Manulife Securities

Wealth DIRECTIONS

SUMMER 2015

Market Outlook

Stocks overpriced?

Over the last 12 months, the Canadian stock market Price Earnings multiple (PE) has been around 20 times, the US around 18.5 times, Europe 25 times and China 20.5 times. The historical averages are around 15-18 times. Given the current low interest rate environment, a higher than normal historical PE may be justified. So, No, stocks do not appear to be overpriced. As we said in our last newsletter, the markets have had several years of solid returns and a correction is overdue. Given the historically low interest rates, this leaves few alternatives for what we would otherwise do with our money. (Who's happy with a 2.25% 5-year GIC?)

We continue to have concerns about Europe. An example is Greece has huge debt to the International Money Fund and may be unable to meet its loan interest and repayment obligations and is on the verge of default. Europe has introduced quantitative easing with the effect of lowering interest rates. This is coupled with already low interest rates especially surprisingly with the 'PIIGS' countries (Portugal, Ireland, Italy, Greece and Spain) given their financial challenges the last few years. When the US introduced this a few years ago, we saw several years of positive returns in the US stock market.

Recently I met with a mutual fund portfolio manager who commented that central banks are not worried about inflation, but instead are worried about deflation.

Let Us Help Your Friends and Loved Ones

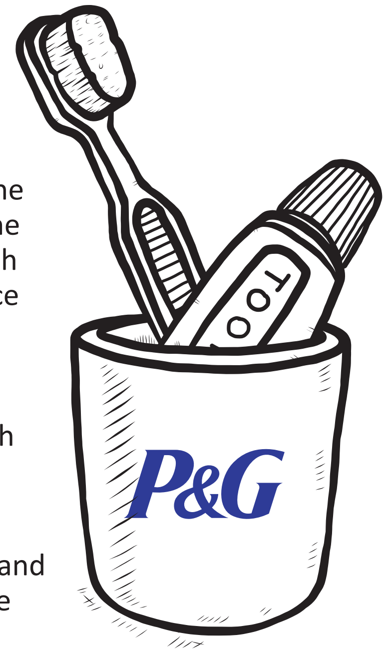
We have the capacity to grow and still continue to deliver the high quality of service and advice that our clients' have come to expect. We truly enjoy working with all of our current clients and chances are your family and friends are also the types of people we would enjoy working with! All introductions are welcome.

Sample Stock Selection:

Here is an example of a stock that our office currently thinks looks attractive. The purpose of this is to demonstrate our investment selection process.

PROCTER & GAMBLE

- The first filter we look for is a company with barriers to entry making it hard for competition to gain market share. (This often applies more to a regulated industry such as utilities or telecommunication in Canada). This may not specifically apply in this case although one might argue some of the P&G products have such strong brand dominance that it is hard for a competitor to steal market share (such as Crest or Pampers – both P&G products).



- The second criteria we look for is for strong brand awareness. Chances are you have some of their products in your home. They have many dominant brands (such as Duracell, Tide, Old Spice & Mr. Clean.)
- The third attribute we look for in a company is profitability. The current annual earnings are estimated to be around $4.00 a share. (The share price is hovering just below $80 USD as of the end of June 2015)
- The fourth is that we have a bias for companies that share a portion of their earnings (pay a dividend) with their shareholders. The current annual dividend is around 3.3%. (This represents about an 80% dividend payout ratio which is a little higher than we would ideally like to see for this type of stock). In fact, P&G has had 58 years of consecutive dividend increases!
- Finally, we look for companies that make a product or provide a service that we will likely continue to need five years from now. I am confident we will all continue to need beauty and grooming products, health and wellness, and household care products in the future!

PERSONAL NOTE

On a whim, I (Len Colman) decided to attempt the Penticton Granfondo this July 12, 2015. For several years I have been riding a bicycle (casually) for recreation and exercise and I thought I would attempt a one day, 160 km bike ride up and down the hills and valley of the scenic Okanagan in the heat of the summer! I have been training for this for a few months and have a goal of completing the ride within the required 9 hour limit. This training has included learning about and monitoring hydration, electrolytes, food, safety, etc.

This training discipline has reminded me of the ingrained discipline our office applies in our practice. For example, we conduct ongoing research, continuing education, implementation of parameters to reduce individual and sector risk exposure and diversification, provide regular contact with clients, etc. All this to enhance the probability that clients will realize their financial goals!

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				NEW! ●	
EQUITIES						
Canadian	Dividend Focused					●
	Large Cap				●	
	Small Cap			●		
US					●	
European			● NEW!			
Asia			●			
Emerging Markets			●			
	BRIC		●			

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