Hello,

“What the heck is going on with oil?” To date many people have asked me that question, and my answer is this: The world is uncertain, and when there is uncertainty it’s best to step aside and wait and see. I’d like to see oil hold at $54.00 US; this will show the valuation rather than the emotional roller coaster we have been experiencing.

Companies that have good balance sheets and good structure have a greater chance of weathering a negative environment.
Companies with high debt load, excessive spending, and a lack of vision and goals may fail.

We’ve seen this many times over the years, in which good quality stocks and investments managed to weather the storm and stay standing.
We saw this in:

- 2005: the tech bubble. “Burn rate” was the term people used. Many companies collapsed as they had nothing to sell in the market.
- 2008: the black swan event, a credit crisis. The banks froze and the world was unable to use credit. Many companies collapsed and aggressive leveraging was exposed.
- 2011: the sovereign debt crisis in Europe and the slow economic growth of the US. In addition, the US credit rating was downgraded.
- 2014: oil crisis and world events?

Market corrections
Happy to see them on a regular basis. We expect 6-10 corrections a year. A correction can add value, but they unfortunately create fear. When an index or market drops the first response is SELL. You hear it in the news. You hear it from your friends. It is wise to navigate through the noise and know when to not listen. Long-term investing is about buying good solid products and holding them through market corrections. The market is currently choppy and volatile, but within all the noise are opportunities to buy good products with good returns.

So what do you do when things are uncertain?

Step back and ask: Do I own quality? Do my investments have:

- Strong balance sheets?
- Good returns?
- Proper debt management?
- The opportunity to grow?

Are they:

- Adding value to the portfolio?
- Invested in the right region?
- Taxed in an efficient and beneficial manner?

If yes, then why are you fearful? When 2008 came I had a number of people in my office who had concerns about the Canadian banks failing. They wanted to sell off their bank stocks and buy GICs. As everyone is aware now, that was not a good decision and was based on a fear position and a belief that a 2% interest was really attractive.

“Turn off the TV” is my common response to those who are uncertain. Understand why there is a sell off. Is it the industry, is it fearful people, or is there something specific to your investment that makes it less attractive? Will it survive this issue and come back stronger than before?

Oil is similar. Everyone wants to know when we should buy oil. Oil has rebounded by 39% at this time of writing, but understand the risk in the rebound. Would you like to be over-weighted in oil during this time, with the understanding that the market hasn't settled down yet? Our portfolios had other significant returns without taking an overweight position in oil. We hold oil as part of our energy component.

Do you think a good way to stimulate the Canadian economy may be to drop the price of oil? People's pocket books have benefited; company costs and bottom lines have benefited. Because we are not in an inflationary time, the decrease of oil has helped many households manage their costs and many of our companies see a stronger cash flow… interesting thought for you to ponder.

What's new in the portfolios?
As many of you are aware, we recently rebalanced the discretionary portfolios.

My overview of our recent rebalance:
I continue to be light in Canadian equity, with a heavier weighting in the US. We have several non-hedged US currency placements at this time. In addition I increased international exposure with the rebalance. There are combinations of exchange traded funds, mutual funds, and (for some of you) single stock positions. The stock market is expected to outperform government bonds at this time.

At this time inflation is not a concern, but when you study the economic cycle, it is coming—we just don't know exactly when. One of my favorite analysts, Jeffrey Saut, feels we are in a secular bull market in the US for 7-9 years more. This is unheard of as this is a much longer time frame than normal. Frankly at this time, I feel he is correct, and this is reflected in the over-weighting in the US equities. Our bond positions have an international exposure and some exposure to company bonds in Canada and the US. This is to give us higher-than-average returns and cash flow from the bond positions. As interest rates start to creep up there will be a time when I will move the bonds back to a Canadian focus.

In House
We are actively designing presentations for the next 6 months. There are a number of speakers and topics we will be offering to you. We are delighted to bring informative presentations to you all. Please review our coming presentations on the website www.cindybourypwm.ca by clicking on the Events tab.

If you have a topic of interest, please email us or let us know. Our goal is to bring you informative interesting topics.

I hope to see you soon,

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