Private Wealth Manager

Wealth Management
Dominion Securities

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A word from Karim

Happy New Year. I can't believe another year has gone by and we are in 2019. If this is a sign that I am getting older, I refuse to subscribe to that theory. I am sure the days, years (and maybe me) are getting shorter and shorter. I used to be six feet tall and my doctor tells me I am shorter. Either she is not telling me straight, or everything (including days and years) are indeed getting shorter. The only exception is kids nowadays are taller. Aqil and Kiyaan are both over six feet tall. Not fair. Let me know if you feel the same way.

Anyway, I hope you had a wonderful holiday season and spent lots of time with family and friends. Mine was great. However, I can't seem to figure out why, in two short weeks, most of my clothes have shrunk and they don't fit me as they used to early in December. Maybe all the celebration over the holidays had something to do with the clothes shrinking. Again, surely it can't be me getting bigger (around the waist) and shorter … yikes.

After spending Christmas with my ever-growing family (now 36 with the addition of two little ones this year), we flew to Punta Cana for a short vacation and to spend time with Aqil and Kiyaan (plus get some sun). The getaway was wonderful and was a chance for us to spend quality time together. With Aqil now in university and Kiyaan in grade 10, Christmas holidays are the only time they both are off, so we made the most of it and we enjoyed every moment of our time together. I am writing this newsletter while enjoying the sunshine in Punta Cana with Aqil playing tennis and Kiyaan playing soccer on the beach with his friends.

I am happy to say that Aqil, Kiyaan and the whole family are doing great. My sister gained a seventh grandchild recently, making my mom the great-grandmother of 10 kids. Wish dad was around, as I know he would be on "cloud 9" to have 10 great-grandkids. I am sure he is watching from wherever he is.

I wish you and your families a healthy, happy and prosperous 2019.

As this is the beginning of the year, there are a few timely topics that I wanted to inform you about.

Tax package for 2018

You should receive your tax documents by late February and most of the tax slips will be in the mail by the end of March. For those of you who have signed up for a duplicate copy of this tax package to be sent directly to your accountants, they will receive them at the same time you do. Please advise your accountant to look out for this package.

For anyone who would like to sign up for this no-charge service, please contact our team at 416-956-8888.

There will also be a separate email going out to keep you informed of all the relevant tax information. Please be on the lookout for this email.

eTax

I am thrilled to inform you that it is still not too late to sign up for eTax. Through eTax, you get all of your tax information from us online. There are several major benefits to doing this, such as getting your tax information much sooner and it being stored for you online for seven years, so you can access it any time you want. You can sign up simply by choosing this option on DS Online or calling someone on my team at 416-956-8888.

TFSA contribution

It's a new year, which means you can contribute additional funds into your TFSA (this year, the maximum contribution limit is $6,000). I always recommend contributing as early in the year as possible so you can benefit from longer tax-free growth. Many of you have already contacted us to make this contribution. For those who have not, please call us as we need your approval.

Perspective after a negative year in the markets

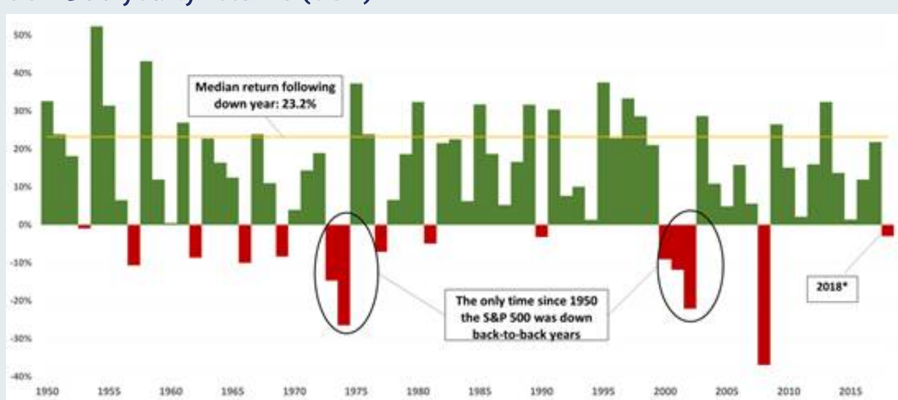
Many of you are probably concerned about what to expect in 2019 after a global equity market decline in 2018 and with all the political uncertainty we see in the headlines every day.

Looking at history can give us a guide of what we could possibly expect in 2019. I have enclosed a chart below that seeks to provide some perspective on S&P 500 returns following a disappointing year marked by unnerving volatility despite robust earnings growth. This chart goes back to 1950 and shows all the years with positive returns (in green) and all the ones with negative returns (in red).

The natural question is, what will 2019 have in store? And while that question can never be answered with certainty, using history as a guide may be useful. Here are some takeaways:

1. For the first time in 10 years, the S&P 500 posted a negative calendar-year return. Due to the long stretch of time in between, it may be easy to forget that down years are pretty normal. Since 1950, the stock market has fallen in 14 different periods, representing 20% of the time.
2. Market returns have historically been positive 80% of the time.
3. Negative returns are less frequent but should be expected on occasion.
4. When markets fall, the following year has delivered a median return of 23.2%. This does not mean we should expect double-digit returns in 2019.
5. There have only been two instances of back-to-back negative years since the 1950s.
6. It is darkest before dawn. Meaning, I believe that the best time to invest is when negativity is at its highest. An example of this was 2009. After the scary markets of 2008, no one wanted to invest in equities in 2009. It has been the right time to invest, most times, after a negative year.
7. Canadian markets have similar characteristics.

S&P 500 yearly returns (USD)



Source: Bloomberg, RBC GAM. Data as of January 1, 1950 to December 18, 2018*

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