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February Client Communication

May we start off our first communication of 2014 wishing you and your entire family much health and happiness throughout the year.

All clients should have received year end statements (electronically or mail) by now, and we believe 2013 will be categorized as a good year.

Broad category returns on average for our recommended money managers are:

	2013
Paid To Wait (income/yield) Strategies	8.5%
Canadian Equities	16
Global Equities	30
Alternative Strategies (hedged, private equity)	14.5

As investing hard earned capital (*or windfalls for that matter!!*) can be an emotional experience, individual client portfolios can be quite different. Your individual portfolio returns will reflect this and we are pleased to review this with you, or provide specific comments and data pertaining to your own account.

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Please note if we believe specific changes are warranted or should be discussed, we will contact you immediately. As always we believe there are no trivial questions when it comes to your money and welcome the opportunity to review your holdings with you.

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At the risk of boring you with administrative details...client portfolio information is consolidated and updated in our office and will be identical to the individual investment company statements you receive. This consolidation is updated daily and reflects changes in securities pricing. Although discrepancies do occur occasionally, they are minimal, and easily explained and corrected.

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Breakfast with Dave... is the daily economic report produced by David Rosenberg who is the Chief Economist and Strategist of Gluskin Sheff:

"There is more upside potential in 2014 than downside risks."

"In a nutshell, I feel like 2014 is going to feel a lot like 2004 and 1994 when the economy surprised to the high side after a prolonged period of unsatisfactory post-recession growth..."

"That by no means guarantees a stellar year for the markets..."

David on the U.S. economy...

"There is no doubt that when the U.S. market is up 25%...this is clearly not going to last indefinitely, but the conditions for a bear market-not a correction but a bear market-are only in place if the Fed drains liquidity to the extent that it causes an economic recession. I don't see the case for either at the present time."

"...the European recovery is proving to be feeble, but at least the two-year recession is behind us..."

"Looking ahead to 2014, I see a base case for global growth of 3.5%...justifies being totally invested..."

David Rosenberg: The case for staying totally invested
Financial Post, 11/25/13

David Rosenberg is a highly regarded economist, but what is interesting is that he is noted for his cautious and usually pessimistic views.

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While equities in Canada or abroad may not match their 2013 returns... going forward the conditions that have supported market advances remain in place for 2014. Any rise in interest rates are expected to be modest...economic growth is still positive, and inflation remains under control.

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As investment advisors we expect volatility. Embracing price movements with the right attitude and investment approach can be financially rewarding. Down markets don't impair performance, in fact over the longer term they generally help.

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It should be noted that both David Rosenberg and Ned Goodman (Goodman & Company Investment Counsel) agree on the same asset at the same time. ***This asset class is gold (07/13).***

Our recommended gold bullion/ equity portfolio (Dynamic Strategic Gold) was negative 43.5% in 2013, yet the fundamentals for this asset class have never been stronger. Worldwide shortages of physical gold and the continuing printing of *fiat* currency support the long term appreciation of gold.

As a sidebar to our gold theme, the Ivy money managers from Mackenzie Financial have recently re-established a position in **Barrick Gold** one of the world's largest producers of gold. We consider the Ivy managers to be among the *most disciplined investors available* and are incredibly focused on quality and price paid. The Ivy managers have owned Barrick in the past and the recent price declines allowed for a safe entry point.

It is these safe entry points that set the stage for future growth. Ideally the art of professional money management involves buying undervalued securities, and selling as they approach their fair market value. This sounds simple enough but there is both an art and a science to this.

As an example, while the Ivy managers were purchasing shares of Barrick, they were simultaneously exiting Magna and Shoppers Drug Mart based purely on valuation levels.

Well managed professional pools of money may be held for long periods of time because of this disciplined buying and selling of holdings. To the end of September 2013, Ivy portfolio turnover for the previous 12 months was 40%!

The December 31st/2013 quarterly report from Ivy is an excellent read and if you would like to receive a copy of this, please call our office.

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Despite strong equity returns we still believe **Paid To Wait Strategies** that hold a globally diversified mix of yield producing assets and target a 6-7% net yield to the client is an excellent place to be. This strategy will have no more than 50% exposure to dividend paying equities offering strong downside protection should equities correct, but will also participate well on the upside as economies advance.

We continue to recommend our U.S. Mid Cap Investment theme and Phil Taller the lead manager is fully invested reflecting his ability to find pockets of value combined with exceptional growth potential. In 2007 this portfolio held approximately 25% in cash reflecting a defensive position based on excessive valuations and today is largely fully invested with cash at approximately 4%. There is no indication from Phil Taller that cash levels will be increased in the near future.

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RRSP Loans available through our office.

RRSP contribution deadline for 2013 tax receipts is March 3rd.

Tax Free Investment Accounts (TFSA) available through our office with a multitude of investment themes available.

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We strive to provide timely and efficient service to you and welcome your comments and or inquiries.

We thank you for your support and look forward to working with you in 2014.

All THE BEST FROM THE ENTIRE TEAM AT BFI.