Thackray Market Letter

— Know Your Buy & Sells a Month in Advance —

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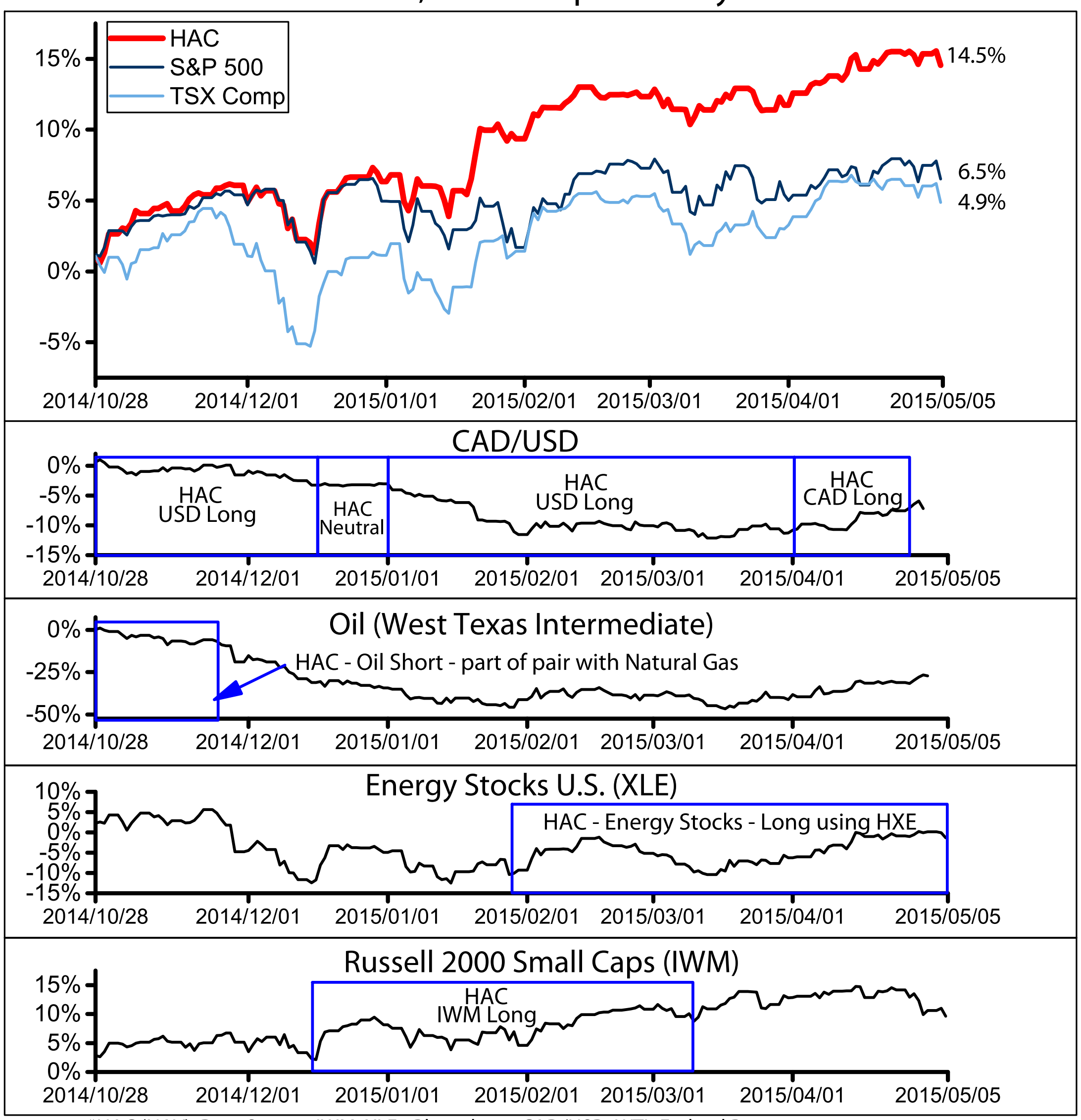
Favorable Six Month Seasonal Period Update

Given that the S&P 500 is currently at the top end of its trading range between 2000 to just above 2100 (same as last month), I have decided to use the first page of the newsletter to illustrate HAC's strong outperformance in the last six month favorable period for stocks along with some key investments. Technical commentary to follow.

6 Month Favorable Period for Stocks (Oct 28 to May 5) Performance

HAC vs. S&P 500, TSX Comp. and Key Sectors*

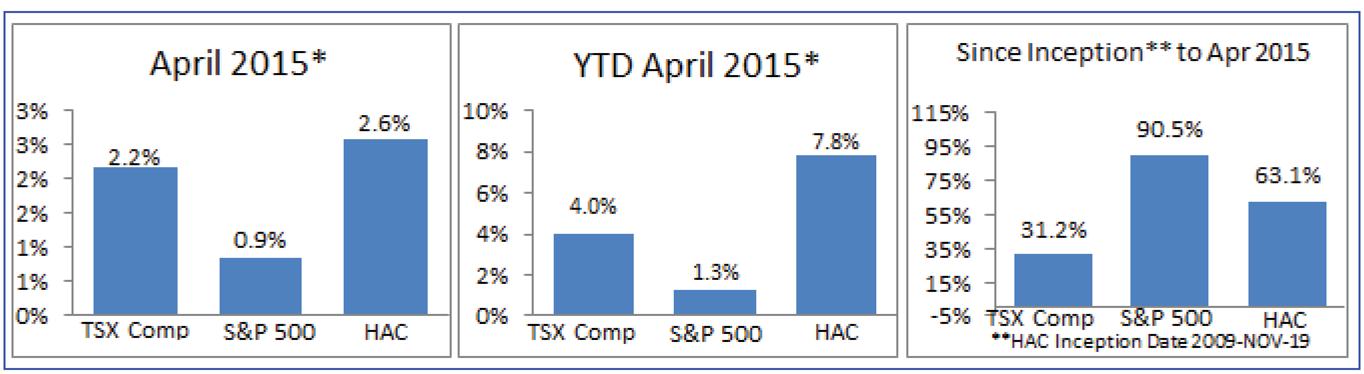


*HAC (NAV), Data Source: IWM, XLE - Bloomberg, CAD/USD, WTI -Federal Reserve

Horizons Seasonal Rotation ETF (HAC :TSX)
Portfolio Exposure as of **April 30**, 2015

Symbol	Holdings	% of NAV
	Canadian Dollar Exposed Assets	
	Equities	
HXU	Horizons BetaPro S&P/TSX 60 Bull+ ETF	9.9%
HXE	Horizons S&P/TSX Capped Energy Index ETF	9.9%
HXF	Horizons S&P/TSX Capped Financials Index ETF	7.7%
HUN	Horizons NYMEX® Natural Gas ETF	4.9%
	United States Dollar Exposed Assets	
	Equities	
HXS	Horizons S&P 500® Index ETF	38.4%
XLP	Consumer Staples Select Sector SPDR Fund	9.8%
EFA	iShares MSCI EAFE ETF	9.5%
HQU	Horizons BetaPro NASDAQ 100® Bull+ ETF	9.5%
XHB	SPDR S&P Homebuilders ETF	-4.7%
	US Dollar Forwards (May 2015) - Currency Hedge **	3.3%
	Cash, Cash Equivalents, Margin & Other	1.8%
	Total (NAV $118,916,583)	100.0%

*** Reflects gain / loss on currency hedge (Notional exposure equals 77.8% of current NAV)*



* Source: Bloomberg, HAC based upon NAV

The objective of HAC is long-term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. The Thackray Market Letter is for educational purposes and is meant to demonstrate the advantages of seasonal investing by describing many of the trades and strategies in HAC.

HAC has outperformed the S&P 500 and the TSX Composite fairly consistently over the last six month favorable period for stocks (October 28th to May 5th). The graphs on page one, only show some of the key market drivers and do not include all of HAC's investments.

HAC performance relative to the S&P 500 and TSX Composite

In the autumn of 2014, HAC performed well with its focus on the S&P 500 rather than the TSX Composite. Typically, the S&P 500 has outperformed the TSX Composite in autumn. There are a number of reasons for the weaker performance of the TSX Composite at this time, including the seasonal underpeformance of energy stocks.

HAC's performance started to ramp up in December as a number of its seasonal investments started to outperform, including small caps. A little bit later, the U.S. dollar started to strengthen, giving a further boost to HAC. A number of other sectors (not shown) also helped to contribute to strong performance, such as the consumer discretionary sector.

Later, in 2015, despite its volatility, the energy sector helped to contribute positive performance to HAC.

CAD/USD

HAC was fairly active in making currency adjustments in the favorable six month period for stocks. At the start of the period, HAC was already long the U.S. dollar relative to a currency neutral position. The U.S. dollar followed its seasonal trend of outperforming the Canadian dollar. The success of the trade was mainly driven by the price of energy falling rapidly.

In mid-December, HAC exited its long U.S. dollar position and went to a currency neutral position. This trade was executed as the Canadian dollar tends to outperform in the second half of December. The end result of trade adjustment was that HAC did not give up any ground on the previously strengthening U.S. dollar. At the beginning of January, HAC once again took on a long position in the U.S.dollar, as the U.S. dollar tends to strengthen in January.

At the beginning of April, HAC profited by flipping its currency trade and taking on a long position in the Canadian dollar, based upon seasonal trends. For more information on this seasonal trade, see, www.alphamountain.com, Thackray Seasonal Trade, or http://bit.ly/1IruH9m.

Oil West Texas Intermediate

At the beginning of the six month unfavorable seasonal period for stocks, HAC already had a short sell position in oil, paired with a long position in natural gas. This pair trade was once again successful, as it has been so often in the past. Towards the end of November, HAC exited the short position in oil, as the seasonal justification started to weaken at this point.

Overall, the trade was successful. Obviously, it would have been better to remain short oil into January, but there has to be a seasonal justification to do so. Sometimes HAC will hang on to a position past its seasonal end date, if the position has strong momentum. But there has to be seasonal justification. In other words, a strong countervailing seasonal trend should not exist at the time.

Energy Stocks U.S.

The first page illustrates the performance of U.S. energy stocks. A U.S. ETF was chosen as it eliminates the currency effect relative to the Canadian dollar.

Broadly, energy stocks tend to have a strong performance from February 25th to May 9th. Energy stocks can start their seasonal run early, and based on technical strength, HAC started to enter energy positions in late January using Horizons S&P/TSX Capped Energy ETF (HXE). At the time there were calls for oil to fall as low as $20. Everyone seemed to be negative on oil.

Initially, HAC profited from its energy position, but patience was tried in February and early-March. The energy sector resumed its upward trend in the second half of March and into April. Overall, the energy sector performed well for HAC.

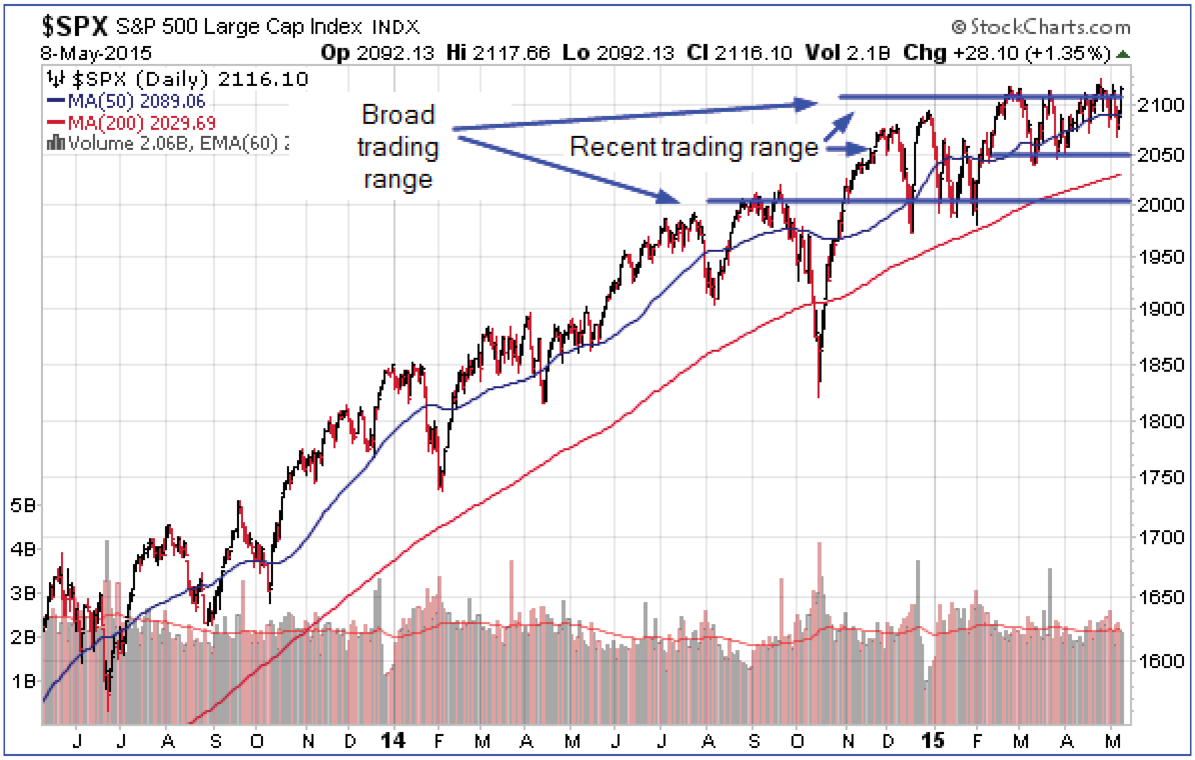
Russell 2000 Small Caps (IWM)

The seasonal period for small caps to outperform large caps starts in mid-December and ends on March 7th. This seasonal trade has worked out quite well over the last few years and HAC entered into a fairly large position for this year's seasonal period. Once again, the seasonal trade was successful as investors increased their risk appetite. Investors also favored small caps because of the reduced exposure to foreign exchange impacts compared with large caps. As a result, small caps started to outperform in December, ahead of January earnings season.

Technical Commentary

Over the last few months I have been commenting on how the S&P 500 has been trading in a range of 2000 to just above 2100. Since February, the range has tightened up at the bottom end to 2050, which is positive for the markets.

There is a saying in the technical analysis world, "the lon-



ger the base, the greater the case." In other words, when the S&P 500 is able to break out decisively, it will have support to keep its momentum moving in the same direction.

Nevertheless, we have entered the six month unfavorable period for stocks and the risk-reward relationship favors being conservative. It is possible that a rally may ensue from here, but there are risks in trying to follow it up.

At the beginning of the six month unfavorable season for stocks, HAC moved into a conservative position, selling off a large portion of its equities, as described in Brooke Thackray's BNN Market Call Tonight appearance on May 5th (http://t.co/YysmRoo58G)

HAC prefers to look for seasonal opportunities in different sectors and will invest for short periods of time into broad market positions such as the S&P 500 when it is seasonally justified.

Seasonal Map for the next six months

The following is a summary of possible seasonal trades over in the next six months. It is not an exhaustive list.

Consumer staples– Expensive, but worth it

Over the years, I have advocated the Consumer Switch trade, investing in the consumer discretionary sector for the six months from October 28th to April 22nd and then flipping the trade to the consumer staples sector for the next six months. The rationale behind the switch trade is that during the six month unfavorable period for stocks, consumers favor more defensive sectors such as the consumer staples sector.

Currently, the sector is expensive, supporting a P/E ratio of 20. A lot of investors will claim that it is too expensive for a slow growth sector. What they are missing is that investors are willing to pay a premium for the defensive characteristics of the consumer staples sector during volatile times. Investors should know that despite its seasonal attractiveness, if the stock market has a major correction, the consumer staples sector would be expected to correct as well, but not by as much.

Through its ups and downs during the six month favorable period for stocks, the consumer staples sector has performed at market and like the market, has been in a trading range since last November.

At the end of April, HAC held a position in Consumer Staples Select Sector SPDR Fund (XLP).

Health Care– Strong run already may delay entry

The health care sector has performed very well over the last couple of years as the result of macro events unrelated to seasonal trends, mainly the mergers and acquisitions that have occurred in the sector. As a result, the health care sector valuations have become stretched and it is possible that the entry date may be delayed past its seasonal optimal date of August 15th. It is something that has to be considered in the future.

On average, the health care sector has been the top performing major sector in the month of June from 1990 to 2013. In this time period, it has produced an average gain 0.4% and has beaten the S&P 500, 64% of the time. Although the health care sector can perform well in June, generally, for a major sector trade, a month is too short for it to be considered a core trade, but it is something for agile investors to consider. The same caveat regarding health care's recent outperformance applies.

Utilities– Unloved, but still might come into favor

The utilities sector is unloved, and has been for many years. A lot of investment pundits keep telling everyone to stay away from the sector as it will be hurt by rising interest rates. There is no question that interest rates have an impact on the sector. The graph below shows the relationship between the Utilities Select Sector SPDR ETF (XLU) and iShares 7-10 Year Treasury Bond (IEF) performance and the relative performance of the utilities sector compared to the S&P 500. The utilities sector has outperformed when interest rates have been falling (bond prices rising) and vice versa. This relationship can be seen more recently when interest rates increased in January and bond prices fell along with utilities.

The good news is that we are in the seasonal period for bonds, which favors a strengthening utilities sector. The seasonal period for the sector starts on July 17th and lasts until October 3rd. This trade is generally successful when there is greater than normal uncertainty in the markets and interest rates are falling. If the stock market has a strong run in the late summer months, this trade tends not to perform well.

Given the recent underperformance of the sector, the trade could start early...something to watch.

Gold– Setting up well for a seasonal trade

Gold has had a tough time in the last few years, and more recently as the U.S. quantitative program has been winding down.

There is no shortage of different theories as to what is driving gold's price, including conspiracy theories. Generally, as the Federal Reserve's quantitative easing program has been winding down, gold has underperformed. When the likelihood of the Federal Reserve pushing out an increase in interest rates occurs, gold benefits, but so far there has not been very much staying power.

The seasonal period for gold starts July 12th and lasts until October 9th, with the sweet spot being in September. Generally, the gold trade has worked over the last few years. In 2014, the trade fell apart as the precipitous drop in the price of oil created a vortex sucking down the prices of many other commodities, including gold. This year, keeping an eye on the price of oil, will add valuable information on the possible trend of the price of gold.

Agriculture– Recent strength, but weak period just ahead

The agriculture seasonal trade starts in August, but the real sweet spot is in October. The seasonal trade finishes at the end December, but sometimes can run into February.

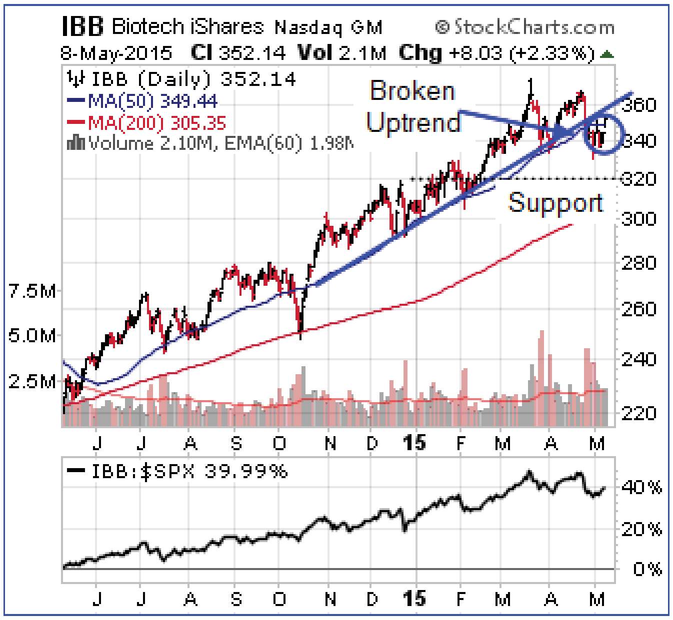
The agriculture sector has had a recent breakout above resistance, but investors should not get too excited as the agriculture sector tends to perform poorly in May and June.

Energy– Yes energy, but later

After a successful seasonal trade from February to the beginning of May, the second seasonal period for the energy sector will be in focus later this summer. The next seasonal period is from July 24th to October 3rd. Currently, the energy sector is extremely volatile, and other factors are going to have a large influence on its performance. Nevertheless, the seasonal trend will definitely be a consideration.

Biotech– Hot sector, but wait until seasonal period

For most of 2014 and into 2015, the biotech sector has been hot, strongly outperforming the S&P 500. Recent cracks have started to appear as the sector has broken its up trendline. At this point, investors should hold off entering into the sector until closer to the beginning of its seasonal period which starts on June 23rd.



Short-term opportunities

There are short-term opportunities for more nimble investors to invest in the S&P 500 in the summer months, including the *Memorial Day Trade* and the *Independence Day Trade* with the *18 Day Earnings Month Effect Trade*.

Memorial Day– Overall, negative in the last few years – but this year may different

The *Memorial Day Trade* is based on the trend of investors taking a position in the stock market before a major holiday, helping to drive the stock market higher. As the Memorial Day holiday is the last Monday of the month, the trade also benefits from being close to month end when the stock market often performs well.

The *Memorial Day Trade* lasts from two market days before Memorial Day to five market days into June. The trade worked well in 2014, producing a return of 3.3%, but in recent previous years the trade has produced more negative results than positive.

This year, if the stock market becomes oversold before month end and starts to bounce, the *Memorial Day Trade* will be more attractive and will be worth considering.

The Canadian version of the *Memorial Day Trade* has been very successful over the years. The trade takes advantage of the TSX Composites' tendency to drift upwards during American holidays when the stock market is open in Canada. The trade has had a 79% success rate from 1977 to 2014 (see *Thackray's 2015 Investor's Guide*, page 37).

Independence Day Trade & 18 Day Earnings Month Effect Trade

This trade is based upon the premise that investors typically move into the markets before earnings are released and in the case of the July earnings, typically the last few days of June entering into Independence Day. HAC has participated in this successful trade over the last few years. For details on the seasonal trades, see T*hackray's 2015 Investor's Guide*, pages 43 and 73.

Fixed Income– Everyone hates the sector, but give it a seasonal chance

Government bonds tend to perform well from May 6th to October 3rd. There are a number of reasons for this trade. One of the major reasons is the desire of investors to seek a safe haven from the summer months volatility in the stock markets. Very often, a top in the stock market will appear and then shortly afterwards government bonds will start to perform well. The real sweet spot for this trade is in August and September.

There are so many market experts that are negative on the bond sector. There are two main arguments against investing in this sector. Firstly, that interest rates cannot go much lower. This is an old argument that I have heard for many years– as interest rates have marched lower. Rates can go lower, just ask the countries that have negative yields. Secondly, the Federal Reserve is about to raise interest rates. There is some legitimacy to this argument, as raising the short-term rates does have a spill over effect on the longer rates. Nevertheless, the Fed does not set the long-term rates with its interest rate policies. It can and has affected the yield curve by its quantitative easing program, buying longer term bonds and driving down longer term interest rates. This is not on the Fed's books at this time.

Something that has not been discussed in the media as of yet, is that the Fed has to watch raising short-term rates and flattening out the yield curve. This has negative implications for the stock market for a number of reasons and is something that has to be watched.

Currently, IEF has pulled back down to its up trendline. If it were to break below its trendline, there is substantial support at $104.

Sell Short Trades

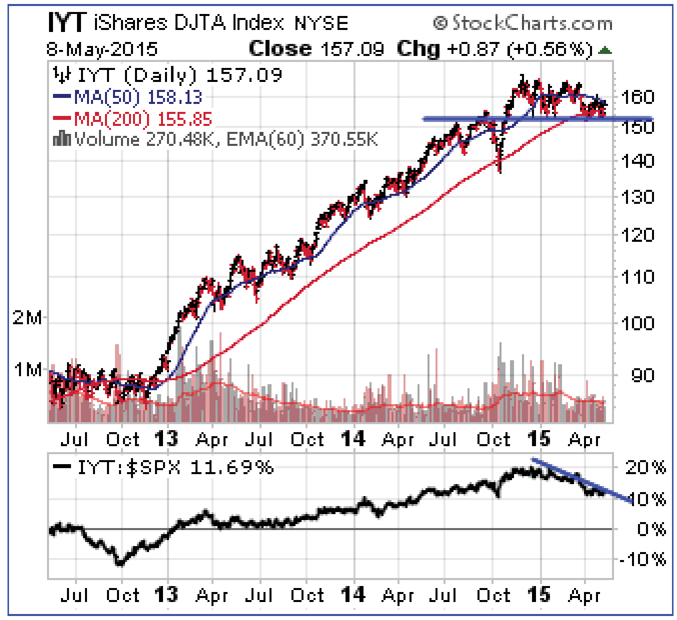
For those investors that are interested, from a seasonal perspective short sell opportunities exist in the next few months. Short sell candidates are ideally paired with long positions to mitigate risk.

Homebuilders (SHORT)– Already underperforming, but will it hold?

Homebuilders typically have a strong seasonal period from October 28th to February 3rd. Shortly after this seasonal period finishes, the homebuilders sector tends to perform poorly and is a good short candidate, from April 27th to June 13th.

This year, the homebuilders sector started to underperform early as it turned down relative to the S&P 500 at the beginning of April and has broken its up trendline. Despite the homebuilders sector already underperforming, the sector is still an attractive short.

Transportation (SHORT)– coming off the rails?



The transportation sector outperformed the S&P 500 in 2013 and 2014. The valuations became stretched and the sector started to underperform at the start of 2015. The falling price of oil should have had a positive effect on the transportation sector...it did not.

The situation is not shaping up well for the transportation sector as the sector typically performs poorly in May. The real sweet spot for short selling the sector is from August 1st to October 19th. In this time period, from 1990 to 2013, the sector has produced an average loss of 2.2% and has only been positive 38% of the time.

Consumer Discretionary (SHORT)– Wait until June

The consumer discretionary sector has been one of the weaker performing sectors in the month of June, making it a good candidate to short sell relative to a long position in the consumer staples sector. From June 4th to October 9th, for the period of 1990 to 2013, the consumer discretionary sector has produced an average loss of 4.1% and has only beaten the S&P 500, 29% of the time.

Stock Spot

Dupont– Close but no cigar

Almost. After years of successfully outperforming the S&P 500 from January 28th to May 5th, Dupont underperformed this year. Renewed interest in the possibility of investor activism splitting up the company, helped to push the stock upward towards the end of its seasonal period, but just not by enough.

Boeing– Stalling

Boeing's run-up in January pushed it into overbought territory and after some consolidation, the stock has broken down relative to the S&P 500. There is still a bit of time for the trade as it ends June 15th, but the current momentum is not positive.

Sysco– too much overhang

After underperforming the S&P 500 up to the start of its seasonal period in late April, Sysco was poised to bounce. Unfortunately, the upcoming lawsuit by the FTC to stop to try and stop the merger with U.S. Foods was too much of an overhang. The seasonal period for Sysco ends on May 30th and prospects are not good for the trade. There is no need to be in this stock from a seasonal perspective.

Brooke's Rant – Who's kidding who?

It is coming down to the wire…supposedly. Will Greece declare bankruptcy? The media paints a picture of Greece trying hard to reach an agreement. Greece is proclaiming that it will get everything worked out. Everything seems to be working swimmingly. They might even make their next payment.

Not so fast. It is one thing to say that you will do something and it is another to do it. The EU is publicly stating that Greece is not doing what it should be doing to get its house in fiscal order. The question remains: does the EU keep Greece on life support for a while longer in order not to be inhumane and cast it off….probably.

Even if Greece signs a deal with EU, a referendum in Greece will occur in order to ratify the contract. Brilliant. The Greek Prime Minister Alexis Tsipras says that he will never bend to austerity, arranges a deal that totally goes against everything he has spoken out against in his platform to be elected, and then brilliantly passes the decision and responsibility off to the general public. Any Greek deal is really a conditional deal that will never hold. The people of Greece will vote against it. What I want to see is how Tsipras positions himself on the issue. It will be interesting.

How can you believe a government when it is saying one thing and doing another. Just a few days ago Syriza-led government started to pass legislation that would reverse civil service reforms and would re-hire many of the thousands of government workers let go by the previous government. Who's kidding who?

Any way you look at it, the issue is far from over. Like I have said before, if Greece decides that it wants to stay in the Eurozone, it will be a multi-year process of negotiations, and still Greece will probably leave.

A range of possibilities still remains from a Monday morning hangover with Greece shutting down its banks on a weekend, to a long drawn out process of constant negotiations.

On this side of the ocean.....we have another stock market guru– Janet Yellen, Chair of the Federal Reserve. Last week Yellen proclaimed that the stock market valuations were too high and spooked the markets. If history is any guide, this is bullish for the stock market. In 1996, the Federal Reserve Chair, Greenspan warned of irrational exuberance in the stock markets. The markets kept going higher after his comments. Maybe Yellen is trying to lay the ground work for a future job with a hedge fund once she leaves her position. Who can blame her? Not her predecessor, Bernanke, who has recently done likewise by signing up with Citadel Investments, a 25 billion dollar hedge fund.

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