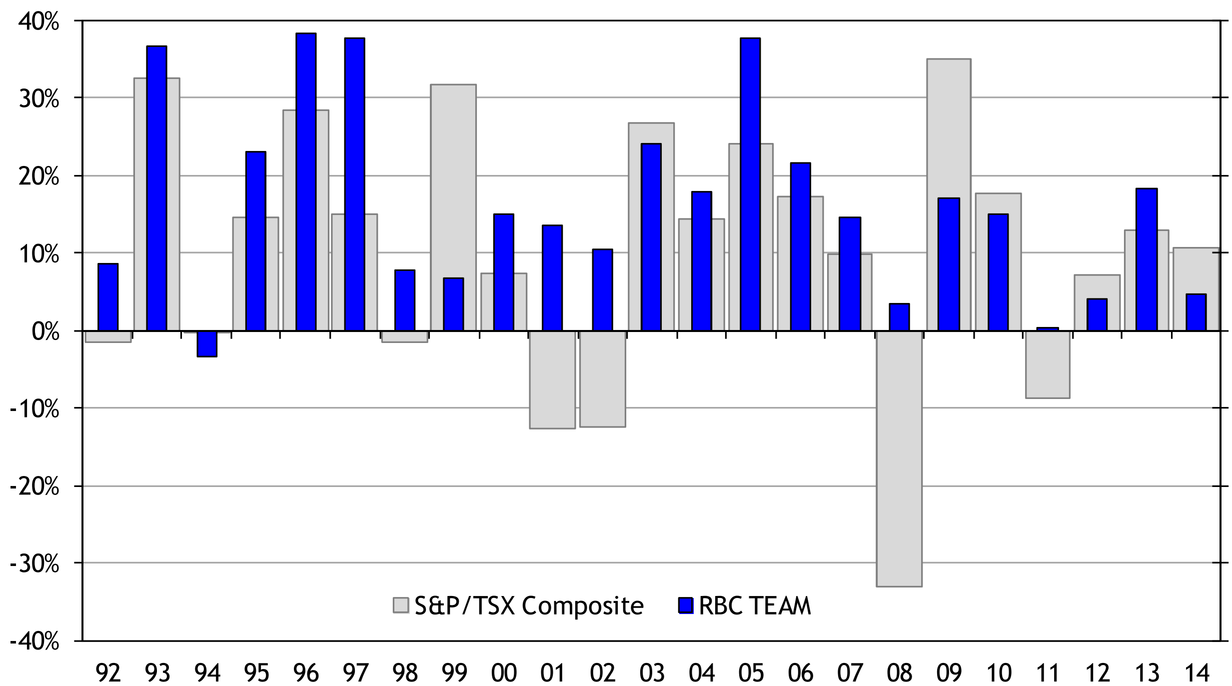
February 23rd 2015

"Won2One" with Nick Foglietta

Tactical Equity Income Model Portfolio Record



Tactical Equity Income Model Present Conditions:

TEAM Model Asset Allocation:	**50%** Equities/ **50%** Fixed Income
S&P/TSX 60 Closing Value:	15,172
TSX 200 Day Moving Ave:	14,853
% Above/Below 200 Day Moving Ave:	**2.15%**

Levels for change: 100% stocks - **TSX 15,601** and 100% fixed income – **TSX 14,121**

<u>*Weekly Quote*</u>

"Bull markets are born on pessimism, grows on skepticism, mature on optimism, and die on euphoria." Sir John Templeton.

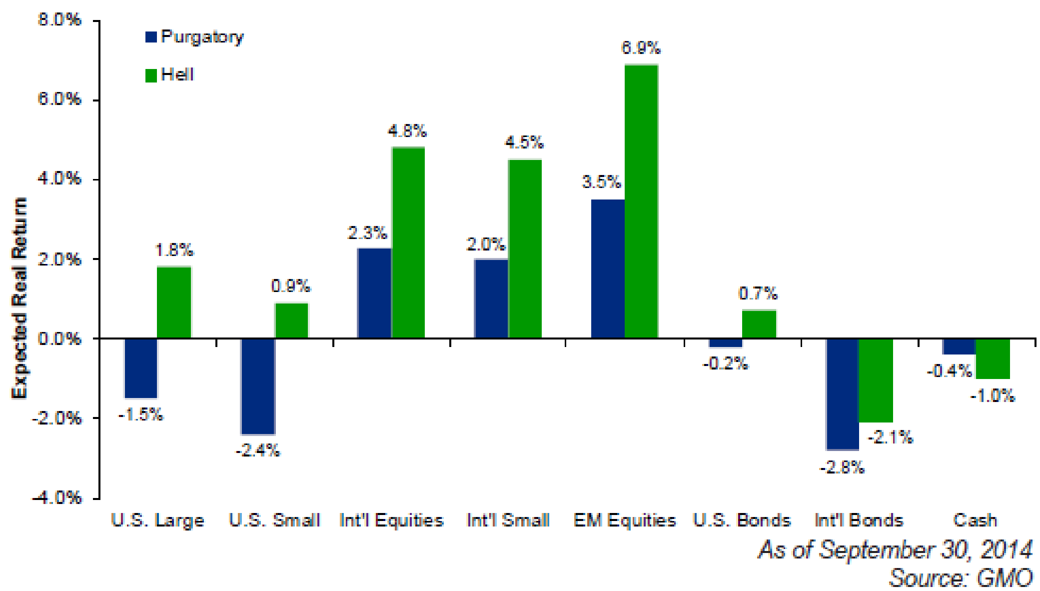
Nick comment: Sir John forgot to anticipate the day when 1/3rd of the world's government bonds would pay less than 1.2% interest!

<u>“Expectations”</u>

The chart below carries a couple of rather ominous titles as headlines. Let me explain what those titles are referring to:

1. Purgatory – If global central banks begin the process of “normalizing” interest rates back to higher levels.
2. Hell – If global central banks keep trying to cut interest rates and devalue their currencies from here.

Exhibit 3: Purgatory and Hell Forecasts



What does this chart mean to you?

If interest rates are going to stay low and go lower (“Hell”) then the traditional 50% fixed income and 50% stocks portfolio still makes good sense. You will still make a much better return than in cash.

But if and when global interest rates start to rise in any meaningful manner NEITHER stocks or bonds are going to make a lot of sense to be exposed to.

Therefore, the real key to making rates of return in coming years is going to be **stepping out of the market during sharp declines and finding a spot to repurchase investments when the markets bottom and begin to recover again.** (In terms of the chart above…when we move from “Hell” to “Purgatory”.)

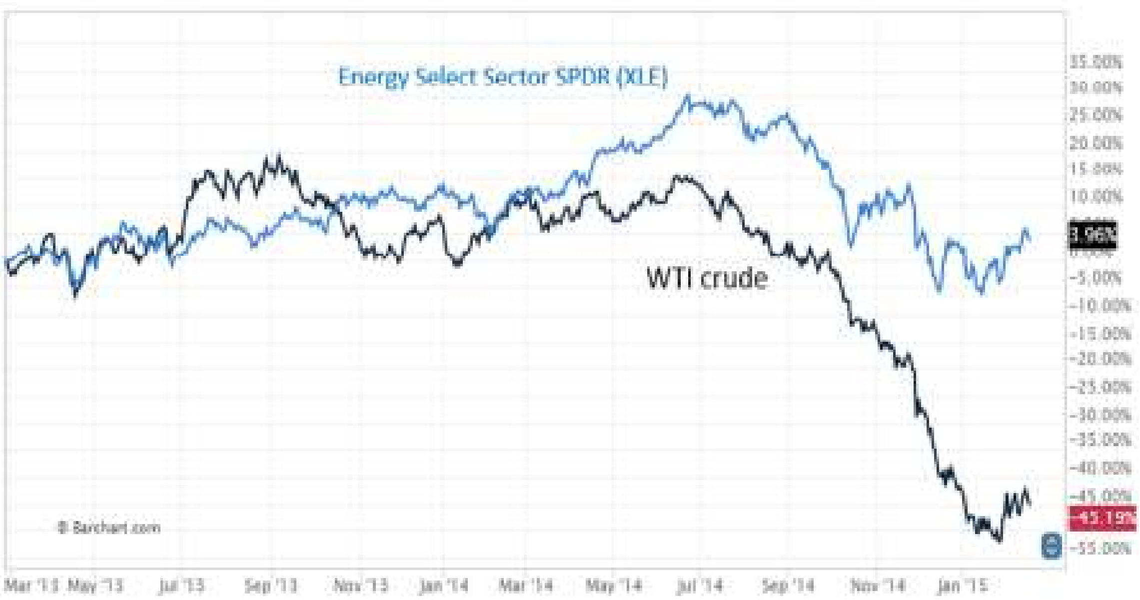
As stated before, this is the goal of the TEAM Models and philosophy.

Remember, I now have two versions of the TEAM Models available. You can purchase the TEAM Model using Canadian, US, or European stocks in either Canadian or US currency with either a ONE MONTH asset mix change window, or now, the same options are available using 3 DAY asset mix change window.

Don't be afraid to ask questions if you have any!

<u>Energy Stock Update:</u>

Energy stocks have outperformed crude oil by a long shot! The chart below is a relative performance chart of US energy stocks. It is not an exact equivalent to Canada but it is close enough for our purposes.



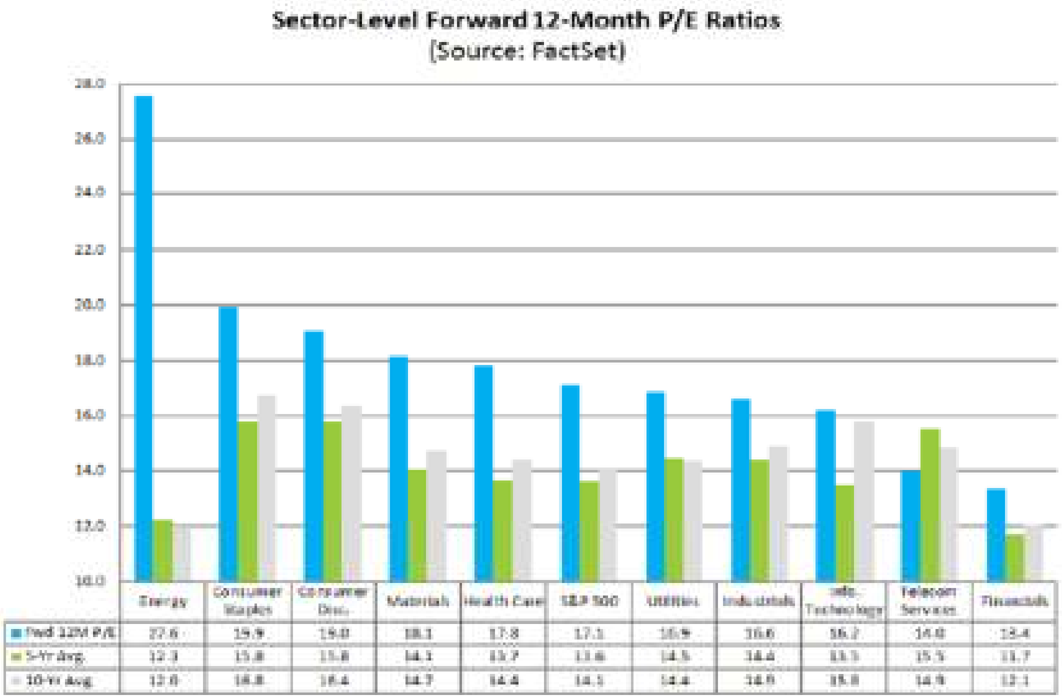
Whenever I see a divergence like the one above in the rate of change in the price of two related investments I ALWAYS try to find out why!

In this case, the best answers I can see revolve around two themes:

1. Investors are still hungry for dividends/yield and keep buying the oil sector for its juicy dividends.
2. The general view is that the decline in oil prices is temporary and crude oil prices will soon recover.

One never knows if about the future price of oil, but I would argue now that most of the oil stocks in Canada that are connected to the oil sands in any way absolutely require the price of oil to get back to the $65 US per barrel level.

For those who believe they are getting a "cheap deal" in the oil sector…please take a look at the Price/Earnings average eleven stock market sub-indexes and let that be a bit of a reality check for you!



Bottom line: If you believe oil goes above $65 US per barrel before October 2015 the oil sector is a "buy" right now. If you believe we stay below $55.00 until then I would not be adding to oil company shares today.

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.