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January Client Information

Against a backdrop of human tragedy both close to home and abroad and global unrest, we wish everyone a safe and healthy 2015.

Client statements were sent out (electronically or mail) the week of January 12th and we encourage you to call our office if you have any questions, concerns or would care to review with more specific performance information.

Generally speaking we would categorize 2014 as another good year for broadly diversified portfolios. **Broad category returns on average** for our recommended money managers/investment themes are:

	<u>2014</u>
Paid To Wait (income/yield) Strategies	8.19%
Canadian Equities	11.2
Global Equities	8.78
Alternative Strategies	4.78
Infrastructure	12.9
Strategic Gold (gold equities/bullion)	5.5

As investment advisors we expect volatility....

BFI Client Communication 02/14

2014 certainly lived up to our belief that we were overdue for market volatility. It is consistent among the many sources (Rosenberg, Spratt, Signature Team...) with whom we follow that continued volatility is expected in 2015.

January Client Information

Black Gold and Texas Tea

A 50% decline in such a key commodity as oil should create some level of disruption in global markets and economies. Please note that markets become nervous when oil prices **decline** and they will also become increasingly *excitable* when oil prices inevitably **rise**...

“...in effect a \$500 billion transfer from the pockets of OPEC to the oil consumers of the world, who get a de facto tax break through lower energy prices.”

“...we believe the broad-based boost to consumers will significantly outweigh the adverse impact on the energy industry.”

**Signature Global Asset Management
2015 Global Outlook**

During a recent money manager meeting with Barry Allen, President & CIO of Marret Asset Management, Barry believes a “big opportunity exists with high yield energy bonds once oil stabilizes, possibly later this year when oil is potentially trading around the mid- thirties per barrel.”

Every bull market in history has climbed a wall of worry and as we start another new year nothing has changed. Oil prices collapsing, potential interest rate hikes???, expensive valuations...the list goes on.

“...equities remain the best game in town, and as far as the S&P 500 is concerned, the odds of another up-year are high. The key to success in the coming year will likely be to focus on sectors and companies (not just in North America but internationally) that are exposed to U.S. domestic demand.”

...if there is one area we do have conviction it is that U.S. domestic demand-a critical \$15 trillion market for goods and services-is on a vivid upward trajectory...

**David Rosenberg, Chief Economist & Strategist
Gluskin Sheff, 2015 Outlook**

January Client Information

Although we agree with David Rosenberg with respect to equities we also believe fixed income (and other forms of yield) can play a critical role as a diversification tool to counterbalance more volatile asset classes... ***therefore reducing excessive volatility and providing investors with income, safety and liquidity.***

Alternative Strategies can also play an excellent role in counterbalancing traditional market volatility.

Active Management Delivering Value in Periods of Market Stress

Part of the criteria we consider in recommending a money management team (*or investment theme*) is what we refer to as ***upside and downside capture***. In a rising market we obviously would like to capture as much of the rising market as we can.

*Conversely, and perhaps **more importantly** for investors is to limit downside participation.* In other words, when markets are heading south we want the brakes on and as little participation as possible!!

Allow us to offer an example of this from a recent meeting with Roger Mortimer (Senior Portfolio Manager) of Harbour Advisors. From February 3rd to September 3rd the TSX advanced 18% in 2014, compared with Harbour Growth & Income advancing 11.6%, or ***64% upside capture***.

From September 3rd to December 15th the TSX declined -11.7% compared to Harbour Growth & Income declining -4.5%, or ***38% downside capture***. Combining both periods together the TSX advanced 4.2%, and the Harbour portfolio advanced 6.6%.

We believe a smoother ride with investment portfolios is always preferable to the 100% pure volatility of the broad markets.

As Canada has significant exposure to resources, it is not totally unexpected to see the TSX declining as the price of oil started to decline.

January Client Information

"I never ask if the market is going to go up or down, it doesn't matter. I search nation after nation for stocks, asking: Where is the one that is lowest priced in relation to what I believe its worth?"

Sir John Templeton

Sir John Templeton is considered to be one of the most respected value investors and decent humanitarians of our time. Please call our office if your care to receive a copy of one of his books titled:

The Templeton Plan/21 Steps to Personal Success and Real Happiness

RRSP top up deadline for first 60 day tax receipts are March 2nd.

RRSP contributions can be made by cheque, or e-transfer.

RRSP Loans available through our office.

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

To receive the complete electronic version of David Rosenberg's 2015 Outlook please email our office.

We strive to provide exceptional client service and welcome **ALL INQUIRIES** about your investment account, retirement income planning, insurance, automatic saving plans, RESP's.....

We thank you and value your business and look forward to working with you in 2015!

ALL THE BEST FROM THE ENTIRE TEAM AT BFI