Monthly Client Newsletter

August 2019

Adam McHenry, CFA

Investment Advisor & Associate Portfolio Manager

Manulife Securities Incorporated

"Take Your Wealth to the Next Level"

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Adam's Update

Friends,

As we approach the new school year, I hope everyone has some time to reflect on their successful summer! The fall is a time that is spent getting back to your schedule along with the school season. It would be wise to take some time to reflect on your personal financial plan and review the details. If you would like me to make sure that everything is current, please feel free to reach out to me at 416-901-6500. I would be happy to assist!

On the business front, markets continue to fluctuate with ongoing trade news and fears of a recession. It seems as there are two messages prevailing. The first from the financial markets saying "we need help" and the second from the real economy, which is saying "everything is fine". With memories of the great recession of 2008/2009 still ever present in investors minds, investors are quick to yield to worry. In the face of all this uncertainty, we have and continue to proactively position our portfolios more conservatively than average, which has been helpful!

Have a wonderful remainder of August and beginning of September and thank you for your continued support!

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Key Dates to Keep in Mind!

- TFSA contribution room available = Beginning of January
- Installment payment date deadlines = Mid March, June, September and December.
- Individual tax filing deadline = End of April.
- Self-employed individual and spouse tax filing deadline = Mid June.
- Tax Loss Selling deadline = End of December.
- RESP contributions deadline = End of December
- RRSP contribution deadline = End of February

Idea Corner:

Bank GIC versus Insurance GIC – What's the Difference?

Written by:

Adam McHenry. CFA

Investment Advisor & Associate Portfolio Manager

Manulife Securities Incorporated

Adam's Comment: *Confused? You would not be the first person to mix up these two GIC vehicles. Although the acronym is the same, the difference in the issuing institution (Bank vs Insurer) could have a significant impact for your money.*

Factors	Bank GIC (Guaranteed Investment Certificate)	Insurance GIC (Guaranteed Interest Contract)	Adam's Comment
Interest Rate	Yes	Yes	Difference is ~+15% in favor of Bank GIC
Term	1-5 years	1-10+ years	More maturity options for Insurance GIC
Guarantee	CDIC up to $100k	Assuris up to $100k	Different insurance providers, but the same coverage
Pension Tax Credit	No	Yes	Insurance GIC income qualifies for Pension Income Tax Credit
Legacy Provided	No	Yes	You are able to designate a beneficiary for a non-registered Insurance GIC
Avoids Probate/Estate Administration	No	Yes	Money transfers directly to your beneficiary and avoids probate costs and public record of your estate disposition
Protected from Creditors	No	Yes	Insurance GICs are protected from creditors held in a non-registered account (in most provinces)

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Market Performance Review:

July 2019

Adam's Comment: *Financial markets continue to add to their 2019 returns. US and Canadian equity markets and North American fixed income markets ended higher in July. If you are looking for a weak spot in the global marketplace, you can look at the international markets as the underperformer. International equities were weak in July (in C$ terms) and have lagged by approximately half the total seen in the North American equity market. The Canadian Loonie gave back some ground versus the US greenback in July, but remains higher for the year.*

Market	July Return %	2019 Year To Date Return %	5 year Annualized Return %	10 year Annualized Return %
Canadian Equity (S&P/TSX Composite Index)	0.34	16.62	4.44	7.39
US Equity (S&P 500 Index)	1.91	15.89	15.58	16.32
International Equity (MSCI EAFE Index)	-0.80	8.96	6.81	8.46
Canadian Fixed Income (FTSE TMX Canada Universe Bond Index)	0.17	6.70	3.78	4.48
US Fixed Income (Barclays Capital U.S. Bond Universe Treasury Index)	0.35	1.25	6.19	4.95
Currency Exchange Rate (CAD$ in USD$)	-0.46	3.76	-3.67	-1.97

**Source:*
Total Returns in CAD$, Bloomberg, Bank of Canada, pcbond.com, Barclays Capital, BMO CM, S&P

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Chart of the Month:

Negative Interest Rate World

Adam's Comment: *How would you like to rent out your home and pay the tenant rent? No takers? Well you might be surprised that this situation is playing out all over the world. Not in the real estate market from what I have heard, but in the bond market. Savers are investing their money in Germany, Japan, France, the Netherlands and Switzerland and paying the people who are borrowing their money for 10 years. Why would anyone do this? Well there are a variety of factors that support negative interest rates, but one of them is risk aversion. Investors can't have their cake and eat it too. If you want safety you are going to pay for that safety in the form of return. In the case of negative interest rates, you are actually paying real money for that security, similar to your home insurance.*

Country	10 Year Government Bond Yield	Dividend Yield
Germany	-0.59%	2.29%
United Kingdom	0.48%	3.88%
Japan	-0.20%	1.80%
France	-0.32%	2.42%
Italy	1.42%	3.27%
Spain	0.16%	2.76%
Netherlands	-0.48%	2.01%
Switzerland	-0.99%	1.76%
Australia	0.95%	3.84%
United States	1.71%	1.88%

Sources: Bloomberg, iShares

Data as of Aug. 7, 2019

**Source:*

Ben Carlson, A Wealth of Common Sense

www.awealthofcommonsense.com

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Article of the Month:

Investors lost twice as much as the market last year

Written by:

Investment Executive
Published on 25MAR2019

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Adam's Comment: *As the fathers of value investing, Benjamin Graham & David L. Dodd, stated the investor's chief problem, and even his worst enemy, is "likely to be himself". At that time, early twentieth century, this comment was unsupported or anecdotal, as the data to support this claim would have been unavailable. Luckily, today we have the details to review and conclude on the validity of this statement and indeed Graham & Dodd were correct! The value of understanding this statement and the corroborating data is that the average investor does a poor job at investing, despite the technological improvements that have been made to improve investors access to capital markets. Their investment results have not changed. Think about when you try and do some home improvements around the house, but you don't have any background in renovations. You might have purchased the top of the line tools at the hardware store, but that still does not assure a quality job. In fact, the access to the tools may inflate your perceived expertise and result in worse performance. I have tried my hand at home renovations a few times and I can confirm that validity of this analogy☺.*

A combination of poor market conditions and bad timing caused the average U.S. investor to lose twice as much as the S&P 500 in 2018, according to a new study from DALBAR.

The research firm's latest Quantitative Analysis of Investor Behavior (QAIB) found investors lost 9.42% on the year, compared with a 4.38% retreat by the S&P. Investors were net withdrawers of funds in 2018 and lagged the S&P "in good times and bad," according to a release from DALBAR.

In October 2018, a bad month, the S&P return was -6.84%, while the average equity investor return was -7.97%. In August, a good month, the S&P return was 3.26%, while the average equity investor return was 1.8%.

"Judging by the cash flows we saw, investors sensed danger in the markets and decreased their exposure, but not nearly enough to prevent serious losses," Cory Clark, chief marketing officer at DALBAR, said in a statement. "Unfortunately, the problem was compounded by being out of the market during the recovery months. As a result, equity investors gained no alpha and, in fact, trailed the S&P by 504 basis points."

Since 1994, DALBAR has been analyzing investor returns based on aggregate cash-flow data from U.S. mutual funds. According to its research, the average investor consistently earns "much less" than market indices suggest.

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Address: 300 The East Mall Suite 306
Toronto, Ontario, Canada
M9B 6B7

Phone: 416-901-6500 **Toll-Free:** 1-888-220-2722 **Fax:** 416-901-9600

Email: Adam.McHenry@manulifesecurities.ca

Website: www.adammchenry.com

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