

# Clarke Wealth Management's Quarterly Newsletter



Wealth Management  
Dominion Securities

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## A+ Portfolios

A+ is an innovative investment platform that gives you convenient access to a professionally managed, fully customized investment portfolio. A+ provides access to some of the world's leading investment managers, backed by RBC's proven investment discipline.

With most investment programs, you are fit to the program. However with A+, the program is fit to you. Your A+ portfolio is individually crafted based on your unique needs for capital growth, investment income and asset preservation. Then, your A+ portfolio is professionally managed for you within strict parameters, freeing you to focus on your other important priorities.

### Your customized A+ portfolio provides:

- The expertise of leading independent asset management firms, carefully assessed through in-depth research, and brought together in a coordinated, customized portfolio
- A sophisticated, tax-efficient portfolio that gives you direct ownership of the individual investments in your portfolio, providing greater control over taxable events
- The latest portfolio management technology that brings together multiple asset managers into a single, unified portfolio with consolidated reporting and synchronized asset allocation
- A proven investment discipline that ensure your portfolio is set, monitored and rebalanced according to your specific investment guidelines
- A modern approach that enables you to achieve capital growth, without compromising on your personal values

### Managing risk through enhanced diversification

Diversifying your investments is the golden rule for reducing risk. Your A+ portfolio benefits from three levels of diversification through our “multi-asset, multi-style, multi-manager” approach:

1. **Multi-asset:** First, we diversify your portfolio by asset class – between equities, fixed-income and cash – to help achieve your specific long-term investment objectives while managing risk.
2. **Multi-style:** Next, we diversify your portfolio by investment style, carefully combining portfolio managers who specialize in different investment styles, such as growth and value.
3. **Multi-manager:** Finally, we diversify your portfolio by investment manager, mitigating the risks associated with investing with a single asset manager.

### Selecting world-class investment managers

As one of the leading financial services organizations in Canada, we have the ability to engage multiple independent, world-class investment managers. We employ rigorous due diligence to scrutinize and identify managers that have demonstrated long-term, consistent quality and merit. Ultimately, this helps ensure excellence and objectivity in the management of your investments.



Our recommendation combines the internal money management strengths of RBC with world-class, third-party money managers and research firms. We regularly monitor managers to uncover any deteriorating trends or other factors that can lead to excessive volatility or long-term underperformance.

### Reviewing and monitoring managers with ongoing due diligence

Our proprietary, multi-step review process typically begins with the following minimum screening criteria:

- Three years of operating and performance histories
- \$100 million of firm asset under management
- \$25 million of product asset under management
- Three years of portfolio management tenure
- Reasonable management fees and expenses

Investment managers meeting these criteria are then subjected to a more rigorous evaluation focused on four broad categories:

1. Firm and Product
2. Investment Approach
3. Investment Professionals
4. Performance

Our analysts employ well-defined research, evaluation and reporting activities when assessing each category.

First-hand information from due diligence of the manager is critical to understanding the firms and products under consideration.

Initial and ongoing due diligence is performed via on-site visits, conference calls and in-house meetings. Each category is analyzed to draw meaningful conclusions about the overall quality of the investment managers and portfolio strategies reviewed.

### Investment selection committee

The initial evaluation concludes when an RBC investment committee considers the most promising investment managers for approval. To be approved, each candidate must pass a thorough committee review that includes a detailed discussion of facts and informed opinions derived from the aforementioned research process.

### Continuous evaluation process

Every aspect of our due diligence requires ongoing investigation and evaluation to confirm the factors that contributed to the past successes of each product are still meaningfully intact. We maintain a “watch list,” which enables us to communicate developments of potential concern to asset managers. We may recommend the termination of a manager if our original assessment is materially and permanently impaired. This is most commonly the result of fundamental developments that we determine to be detrimental to the potential longer-term success of the manager or underlying investment strategy.

When deciding to retain or replace an investment manager we consider:

- Changes in organizational structure

- Significant personnel changes in the relevant investment team
- Consistency of investment strategy and style
- Regulatory issues
- Compliance with mandate
- Quality of service
- Performance pattern, including level and volatility
- Performance relative to appropriate benchmarks and other managers with similar mandates



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February 21<sup>st</sup>, 2017

## Exciting News from Amazon



Amazon is now 21 years old, and expanding profoundly in many categories and products, while earning market share from competitors in numerous sectors. It's difficult not to notice the pace and breadth of Amazon's growth without becoming curious as to where Amazon is heading. Here are a few things to be on the lookout for from Amazon, and things to be aware of when considering adding this global online presence to your portfolio.

When considering Amazon as your next pick, think of the **current services and experiences** you cannot acquire through Amazon such as:

- Gas
- Alcohol
- Restaurants (Delivery)
- Hotels and travel
- Cars
- Housing
- Aerospace and defense
- Agricultural & Energy equipment
- Health care services
- Banking services
- Enterprise software

Amazon itself remains a solid core holding, as do companies that are strong partners to Amazon or offer goods and services that can't be "Amazoned". Other companies that

are wary of its expansion include FedEx which recently stated the following in its 10-k risk section: "Moreover, if our current customers, such as Amazon.com, become competitors, it will reduce our revenue and could negatively impact our financial conditions and results of operations." Many may not be aware, but in 2016 Amazon leased 40 planes branded under Prime Air to take control of air deliveries.

Many of these companies may make bold statements expressing meagre concern that their market segment is not at risk, we advise to take these statements with a healthy consideration for Amazon's track record.

### Prime Membership vs. Competition

Amazon Prime Membership comes with a variety of perks for an annual fee of \$79. Benefits include:

- Free Standard & Same-Day shipping on eligible items
- No minimum purchase for shipping benefits
- Prime Video: Unlimited streaming of movies and TV episodes for paid or free trial members
- Prime Photos: Secure unlimited photo storage in Amazon Drive

- Twitch Prime: Members get exclusive discounts on physical games pre-orders and new releases
- Prime Early Access: Get 30-minute early access to select Lightning Deals on Amazon.ca

Amazon has had great success with Prime membership. According to RBC Capital Markets Internet analyst Mark Mahaney, he estimates that out of the 117 million U.S. households 51% has a Prime member.

### The Retail Front

2017 has already seen 7 retail bankruptcies, that's as many as all of 2016 with plenty of retailers planning to close over 100 stores. The number of malls in the U.S. grew more than twice as fast as the population between 1970 and 2015, while from 2010 to 2013 mall visits have declined by 50%. This could reflect an increasing trend to go online for shopping needs. Amazon may already be a master of the online domain, yet it is already breaking its virtual boundaries through the following experiments:

- Stores are now selling Amazon – specific products, such as the Kindle
- Nook mall book stores
- Convenience store concept call Go
- Grocery Delivery service AmazonFresh





## Canada Celebrates its 150<sup>th</sup> Birthday!

With the US dollar as high as it is, and Canada celebrating its 150<sup>th</sup> anniversary this year, why not take a staycation this summer and commemorate our great nation's anniversary by exploring some of the festivities offered.

### Parks Canada: Free Entry

Parks Canada is offering free general admission to National Parks, National Historic Sites and Marine Conservation Areas across the country. In the Metro Vancouver area these include the Gulf of Georgia Cannery in Richmond, and Fort Langley National Historic Site. Built in 1894 the Cannery is situated in the fishing village of Steveston and features a variety of artifacts. If you're really keen on history, Fort Langley noted as the birthplace of British Columbia dates back to the 1800s and boasts a variety of family activities.

### Vancouver Fringe Festival

From April to June at the Revue Theatre on Granville Island, TheatreWire is presenting two productions to celebrate Canada's 150<sup>th</sup> birthday. The first regales the adventure of a young Metis man who enlists to fight in the First World War. The second, The Canada Show, is a humorous 1 hour recount of

15,000 years of Canadian history.

### FASS Canada 150 Speaker Series Summer 2017

Simon Fraser University's Faculty of Arts & Social Sciences is hosting a series of presentations on May 17, 24<sup>th</sup>, 31<sup>st</sup> and June 28<sup>th</sup> covering various topics concerning national politics, culture and society. See SFU's Faculty of Arts & Social Science's website for more details.



### Night At The Aquarium 2017

This is to be a memorable experience for sure. Tickets are set at \$350 per individual and include an Ocean Wise four-course dinner prepared by Vancouver's top chefs, paired with premier wines and spirits, accompanied by live and silent auctions in support of our aquatic friends. This is all against the backdrop of marine animals with music and entertainment.

### Engine 374

On May 23, 1887, Engine 374 was the first to pull a transcontinental train into Vancouver. On Sunday May 21 from 12 to 3 at 181 Roundhouse Mews (Davie & Pacific) attendees will be allowed to get close and personal with this historical engine that brought British Columbia into the nation.

### Let's Hear It For Yaletown

June 26 – 30 free Jazz music will be serenading the streets of Yaletown at Bill Curtis Square.

### Uninterrupted

Starting June 28<sup>th</sup>, nearly one kilometer of the Cambie Street Bridge will become a digital projector screen for a 30 minute cinematic experience displaying the Sockeye salmon run. Accompanied with sound witness this visually captivating birth of the next generation of Sockeye.

### Canada Day at Canada Place

A big event for a big day, this is the largest Canada Day celebration outside of Ottawa, and this year it is going to be even bigger spanning two day July 1<sup>st</sup> & 2<sup>nd</sup>. Complete with fireworks, concerts and a parade there is something for everyone.



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