RBC Dominion Securities Inc.

Crowder Wealth Management Group's Quarterly Report

Wealth Management Dominion Securities

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Wayne Crowder
Vice-President and Portfolio Manager
wayne.crowder@rbc.com
519-675-2512

Ray Crowder
Investment Advisor
ray.crowder@rbc.com
519-675-2513

Jennifer Squires
Associate
jennifer.squires@rbc.com
519-675-1141

148 Fullarton St.
Suite 1900
London, Ontario N6A 5P3
www.waynecrowder.ca
1-800-265-5911

2017 started off with positive momentum based on the expectation of continued economic growth, low interest rates, and moderately rising inflation.

Throughout the second quarter, we saw most capital market indexes around the world register impressive gains before moderating in June, solidifying the first quarter expectations of steady global economic growth and supportive business conditions. On the other hand, Canadian equity markets noticeably lagged many other developed market indexes, despite strong economic output and employment data.

Meanwhile, global fixed-income markets, prepared for the gradual end of ultra-low interest rates. The Bank of Canada held rates steady through the second quarter but then raised rates in July along with a second hike at its September meeting, to 1 percent. The second hike surprised markets who expected no changes, but supported the Bank's view that growth in Canada is becoming more broadly-based and self-sustaining.

Most global capital markets continued to register positive results through the third and fourth quarter of 2017, despite rising tensions over North Korea's nuclear weapons testing, a lack of new legislation from the Trump administration, and the devastation left by natural disasters including hurricanes and earthquakes .

After making two increases earlier in 2017, the Bank of Canada opted to keep its overnight lending rate unchanged at 1 percent in the fourth quarter, while The Fed announced a quarter-point increase in its benchmark interest rate in mid-December to a range of 1.25 to 1.5 percent, citing a strong labour market and healthy economic activity.

2017 was full of historic headlines, from Canada celebrating 150 years, to the rise of Cryptocurrencies, Cannabis industry proliferation, and the ongoing drama of Donald Trump. Many of the conditions that have supported market advances over the past year remain in place as we enter 2018 – strong economic data, low interest rates, tepid inflation and healthy corporate activity.

We will always suggest that investors will need to be patient and not get too distracted by short term events. Business fundamentals are generally good at the moment, but valuations are moderately high, and we appear to be in an extended period of low interest rates and relatively slow economic growth. Among other things, those factors would suggest that we are not in an environment that is conducive to high rates of return going forward.

Not surprisingly, we often get asked about where we think the market is going - or something similar - questions that would more or less require us to have predictive abilities or insights.

The future isn't predictable, and successful investing requires paying thoughtful attention to many areas simultaneously. In reality, that makes the nature and scope of investing and wealth management at a basic level intensely complex.

To simplify and make sense of the investing process, one has to have an investment approach, or “philosophy” as it is commonly referred to. The investment philosophy is essentially a system or approach that applies discipline to the process of investing that is built over time through study, life lessons and experiences.

> *“In my experience, few people have what it takes to be great investors. Some can be taught, but not everyone….and those who can be taught can’t be taught everything.”*
>
> \- Howard Marks

The reasons why Howard Marks would make such a comment is that even the best investors don’t get it right every time. No rule always works. The prevailing environments aren’t controllable or predictable, and circumstances rarely repeat exactly. In addition, psychology has an important impact, and is highly variable, often making cause-and-effect relationships unreliable. The result is that investing isn’t an exact science, and that implies that at certain levels is can’t be routinized.

Investors would like to have their wealth managed with above average results. To do that, you need either consistent good luck, or superior insight, given that everyone is competing for the same thing. Combine that with personal objectives that involve retirement, tax and estate planning, and other personal financial matters, and the picture becomes even more complex.

The value approach to investing that we use has a distinct focus on prevailing prices. Value is a measure of what you’re getting for the price you’re paying. If you pay less for something than what it’s worth, then you’ve got good value. Incorporating a strict valuation principle into an investment process greatly reduces the probability of overpaying for an investment. Investors would have considerable difficulty applying this to things like Bitcoin, because it’s virtually impossible to put a value on it. On the other hand, the attractiveness of buying something for less than it’s worth is just common sense.

Another major virtue of a value-based approach is that is forces investors to maintain a strict focus on business fundamentals. Business fundamentals offer a more credible sense of corporate health and investment attractiveness than predictions and forecasts.

Lastly, Investors inherently have a difficult time controlling their emotional reactions to external stimuli. A disciplined approach removes emotions from the decision-making process.

Final thoughts:

A successful investing strategy is clearly a key component of comprehensive wealth management and planning. It is also an area that requires a sophisticated skill set and an approach based on time-proven, long-term core principles. We incorporate the following core guidelines in our investment management strategies:

- Rational and disciplined long-term thinking based on fundamentals and prevailing prices;
- Establishing a diversified, high-quality portfolio tailored to your long-term objectives;
- Choosing securities that offer growth and quality;
- Preserving capital by investing with a margin of safety.

My team and I are always here should you have questions, or wish to talk about anything related to your portfolio or your finances.

Sincerely,

Wayne Crowder, B.Sc.(Agr), CFA.
Vice President and Portfolio Manager.
Crowder Wealth Management Group.

Index	3 Mo.	1 Year	5 Year
S&P/TSX Composite Total Return Index	4.5%	9.1%	8.6%
S&P 500 Total Return Index ($CAD)	7.5%	13.9%	21.4%
S&P 500 Total Return Index ($USD)	6.6%	21.8%	15.8%
MSCI World Price Index ($CAD)	6.0%	12.3%	14.8%
Broad Composite Cdn. Bond Index	2.0%	2.5%	3.0%

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