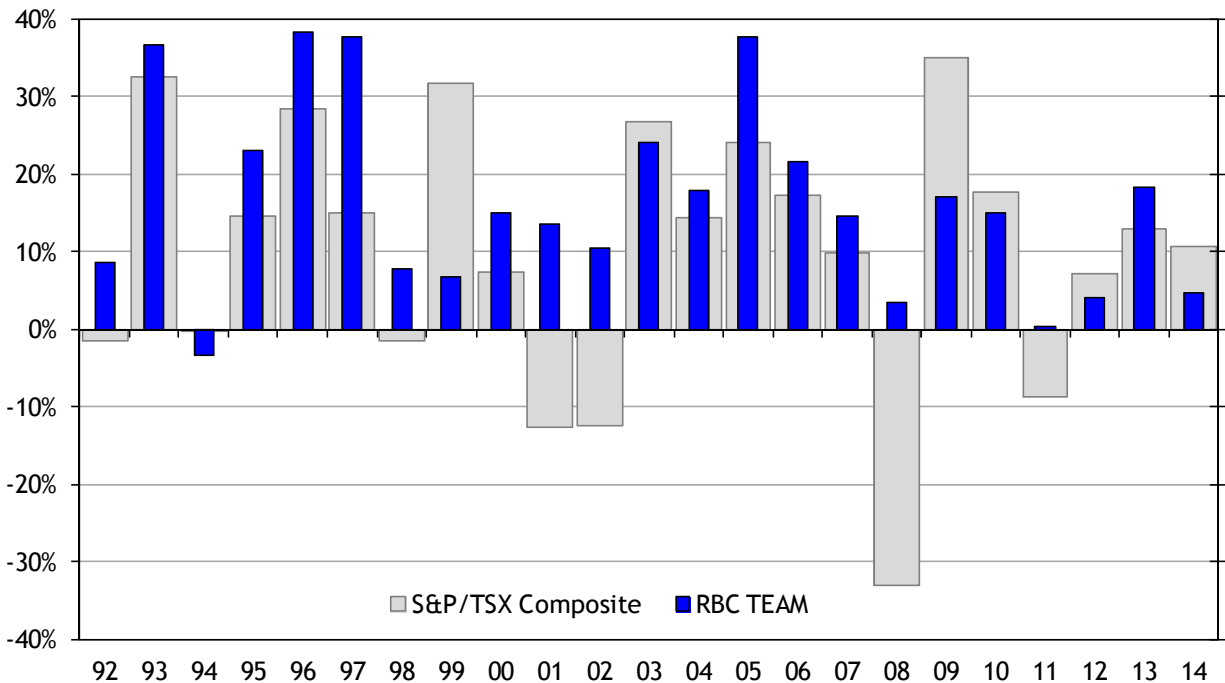


January 11th 2016

“Won2One” with Nick Foglietta

Tactical Equity Income Model Portfolio Record



Tactical Equity Income Model Present Conditions:

TEAM Model Asset Allocation: **0% Equities/ 100% Fixed Income**
S&P/TSX 60 Closing Value: 12,448
TSX 200 Day Moving Ave: 14,151
% Above/Below 200 Day Moving Ave: **12.03% Below**
Levels for change: 100% stocks - **TSX 14,859** and 100% fixed income – **TSX 13,443**

Weekly Quote

“Few are those who see with their own eyes and feel with their own hearts.”

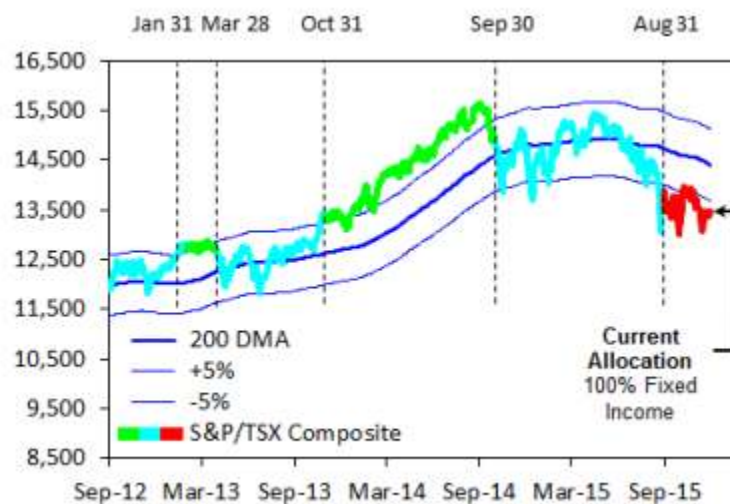
- Albert Einstein

This Is the “Sweet Spot” for TEAM Investors!

There was lots of panic and fear to go around this week in financial markets. I can't help but be amazed when the pundits are surprised by market weakness when all of the changing economic signs have been visible for months.

So let's be positive today! Let's look at how all this turmoil can turn into profits for you and your portfolio!

The Tactical Equity Allocation Model (TEAM) has, so far, handled the decline in stock markets with relative grace and elegance. Once again, let's look at a chart of the TSX Composite Index and see where TEAM has tactically exited the stock market. (Remember, green is 100% in stocks, blue is 50% stocks and 50% fixed income, red is 100% fixed income.)

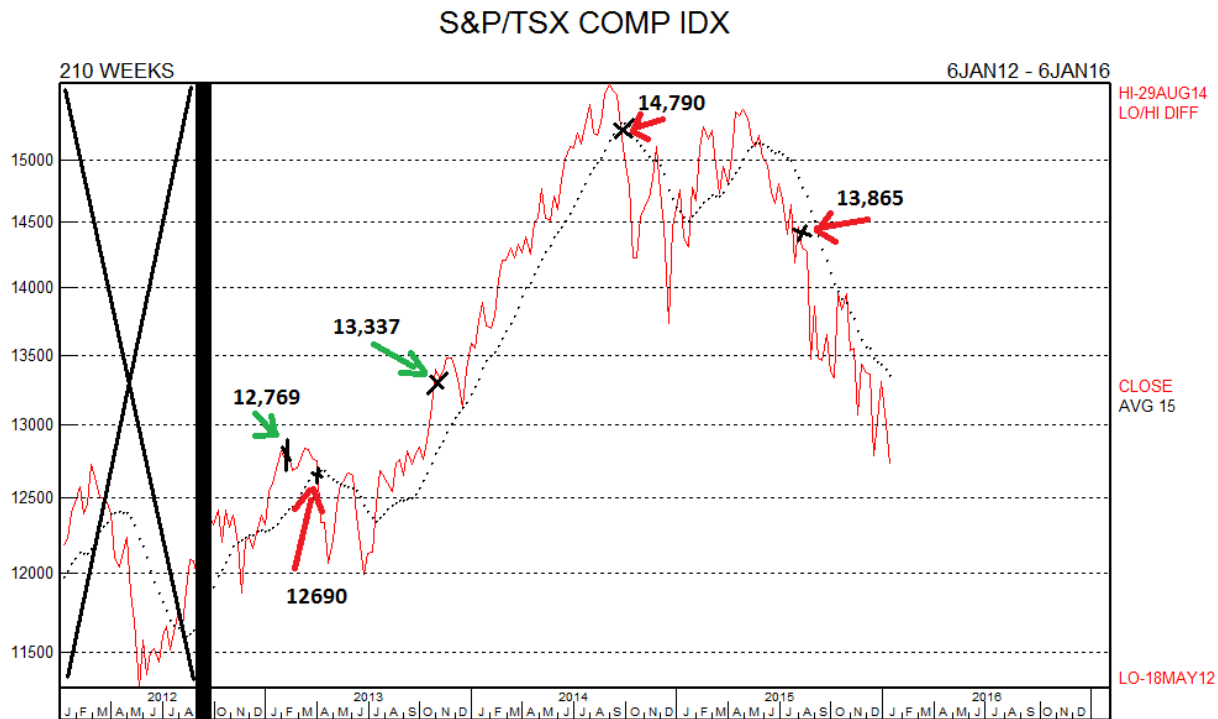


You can also see the months where TEAM shifted its asset allocation either up or down by the dates listed at the top of the chart.

Ok, so far the chart above gives you the flavour of how the TEAM Model has shifted since its inception. **But let's apply a dollar amount to the portfolio.**

I am going to use a chart of the TSX index and apply a hypothetical \$100,000 investment to the inception date in September 2012 and compare that to the “buy and hold” returns of the TSX investor. (Dividends and interest NOT included.)

Notice the exact TSX Comp numbers where the TEAM shifted allocations.



At inception, the TEAM portfolio was 50/50 stocks and fixed income. At the first “black X” the portfolio moved to 100% stocks. As the TSX lost steam, the TEAM model quickly went back to a 50/50 asset mix April 1st, 2013. November 1st 2013 TEAM returned to 100% stocks and rode the TSX up from 13,400 to 14,790 fully invested. Again, the TSX lost steam and the TEAM model went back to 50/50 right near the all-time high October 1st 2014. **This is like selling half your portfolio of stocks right near the high!** TEAM remained 50/50 until the TSX really started to stumble and has been in cash since September 1st of 2015.

When weighted for the asset allocation of the TEAM model and the timeframe each allocation was held, the TEAM model returned 12.38% since inception.

This may not sound like a great rate of return, but now let’s compare it to just buying and holding the TSX index during the same time frame.

The TSX on September 30th 2012 was 12,350. Today it is at 12,448. That offers up a total rate of return of 0.79%.

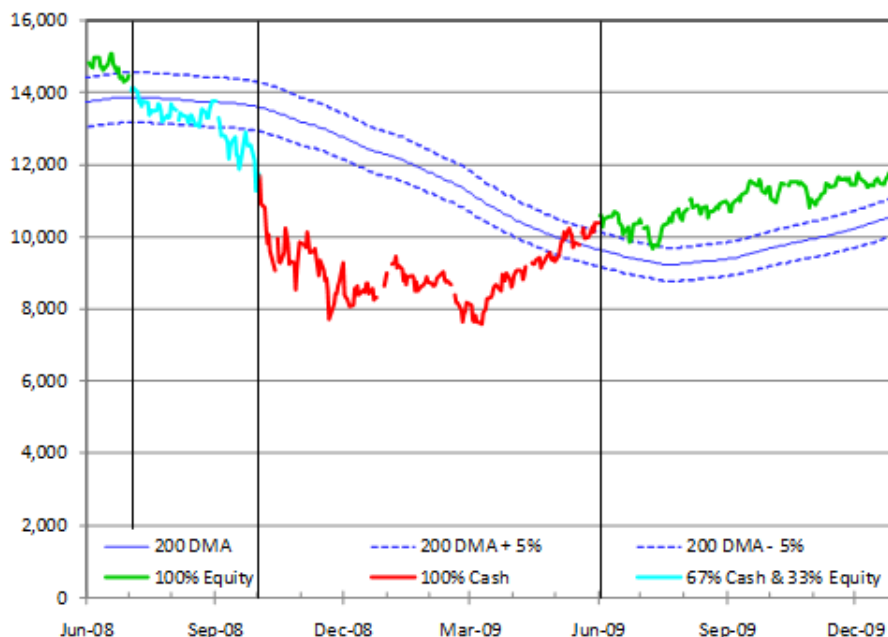
Therefore, using this hypothetical example of stripping out dividends and interest income, the capital value of \$100,000 of TEAM Model held since Sept 2012 is \$112,380. The corresponding (hypothetical) \$100,000 investment in the TSX Comp is now worth \$100,790.

Now we are going to look at what is REALLY COOL about using the TEAM Model for investing one’s money!

1. **The investor in the TEAM model does not care which way the stock markets move each day.** With confidence, TEAM investors know that if the stock markets continue to fall, they will eventually buy back in at cheaper prices. If the stock market makes a bottom and goes back up, the TEAM model will average its asset allocation up back into hold quality stocks. **This offers the investor a great deal of peace of mind about their portfolio when the world markets are in flux.**
2. TEAM will actually profit from a continued decline in stocks by buying back at cheaper levels allowing the investor to, in some cases, earn the same return on TSX points TWICE!

I will use the 2008 decline as the “extreme” example of how this can work to the benefit of TEAM holders.

Tactical Asset Allocation – 2008 / 2009

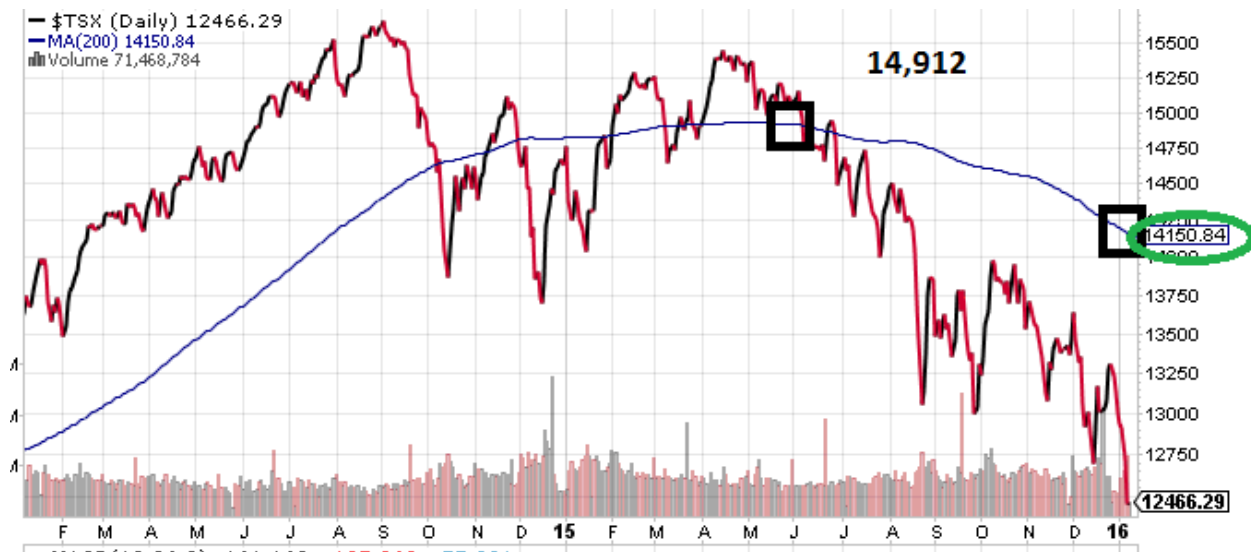


Throughout the 2008 crash, this strategy did a reasonably good job of timing the market.

I would have avoided ~5,200 points of the decline, while missing out on only ~2,000 points of the subsequent recovery.

Think about that...TEAM missed 5200 TSX points to the downside but only about 2000 TSX points in the recovery. In other words, TEAM investors earned about 3200 TSX points TWICE!

To finish, I will apply the same principle to the present day TSX Comp. You can see the same opportunity developing as the chart above.



Just since June 2015 the 200 day moving average line (blue line on chart above) has fallen from 14,912 down to 14,150. That is a difference of 762 TSX points. Those are all points that TEAM will hopefully be able to recapture during the next BULL market that comes our way.

Tactical models are not for everyone. I have many clients who never worry about declines in stock markets and feel bad if they are NOT fully invested ALL of the time.

But if you are the type of person who stares at the markets a bit too often...worrying how world events are impacting your money. Well, maybe TEAM makes sense for you...

Canadian TEAM Model Re-opened for New Purchases

The Canadian TEAM Model is now re-opened for new purchases. It was closed in early 2015 when it reached its portfolio limit of \$400,000,000.00.

Since then, the portfolio has seen some redemptions. Therefore, it has been opened for new purchases. Sales for January close next Wednesday, January 13th.

This is the PERFECT time to buy TEAM. You see, all you are doing is buying a fund that holds cash right now. **If the stock markets keep declining the TEAM fund will not start to reinvest.**

Once the TSX begins to "bottom" I would expect TEAM to allocate half the funds back into the stock market rather quickly.

TEAM will help you make that tough decision when to reallocate to the stock markets.....slowly!

Please contact me if you have any questions or would like to talk about adding (more) Canadian TEAM Model to your portfolio.

About the author: Nick Foglietta is a Vice President, Investment Advisor at RBC Wealth Management in Nanaimo, B.C., Canada. He has been managing money since 1988.

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