

Westside Viewpoints

Accumulate | Preserve | Transfer



Wealth Management
Dominion Securities

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Services we provide:

- Fee-based portfolio management
- Estate planning, financial planning
- Tax-exempt investment strategies
- Life, long-term care and critical illness insurance



Offering a winning strategy with the power of dividends

Dividend income has historically benefited investors by providing both reliability and growth over time. While market volatility can leave many investors feeling uneasy about investing in equities, many companies are able to grow their earnings, thus rewarding investors by increasing their dividends and share prices.

Dividends play a key role in long-term returns

Dividend-paying companies represent a significant portion of the Canadian equity market and are typically characterized as soundly managed, well established companies with stable businesses. These are the exact kinds of companies we like to invest in. Dividends can also be an important part of a portfolio's total return, not only helping to offset losses in times of market declines, but also boosting

portfolio returns in flat and rising markets.

Dividend payers have historically outperformed the index. For example, from, 1986 to 2016, dividend growers of the S&P/TSX Composite Index have returned 11.7% compound annual total return compared to only 6.6% for the overall index. Dividend payers of the index also tend to be more stable over time, showing an annual volatility rate of 13% compared to 16% for the overall index during that same time period.

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**The power of dividends,
continued from page 1**

Get a head start with dividends

Over the past 30 years, dividends have contributed an average of 2.7% growth per year to the S&P/TSX Composite Index, representing almost 35% of the average annual total return.

At the end of 2016, the dividend yield was consistent with its historical average, at 2.7%. Clean balance

sheets, strong earnings growth and investor-friendly corporate dividend payout policies all continue to paint a bright picture for the future of dividend-paying equities.

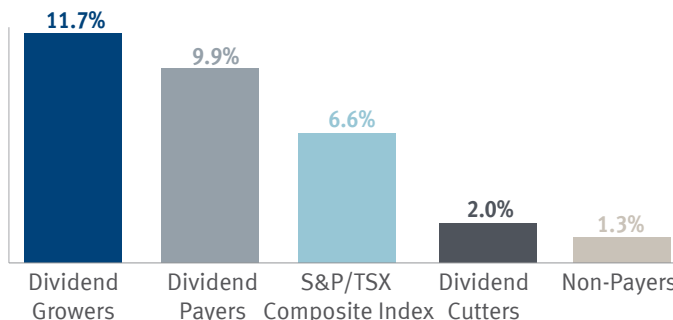
While no one knows exactly when markets will move up or down, dividend income can help deliver consistent cash flow to investors. It can also provide

exposure to the compelling growth opportunities that are emerging amid solid corporate earnings and improving global economic growth.

And finally, the dividend tax credit applied to Canadian dividends make them even more appealing when compared to straight interest income on government bonds and GICs.

Dividend-paying stocks have outperformed over time

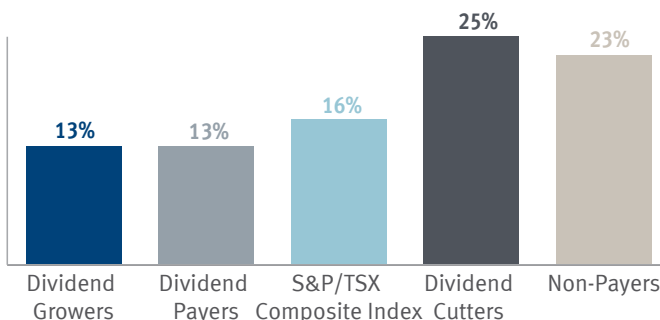
Compound annual total returns (1986-2016)



Source: RBC Capital Markets Quantitative Research, data is calculated on an equal weight basis, S&P/TSX Composite Total Return Index, December 1986 – December 2016.

Dividend-paying stocks have displayed lower volatility over time

Annualized volatility (1986-2016)



Source: RBC Capital Markets Quantitative Research. Annualized volatility is calculated on an equal weighted basis, S&P/TSX Composite Total Return Index, December 1986 – December 2016. Standard deviation/annualized volatility is a commonly used measure of risk and is applied to the annual rate of return of an investment to measure the investment's volatility. Standard Deviation shows how much the return on an investment is deviating from expected normal returns. A high standard deviation indicates a greater variability in investment performance.

History lessons

What investors can learn from Canada's 150th birthday

True, 150 years may be a little longer than any individual investor's timeline. But the long-term trends our country has seen since Confederation in 1867 provide almost endless lessons for investors today.



Gross domestic product (GDP)

1867: \$280 million
2017: \$2.11 trillion



Inflation

1867: \$1
2017: \$23



The Canadian dollar

1867: 0.25 British pounds
2017: 0.59 British pounds

Take a long-term view

In 1867, our population was about 3.6 million and our annual GDP was about \$280 million. One hundred and fifty years later, our population has grown at a steady rate of 1.5% to 36 million and annual economic growth has averaged just under 4%. While these may seem like modest growth numbers, the result is an economy with a GDP that is over 7,000 times the size it was in 1867.

While there were economic and market ups and downs over the last 150 years, and unfortunately you couldn't buy a share in "Canada" in 1867, the power of steady growth and a long-term view has served Canadian investors well.

Consider that the Canadian stock market, the S&P/TSX, reached 568 in 1956 (when they started keeping track). Sixty-one years later, it's over 15,000. The market capitalization was \$2.5 billion in 1956 – and today it's over \$2.8 trillion.

Protect against inflation

You might recall spending a quarter at the corner store, and your parents a nickel, but what about your great-great grandparents? One hundred and fifty years of inflation paints an interesting picture of Canada's economy.

From 1867-1887, deflation ruled and prices actually dropped by 20%. From 1910 -1920, prices increased by an astounding 160%. By 1932, the midst of the Great Depression, deflation had struck again and prices sat a mere 8% higher than at Confederation, 65 years earlier.

Through 150 years, Canada's inflation has averaged a modest 2.1% – just above the Bank of Canada's current target of 2%. Prices have increased about 23-fold and \$2.00 today is equivalent to about 8.5 cents in 1867, illustrating how even modest inflation can erode purchasing power and the need to protect your portfolio from its effects, especially considering today's ultra-low interest rates.

Manage currency risk

In 1867, the Canadian dollar was pegged at \$4 per British pound-sterling, while the down-trodden, post-Civil War U.S. dollar floated at \$6.75 per pound. A century and a half later, relative to the pound, the Canadian dollar has more or less doubled in value, while the U.S. dollar is worth almost five times more.

Over time, currencies often swing up and down through long-term cycles, and arrive back at long-term averages. But the long-term appreciation of the U.S. dollar illustrates that currency values can also trend in one direction, pointing to the need to manage the risks of foreign currency exposure in a portfolio.

Notes: Inflation data source: Statscan, Wholesaler General Price Index from 1867-1945, Consumer Price Index from 1945-2017. Currency data source: Statscan, U.K. Telegraph. Population, GDP, stock market data source: Statscan, Fraser Institute.

What's new at the Westside Wealth Management Group of RBC Dominion Securities

Firstly, we are happy to introduce the latest addition to our team – Madeleine Beach. Madeleine is a recent graduate of the University of Victoria and brings extensive experience in client service and organization. Starting August 1, she will be assuming many of Michelle's duties, including answering the phones, scheduling meetings and helping with general administration of clients' accounts. Madeleine can be reached at (604) 713-2741 or madeleine.beach@rbc.com. We hope you join us in giving Madeleine a warm welcome to the team.

The other big change is that Kate will be retiring on September 15. Kate joined the team in 1994 and has positively contributed to our business delivery and growth in many ways over her 23 year tenure. She has really enjoyed her relationships with you, our valued clients, and said that is what she will miss the most. We will miss her positive energy and influence around the office. Happy retirement, Kate!

With Madeleine fulfilling some of Michelle's duties, Michelle will now take on the client communication and marketing role Kate leaves behind.

That includes, among other things, our quarterly newsletter editing, website management, client communications, educational events, client appreciation events and quarterly portfolio reporting. Good luck, Michelle, with your new responsibilities!

Roxy sure won the lottery when she was rescued by Michelle in Haida Gwaii last year in August.

She is quickly becoming our team mascot, and can often be found hiking the North Shore mountain trails with Michelle.



Introducing Madeleine Beach.



Roxy skipping a canoe on the way to Widgeon Falls.



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