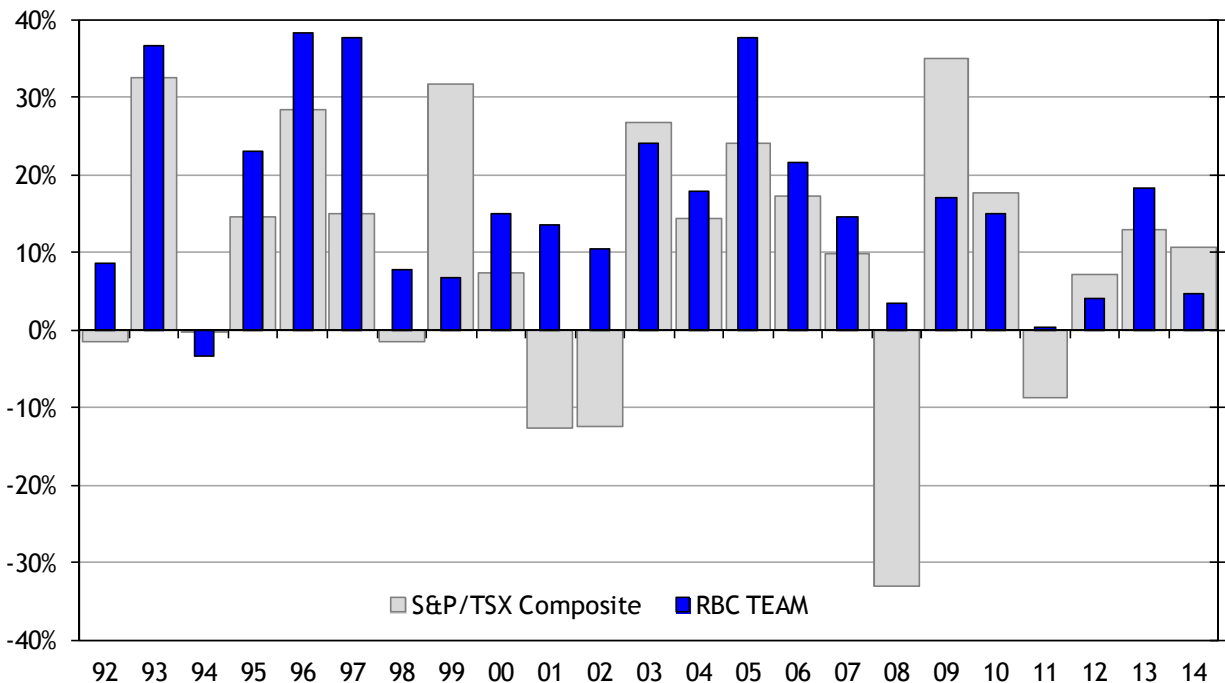


November 9th 2015

“Won2One” with Nick Foglietta

Tactical Equity Income Model Portfolio Record



Tactical Equity Income Model Present Conditions:

TEAM Model Asset Allocation: **0% Equities/ 100% Fixed Income**
S&P/TSX 60 Closing Value: 13,553
TSX 200 Day Moving Ave: 14,544
% Above/Below 200 Day Moving Ave: **6.87% Below**
Levels for change: 100% stocks - **TSX 15,303** and 100% fixed income – **TSX 13,817**

Weekly Quote

“Bad money drives out good money.”

Known as **Gresham’s Law**, the statement summarizes the condition where a government overvalues one type of currency and undervalues another...the overvalued currency will flood into an economy and distort true investment.

TEAM Update

With the Canadian TEAM model in cash and the US TEAM models 50% in the stock markets, I thought I would provide the most recent performance numbers for the Canadian TEAM. (All figures are based on the series 1P TEAM issue from September 2012.)

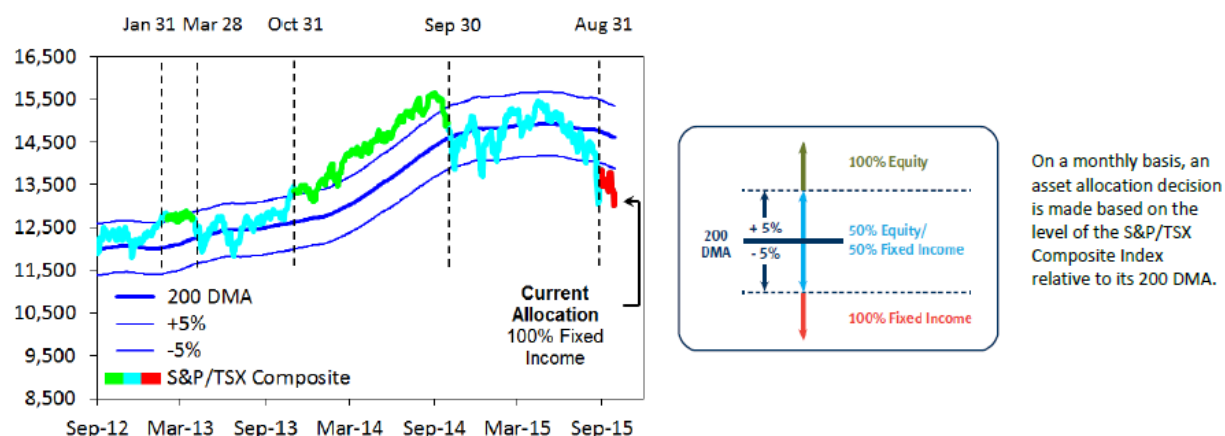
Returns as of September 30, 2015	1 month	3 months	YTD	1 year	Since Inception
RBC TEAM RoC Yield Securities, Series 1P - F-Class	-0.63%	-2.46%	-1.80%	-1.93%	5.00%
S&P/TSX Composite Index	-3.98%	-8.56%	-9.06%	-11.05%	2.69%

The Tactical Asset Allocation Model (TEAM) has outperformed the TSX nicely since inception AND exposed the investor to significantly less risk.

The next graphic shows how the flagship TEAM model has allocated its assets since inception. (Green represents time when TEAM is 100% in stocks, blue is 50% stocks/50% cash, and red is 100% cash.)

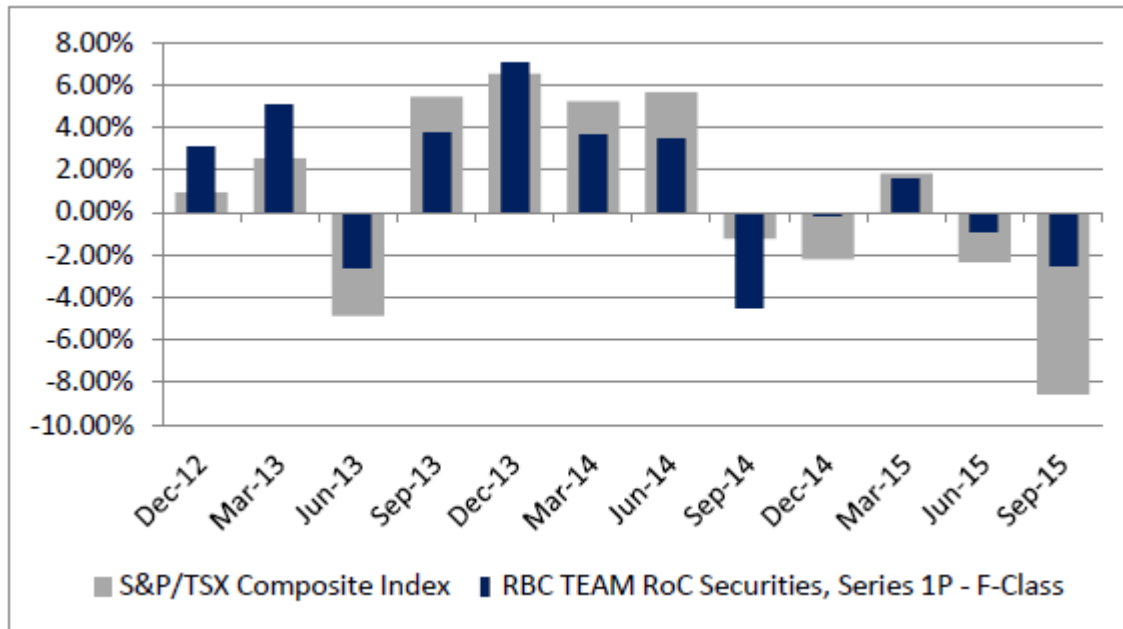
ASSET ALLOCATION

As of the most recent Allocation Date, the Portfolio was allocated entirely to a Fixed Income Investment. Partial Principal Repayments of the Debt Securities will only be calculated when the Strategy allocates 50% to 100% of the Portfolio to an Equity Investment.



One can see how TEAM was able to stay aligned with the general trend of the TSX by allocating an appropriate amount of money to stocks when the trend is sideways, but being agile enough to stay 100% exposed to stocks for the one and only real TSX uptrend in the past 3 years.

The final graphic I will show is the quarterly rate of return charts comparing the TEAM model in dark blue to the TSX in the grey.



I believe this chart summarizes why a person would choose to employ the TEAM strategy for the long term. **TEAM doesn't always outperform the TSX in a rising market but it is excellent at avoiding the big mistake to the downside.**

In retirement, the big mistake is a fatal mistake. Avoid it at all cost!

Real Estate Thoughts

There have been a lot of articles in both the Globe and Mail and B.C. centered newspapers lately pontificating as to what is going on with the real estate markets on the lower mainland of B.C.

Christy Clark says *"we have no direct evidence of how much Asian influence is in our local real estate market."* A few researchers have found evidence of a tremendous amount of influence in the very high end (\$5 million plus) segment of the market. The impact in the lower end (below \$1 million) is not negligible either.

This section of the editorial is not going to enter the debate. But I read a quote written by Bill Gross of Janus Capital in his monthly newsletter that made me think of the Vancouver real estate market. I include it below:

*"I have been increasingly suspicious since late 2011 that Sir Thomas Gresham (1519-1579) may be the modern John Maynard Keynes. I said as much in a Financial Times op-ed when I wrote in December of that year, that the famous "Gresham's Law" needs a corollary. **Not only does "bad money drive out good money" but "cheap money" may do harm as well.** Just as Newtonian physics breaks down, and Einsteinian theories prevail at the speed of light, so too might easy*

money, which has invariably led to stronger economic recoveries, now fail to stimulate growth close to the zero bound.”

How the quote applies to the Vancouver real estate market is twofold in my opinion:

1. Much of the Asian capital coming into the Vancouver market is not “buying value”. It is really a “parachute” for Chinese investors to exit capital out of their home country. The prices paid by these investors are NOT sensitive to local economic conditions and therefore, prices out true economically sound buyers.
2. Local investors have to borrow cheaply to compete with the off-shore buyer. Unfortunately, the debt levels have far exceeded the local economic conditions to support in either a higher interest rate environment or a local slowdown.

By including this short vignette about the Vancouver real estate market I am making no claims to have any clue where it goes next. It could double in price again from where we stand today...who knows?

But it would not change the strained economic dynamics that are in force, nor the realities of what crazy prices mean to locals who are supposed to work and live in the Vancouver area. History is full of examples where the “bad” money no longer has a reason to stay located in a certain investment. If it happens here, it would be extremely destabilizing to the entire economy in B.C.

“Peak Smartphone”

There have been articles about “peak smart phone” technology in the past year. If you Google “*Have we reached peak smartphone?*” (Macworld) you can read an editorial from March of 2015 debating the topic in terms of phone technology.

But my interest in speaking about “peak smartphone” today has no connection to the actual phones themselves. **I am considering the way we use our smartphones and how over-dependent upon them we have become...also, how “antisocial” they have made us too.**

For most smartphone users, the loss of your smartphone is a more crippling event than the loss of your keys or your wallet! Let me list a few situations below and tell me if they strike a chord with you:

1. Family sitting in a fast food restaurant, all of them pecking away on their smartphones and no words being spoken between them. (I wonder if they are talking by text.)

2. Four friends sitting in a Starbucks, again, all focused on their smartphones and, again, no words being spoken between them. At best, one phone is passed to a friend to be read with a smile or a laugh and then passed back...return to focus on own phone...wash, rinse, repeat!
3. Sitting at a sporting event (that individuals paid a lot of money to attend) and then rarely looking up from the smartphone screen to even watch the live event happening in front of them.
4. Family gathering with multiple generations present...at least half of the participants have their faces focused on their smartphone screens.

You get the picture...

Before I go any further, I want to identify myself as guilty of all of the above actions. Therefore, I don't want to be seen as someone throwing stones at others, but more as someone throwing stones in a glass house and who desires to be more socially smartphone conscious!

Let's be honest, in tradition social settings **smartphone usage has become offensive and it has become far too acceptable to alienate those around you by our smartphone habits.**

Every once in a while, I like to bounce ideas like these to my readers. So without commenting any further I ask for your opinions about what you think about the way smartphones are being used. Please feel free to argue either side of the point...

I will include some of the comments next week.

About the author: Nick Foglietta is a Vice President, Investment Advisor at RBC Wealth Management in Nanaimo, B.C., Canada. He has been managing money since 1988.

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