

# MacKay Weekly Investment Report



WEEK ENDING FRIDAY, JUNE 22, 2018

[WWW.MACKAYGROUP.COM](http://WWW.MACKAYGROUP.COM)

1-800-561-4468

MacKay Group Wealth Management. Our mission is to provide our clients superior investment advice, products and service.  
Serving clients and friends at RBC Dominion Securities Inc. – a member of RBC Financial Group since 1983.

## 6<sup>th</sup> Inning / Tune Out Noise / Ecstatic Confidence

Lots of negative news (as always) and equity markets mixed = TSX all-time high – DOW having 6<sup>th</sup> bounce in trading range this year & Nasdaq (technology sector) doing very well. What's next?

**Positives:** Ned Davis S&P 500 sector roadmap (see chart –pg 7) has expected equities to drift lower to Sept/Oct during this 2<sup>nd</sup> presidential year – a year of historical tough policies – followed by year-end equity rally. JPM- Diamond “we are in the 6<sup>th</sup> inning of the ball game”. Measure of confidence the highest since 2000– risk appetite for investors has risen meaningfully. Buybacks – internal funds have been good enough and capital expenditures low enough that corporations appear to be in great shape to do more investment or more stock buying (N. Davis). “Forward Earnings – strong signal from S&P 500/400/600 – all rose to record highs in mid-June – S&P 500 is \$168.40 – target \$170 for year-end – Forward Revenues – record highs in June – Profit Margins record highs – 12.2% in mid-June up from 11.12 during December – Bottom line – noise hasn't drowned out the signal – investors will tune out the noise and focus on the signal over the rest of the year (Dr. E Yardeni)”. Investors stay home investment strategy vs go global. National Federation of Independent Businesses May survey of global business owners showed they were ecstatic last month. Investors expecting banks to announce large returns of capital to shareholders after Fed reports quantitative results from stress tests – high profits – rising net interest margin – dividends & buybacks. US corporate profits growing faster than GDP – most likely 20% this year and hundreds of companies raised dividends in past year – P/E is 21 on trading 12-months and less than 17 forward earnings – Fed is nowhere near tight and market is mispricing both growth and inflation risks to bond yields (B. Wesbury).

**Negatives:** Bull market in mature phase – 40.7% of total households financial assets and thus its higher than the 1968 & 2007 peaks (Ned Davis). Large institutions are the second largest holders of stock are also overweight stocks (N. D). Margin debt is at high levels in brokerage accounts so cash is low and debt is high (N.D). Trump bullying Chinese in public rather than negotiate with them in private is risky. Chinese central bank delivers surprise stimulus. More & more of the leaderships stocks have been the more aggressive high beta stocks and a lot of the defensive names have been left for dead – defensiveness is at a record low – there is a 50/50 chance for a 15% sell-off this year (J. Paulsen). Bond traders get ready for yield curve inversion as soon as next week (Bloomberg).

**Investment Wisdom:** “Money is made by sitting, not trading” – Jesse Livermore

## PORTFOLIO MANAGEMENT-Week's Highlights

**Stock of the Days:** JUST, ENB, PLZ.un, SNC,

**New Issues:** DIR.un, BLX, AP.un, E-split Corp, VB

Have a great weekend. Bruce

Exchange	21-Jun-18	YoY	MoM
S&P/TSX	16,335.15	7.3%	1.2%
DJIA	24,461.70	14.3%	-1.5%
S&P 500	2,749.76	12.9%	0.9%
Nasdaq	7,712.95	23.7%	4.5%
FTSE 100 Index (UK)	7,556.44	1.6%	-4.1%
DAX Index (Germany)	12,511.91	-2.2%	-5.0%
Hang Seng Index (HK)	29,296.05	14.1%	-4.5%
Nikkei 225 (Japan)	22,693.04	12.8%	-1.2%
Shanghai 180 (China)	7,786.45	0.2%	-7.0%

## MacKay Weekly Investment Report Contents:

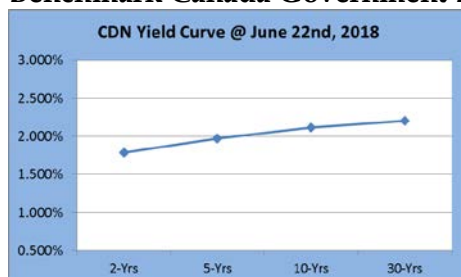
Page 1 - How I see It, Pages 2 & 3 - Notes and Quotes, Page 4 - CDN Mkts, Page 5 - Int'l Mkts, Page 6- Funds & ETFs, Page 7-9 - Favourite Charts, Page 10 - MacKay Group Portfolio Management Page 11 - Comprehensive Wealth Management Page 12 - MacKay Group News & Events



## CANADIAN MARKETS

### I. Canadian Fixed Income

#### **Benchmark Canada Government Bonds**



#### **MG Canadian Fixed Income Top Holdings**

- Government & Corporate Bonds
- Convertible Debentures
- High Yield Open End & Closed End Funds
- Rate Reset/Fixed Floater Preferreds
- Perpetual Preferreds

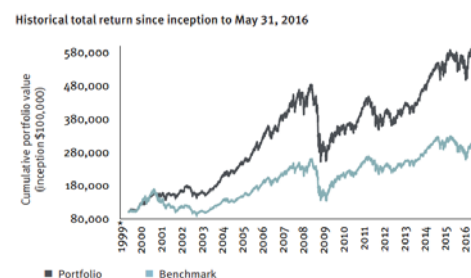
### II. MG Top Holdings, RBC DS Summer CDN 2018 Equity Focus List, and Veritas V-List

**MG Favs:** CAP REIT, Plaza Corp, Manulife, Fortis Inc, Hydro One, BCE Inc, Canadian Tire.

**RBC CM Focus List:** TD Bank, Royal Bank, Bank of Nova Scotia, Bank of Montreal, National Bank, Brookfield Asset Management, Intact Financial, Onex Corp, Manulife Financial, Brookfield Property Partners, Telus, Restaurant Brands, Dollarama, Magna International, Couche-Tard, CP Rail, CN Rail, Toromont, Waste Connections, Finning Constellation Software, Canadian Natural Resources, Suncor, Pembina, TransCanada, Nutrien, Franco-Nevada.

**Veritas V-List:** Allied Properties, CP Rail, Capital Power, Cenovus Energy, CGI Group, Dollarama, Enbridge, Granite REIT, Husky Energy, Hydro One, Metro Inc, New Flyer Industries, Open Text, Premium Brands Holdings Corp, Quebecor, Shaw Comm, Sun Life Financial, TransAlta, TransCanada, Waste Connections, WestJet Airlines

#### **RBC Canadian Focus List Performance**



### III. News We Recommend On Our CDN Holdings

Market prices as of market close on June 21<sup>st</sup>, 2018

#### **Dollarama Inc (DOL)**

**May Flowers: Adjusting Estimates/Price Target**

Ranking: **Outperform (RBC CM)**

Price: \$52.86 CAD – Target: \$55.00 CAD

#### **Baytex Energy (BTE)**

**A Fresh Start on a Bigger Stage**

Ranking: **Outperform (RBC CM)**

Price: \$4.22 CAD – Target: \$6.00 CAD

#### **Stock of the Day Picks this Week:**

##### **- Prepared by Ryan**

- Open Text Corp (OTEX)
- Air Canada (AC)
- Onex Corp (ONEX)

#### **Research Publications (available upon request)**

- RBC CM 2018 Look-Ahead: CDN Equities
- RBC Strategy CDN Focus List: Spring 2018
- RBC CM FEW Portfolio – Spring 2018
- RBC CM CDN Sm Cap Conviction List – Spr'18

## **MUTUAL FUNDS Closed/Open- Top Holdings**

### **Canadian Fixed Income**

Canso Credit Income  
Dynamic Strategic Yield  
Atrium Mortgage Fund  
Ridgewood Investment Grade Fund

### **Canadian Equity**

Fidelity - Global Innovation/CDN Large Cap/Growth /Special Opp  
Mackenzie - Ivey CDN / Cundhill  
Middlefield - CDN Dividend Growers/REIT Plus  
Franklin Templeton - Bissett CDN Div/CDN Equity  
RBC -CDN Div/CDN Equity/ O'Shaughnessy  
Dynamic - Strategic Yield  
Jarislowsky - Select CDN Div  
Trimark - CDN

### **US Fixed income**

Franklin High Yield  
Fidelity American High Yield  
Annaly Capital (NLY)

### **US Equity**

Fidelity - American Eq/Small Cap American/Euro  
Mackenzie - US Mid-Cap  
Middlefield - US Div Growers / American Core  
Franklin Templeton - Growth  
RBC - NA Value  
Dynamic - Strategic Yield  
Trimark - Trimark /Fund

### **GLOBAL Equity**

Fidelity - Global Div/Monthly Income  
Mackenzie - Ivey Foreign  
Middlefield - Health Care/Global Div Growers  
Franklin Templeton - Growth / Intl  
RBC - Global Fund / Int. Div G  
Dynamic - Global Value  
Trimark - Global

## **ETFS - Top Holdings**

### **Canada - Fixed Income**

Bonds - XBB, XCB, XGB  
Preferred Shares - CPD, PSF.UN

**Canadian Equity** - iShares TSX Large Cap 60, iShares Canada Equity Income, iShares Canadian Dividend, iShares Canadian Select Dividend, iShares TSX Small Cap, iShares TSX Composite

**Canadian Sectors** - iShares TSX Financials, iShares TSX REITs, BMO Equal Weight Utilities, iShares TSX Info Tech, iShares TSX Energy, iShares TSX Materials

### **US - Fixed Income**

US Bonds - XIG, TLT,  
US Preferred Shares - PFF

**US Equity** - S&P 500, Dow Jones Index, Nasdaq 100, S&P 500 Dividend Index, iShares Dow Jones Select Dividend Index, Vanguard Dividend Appreciation Index, iShares High Dividend Equity Fund, iShares Russell 2000 Index, S&P 500 Value Index, S&P 500 Growth Index, S&P Small Cap 600 Index

**US Sectors** - SPDR Financial Index, iShares Real Estate, iShares, SPDR Utilities Index, iShares Telecom Index, SPDR Consumer Discretion, iShares US Healthcare, iShares Nasdaq Biotech, iShares Industrials Index, NASDAQ Index, Vanguard Energy Index, DJ Basic Materials Index, iShares Homebuilders Index

### **GLOBAL Equity**

China ETF, Europe ETF, Germany ETF, India ETF, iShares Emerging Mkts, iShares International Dividend

### **Unique ETFs**

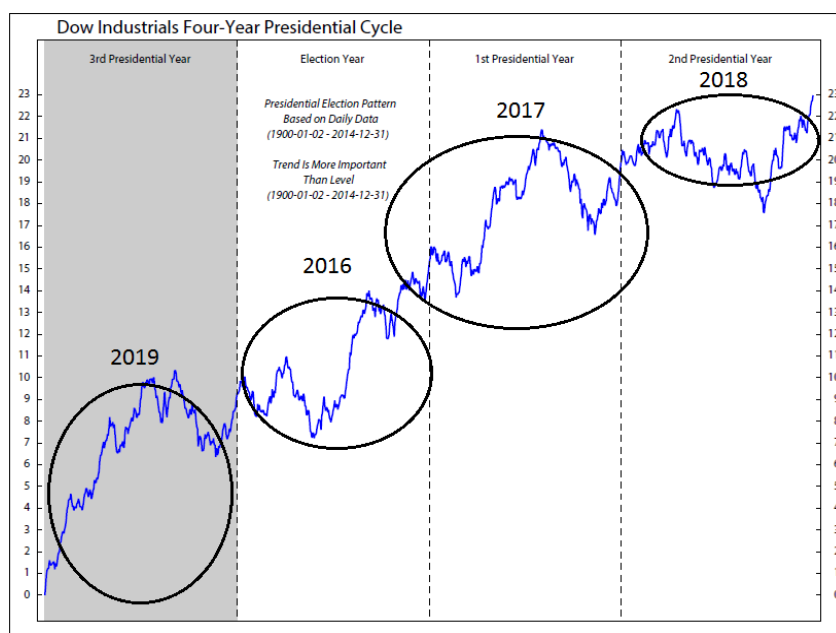
Horizons Robotics & Automation, ETFMG Prime Cyber Security, Blockchain Technologies, Active AI Global Equity, Marijuana Life Sciences, Healthcare Leaders Income, Tech Achievers Growth & Income, Just ETF US Large Cap ETF  
ROBO/HBLK/VGT/MIND/HA/HHL/HTA/JUST






# Technical Update

**Languishing.** The stock market continues to send us a mixed message with many cross-currents in play, and the net result continues to be that of an overall neutral trend for the past several months and possibly the same for several more months. The Tech-heavy NASDAQ Composite has gone on to new highs while the Dow Industrials and S&P have lagged behind, but we are noticing some potentially topy trends developing in a few of those leading Tech stocks that may be suggesting a pullback could be developing in that sector soon. We also notice that the sentiment is very mixed depending on what indicator is used, but the overall mood is far from the type of euphoric level that would have us worrying about the possibility that a long-term top market has been made. Instead, we look for more of the same going forward with rally periods and pullbacks within a range that could continue to frustrate the bulls and the bears.



 <b>American Association of Individual Investors</b>			
Reported Date	Bullish	Neutral	Bearish
June 21:	38.72%	35.10%	26.18%
June 14:	44.78%	33.52%	21.70%
June 7:	38.93%	34.35%	26.72%
May 31:	35.02%	38.63%	26.35%
May 24:	38.56%	36.27%	25.16%
May 17:	36.68%	42.74%	20.58%
May 10:	33.51%	40.96%	25.53%
May 3:	28.40%	41.36%	30.25%



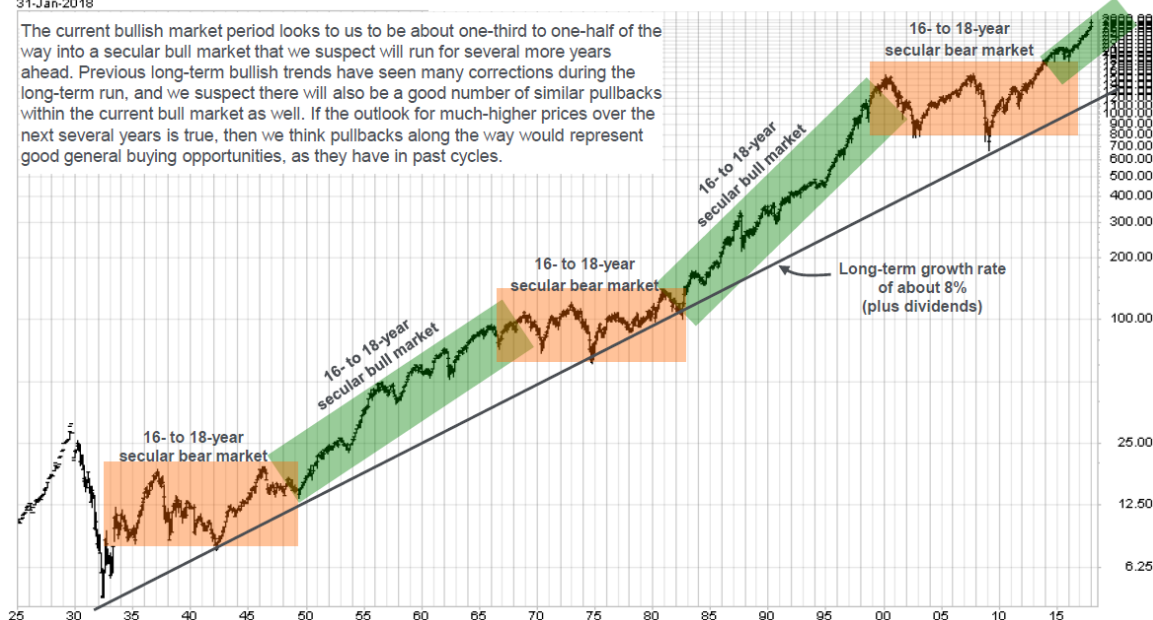
## FAVOURITE CHARTS

### Long-term market cycles 1925–2018

\$SPX S&P 500 Large Cap Index INDEX  
31-Jan-2018

© StockCharts.com

The current bullish market period looks to us to be about one-third to one-half of the way into a secular bull market that we suspect will run for several more years ahead. Previous long-term bullish trends have seen many corrections during the long-term run, and we suspect there will also be a good number of similar pullbacks within the current bull market as well. If the outlook for much-higher prices over the next several years is true, then we think pullbacks along the way would represent good general buying opportunities, as they have in past cycles.

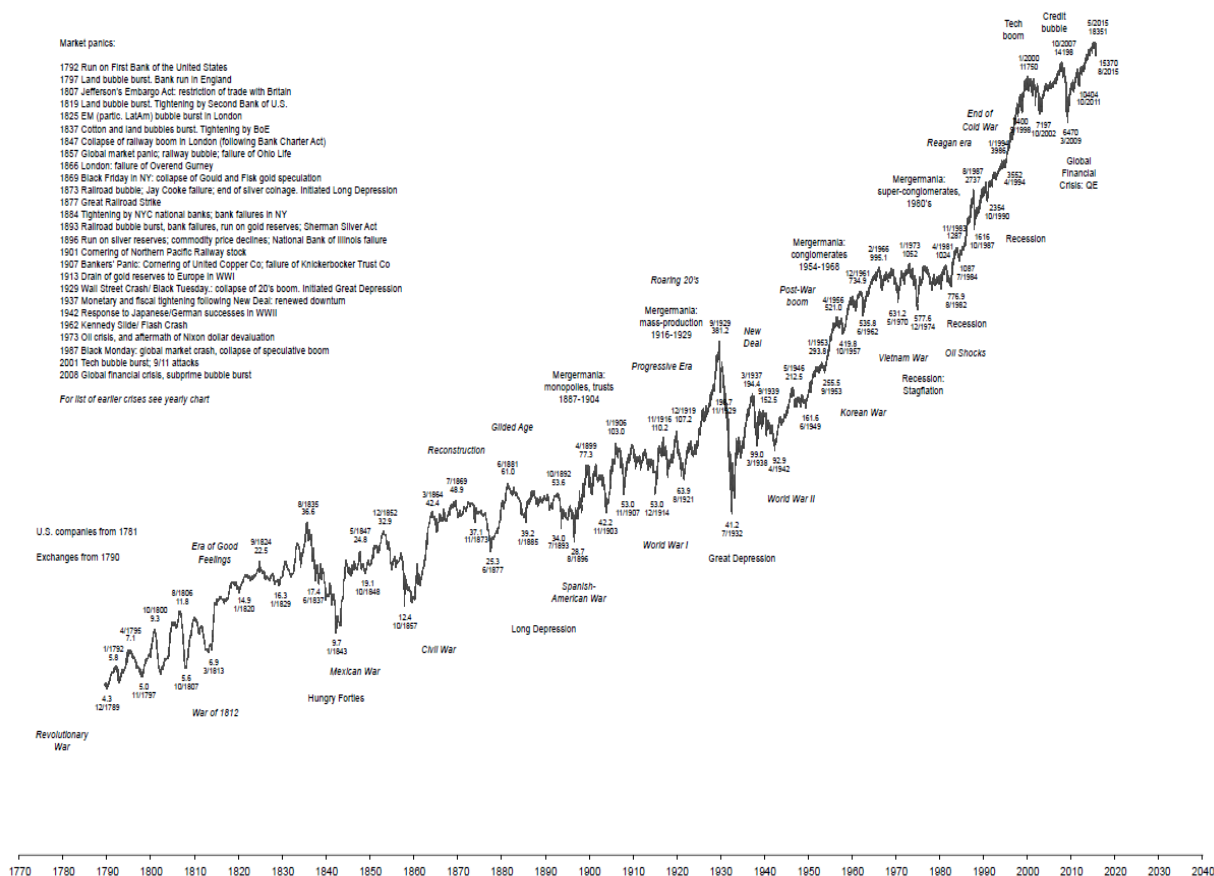


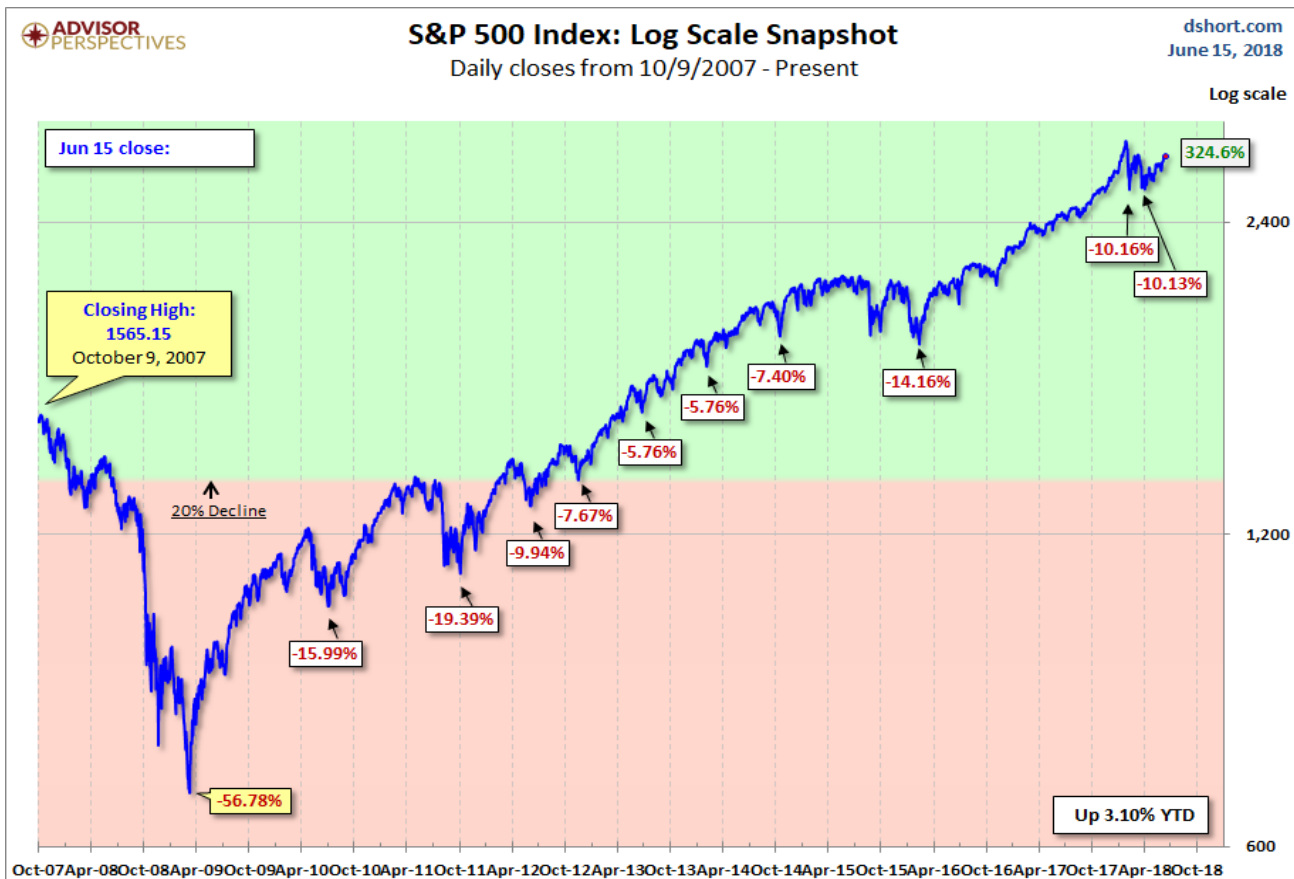
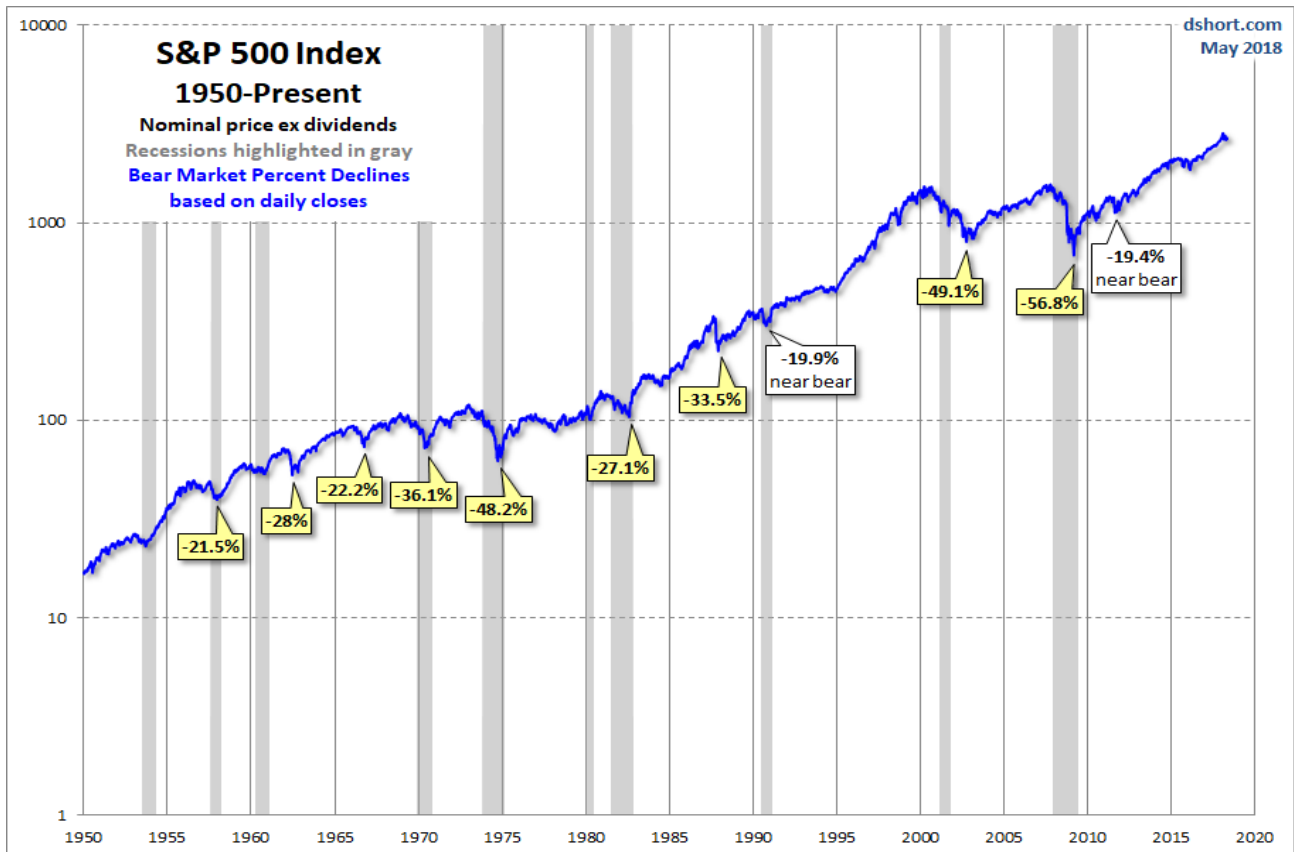
### Dow Jones Industrial Average - 1789 to Date

Market panics:

1792 Run on First Bank of the United States  
1797 Land bubble burst, Bank run in England  
1807 Jefferson's Embargo Act: restriction of trade with Britain  
1819 Land bubble burst, Tightening by Second Bank of U.S.  
1825 EM (partic. LatAm) bubble burst in London  
1837 Cotton and land bubbles burst, Tightening by BoE  
1847 Collapse of railway boom in London (following Bank Charter Act)  
1857 Global market panic; railway bubble, failure of Ohio Life  
1866 London: failure of Overend Gurney  
1869 Black Friday in NY: collapse of Gold and Fiat gold speculation  
1873 Railroad bubble; Jay Cooke failure, end of silver coinage. Initiated Long Depression  
1877 Great Railroad Strike  
1884 Tightening by NYC national bank; bank failures in NY  
1893 Railroad bubble burst, bank failures, run on gold reserves; Sherman Silver Act  
1896 Run on silver reserves; commodity price declines, National Bank of Illinois failure  
1901 Cornering of Northern Pacific Railway stock  
1907 Bankers' Panic: Cornering of United Copper Co; failure of Knickerbocker Trust Co  
1913 Drain of gold reserves to Europe in WWI  
1929 Wall Street Crash/Black Tuesday: collapse of 20's boom. Initiated Great Depression  
1937 Monetary and fiscal tightening following New Deal: renewed downturn  
1942 Response to Japanese/German successes in WWII  
1962 Kennedy Slide/Flash Crash  
1973 Oil crisis, and aftermath of Nixon dollar devaluation  
1987 Black Monday: global market crash, collapse of speculative boom  
2001 Tech bubble burst; 9/11 attacks  
2008 Global financial crisis, subprime bubble burst

For list of earlier crises see yearly chart





## **MACKAY GROUP WEALTH MANAGEMENT**

**Introduction** Serving over 300 families and friends since 1981. We provide the investment solutions you need to achieve specific goals, whether investing for yourself, family, your business or your organization.

**Our Team** Helping to provide comprehensive wealth management is an extensive team of professionals, including Portfolio Managers, Financial Planners, Estate Planning Specialists, Consultants, Tax Strategists and Research Analysts.

## **THE MG WEALTH MANAGEMENT APPROACH**

- 1: Learning about each other
- 2: Developing your personalized IP investment plan.
- 3: Putting your plan into action
- 4: Integrating complementary wealth services
- 5: Taking care of your lifelong needs
- 6: Monitoring and reporting results

### **Portfolio Management Highlights:**

1. Learning about each other. Questionnaire on investment needs, objectives, and risk.
2. Investment Policy Statement. The IPS statement expresses your personal investment objectives in a document to guide the content of your portfolio, including making decisions, reporting on progress and regularly reviewing your objectives.
3. Action Plan. Detailed proposal to get us started.
4. Reviewing all our Wealth Management services including a financial plan and estate plan.
5. Taking care of lifelong needs, including creating detailed income projections.
6. Monitoring and reporting results. Ongoing portfolio analysis, reviews and prompt service.

- ✓ Investment Policy Statement (IPS)
- ✓ Portfolio Valuation Report
  - Asset Allocation, Income Projection, Rate of Return, Capital Gains/Loss
- ✓ Tax reporting, T5 and T3 etc. (See kit)
- ✓ RBC CM Quarterly Strategy, MG Weekly Newsletter, Focus List and Stock of the Day

### **ACCOUNTS & SERVICES WE OFFER**

Investment Account, Options, Equity Credit Line,  
Corporate, Holding Co., Charitable Foundation, Tax  
Free Savings Account (TFSA)  
Registered Education Savings Plan (RESP)  
Registered Retirement Savings Plan (RRSP)  
Registered Retirement Income Fund (RRIF)  
Individual Pension Plan (IPP) DS Family Trust Acct  
Registered Charity Gift of Stock Account  
Annual Tax-Assisted Flow-Through Share Program

## **PORTFOLIO MANAGEMENT PROGRAMS**

Our team manages clients' portfolios on an individual basis. Portfolios are custom designed to meet your personal objectives. Investment disciplines used include asset allocation, geographic & sector diversification and risk management to maximize your portfolio returns. Programs include:

**1. Private Investment Management - PIM** our premium level of discretionary wealth management. Highlights include: Freedom, custom portfolio, segregated securities, IP statement, asset mix for life stage, model portfolio tracking, growth and income needs, risk tolerance, top & bottom up management.

**2. Professional Discretionary Investment Portfolios.** A+ Investment Program: is our institutional level platform with 40+ Investment Manager choices. Global money managers including Beutel Goodman, Franklin Bissett, Guardian, Jarislowsky Fraser, RBC GAM, Caldwell, Brandes, & Franklin Templeton.

**3. Professional Non-Discretionary Management - Advisor** our premium level of non-discretionary investment wealth management. Highlights include: Discussion on each investments, custom portfolios, IP statement, asset mix, growth & income needs, risk tolerance, top & down management.

Management fees are tax deductible for non-registered accounts.

### **4. Traditional Transactional based accounts.**

Available for special situation accounts.

### **Advantages of Annual Management Fee Program.**

- ✓ Premium money market and bond rates
- ✓ mutual funds with lower management fees
- ✓ Hedging through use of option strategies
- ✓ Easier tax planning - tax loss switches
- ✓ Stop loss + Re-entry without extra fees to average into and out of stock positions
- ✓ No transaction commission places the focus on merits of investing instead of its cost.
- ✓ Fee % decreases as value increases

### **INVESTMENT VEHICLES WE USE:**

Allocation includes CDN, US, and International  
Fixed Income                      Equity Income & Growth  
MM, GICs                          Small Cap.  
Bonds, Converts                  Medium Cap.  
Preferreds                          Large Cap.  
High Income                      Balanced  
ETFs & Mutual Funds (open and closed),  
Option Strategies, Tax assisted investments



## COMPREHENSIVE WEALTH MANAGEMENT STRATEGIES

### **1. Financial Planning**

**Ted Chan** – our Financial Planning Consultant provides solutions for simple or complex financial planning:

- Comprehensive financial plan
  - Addressing all aspects of your financial affairs
  - Including cash and debt management
  - Tax and investment planning
  - Risk management
  - Retirement and estate planning
  - Business succession
  - Withdraws from corporation tax- effectively
  - Taxation of the corporation at death and more.
- Also:**
- Business planning
  - Estate planning
  - Children's education and inheritance
  - Family trusts for disabled dependents
  - Retirement planning
- 

### **2. Insurance Planning**

**Andrew Sipes** – As estate planning specialists, they will focus on:

- Personal and corporate insurance solutions to increase your net worth and reduce the impact of taxation.
- He can also ensure your wealth is transferred to your heirs in accordance with your wishes.

Insurance Strategies include:

- Whole life
  - Term life
  - Long Term Care
  - Keyperson Insurance
  - Corporate Estate Bond
  - Insured Retirement Plan (IRP)
  - Critical Illness
  - Insured Annuity
- 

### **3. Wills & Estate Planning**

**Ariel-Charles Guigui** – Our Will and Estate Consultant offering information on structuring your estate in an efficient and tax-effective manner, providing you with a report outlining various estate planning issues:

- To explore in further detail with your own lawyer or accountant
  - Valid & Current Wills for All in Family
  - Use of living trusts
  - Planned Gifting
  - Reduce the taxes and expenses of an estate
  - Simplify and speed the transition of assets to the next generation
  - Ensure that your beneficiaries are protected.
  - Different types of Power of Attorney
- 

### **4. Tax Planning**

**Prashant Patel** – A number of solutions that can simplify the tax planning process including;

- Tax-efficient charitable giving
  - Family income splitting strategies
  - Eligible Retiring Allowance
  - LIRA Conversion to LIF/RLIF
  - 2015 Home Buyer's Plan Withdrawals
  - Consider Paying Yourself a Bonus
  - Sale of Private Business Shares
  - US Estate Tax Planning for Canadians
- 

### **5. RBC Estate & Trust Services, Royal Trust**

**Greg Woolston** – provides individuals, families and businesses with valuable estate, trust and incapacity services:

- Assistance in the preservation, management and transfer of wealth between generations by providing solutions to implement clients' estate and trust plans
  - Financial security and peace of mind to elder Canadians who require assistance in the management of their affairs as they grow older
  - Professional and impartial expertise in delivering estate and trust services
    - Strong history and legacy in managing fiduciary businesses
    - Professionals who have technical and practical experience
    - Compassion and understanding of the client's family's experience
-



## THE MACKAY GROUP NEWS

### **Bruce's Comments**

#### **Is it time for a Financial Checkup?**

Tax rates are increasing, financial solutions are evolving and RBC's suite of services has expanded to meet our clients' needs. We'll review your investment portfolios and introduce you to our expanded team of Wealth Management professionals and the full range of services we offer.

### **Andrew's Portfolio Managements Comments**

We continually monitor your investments. Our objective is your objective - to maximize your returns given your risk parameters. We have a wide range of investment choices available for you. Just look at our MG weekly Focus List.

### **Harry's Discretionary Managements Comments**

I help the team manage Discretionary Investment accounts. Glad to talk to you about the advantages of this portfolio management program. Also, will be managing clients TFSA's to maximize returns.

### **Ryan's Research and PM Comments**

I focus on research, MG Weekly & Daily Stock of the Day. For over 5 years, we have sent these well researched reports. Returns have been very impressive - I can send you our track record. I can also provide target & rank analysis on your investments.

### **Kristi's Wealth Management Comments**

Would you like a Financial Plan, Will & Estate Consultation and Insurance review? We can also provide you RBC banking, private banking and mortgage lending assistance.

### **Melissa's Administration Comments**

Is your account information up to date - including investment objectives & risk parameters, beneficiary information, dividend reinvestment plan, monthly payment plan and banking information?

### **Suzanne's Admin and Charities Comments**

Will provide clients with custom investment portfolio reports which include rates of returns, tax reporting and income projections. Help clients support their favorite charity with RBC foundation.

## Our Mission

"To provide our clients superior investment advice, products and service at RBC Wealth management Dominion Securities since 1981."

### **Bruce MacKay, BA, HBComm, CIM**

*Associate Portfolio Manager, Investment Advisor,  
Vice President and Director*

**Andrew Slivinsky, PFP, Senior Associate Advisor**

**Harry Sale, BA, Associate Wealth Advisor**

**Ryan MacKay, BA, Associate Advisor**

**Kristi MacKay, MBA, Associate Wealth Advisor**

**Melissa Crawford, BA, Associate Advisor**

**Suzanne Reid-Skidmore, BA, Associate Advisor**

### **Estate + Financial Planning Advisors**

**Ted Chan, Financial Planner**

**Ariel-Charles Guigui, Will and Estate Consultant**

**Prashant Patel, Tax Consultant**

**Andrew Sipes, Estate Planning Specialist**

### **MacKay Group Wealth Management**

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### **MacKay Group & RBC Foundation**

**We have contributed \$500,000+ over the years. Charities we support in 2017 -** Jewish National Fund, Canadian Wildlife Federation, Canadian Civil Liberties, Toronto Public Library Foundation, ABC Life Literacy, Prostate Cancer Research, Canadian Canoe Museum, Erin Oak Kids, Trillium Hospital Foundation, CAMMAC, JVS Toronto, Operation Walk, Kids Cops & Computers, Ontario Track III, Camp Winston & The Barth Foundation.

**Thank you for your referrals** - We would like to thank our clients for the trust and confidence they have shown in us, by referring their friends and family. Gift certificate to your favorite restaurant or 1-yr subscription to the Economist available as a Thank You.



### Disclaimer

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The model portfolio reflects the actual investment recommendations (buys, sells) of the strategy as they were communicated historically; however, a number of implementation assumptions (which may include but are not limited to the timing and diligence with which the portfolio is rebalanced, the execution price for securities transactions, and any trading and account related costs, fees, or commissions) have been made when calculating the model returns that may be difficult or impossible for any investor to exactly replicate the model portfolio. For this reason, there is no expectation that the model returns will perfectly replicate the actual performance of any client following the same guided portfolio strategy. Specifically, the following assumptions have been made when calculating model portfolio returns: the portfolio is rebalanced monthly and any time a change to portfolio holdings is made; market close prices are used for all valuations; and returns are gross of all account fees and transaction costs. Insurance products are offered through RBC Wealth Management Financial Services Inc. ("RBC WMFS"), a subsidiary of RBC Dominion Securities Inc.\* RBC WMFS is licensed as a financial services firm in the province of Quebec. RBC Dominion Securities Inc., RBC WMFS and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. and RBC WMFS are member companies of RBC Wealth Management, a business segment of Royal Bank of Canada. ® / ™ Trademark(s) of Royal Bank of Canada. Used under licence. © 2018 RBC Dominion Securities Inc. All rights reserved.

