

ISSUE 17
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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

Q4 2015 ECONOMIC OVERVIEW & OUTLOOK

UTC North American Fund Investor Report

Global Economic Themes

- According to the International Monetary Fund (IMF), global growth continues to be challenged going forward. During 2015, there were several geo-political events, a continued depressed environment for commodity prices and divergent interest rate policies – with the US Fed finally hiking its benchmark rate. In its October 2015 report, the IMF projected global growth for 2015 to be 3.1%, 0.3% lower than in 2014. IMF Chief, Christine Lagarde warned that emerging market companies with debt in US dollars and revenue in local currencies could struggle as the US Fed begins a series of interest rate increases. In January 2016, global growth is projected to increase by 3.4% for 2016.
 - US Gross Domestic Product (GDP) is projected to have grown by 2.1% quarter-on-quarter (q-o-q) in Q4 2015, after growing 2.0% in Q3 2015. In previous quarters, the economy was provided buoyancy by a resurgence in consumer spending, particularly in housing and in the retail space. It seems that the precipitous fall in commodity prices was not able to spur the expectant jump in retail sales which were affected by warmer weather across the United States during Q4. Additionally, manufacturing and construction data disappointed analysts. On the back of continued positive employment data, the US Fed took the decision to raise its benchmark interest rate in December to 0.25% to 0.50%. Analysts expect another interest rate hike in March 2016. US GDP is expected to be 2.5% for 2015.
 - Canada's GDP is expected to have grown by 1.1% q-o-q in Q4 2015, after growing 2.3% in Q3 2015.
- For the first half of 2015, Canada was in a recession caused by the sharp fall in oil prices. Growth in the fourth quarter appears to be similarly dismal even as the Bank of Canada twice cut interest rates this year in an effort to provide support to the economy. The Canadian economy was also negatively impacted by sub-par performances in the manufacturing, construction and retail sectors. Canada's 2015 GDP growth is expected to be 1.2%.
- After growing by 0.3% q-o-q in Q3 2015, analysts are projecting a strong end to the year for the Eurozone area. Preliminary estimates show that the Eurozone's Manufacturing Purchasing Managers' Index (PMI) rose to 53.1 in December from 52.8 a month before. This was not only well ahead of consensus but also constituted a 20-month high. Surveys now expect a 0.4% GDP growth in Q4 suggesting that the region may have grown by as much as 1.5% in 2015. Notably, the ECB confirmed the extension of its quantitative easing programme to March 2017.
 - China's GDP for 2015 is expected to be 6.9% which is lower than the official target of 7.0%, indicating a very disappointing fourth quarter performance. Ongoing stimulus measures failed to prevent the impact of lower investment and export in China – two major drivers of growth, despite a rise in consumer spending.
 - Other commodity driven emerging economies continue to suffer against the backdrop of lower commodity prices and subdued domestic demand.

Q4 2015 ECONOMIC OVERVIEW & OUTLOOK

UTC North American Fund Investor Report

Equity & Fixed Income Market Outlook & Strategy Q1 2016

- Global growth faces challenges. The IMF highlighted that ongoing problems with China's economic rebalancing, the huge fall in global commodity prices and rising US interest rates can seriously hamper global growth efforts. The IMF revisions in January 2016, show global growth of 3.4% in 2016 (down from 3.6% in October) and 3.6 % in 2017 (down from 3.8% in October).
- Initial jobless claims, a proxy for layoffs across the US, rose to a seasonally adjusted 284,000 in the week ended January 9th 2016. The rise could reflect layoffs at retailers, warehouse distribution centres and other holiday-related jobs, although the data is adjusted for seasonal variations. Unusually warm weather in December also boosted job gains in construction, which could reverse as winter kicks in. December's jobs report also showed more than 34,000 jobs added in temporary help services.
- US consumer prices unexpectedly fell in December as the cost of energy goods dropped and services rose moderately, a trend that, if sustained, suggests inflation could be slow to rise toward the Federal Reserve's target. The Labour Department said its Consumer Price Index slipped 0.1% after being unchanged in November. Despite the drop last month, the CPI increased 0.7% in the 12 months through December, the biggest increase in a year but still well below the Fed 2% target.
- Following the acquisition of liquid, high credit quality corporate bonds, Management believes the Fund is now well positioned to perform in the short to medium term. The strategy through 2016 will involve holding the Fund's current fixed income positions.
- Goldman Sachs has been selected as a sub-advisor to manage the Fund's equity component. The sub-advisor's investment process is based on a bottom-up stock selection approach focused on undervalued companies that are innovators with differentiated products, have low-cost structures, or ones that have been investing in their own businesses and are poised to gain market share. The discipline employed is the identification of companies with strong or improving balance sheets, led by quality management teams, trading at discounted valuations, and remain focused on the long-term outperformance of the portfolio.

NORTH AMERICAN FUND INVESTOR REPORT

Review of Fund Performance and Strategy

For the year ended December 31st 2015, the UTC North American Fund posted a gross return of -1.40%, compared to the blended index benchmark return of 1.01%, therefore the Fund underperformed its benchmark by 2.41%. The Fund's equity component benchmark, the S&P 500 Total Return Index, generated a return of 1.37% while the fixed income component's benchmark, the Barclays US Aggregate Government/Credit Bond Index, returned 0.15%. The Fund's fixed income component, returned 0.39%, 24 bps greater than its benchmark's return of 0.15%, while the Fund's equity component, returned -1.91% underperforming its benchmark return, the S&P 500 Total Return Index, of 1.37% by -3.28%.

Net Total Return of the Fund for the period under review was -3.71%, the Portfolio Price Return was -24.38%. The price calculation and the decline was due to a significant dividend payout that the Fund was required to make in December 2015. The rebalancing exercise undertaken on the equity portion of the portfolio in July 2015 by the newly appointed equity sub-investment advisor Goldman Sachs Asset Management, resulted in large capital gains that had to be paid out as a distribution. This resulted in a much lower unit price of the NAV after the payout.

The price of the UTC NAF declined from \$11.47 at the close of business on December 29th 2015 to \$9.03 at the start of business on December 30th 2015. This was as a result of a dividend payment of \$2.44 per share, as a result of large capital gains experienced during a portfolio rebalancing exercise. Investors in the Fund either received cash dividends or their dividends were automatically reinvested in additional units at the price of \$9.03.

For example, if you owned 1,000 units on December 29th at a price of 11.47 (total value \$11,470) then on the December 30th 2015 the investor would now own 1,270 units at 9.03 (same total value of \$11,470) at the start of the day.

	# of Units	Price	Value
29-Dec-15	1,000.00	11.47	11,470.00
30-Dec-15	1,270.81	9.03	11,470.00

In July 2015, the Fund was rebalanced by the newly appointed sub-investment advisor, Goldman Sachs Asset Management. Significant capitalised gains were realised as a result of the rebalancing and under US SEC requirements, mutual funds are required to distribute all capital gains.

So while the NAV declined from \$11.47 to \$8.94 on the close of business on December 30th 2015, the overall value of an investment only declined by the day's price movement of \$0.09 per share, since investors in the Fund received additional units equivalent the \$2.44 per share distribution, as outlined above.

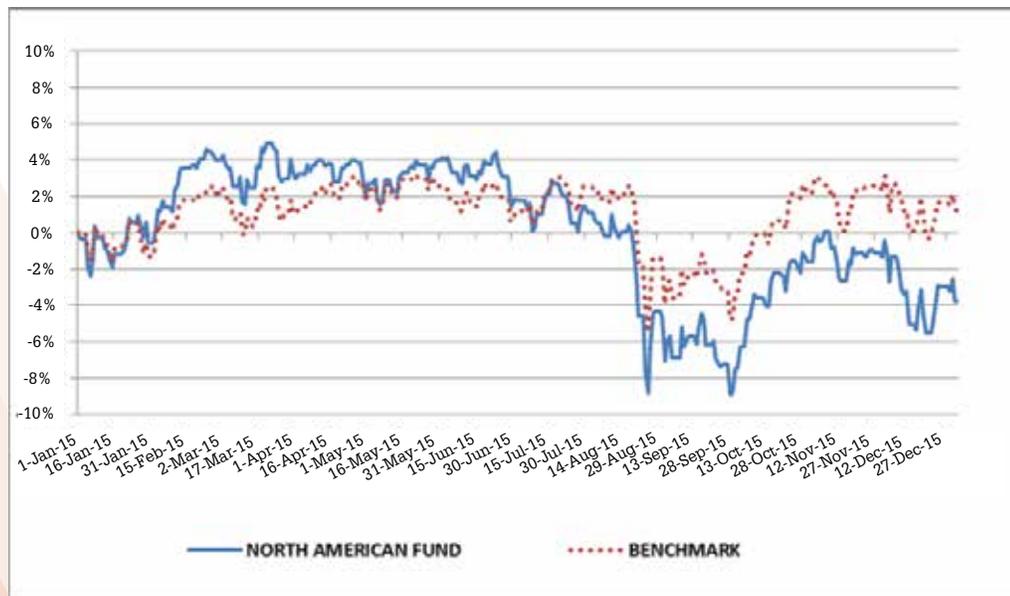
Management continues to closely monitor the International Equity portion of the Fund, in keeping with our view that US equity markets are likely encounter challenging times in 2016. Management will also capitalise on opportunities in the International Fixed Income arena, on the shorter end of the curve and with a focus on US Corporates.

NORTH AMERICAN FUND INVESTOR REPORT

**UTC NORTH
AMERICAN FUND**
Performance Summary
as at December 31st, 2015

Cumulative Returns (%)			Annualised Returns (%)		
3-Month	Year to Date (YTD)	Since Inception	1 Year	3 Years	5 Years
4.07	-3.71	108.51	-3.71	6.91	4.58

**UTC North American Fund (NAF) Benchmark Index and
UTC North American Fund cumulative returns for the
year to date period ended December 31st, 2015**



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

NORTH AMERICAN FUND INVESTOR REPORT

UTC NORTH AMERICAN FUND

Top 10 Holdings

as at December 31st, 2015

Top 10 Holdings

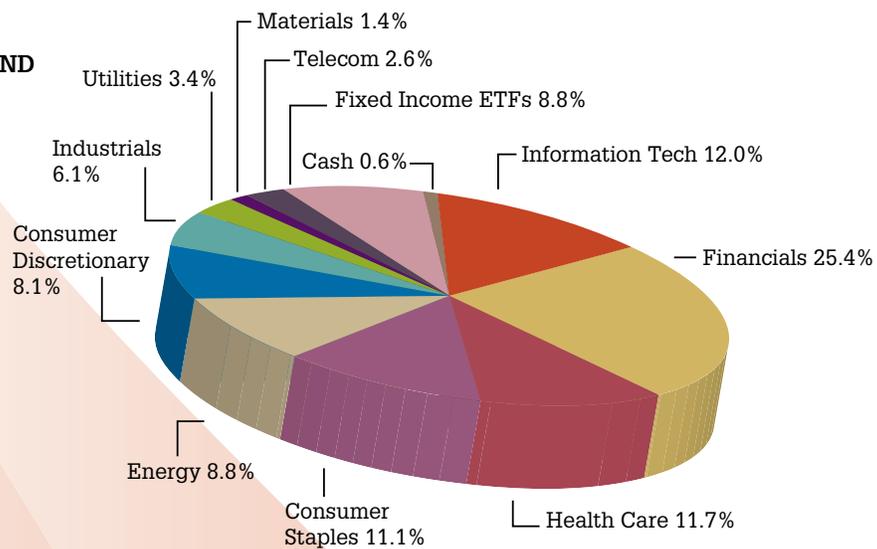
% of Portfolio Net Assets

ISHARES CORE US CREDIT BOND (CRED)	4.68%
ISHARES TR IBOXX INV CP ETF	4.11%
EXXON MOBIL CORP	3.06%
BANK AMER CORP.	3.06%
GENERAL ELECTRIC CO	2.92%
JPMORGAN CHASE & CO.	2.89%
PFIZER INC	2.67%
AT&T INC	2.64%
PRUDENTIAL FINL INC	2.60%
E M C CORP MASS	2.24%

UTC NORTH AMERICAN FUND

Equity Sector Mix

as at December 31st, 2015

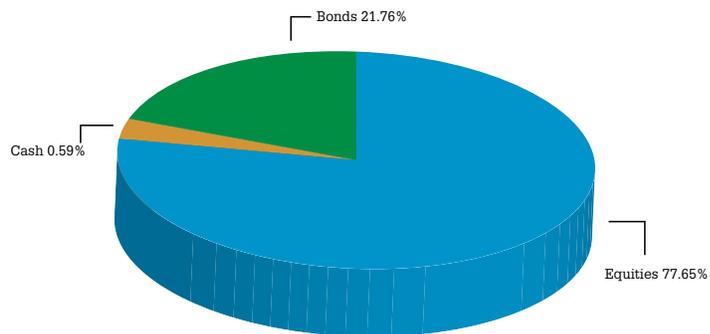


NORTH AMERICAN FUND INVESTOR REPORT

UTC NORTH AMERICAN FUND

Asset Allocation

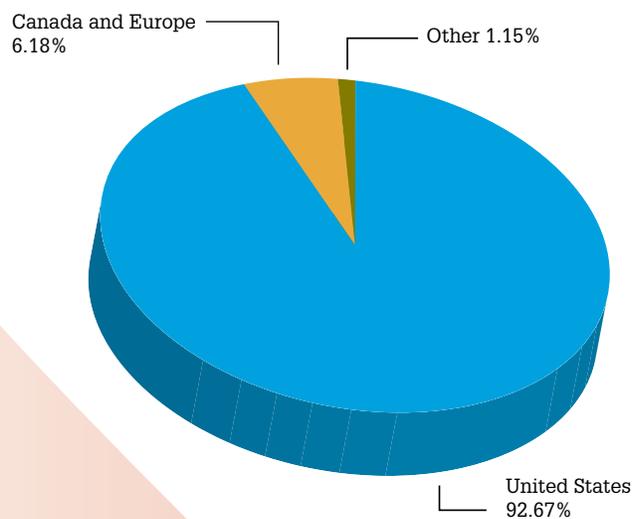
as at December 31st, 2015



UTC NORTH AMERICAN FUND

Country Mix

as at December 31st, 2015



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 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 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 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, Business Dictionary.com, Thefreedictionary.com