

NEWSLETTER: FIRST QUARTER 2020

Cindy's Insight

I would like to start this newsletter by thanking you, our clients and friends. Your comments, kindness and empathy are appreciated by myself, Margaret and our team. You think you have everything in place, and you forward plan to manage any emergency but you don't expect what happened on Dec. 28, (the day Martin passed away). Your support at his celebration of life, cards, flowers, calls, emails and your thoughtfulness are appreciated by all of us. It truly speaks to me, the definition of business family. I am very touched and I know why this business becomes personal. It is because we care about you and you care about us.

Martin worked closely with myself and Susan and he had just completed new model designs that we had discussed and planned. We started moving some portfolios into these designs last year and had targeted moving everyone this year.

After year end with a positive market, we did what we always said we would do, we took some profit from the portfolios. For some of you we added this money to your savings, so if you have a RIF or an automatic payment and the market drops, we will not need to liquidate an investment.

Some portfolios have been moved to a broad-based focus. This will reduce the single stock risk and give you a wide variety of exposure and diversification.

For our stock portfolios, we are taking out some profit and creating a strong blue chip exposure. This portfolio is for those of you who like blue chips and dividends. For people with a higher risk tolerance there is a growth portfolio which has less dividends and the potential for higher capital gains.

At the time of writing this, the markets have been more volatile. Coronavirus has created some short-term issues and several companies are expected to have less profit, based on people having to stay home in China. With the volatility, we have not fully placed all the positions in the models. We are being very careful and watching the market and individual positions. We are being cautious with adding to companies which are not currently showing strength such as Starbucks. I expect them to settle down and then we will add to them. I also invested in Forge First, because in times of volatility, I expect this to add value to the portfolios.

I will be adding extra weight to Canada, as we feel the resource environment will start to improve.

For those of you that have money invested in GICs, we have very competitive GIC rates as well as a single bond solution with individual bond holdings. If that is all that you invest in, I do recommend that you have some equity exposure to help combat inflation, which we will start to see more commentary in over the next year.

I wish all the best to all you in the coming year!

Cindy Boury FMA, CIM®, FCSI®
Portfolio & Branch Manager



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FINANCIAL TIPS

Tax-Free Savings Accounts allow up to **\$6,000** to be invested in 2020, (a max cumulative amount of **\$69,500**) and savings can grow and be withdrawn any time, **tax-free!**

Recipe Corner

Chewy Chocolate Chip Cookie Granola

Prep Time: 15 minutes | **Cook Time:** 30 mins | **Serves:** 6 cups

Ingredients:

- 1 cup old fashioned oats
- 1/2 cup cooked quinoa
- 1 cup raw almonds, chopped
- 1/2 cup raw sunflower seeds
- 1/4 cup raw pumpkin seeds
- 1/4 cup raw sesame seeds
- 1/4 cup chia seeds
- 4 tbsp salted butter
- 1/2 cup + 2 tbsp honey
- 2 tsp vanilla extract
- 1 cup chocolate chips

Directions:

1. Preheat your oven to 275°F. Line a baking sheet with parchment paper.
2. In a large bowl combine the oats, quinoa, almonds, sunflower seeds, pumpkin seeds, sesame seeds, and chia seeds.
3. Melt together the butter and 1/2 cup honey. Stir in the vanilla. Pour the mixture over the oatmeal mix and toss well to combine. Spread in an even layer on the prepared baking sheet. Transfer to the oven and bake 20 minutes. Remove from the oven, stir, and drizzle the remaining 2 tablespoon honey over the granola. Return to the oven and bake another 10-15 minutes until golden. Remove from the oven and let cool 15-20 minutes. Stir in the chocolate chips. Keep stored in an airtight container for up 1 month.

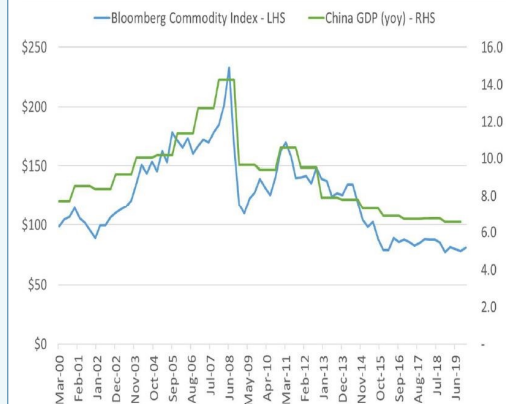


Recipe Source - www.halfbakedharvest.com

Rent, Don't Own

One of the more interesting shifts over the last decade has been the diminishing weights of commodity-related sectors within the Canadian market. A decade ago, energy and materials combined to represent 50% of the index, compared to their current combined weight of 26%. This shift happens to coincide with China's efforts to shift their economy from a resource and capital intense to a consumer-driven economy. We can see this material shift in China's GDP profile which peaked in 2008 and has steadily declined each year. Given China is a large consumer of commodities, the stepdown in economic growth has weighted on commodities ever since.

China's Impact on Commodities



Source: Factset, Raymond James Ltd.

Life Insurance Frequently Asked Questions

Q: "What kind of insurance do I need for my business?"

Most business owners are so busy working to keep their cash flow in the black that they don't have time to step back and look at the company itself. While they are protecting company assets through vehicle, structure and liability insurance they are not always protecting themselves, employees or the future of the business.

A:

We offer a number of solutions to help protect you and your company.

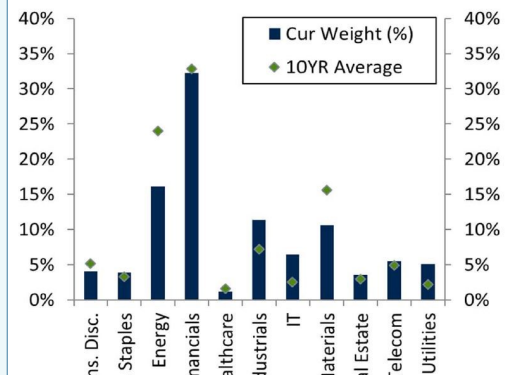
- **Disability Insurance:** Should you become injured or ill and aren't able to work.
- **Life Insurance:** To fund a buy/sell agreement, provide key man protection or to pay estate taxes.
- **Health and Dental Benefits:** Providing benefits helps you and your employees with medical costs. Often offering benefits is a good incentive for new hires or keeping existing employees from leaving.
- **Business Overhead Expense:** To pay salaries and ongoing fixed expenses should you become disabled and unable to generate income.

Please contact us if you would like additional information or to have a discussion.



Florenza Jones
Insurance Representative

S&P / TSX Sector - Now and Then

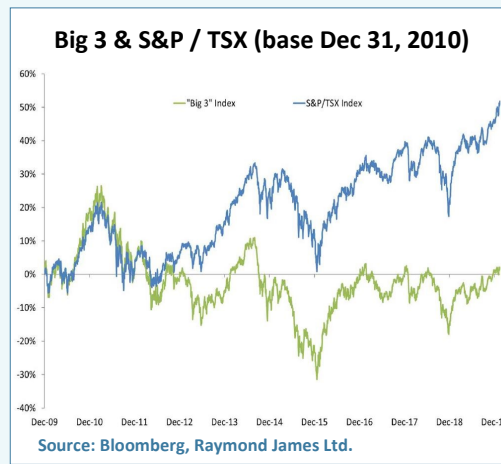


Source: Factset, Raymond James Ltd.

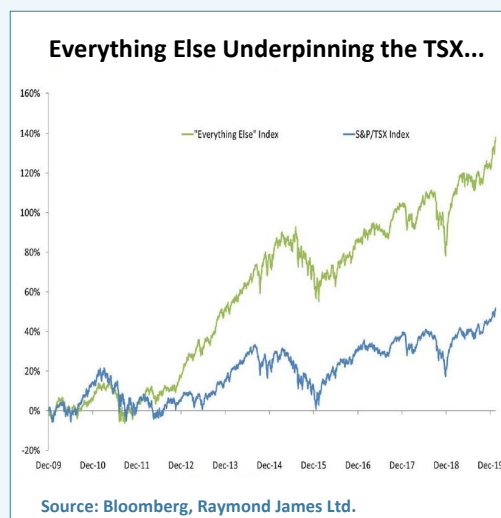
MARKET ECONOMIC UPDATE

The latest hit to the commodity sector has been the outbreak of novel coronavirus (COVID-19). By most estimates Chinese oil demand has fallen by ~2-3 mln bpd due to vast swaths of Chinese cities being placed in lockdown. Copper prices have also slumped some 10% since the beginning of the outbreak. However, broader markets have managed to look past the negative impact this will have on global GDP growth in Q1/20 thanks in part to how the Chinese government has responded to the crisis. Following the Lunar holiday, the PBoC pumped some US\$240 bln into financial markets arresting the near 14% decline in the Shanghai index. In fact, since the release of additional liquidity the Chinese market has advanced 7% off the February low. This may have also been due to early indications COVID-19 plateaued. Initially it was reported that there were 2,478 new confirmed cases on the mainland China by Monday, down from 3,062 the previous day, marking the second time in two weeks authorities recorded a daily drop in new cases. Today the number of new cases in China jumped by almost 14,800 to a total of 59,805 after authorities changed diagnostic criteria for counting new cases. Needless to say, commodities and commodity-related securities have been negatively impacted by the outbreak. Canadian equity markets are often viewed as tied to resources, which makes some sectors inherently volatile. One of the other sectors Canada is known for is financials, as we love to own our big banks. Combined, financials, energy and materials represent ~58% of the broader market, however outside of these three main sectors the Canadian market has a lot to offer. Let's first look at the impact the "Big 3" has had on the broader S&P/TSX over the last decade. Over a 3, 5 and 10 year period, the combined price return of the Big 3 has been 0.6%, 4.9% and 2.6%, respectively. In the chart below, we can see the Big 3 explained the vast majority of the performance of the broader index from 2009 to 2012, but since 2012 the S&P/TSX and Big 3 have diverged with the Big 3 being a drag on the market. You'll note

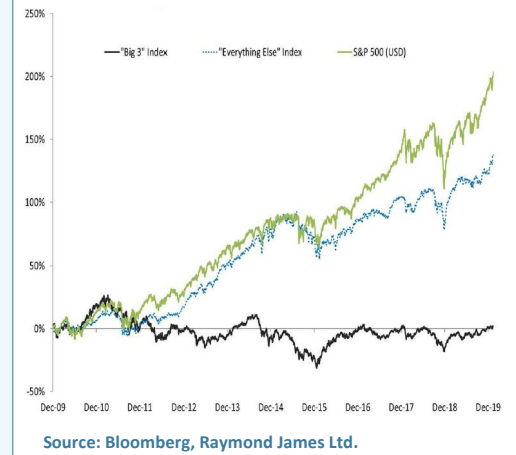
the peak in the "Big 3" was achieved around the same time of the recent peak in Chinese GDP growth in 2010.



Now, the next logical step is to measure the S&P/TSX's performance excluding the very sectors that define our market – energy, materials and financials. Similarly, we create a custom index composed of the remaining 8 GICS sectors, which we'll call the "Everything Else" index. Over the past 3, 5 and 10 years the Everything Else index has returned 24.9%, 29.1 and 137.4%, respectively. The 10 year price performance gap relative to the S&P/TSX is striking at a whopping 85% and even wider when compared to the Big 3 (135%). Interestingly, if we compare the Everything Else index against the S&P 500 index you'll see a rather close correlation (daily 0.74). This can be



...And is Closely Correlated with the S&P 500



partly explained by the fact that energy and materials have a significantly lower representation within the US index compared to our market.

The performance difference between Everything Else and the Big 3 highlights the importance of sector diversification. By focusing on Canada's "key" sectors, we can see that this has been a receipt for poor long-term returns, particularly as it relates to the commodity sensitive sectors. As such, these are areas we wish to rent, not own. On the flip side, the remaining sectors have produced better long-term returns from a buy and hold perspective. This analysis highlights the importance of knowing when to overweight/underweight the Big 3, as this decision can have a significant impact on a portfolio's relative performance. As Trooper aptly sang in 1977 "we're here for a good time, not a long time" but if you are in for a long time you're better off focusing on "Everything Else".

Jason Castelli CFA
Head of investment strategy, PCS Investment Strategy team at Raymond James Ltd.

Attend Our Free Events & Presentations

Thank you to all who have attended our past sessions. Due to positive feedback we will be releasing more throughout the year!

Upcoming Presentations:

Back to the Basics: Part 2 & 3

Pay Off Your Mortgage Smarter

Women's Only Events

Understanding Wills, Probate & Estates:
Have You Prepared For Your Family?

The Role of an Executor: Your Obligations
& Risk of Personal Liabilities

Stay up to date by visiting our website:
www.cindybourypwm.ca

"We would love to meet your friends and family! If they aren't sure how to begin, invite them to a presentation. Then they can meet us and also learn something of value!"

- Cindy Boury

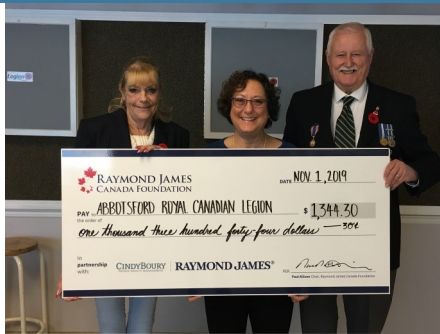
Follow Our Social Media!

Have you seen our Facebook and LinkedIn? Stay up to date on the Cindy Boury Private Wealth Management team by following us!

Click the hyperlinks or copy to a webpage:

 www.linkedin.com/in/cindyboury/

 www.facebook.com/cindybourypwm/



Annual Community Philanthropy

(Above) Cindy had the honour to present the Abbotsford Royal Canadian Legion and CFVSAR (Central Fraser Valley Search and Rescue) with her annual donation. The funds the Legion raises for the Poppy Campaign work all year in many areas including: treatment of trauma and PTSD in veterans, medical necessities for senior care, distributes funds for veterans' service dog programs, housing support and initiatives to stop homelessness such as Cockrell House. CFVSAR is a dedicated group of unpaid professional search and rescue workers serving the cities of Abbotsford, Langley and Sumas Mtn.

Our Christmas Card This Year

(Left) We hope you all had a very "Merry Mousemas" and happy New Year's. This painting was our Christmas card we sent out this year, hand painted by Sheryl Boury in our office. We had so much fun creating this card, and we hope you enjoyed as much as we did!



It's That Time Of Year Again... For Your TFSA and RRSP Contributions!

If you would like a copy of our TFSA (tax-free savings account) or RRSP (registered retirement savings plan) informational handout for 2020 emailed or mailed to you, please contact us and we would be happy to send you one!

Suite 200-2881 Garden Street, Abbotsford, BC V2T 4X1 | 604-855-0654 | cindy.boury@raymondjames.ca | www.cindybourypwm.ca

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