

HugganWhite Wealth Management

Protect Capital. Manage Risk. Provide Income.

November 2017

“Buy when it snows, sell when it goes...”

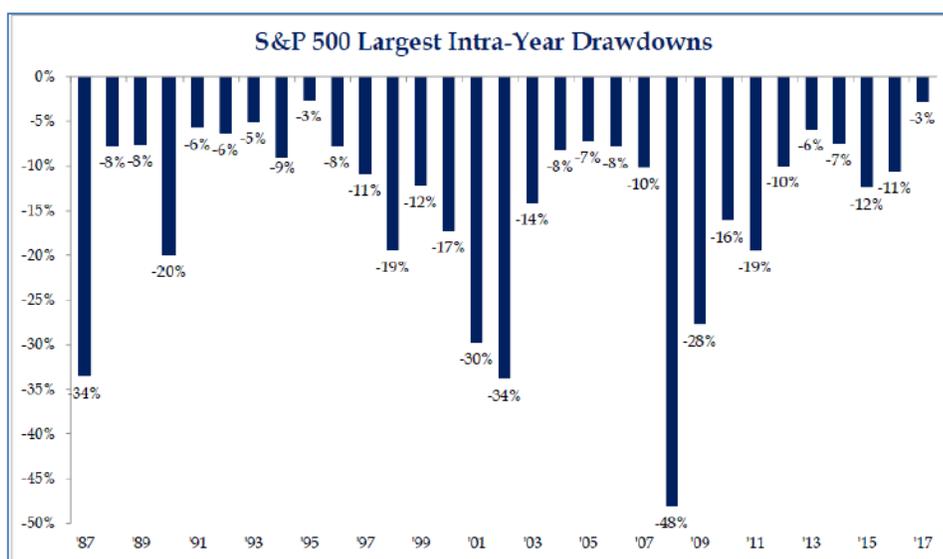
This old adage appears to be once again earning its place in the investment lexicon as the first sprinkle of snow fell in Alberta right around the time the market woke up from its summer slumber. Summer also seemed to heat up the Canadian dollar before the cooling effects of Fall put our loonie back at a competitive level. Seasonal changes didn't stop the alarming news cycle as a never ending supply of tweets kept most investors on edge.

After a slow summer, October was a fantastic month for markets around the world as economic data and quarterly earnings continued to paint the picture of a growing global economy. Sometimes the market makes large moves on seemingly trivial data and sometimes they can move on no news at all. This period served as a good reminder for long term investors that it's all about time *in* the market as opposed to time-*ing* the market.

The strength of the Canadian dollar coincided with a surprise interest rate hike in July and extended far beyond our original expectations. Unfortunately, it also masked the strong performance of US and foreign holdings in clients' portfolios when converted back into Canadian dollars. We maintained our conviction in US dollars, as we wrote about in August, which so far has proven to be an accurate call. Going forward, we expect US interest rates to rise faster than here in Canada which should favor the value of the greenback and our positioning in U.S. based investments.

Not a day goes by without a shocking news story to wake up to. As an investor, it's never been more important to ignore the noise and focus instead on the goals and objectives that serve as the foundation of your overall wealth management plan. As emotionally driven individuals, this is becoming increasingly hard to do. Surprisingly, as the chart at the bottom of the page shows (from Strategas), so far in 2017 the S&P 500 has experienced its lowest volatility in thirty years when measured by peak to trough draw downs. We have no reason to believe that the unremitting level of shocking news will soon decline, but we do attribute the resilience of this market to the positive underlying fundamentals. We also remind investors that the market is more concerned with the expected future earnings of the economy and not solely attention grabbing headlines. Our advice is to stick to *Your* plan and as legendary investor Howard Marks recently stated *“we move forward, with caution”*.

In addition, at times such as this when most equity markets are trading at or near all-time highs, there is a tendency to view each move higher with hesitation and mistrust. Many commentators will suggest that the market is extremely expensive and one should begin taking an overly defensive



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approach. Surely there are always downside possibilities and certain pockets of the market may poise more “risk” than others, but as opposed to making decisions based on a broad overview of an entire market, we prefer to assess portfolios on an individual security basis. Certainly, across our portfolio management team we assess various inputs to gain a better understanding of the current landscape, but our ultimate decision to buy or sell a security is based on a deeply rooted multi-faceted process that involves both fundamental and technical analysis. At times we may reduce a position that has become too large in a portfolio (referred to as overweight), or we may eliminate a name that has become a broken story (a negative outlook). The cash proceeds of such tactical changes may be put to work in existing names or we may prefer to maintain an elevated level of cash waiting for the next investment opportunity to appear. Over time this has proven to be a reliable and effective strategy and we feel it is much more prudent than making an all-encompassing statement such as “the market is cheap” or “the market is expensive.” Remember, across the various cycles of markets there are always investments showing upward price momentum and we are relentless in our pursuit to uncover them.

Proposed Tax Changes

Some major changes have been announced to federal taxes that are expected to take effect in 2018. The Liberal government and Finance Minister Bill Morneau are proposing several alterations with the aim of a more “fair” tax code. Unlike the proposed tax changes being considered in the US, these proposals are not aimed at growing the economy or adding jobs. As expected, there has been considerable pushback from the small business community and it seems the government is willing to compromise on a few items. While it is too early to tell exactly how things will settle, 2018 promises to be a year when tax planning will be especially important as part of a greater Wealth Management Plan. We will stay in touch as policy becomes clearer and will communicate as such. Stay tuned.

In summary, we are pleased with the solid numbers realized over the past few months. As noted above, October was one of the strongest months seen in years and statements will reflect this. We believe this is a testament to the hard work that the portfolio management team continues to put in, but more importantly, it is a reflection of our clients’ dedication to our offering and your commitment to achieving your longer term financial goals.

We thank you for your trust and confidence in allowing us to manage your financial affairs.

Sincerely,

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*Effective wealth planning is more than simply providing investment advice, or allocating assets to various investment strategies. Wealth planning focuses on the integration and proper coordination of all of the financial issues that impact your lifestyle. This includes financial, estate, tax, and philanthropic planning. Your Wealth Plan begins with a comprehensive discovery process. Before we make any recommendations **we want to get to know you**. The result is a bespoke plan that is **uniquely yours**. While your plan is unique, all plans are built on HugganWhite Wealth Management’s principles: a focus on wealth preservation, managing risk and providing income. It’s all part of **our disciplined and process driven approach to investing** coupled with the courage to embrace a contrarian perspective.*

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