policy. Brexit has continued to put the British pound at risk, while the US dollar is expected to contest what were previously thought of as highs. Therefore, equity markets are expected to increase in volatility during the quarter.

The reports emanating out of the US Labour Department as at September 2016 illustrated modest job growth as well as an increase in the wage rate. Non-farm employment grew by an adjusted figure of 156,000 which is a deceleration over the growth rate since May 2016. Unemployment increased fractionally by a tenth of a percent to roughly 5.0%

- For the 3Q2016, the US equity market was positive - particularly in July and August, as three major indices hit new all-time highs several times. This rally was spurred by better-than-anticipated earnings reports,

higher-trending oil prices and a relaxed Fed monetary policy. Indeed, as at close of September 2016, most major sectors, including Energy, Utilities, Technology, Industrials, Consumer Staples, Healthcare and Financial Services are up Year to Date (TDT). The poorest of these performances are being generated by the "Defensive" Sectors, i.e. Utilities and Consumer Staples.

- While US equities continue to perform, speculation remains high around the Fed Funds rate. Though the US Federal Reserve had initially hinted at three to four rate hikes in 2016 – through September 2016 – it has failed to act. Speculation throughout the quarter has been rife as the Fed has seemed both to vacillate between hawkish and dovish positions at various times throughout Q3. The most recent quarterly report indicated that the Fed felt a rate hike was "imminent." However, the September FOMC meeting saw no change being made to the short-term rate.
- The management team continues to pursue the acquisition of high credit quality, liquid, US corporate bonds which will assist in performance in the short to medium term. The team will also be managing a small portion of the US equity portfolio using a top-down approach through 4Q16 whilst continuing to utilise a subadvisor for the balance of the equity holding.

NORTH AMERICAN FUND INVESTOR REPORT

Review of Fund Performance and Strategy

For the YTD period to September 2016, the Fund's Net Return was 3.71%. Despite a healthy performance by US equities YTD – the portfolio experienced a significant level of underperformance from the financial sector which is represented by four of the top 10 holdings: Wells Fargo & Co New -18.54%; Bank America Corp -7.01%; General Electric Co -1.47%; and JP Morgan Chase & Co -0.91%. Collectively, these equities represent 13.57% of Fund size.

In September, the NAF posted healthy gains in the following equities, which signals a departure from the

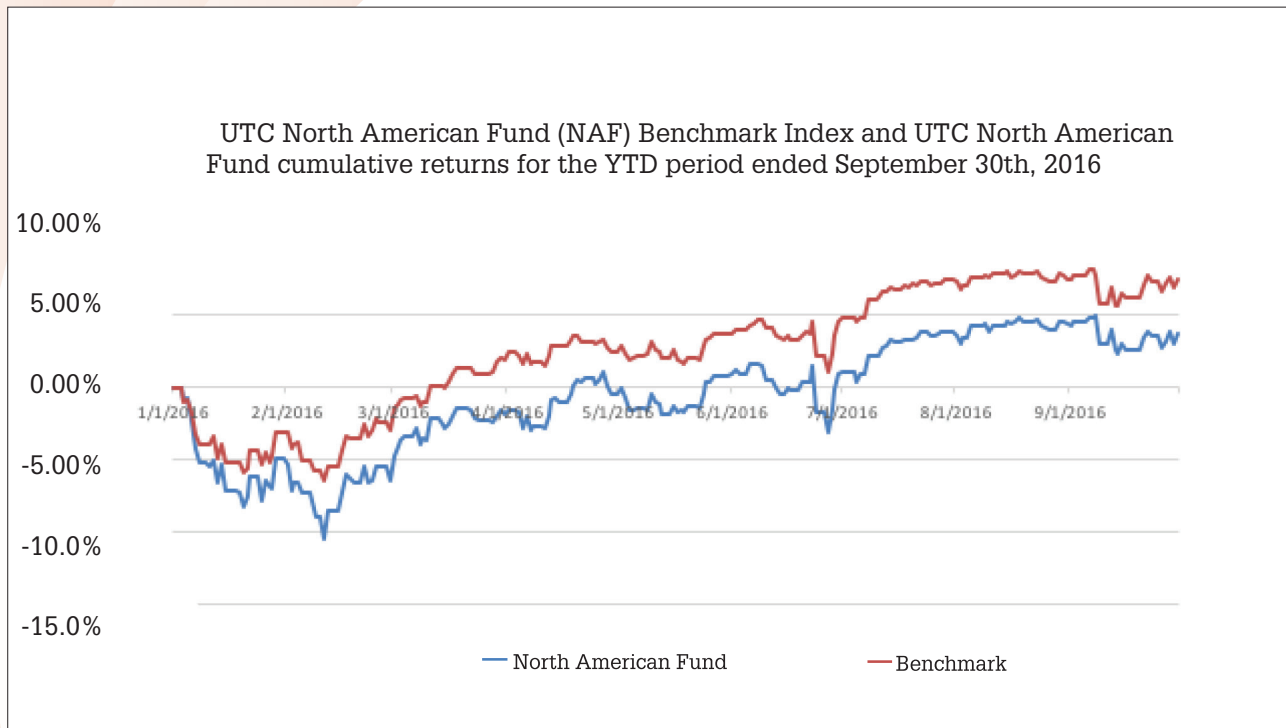
swell in the Energy Sector we had noted for the past two quarters: Reynolds American Inc. 94.66%; Firstenergy Corp 60.41%; Apache Corp 43.62%; Procter and Gamble Co 37.04%; Conocophillips 29.38%; and TE Connectivity Ltd 24.72%. For the YTD period, we note that Health Care continues to lag as represented by Vertex Pharmaceuticals at -30.69% and Allergan PLC -26.30%.

During the fourth quarter, the NAF will hold its current strategic asset allocation of 80% in equity securities and 19% in fixed income instruments.

**UTC NORTH
AMERICAN FUND**
Performance Summary
as at September 30th, 2016

Cumulative Returns (%)		Annualised Returns (%)		
3-Month	Year to Date (YTD)	1 Year	3 Years	5 Years
2.67	3.71	-2.63	4.81	4.45

NORTH AMERICAN FUND INVESTOR REPORT



NORTH AMERICAN FUND INVESTOR REPORT

UTC North American Fund

Top 10 Holdings

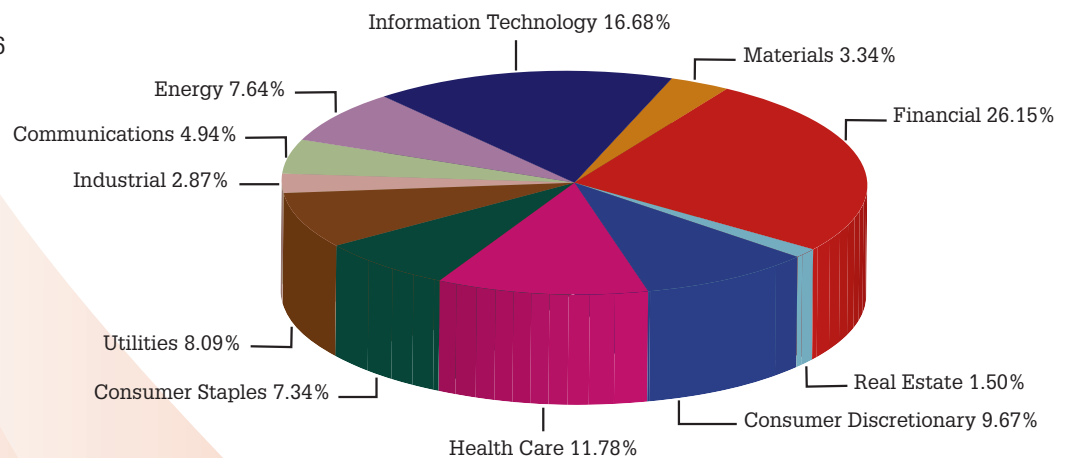
as at September 30th, 2016

	% Fund Size	YTD Return
ISHARES TR GOV/CRED BD ETF	4.33%	4.97%
WELLS FARGO & CO NEW	3.79%	-18.54%
BANK AMER CORP	3.69%	-7.01%
GENERAL ELECTRIC CO	3.55%	-1.47%
VERIZON COMMUNICATIONS INC	3.27%	12.46%
JPMORGAN CHASE & CO.	2.53%	-0.91%
EXXONMOBIL CORP	2.35%	4.25%
ISHARES TR IBOXX INV CP ETF	2.32%	8.04%
ISHARES CORE US CREDIT BOND	2.06%	6.65%
PROCTER AND GAMBLE CO	1.91%	37.04%

UTC North American Fund

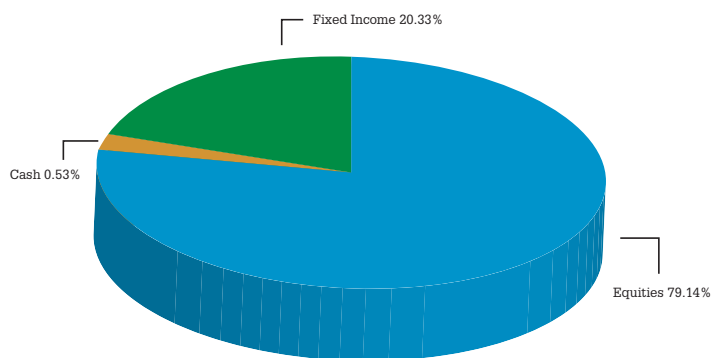
Equity Sector Mix

as at September 30th, 2016

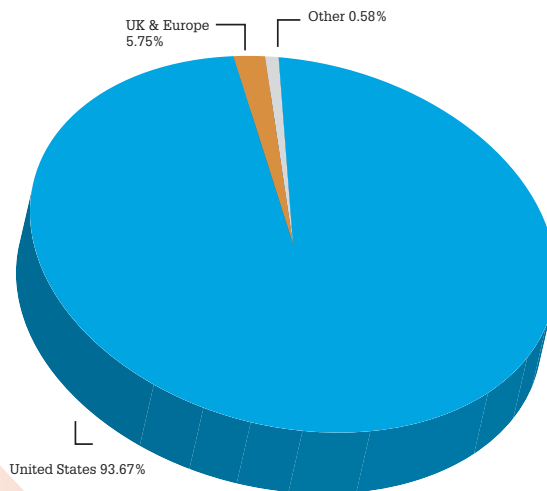


NORTH AMERICAN FUND INVESTOR REPORT

UTC North American Fund Asset Allocation as at September 30th, 2016



UTC North American Fund Country Mix as at September 30th, 2016



Glossary of Terms

Asset Allocation – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimise 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 indices 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 futures 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 the 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 organised 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 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 Labour 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