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CINDY BOURY PRIVATE WEALTH MANAGEMENT

INSIDE THIS ISSUE

SURPRISE, SURPRISE, SURPRISE!

Predicting is difficult because it involves the future. 2016 could rightly be characterized as the year of the surprise.

- Virtually no one expected a record high close in major stock market indexes after we had the *worst start ever* to a year in January and February.
- This was followed in June by the historic Brexit vote.
- Perhaps the biggest surprise of all came in November with the election of Donald Trump.

These were just a few of the "blind-side" happenings in the past 12 months. Having said that;

Vision is the art of seeing what is invisible to others.

Even though we didn't correctly foresee each of these events, we were not caught off guard. Our disciplined, careful and slightly contrarian approach served our clients very well.

In January and February we built up our cash reserves as markets declined. This saved many of our clients from the losses sustained by other market participants. In the spring we started to move funds back into Canadian investments. We have since enjoyed strong gains in most of our equity positions and had a nice lift from an appreciating Canadian dollar. We continue to be positive on the energy and materials industries. Therefore we're bullish on Canada and the Canadian dollar! As we moved through the year we reduced exposure to low-volatility sectors such as utilities, consumer staples and telecommunications to more growth oriented investments such as financials, energy, technology and industrial companies. Finally, in November we significantly reduced our bond exposure just before the most significant decline in long-term bonds in many years.

We were not at all surprised by the strength of the stock market this year and have continued to invest in diversified portfolios made up primarily of high quality dividend paying companies from around the world.

So where do we go from here?

We believe that we're in the early stages of a more synchronized global growth cycle that will drive corporate earnings and stock prices higher. The reader could be forgiven for asking, "Why isn't that what I hear on the news?" Unfortunately the media often doesn't report positive developments because fear and bad news attract more attention. To be sure there are concerns, such as the Trump administration's trade policies, higher interest rates, geopolitical tensions and many others. But, the US economy has been posting decent GDP growth, the critical German economy had its best year since 2011 last year and China is showing signs of stabilizing at very acceptable levels. The key global purchasing manager's index and many other data points taken together suggest we're heading in the right direction. Having said that;

Let's not get too far ahead of ourselves.

The reality is that the recent gains have been narrowly focused primarily on American banks, energy and industrials stocks. We're glad we have major holdings in Manulife, Enbridge, Open Text and Aecon Group, but the utilities, real estate and Canadian energy producers have been weak, along with the bonds. So we continue to find great value in these areas and are pleased to be adding to investments such as Bell Canada, Chartwell Seniors Housing, ARC Resources and our favourite bond funds again. Stock prices, particularly in the U.S. are not cheap by historical standards but if earnings accelerate, we may look back in a few years and wonder why we didn't buy companies when they were discounted. So we continue to emphasize Canada, the other developed markets and especially the emerging markets. In our view, if one does not own China, India, Malaysia etc., one does not own the 21st. century. We'll continue to work diligently to have a clear vision of those risks and opportunities that are invisible to others.

WHAT IS "SUM OF ALL" AND WHY SHOULD I CARE?

Many of our clients will recognize the term "sum of all" from their March 2016 portfolio analysis report. Through 2016 we have been implementing this strategy and plan to continue this year. As we embark on 2017 it's timely to examine this important topic in detail. So what is sum of all and what does it mean for you?

Sum of all is an approach that can be tax efficient, reduce risk and make a lot of investment sense.

Essentially, sum of all starts with you. First we determine, with you, your risk profile (low, moderate, aggressive) and investment objectives (capital preservation, balanced growth, maximum capital gain). From that we develop an asset allocation plan that corresponds with your investment profile and objectives. Then we look at your overall portfolio as one account before we make the decision about how much money to allocate to each of the major asset classes. The major or primary asset classes are cash (or near cash), bonds and equities. Let's illustrate:

Suppose a couple has a moderate risk profile, a balanced growth objective and the following accounts making up their portfolio. By using sum of all we can assign a risk profile and primary objective to each account that when added together is consistent with the overall profile and objective.

Account type	Overall profile / objective
RRSPs	Consistent returns and tax deferral
Joint cash	Income and growth with tax efficiency
TFSAs	Maximum growth
Holding company	Maximum income with tax efficiency

If our suggested asset mix is 2% cash and short term, 20% bonds and 78% equity we may emphasize the asset classes and sub categories like this:

Account Type	Investment Description
RRSPs	Overweight bonds but have some equity for growth. These accounts may be invested
Joint cash	Balanced across asset classes. This account may hold a relatively higher weighting in equity, particularly U.S. and international investments and be invested in a growth
TFSAs	This may be a higher growth account, invested in a pure equity model.
Holding company	This account may emphasize higher dividend Canadian investments, such as preferred shares, utilities and companies involved in finance. It will be invested in a specialized corporate model.

OK, that's what sum of all is, but why should I care?

This portfolio will have much lower tax liabilities than a similarly allocated portfolio that simply holds cash, bonds and equities in the same proportion across each account.

This is because a greater amount of the bonds, which generate fully taxable interest income are sheltered from tax inside the RRSP. From a risk management perspective it makes sense to be more defensive in the RRSP because there is a finite amount of money that can be contributed and we can't replace capital if we suffer any losses. There is also no tax benefit of a capital loss in an RRSP as there can be in a cash account.

The joint cash account holds more equity investments diversified globally. In this account we can determine the level of income we want and control the timing of when we realize capital gains. We can use capital losses to offset the tax liability that arises from those realized gains. We did some of this type of work at year end 2016. From a risk management perspective, we can diversify by country, industry, company size and volatility of price.

In the tax-free savings account we're happy to seek maximum growth because we're not going to pay any tax on this account. So while being aggressive may involve higher risk, if we are prudent, it can be very rewarding.

The holding company has very significant tax advantages through the use of its capital dividend account. Canadian source dividends as well as capital gains realized in the holding company are treated very favourably. So we will hold common and preferred shares that pay Canadian dividends such as banks and utilities in this type of account. These are the types of investments that have proven to deliver steady growth over the years and who doesn't like consistency of that sort?

So we can see how our using a sum of all approach can help you avoid paying more tax than you should as well as ensuring that your portfolio delivers the best return for the risk taken on.

COMMUNICATION

One of our objectives for 2016 was to ramp up our communication and we're satisfied with our progress. From our many client meetings and conference calls to our fall update and our ladies' luncheons, we've been busy.

In 2017 we're going to do even more. Cindy, Florenza and Martin will all be meeting, calling, e-mailing and sending written material out. We'll be launching our men's group luncheons and doing another update event. We will continue our ladies' luncheons and sending you quarterly newsletters and portfolio analysis reports.

One thing we should mention to our long-time clients is that if you hear from Florenza or Martin rather than Cindy, it's not because Cindy's too busy for you. It really is a case of us working to the objective of additive communication. Our intention is that all of our clients will be hearing from our team, including Cindy, more often. Communication and outstanding service are that important to us. Please let us know if there is anything that you would like to learn more about or see from us in this area. We're pleased to answer any questions and welcome your feedback.

WE STILL REMEMBER

In November Cindy Boury Private Wealth Management undertook to support our veterans by distributing permanent poppy pins that we purchased through the Royal Canadian Legion. We were overwhelmed by the positive response that we had from clients and friends. If you didn't receive a pin, please let us know and we'll be sure to send one right out so you have it for next year. Cindy has made the decision that one of our core community involvements going forward will be to support those who have given so much in service to Canada. We remember and salute your service!

FINAL WORD

Cindy would like to take this opportunity to say another big THANK YOU to those who have told their family and friends to come to us for financial advice. We'll always do our best to help anyone who approaches us because we truly care about what happens to people. That's why we do what we do.

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