



Market Outlook



In our last newsletter, we observed that the world has been worrying about Greece. We also highlighted that the USA had not had a correction (when the market declines by 10% from the high) in four years. The latest worry concerns China's economy slowing down. Oil has dropped to a 7-year low and has since slightly rebounded to hover below \$50 a barrel. (Here in Canada, this has not yet been reflected in the price of gas!)

China was previously holding its currency (called the Yuan or Renminbi) pegged closely to the US dollar. Due to concerns of reduced growth, China has lowered its currency, reduced interest rates and eased its banking requirements so that their exports are cheaper and more attractive. China's influence on the global economy is becoming significant. If China were to have reduced growth (and worse – a recession) the rest of the world would be impacted.

In consultation with economists and portfolio managers, we don't believe this is leading to a stock market problem like we saw in 2008-2009. We do expect continued volatility. The North American markets have experienced a stock market correction. The question is: Will it remain at current level or turn into a bear market (market down 20%) or even into a crash (market down 30%)?

There are three principal reasons for a stock market correction.

Economic Recession – In such a scenario, major global economies experience a recession (the last one was in 2008-2009). Currently, there is NO indication of this occurring. In fact, the US is likely

to raise their interest rates by year-end to contain growth so that the economy does not grow too quickly. If we were to experience a global recession, we would expect the stock markets to have a further downward correction.

Fundamentals – Corrections occur when stock fundamentals are overvalued (stocks are expensive). The Chinese stock market is likely overvalued. European (19xP/E), Canadian (20x P/E) and US (18x P/E) markets are NOT overvalued. This historical P/E (Price/Earnings ratio) for stocks is around 16 times. The markets are only slightly above this, but given the low interest rates, this is to be expected. The last time this occurred was in 2001-2003 during the technology bubble (at the time the P/E was around 30x). If stocks become over-valued and expensive, we would expect the markets to continue to decline.

Sentiment - Fear and greed. People forget that the markets go both up and down. They may use leverage or margin when they think markets will appreciate in value and then panic when things decline. After a decline, savvy investors pause and see a buying opportunity. We believe this is what in fact is happening. We expect continued volatility and the markets to slowly recover.

We have been slowly adding to corporate bond sector in portfolios. This has helped to reduce the volatility. For those who are drawing down on their portfolios, we may use this fixed income component to meet this requirement while we wait for equities to recover. For those with time and conviction, now may be time to add to the equities.

As always, if you have any questions about the markets or your investments, we are here to talk.

REGISTERED DISABILITY SAVINGS PLAN (RDSP)

In 2008, the Government of Canada introduced the RDSP. A Registered Disability Savings Plan is an account for someone who is a



recipient of the Disability Tax Credit, a resident of Canada, has a Social Insurance Number and under the age of 60. Contributions can generate both Canada Disability Savings Grants (CDSG) and Canada Disability Savings Bonds (CDSB).

The CDSG and CDSB are eligible until the beneficiary turns

49. The government may add up to \$4,500 each year to the amount you contribute (based on the family net income of the contributor). The funds are invested and grow tax free. Savings and withdrawals do not affect federal and provincial income-tested benefits (such as OAS, CPP, GIS, GST and social assistance benefits). Unlike other registered plans, you can only have one RDSP. You can transfer it from one financial institution to another. The lifetime limit of the CDSG is \$70,000 and it is \$20,000 for the CDSB. Yes, this means that the government may contribute up to \$90,000!

In case you did not know, yes, we offer RDSPs as part of a financial planning solution for those clients who qualify.



Travel Insurance

Did you know that we can offer travel insurance coverage?

Go to our website: www.holisticwealth.ca and click on the "Buy Travel Insurance" link. It does not get any easier than that!

PERSONAL NOTE

I am thrilled to announce that I was able to successfully complete the Penticton Granfondo 160km cycling event in 6 hours and 13 minutes! This was about one hour better than I anticipated due largely to the weather. Fortunately, it was only in the mid 20's on the day of the ride rather than the high 30's which it had been leading up to the event. I want to thank the friends, family and clients who were supportive of this challenge.



Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Our Current Allocation Outlook

Below is a chart of different asset classes and sector exposure with our current outlook compared to the normal North American weighting. Based on the economic outlook, we will want more or less than our normal exposure to each category. Each individual investor will have a different investment portfolio depending on their personal circumstances considering their: Risk Tolerance, Income requirements (both current and anticipated), Time Horizon, Taxation, and of course Temperament (investor behavior). We then look for opportunities to tax optimize the holdings based on which plans hold which investments. You should consult us to determine the ideal asset mix and asset selection given your circumstances.

		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
FIXED INCOME						
Government	Long-term	●				
	Mid-term	●				
	Short-term		●			
Corporate	Investment Grade			●		
	High Yield				●	
	Floating Rate				●	
EQUITIES						
Canadian	Dividend Focused					●
	Large Cap				●	
	Small Cap			●		
US					●	
European			●			
Asia			●			
Emerging Markets			●			
	BRIC		●			

Sector		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Consumer Discretionary				●		
Consumer Staples					●	
Energy				●		
Financials	Banking		●			
	Insurance			●		
	Asset Managers		●			
	REITS			●		
Materials			●			
Utilities			●			
Telecommunications				●		
Healthcare					●	
Industrials				●		
Information Technology				●		

Who is HOLISTIC WEALTH?

This is the trade name that the Summerland office of Manulife Securities Incorporated operates under. We call ourselves this as most traditional stock brokers and investment advisors do not take the same holistic wealth approach in working with clients. We prefer to take a financial planning approach when advising clients incorporating their debt, insurance and investment portfolios into consideration. We use solutions that people understand and avoid 'synthetic' investment products (such as hedge funds).

We currently advise clients throughout BC, Alberta and Ontario. We are still growing our practice and welcome new clients. If you or someone you feel would benefit from a confidential and complementary consultation, please contact our office.

Len Colman, BA, CFP, CLU

Investment Advisor
Insurance Representative
len.colman@manulifesecurities.ca

Bob Wareham, B. Comm

Investment Advisor (Retired)
Insurance Representative (Retired)

Holistic Wealth

(office) 250.494.1130
(toll free) 1.888.403.9392
www.HolisticWealth.ca
P.O. Box 840
103-9523 Main Street
Summerland, BC V0H 1Z0