Thackray Market Letter

— Know Your Buy & Sells a Month in Advance —

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Available Soon !

Thackray's 2016 Investor's Guide

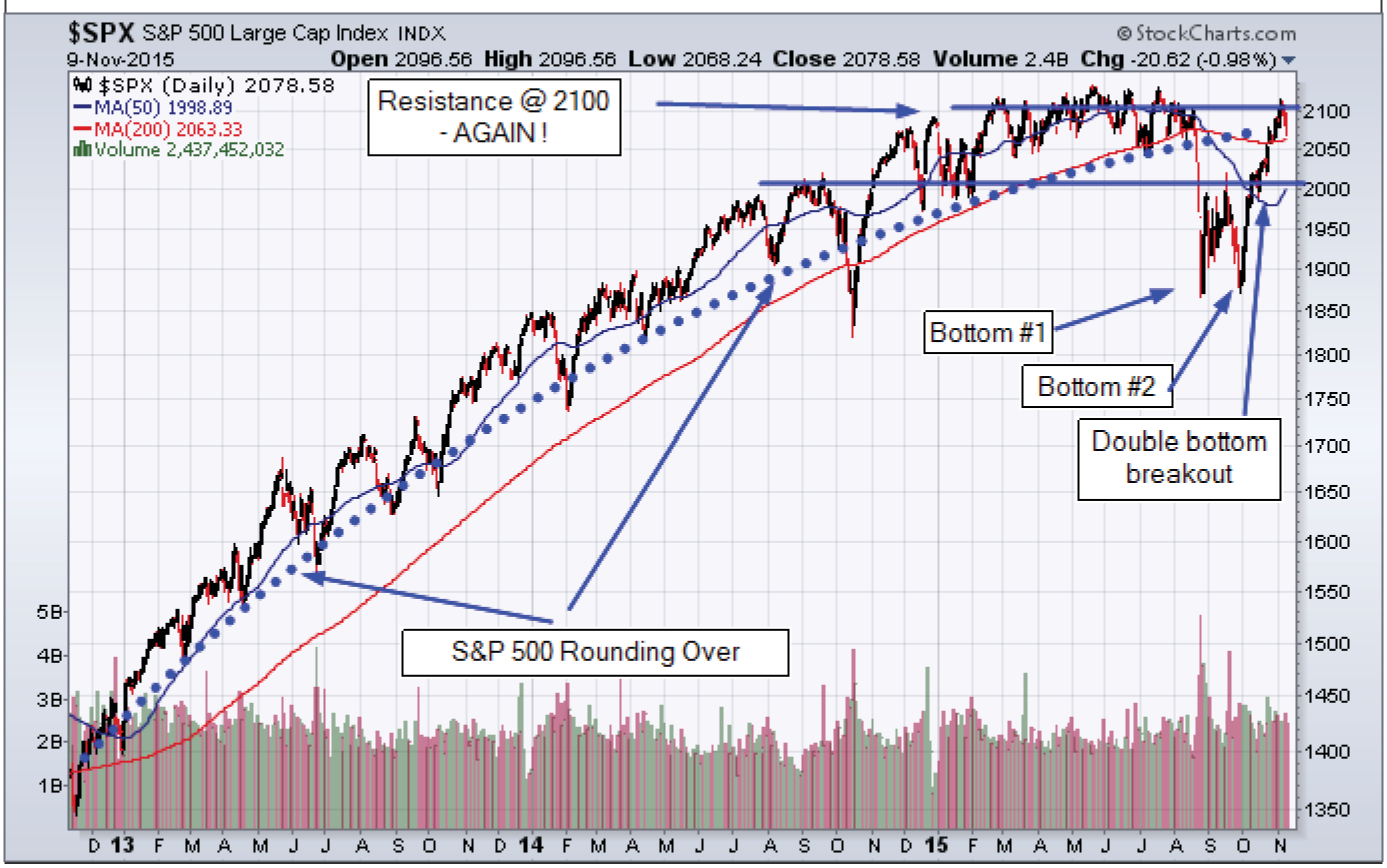
Available at all fine book stores in early December. The book is later than usual this year, but it will be worth the wait.

Market Update

From 1950 to 2014, approximately 1/3 of all corrections 10% or greater in the S&P 500 have ended in October. Although so far this year, August 25th will go down as the low of the S&P 500, October made sure that the correction was terminated. Investors can argue all day long on the

S&P 500 Technical Status

The S&P 500 has rallied strongly since the latter days in September, and produced a gain of 8.3% in October. It broke out of a double bottom pattern in mid-October (bullish pattern). The S&P 500 powered higher on moderately better than expected earnings and touched 2100 once again. The strength of the move in October, including breaking above 2000, caught a lot of investors off guard. Earlier in the year, the S&P 500 had a multi-month battle at 2100. Sometimes it was slightly above, sometimes slightly below. With the U.S. Federal Reserve poised to raise its target interest rate and slowing world growth, it is going to be difficult for the S&P 500 to move substantially above its old high. It is one thing to break above a double bottom pattern, but quite another to break above and stay above an all time high level with conviction. That being said, the S&P 500 is in the favorable six month period for stocks and the markets tend to perform well in November and December. The current expectation is that by year-end, the S&P 500 should be moderately higher than the high set in May, but investors should not expect a run away market above this level.



Horizons Seasonal Rotation ETF (HAC :TSX)
Portfolio Exposure as of **October 31st**, 2015

Symbol	Holdings	% of NAV
	Canadian Dollar Exposed Assets	
	Equities	
HSX	Horizons S&P 500® Index ETF	31.5%
HXF	S&P/TSX Capped Financials Index ETF	9.8%
HSU	Horizons BetaPro S&P 500® Bull Plus ETF	9.4%
HQU	Horizons BetaPro NASDAQ 100® Bull Plus ETF	9.3%
COW	iShares Global Agriculture Index ETF	4.9%
	United States Dollar Exposed Assets	
	Equities	
XLY	Consumer Discretionary Select Sector SPDR Fund	9.9%
XLK	Technology Select Sector SPDR Fund	9.8%
XLI	Industrial Select Sector SPDR Fund	9.7%
SMH	Market Vectors Semiconductor ETF	4.8%
	US Dollar Forwards (November 2015) - Currency Hedge **	-0.4%
	Cash, Cash Equivalents, Margin & Other	1.3%
	Total (NAV $145,599,741)	100.0%

*** Reflects gain / loss on currency hedge (Notional exposure equals 76.8% of current 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.

merits of the S&P 500's rapid rise in October, just as they can argue the merits of the August melt-down. The market is what it is, and it is the final arbitrator. The strength of the stock market caught a lot of investors off guard. The first signal that the S&P 500 was having a sentiment shift from negative to positive was its strong performance in the last two days of September with very little impetus. At this time investors were trying to get into the market for quarter-end and investors that had sold short got squeezed. Earnings came in better than expected.

A total of 72% of the companies that have reported so far have beat earnings expectations and 42% of companies have beat revenue expectations (Thomson Reuters, October 30, 2015). This trend of underperforming on the topline and outperforming on the bottom line has occurred more often than naught over the last few years.

Companies are meeting and beating their earnings expectations by cutting costs and buying back stock. For strong long-term growth companies need to grow their top-line revenue. Companies are more inclined to invest in innovation and productivity when revenues are strong. Investors are lulled into believing that all companies are investing into R&D like Apple and Google. Most companies in America are dramatically smaller than the technology behemoths and view their R&D budgets as much more discretionary. If they do not have the money, they cut back on R&D. This is not good for the long-term growth of the U.S.

The U.S. has been doing relatively well compared to the rest of the world. Recently the OECD cut it global growth forecast based upon a "deeply concerning" global slowdown in trade. Although the U.S. economy is not firing on all cylinders some of the economic reports coming out are showing signs of strength. Most recently, the October Nonfarm payrolls number was the best of the year, coming in at 271k.

The divergence between the economic trend in the U.S. and the rest of the world is putting the U.S. Federal Reserve in a tough place. The Fed would like to raise rates, if for nothing else but to save credibility. The problem is that with the other major economies cutting or planning on cutting their rates, the U.S. dollar will increase in value, which will hurt the U.S. economy. It is all relative. No doubt, Janet Yellen would feel a lot more comfortable raising rates if the rest of the world was showing stronger growth.

What the HAC is going on?

In October, HAC increased its allocation to equities early in the month as the stock market started to show strength. As HAC was not fully invested in equities before the October 27th date, the fund fell behind the S&P 500 for the month, although it did manage to outperform the S&P/TSX Composite.

Sector Updates and Opportunities

Industrials - Outperforming

The industrial sector has a very similar trend to the S&P 500. In fact, in its seasonal period, on average since 1990 it has not beaten the S&P 500 by a large margin. One of the major benefits from the industrial sector seasonal trade from October 28th to December 31st is the 81% frequency of outperformance relative to the S&P 500. So far in this seasonal time period, the industrial sector is once again outperforming.

> *My Call: The industrial sector will continue to perform positively until the year-end and outperform the S&P 500.*

Information Technology - Could have a softer December and then pick up again in January

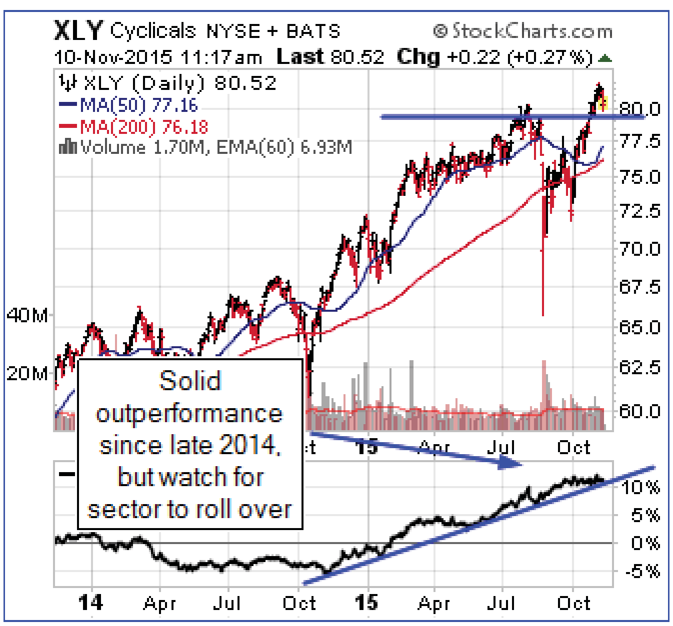
The technology sector has performed well in its seasonal period as earnings from some of the behemoth tech companies beat expectations and pushed the sector higher. The sector is now currently above support. The seasonal period for the technology sector ends on January 17th, but the sector can have a softer December. Investors should consider reducing their holdings in the sector in December if it starts to underperform the S&P 500.

My Call:

The technology sector will perform positively, but investors should consider reducing/switching into another sector for December on signs of underperformance.

Consumer Discretionary - Outperforming, but showing signs of weakness

The consumer discretionary sector has been outperforming the S&P 500 for months. In October, it performed at market and is having difficulty leading the way. The U.S. economy is still fairly robust which should translate into the sector performing positively.

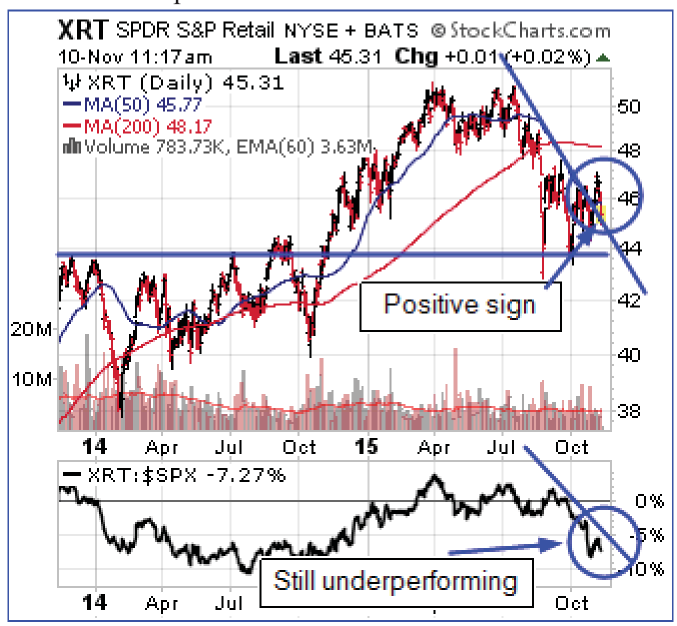


My Call:

The consumer discretionary sector will pick up once again and outperform the S&P 500 for the remainder of the year.

Retail - Not on sale this year

Retail stores have not sold as much as expected and this has scared investors away from the sector. The sector has been starting to show signs of consolidation and could respond positively. The problem is that it is getting late in the seasonal trade. On average, after it finishes its seasonal run towards the end of November, the retail sector tends to underperform the S&P 500 in December.



My Call:

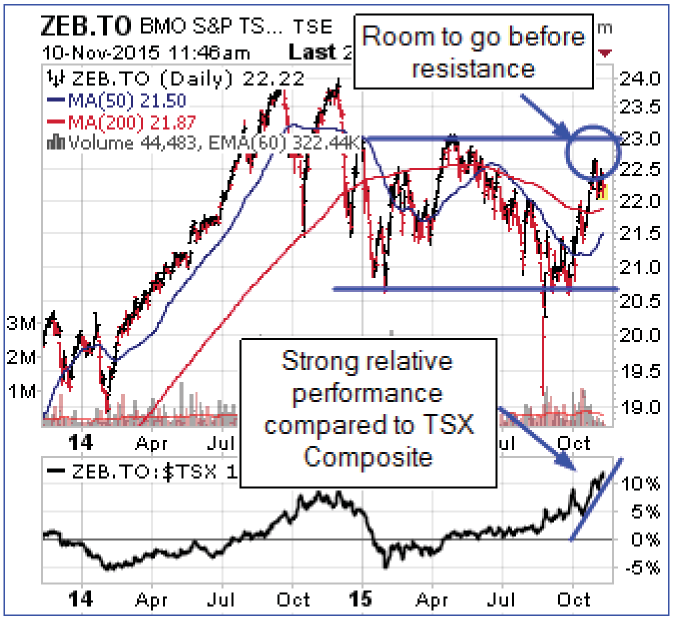
The retail sector will outperform the S&P 500 moderately over the next two weeks, but the outperformance will wane in December.

Canadian Banks - Stronger part of the Canadian stock market

Canadian banks have been one of the stronger sectors of the stock market (Canadian). Aside from the currency factor, if the relative line in the graph below for Canadian banks, compared Canadian banks to the S&P 500, the line would be fairly flat instead of rising steeply.

We are coming up to the time period where Canadian banks report their earnings - end of November/beginning of December. These next two weeks should give some indication of the banking sector's strength relative to the market. There are a lot of negatives publicly discussed about the banks, such as, American investors taking a large short sell positions in the sector, lower energy prices having a large impact on bank earnings and the possibility of an over-priced housing market correcting in value.

It is interesting to note that the banks have done some restructuring before the earnings announcements for their fiscal year-ends. Most recently, TD bank shuffled its top management. Companies have been known to restructure before announcing earnings when the earnings announcements or outlooks are not expected to be strong...I am just saying. Investors should be prepared to exit the sector if Canadian banks show weakness relative to the stock market.

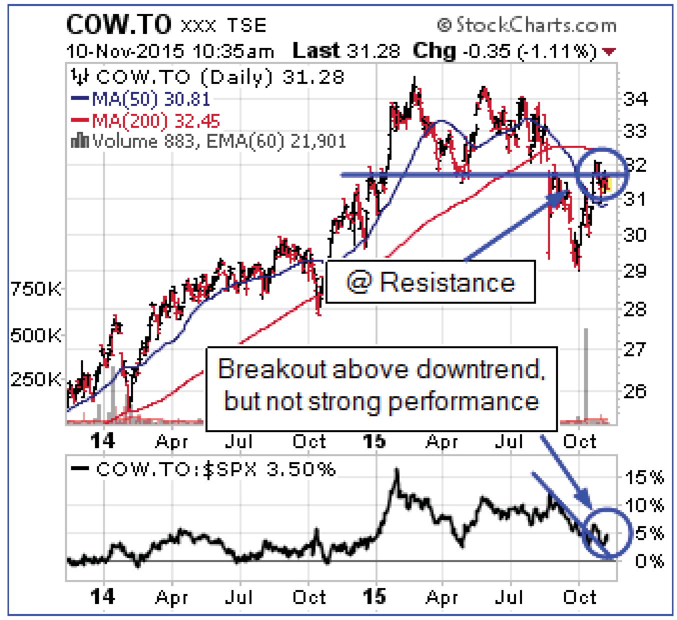


> *My Call:*
>
> *The expectation is that Canadian banks performance should perform at market. Seasonal investors should look to exit if the sector starts to show relative weakness versus the broad stock market.*

Agriculture - Not growing as fast as it should

Recently, the agriculture sector has been showing signs of improving. Nevertheless, the sector is not performing as well as it should on a seasonal basis. The sector is lacking a catalyst to move it higher. China's weaker than expected growth is not helping as it is putting a negative damper on the sector.

November and December tend to be positive months for the agriculture sector, but on average, not nearly as strong as October. Given that the sector is consolidating, holding the sector and waiting for the sector to outperform before the end of the year is still a reasonable strategy.



> *My Call:*
>
> *The agriculture sector is expected to muddle along waiting for a catalyst. It is currently worth the wait as a catalyst could drive the sector higher. Nevertheless, investors should watch for the sector to start to weaken and be ready to exit early.*

Homebuilders - So far a long renovation taking place, but real building should start soon

Homebuilders have a strong record of outperforming the S&P 500 in the month of December. The difficulty is choosing the best point of entry into the sector. So far, the sector has underperformed the S&P 500. This could change very quickly, especially as we get closer to December.

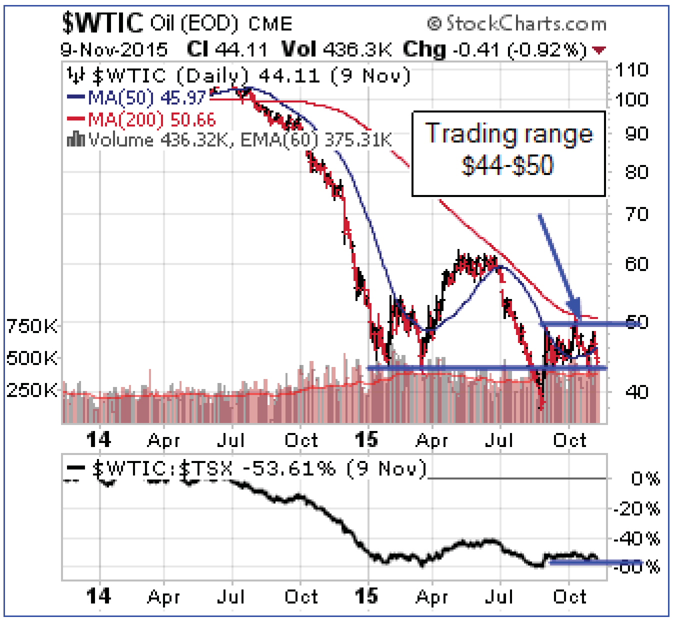
My Call:

The homebuilders sector should break its downtrend line and power higher for a good month in December. The entry point will probably arrive before the end of November.

Oil (Short Sell) Follow Up - In trading range but November is typically weak for oil

This is a follow up from HAC's short sell position in oil, which is no longer being held. Oil has been consolidating between $44 and $50. November is typically a weak month for the energy sector, but given the damage in the sector, it is possible for the sector to start to show stronger performance in late December.

Although the seasonal period for the energy sector does not start until late February, the sector can start an early uptick if it has previously corrected sharply.



My Call:

Oil should find a base and launch higher later in December, possibly breaching $50.

Natural Gas - Follow Up - Breakdown

This is a follow up from HAC's position in natural gas, which is no longer held. Natural gas was in a very attractive consolidation phase before the start of its seasonal period in September. Much warmer temperatures than expected and greater supply than expected pushed natural gas below its support level.

On average, October tends to be one of the stronger months of the year. November also tends to provide positive results. At this point natural gas is oversold and set for a bounce.

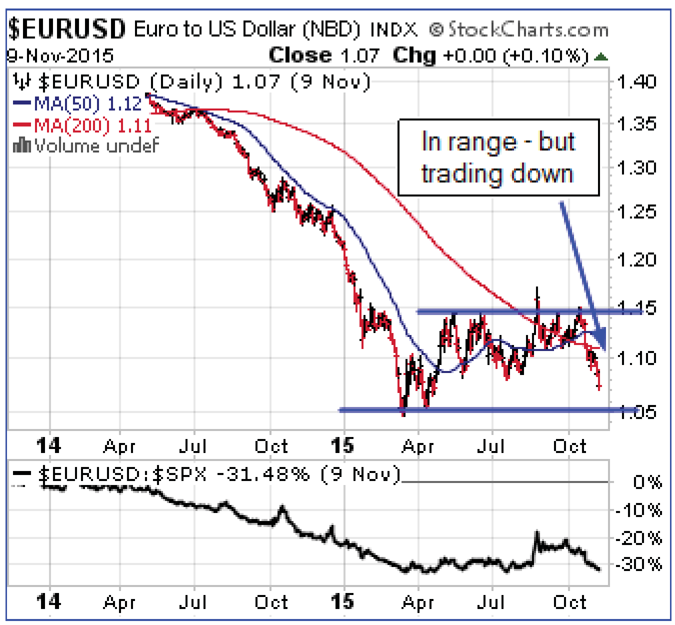
My Call:

Natural gas should move moderately higher before the end of its seasonal period (December 21st), mainly due to how oversold it has become.

EUR/USD

The long Euro to U.S. dollar trade is a new trade in my *Thackray's 2016 Investor's Guide.*

The USD tends to weaken in the last month and half against world currencies (not applicable to Canadian dollar).



This year it is a bit tricky as the U.S. Federal Reserve is expected to raise its target rate and the EU is expected provide more monetary stimulus. It is hard to judge the impacts of these actions. Nevertheless, the trade should still be considered, especially if the USD becomes overbought.

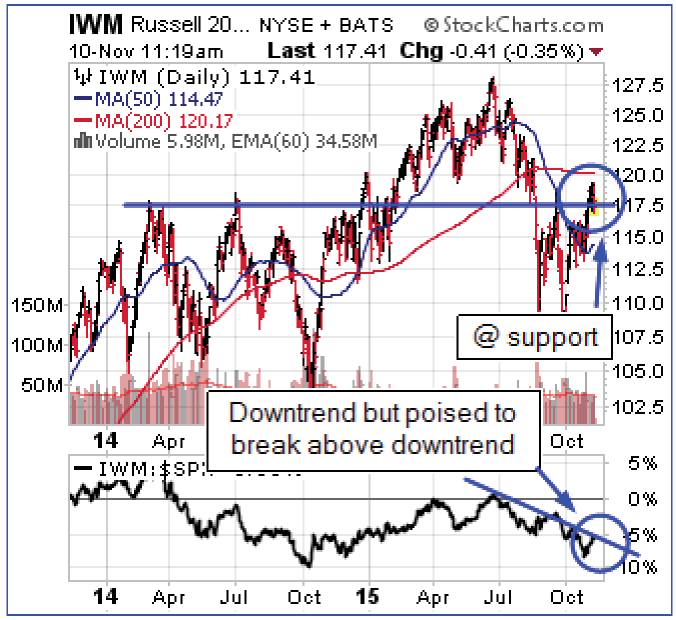
CAD/USD - Weak for now, but not for long

The Canadian dollar tends to weaken against the U.S. dollar in the month on November. In the second half of December, the Canadian dollar tends to strengthen, particularly if oil is starting to perform well.

> *My Call:*
>
> *The Canadian dollar should weaken into December, but strengthen in the last half of December, especially if it remains oversold into December.*

Small Caps - Get ready

The small cap sector underperformed the S&P 500 from July to late October. HAC profited from a short sell position in the small cap sector in October until the last days of the month when HAC shifted to a full equity allocation and closed the position. On a seasonal basis, the strong period for the small cap sector is from December 19th to March 7th. Investors should be looking to enter this sector early in continued strong relative performance is demonstrated.



> *My Call: The small cap sector should continue to perform well, particularly with a strengthening U.S. dollar. Despite its early improving relative performance, the small cap sector is still expected to outperform the S&P 500 in its seasonal period.*

U.S. Financials - showing strength early

U.S. financials start their seasonal run in mid-December. This year they have been getting a boost from the increasing possibility of the U.S. Federal Reserve raising its target interest rate.

> *My Call: The U.S. financial sector is expected to continue to perform well. Investors should consider entering this sector before the start date if the sector continues its strong performance.*

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