Manulife Securities

Wealth DIRECTIONS

FALL 2017

Market Outlook Real Estate, the Economy and Politicians

Ever think to yourself? “The politician’s say our economy is going great… but I am just not feeling it.”

Real estate is hot across the country (especially in greater Toronto and Vancouver). Prices are so high that there is a disconnect. How is the average, hardworking Canadian supposed to be able to afford home ownership (with a whopping mortgage) at these levels? Wage growth across the country recently was announced to have increased 10% over the last 10 years. Inflation has been between 1.5-3% (per year) over this time frame which really means purchasing power has been eroded. In addition, Canadians are carrying record levels of debt.

Despite this, the Bank of Canada feels that our economy is doing well enough that they have raised interest rates twice this year. (The higher the cost to borrow, the less people and companies can borrow, which in theory slows down the economy in a controlled manner.

The US economy appears to be doing very well with record low unemployment. Despite this, the US dollar is down 12% relative to the Canadian dollar since May 8th. This has detracted from the returns on investments in the US. Our prediction is that the Canadian dollar will drift down from $0.82 to closer to $0.75 over the next year. (Now may be a good time to convert some Canadian dollars to USD if you will have a need over the next year).

Donald Trump has had little success in getting a budget, tax reform or any important legislation passed since in power. The US and the Caribbean have been clobbered by hurricanes which will take them a long time to recover and reconstruct. Billions of aid will be needed and much of this will come from the US government.

Trump recently told the United Nations that the US military is at an all-time strength. He referred to the North Korean leader (Kim Jong Un) as the Rocket Man on a suicide mission and, if the US is attacked, he threatened to totally destroy the country. The two leaders are sparring irresponsibly and creating serious concern of a possible pending war.

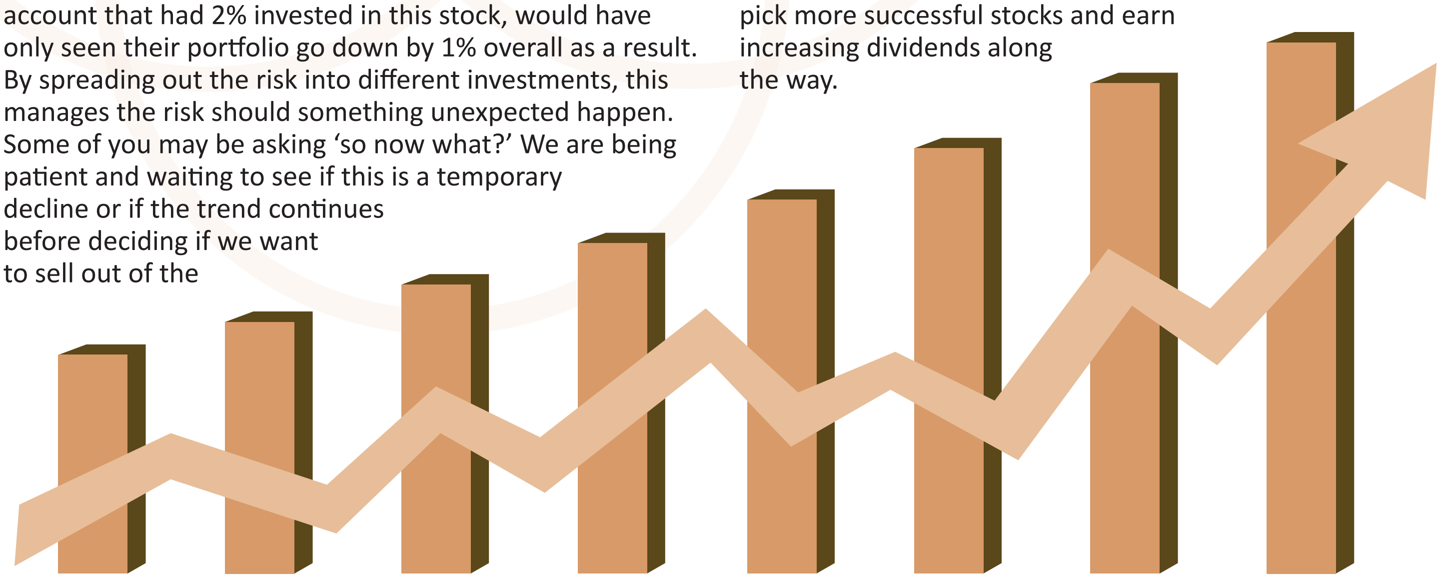
With this backdrop, it may be time to consider adding/increasing exposure to precious metals (such as gold and silver) in your portfolio. Inflation, political unrest and war may cause a flight to these materials. Exposure can be either in the form of bullion or equity exposure in producers or exploration companies, which have been used successfully as a safe haven in past times of stress.

Risk Management

Investing is not a perfect science. This is why we put certain risk management parameters in place. For example, we like to limit individual security risk (how much you have in one stock) to under 5% of the portfolio (often under 3%). We also like to limit the amount of risk to a certain sector. This means to invest in different sectors (see the sector chart on the last page) rather than only invest in one sector (such as technology stocks).

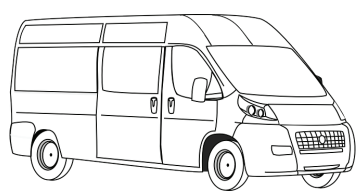
This spring/summer, some of our clients agreed to boldly invest in a stock after it had dropped more than ½ in value over the previous year. In August 2017, partially due to a goodwill charge and to some poor performance in the US division, it announced it was cutting the dividend by 75% and the stock dropped in half. We do not like to see an investment go down in value like this. This means an account that had 2% invested in this stock, would have only seen their portfolio go down by 1% overall as a result. By spreading out the risk into different investments, this manages the risk should something unexpected happen. Some of you may be asking 'so now what?' We are being patient and waiting to see if this is a temporary decline or if the trend continues before deciding if we want to sell out of the position or perhaps add to the position while the stock recovers. We do our best to avoid these surprises by having a bias towards large profitable dominant companies that pay a dividend and make a product or service we will likely need in 5 years. This type of change in value is expected when investing in more speculative companies which we avoid. We like to invest rather than gamble. This is not an exact science and even companies that meet our desired criteria occasionally stumble.

Over the years, we have had many good stories to share. For example, in June 2015, our newsletter talked about Proctor & Gamble as an example of a stock that was attractively priced. It bounced between $70-80 a share for a few months and is now around $92. It has also raised its dividend twice since then. Our goal is to pick more successful stocks and earn increasing dividends along the way.



TAX TIP

Reminder that your RRSP contributions need to be made between now and the first 60 days of 2018 to qualify as a deduction to reduce your tax obligation for 2017. RRSP's still make sense for people approaching retirement who expect to be in a lower tax bracket in retirement. TFSAs (we call them Tax Free Savings or Investment Accounts) are ideal for everyone.



Are You a "Snow Bird"?

DO YOU TRAVEL?

It is important that you have travel insurance when you leave the province (especially when you leave the country). The good news; it is easy to purchase. On our home page at www.holisticwealth.ca there is a button on the right hand side where you can obtain a quote and purchase the insurance right on line!

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				NEW!	●	
Utilities			●			
Telecommuni-cations				●		
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.

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THANK YOU

We thank you for your incredible loyalty as a client. We strive to provide our best advice and service. We also continue to grow our business and want to thank those who have encouraged their families and friends to work with us. We continue to appreciate your introduction of us to anyone you believe would be a good fit within our financial planning and investment practice.