Welcome back. After the most dramatic and negative December for US stocks in over eight decades, this January was the best first month of the calendar in 32 years. Closer to home Canadian stocks did even better last month, in what may become the first hint of additional outperformance ahead vs. US stock markets.

Historically when the market has a down year as both Canada and the US did in 2018, the following year has been up about 80% of the time, usually by double digits. Remembering that we use history as a valuable guide but NOT as a certainty, it feels as though Canadian investors should finally expect more in the years ahead.

In fact we have just completed an entire decade where our index has averaged low to mid-single digit annual gains. Compare this with a 100 year track record of 8-9% annual growth and we have some catching up to do. Happily our portfolios and more careful approach has consistently fared better than the indices and most other investors.

While I do not know if the improvements we expect to enjoy begin this year or next, history’s guidance suggests brighter skies await Canadian investors.

Until late December the consensus view on interest rates was for continued small increases, with perhaps 3 - 4 anticipated for 2019. That opinion changed on a dime when US Federal Reserve Bank officials admitted they had changed their minds on the economy, and that perhaps current rate levels were just about right. Like the rest of us, they are guessing about future growth and the economic outlook, however since they set short term interest rates, the stock market reacted immediately to their change of heart.

As we mentioned last month, a slower or flat interest rate outlook is quite good for quality dividend stocks which have always been our focus. The January rebound was very beneficial for our holdings in this category, and a more subdued rate environment is just fine with us. That said, my concerns about worldwide debt levels remains, and we’re certainly hoping rates can stay on a gradually higher trajectory.

As always I’m happy to get into much more detail on any of this; there truly is a long list of very unusual and debatable topics in today’s most intriguing world!

Have a fine month, and take care.
February's Articles

Our feature article this issue discusses the intersection of politics and economic reality. Historically investors have not had to spend much time considering politics as its ebb and flow tended to even out over time. Over the past several years however, I find myself required to spend more time contemplating trends in politics and policy to help strengthen investment decisions.

Although many of us have opinions and feelings about various issues, formerly these were most important at the ballot box and didn't influence portfolio choices. Currently this remains largely true, but as you'll read in the essay below, longer term political trends are not going in a direction favorable for investors. The increasing intrusion of government into our lives and wallets today cannot be overlooked as we carefully manage your portfolios.

As noted on page one last month, the rise of populism and prolonged frustration for the middle and lower classes are starting to push politicians toward riskier ideas including some which have never worked when tried in the past.

There is no question the previous two decades or so have left many behind economically, and this worldwide problem has to be addressed. Here's hoping we can find realistic solutions and avoid repeating prior mistakes of history.

The essay's author Howard Marks is a very successful investor and his perspective and thoughts are a concise summary of political shifts, which should help us all become more aware of trends that may spill into the investment arena.

In the article below we find a reminder of a very overlooked but vital piece of investment success. I've included it primarily for second and third generation readers, as for them it's the biggest influence on their future financial security. Naturally it is not a new idea.

Saving, spending less than you make, and carefully investing the difference over the years is guaranteed to bring financial security. The more you do this, the less the other details matter. So if a family can only impart one financial lesson to their kids and grandkids this clearly is it.

Our author is Morgan Housel, who has written a few things we've featured in prior issues. As you'll read, he personalizes the message very well and does a good job of keeping things simple.

TAX PACKAGES AND SLIPS

As we noted last month, your tax packages will begin arriving in a few weeks. If you use an accountant, please simply give the entire package to them as it contains details on which slips are coming in the mail. This way they will know when to file your return after they have all the numbers.

WHAT THEY SAID

"I believe that thrift is essential to well-ordered living.”

John D Rockefeller