



# NEWSLETTER: SECOND QUARTER 2018

## CINDY'S INSIGHT

Last year the US stock market experienced one of the least volatile years in its history. People piled into the market expecting calm waters. This year started with a “bang”, somewhat in the wrong way. Welcome to a correction, which we are in the midst of at the time of this writing.

People are now concerned we have entered into a recession. My response is BULL. We have been, and are in, a **long term secular BULL MARKET**. Secular bull markets can last in excess of 14 years. The period between 1982 and 2000 was a long term secular bull market.

There are pull backs or corrections during secular bull markets but the overall view is companies are growing. Corporate earnings are increasing; unemployment is getting lower. This is an indication of good economic growth. Next you will see higher interest rates and inflation. All of these items are part of a growing economy not a recession.

The United States is further along in their economic cycle, which means the companies are in a strong growth position. As you review your portfolios you will see you have a heavier weighting in stocks than bonds. You also have exposure to the US, Europe and Asia to capture the growth in these economies. Being Canadian, it's always wise to hold Canadian investments as well, which you have in your portfolios. Canada has had a correction but some of this is political risk. As things work through this will also correct back to a normal valuation.

### So What is a SECULAR BULL MARKET?

On October 10, 2008 over 90% of all the stock traded in the United States made new annual lows. Since that time most of the major averages have risen by roughly 400%. Raymond James' chief strategist in the US, Jeffrey Saut, believes we are in the middle of a secular bull market, with volatility, but the long term trend lines show us we will continue to move forward. This market is expected to continue for years, albeit with a bumpy and volatile ride. The secular bull market, is a market driven by forces that could be in place for many years causing the price of a particular investment or asset class to rise over long periods of time. In a secular bull market positive conditions such as low interest rates and strong corporate earning push stock prices higher. Jeffrey Saut and others believe that we are in a long term SECULAR BULL market as do I.

Most investors will likely experience three secular bull markets in their lifetime. The first one usually happens when you can't afford to be in the market in a meaningful way, during the 3rd one you may be older and not be interested in investing. So we believe that this is not the time to abandon stocks. Quite the opposite! However, if you feel the market is too volatile, we will...(continued on pg. 2)



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QUOTE INSPIRATIONS

“ THE MOST VALUABLE  
CURRENCY IN THE  
WORLD IS TIME...  
BECAUSE IT CAN  
NEVER BE REPLACED.

”

- Martin Chambers

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PRIVATE WEALTH MANAGEMENT

(continued from pg. 1.) ...review your risk and reduce the stock weighting to a heavier bond weighting. Now as interest rates increase the bonds may be negatively impacted, so what other solution can you have other than changing your portfolio? When people worry, they start to “cash dam”. This means your bank account gets larger and you have concern that the market is not your friend and you don’t know what to do with this cash.

If you or a friend or family member feels this way, we have excellent GIC rates for our clients. Currently we have a credit union 1 year term GIC at 2.35% compounding. The benefit of the credit union is they don’t fall under the CDIC insurance that a bank has, which is \$100,000 per person. The credit union has unlimited coverage backed by the BC government. You could place over \$100,000 in a GIC with the credit union and be fully protected against default.

We know some people like to hold GIC’s. It doesn’t all have to go into the investments if it suits you and helps you continue as an investor. Knowing you have this safe money can also help you sleep at night.

Remember some quotes that we have heard over and over during corrections;

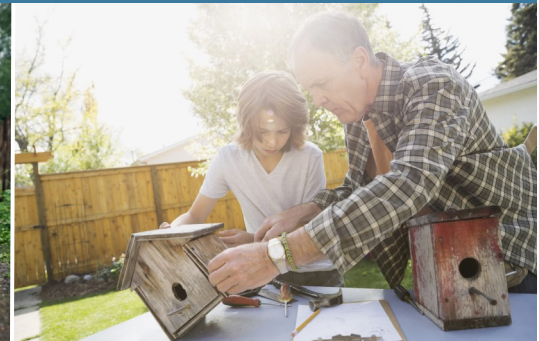
***“Be fearful when others are greedy and greedy when others are fearful.”***

- Warren Buffett

***“This time it’s different and history won’t repeat itself.”***

- Unknown

- Cindy Boury



## WHAT WAS I THINKING!!!!???

This is a question that I am sure every portfolio manager, advisor and investor has asked at one time or another. We spend more time asking “what were we thinking” regarding past investments that haven’t worked than we do congratulating ourselves on ones that have.

While we have a number of portfolio “stars” i.e. banks, technology, European and emerging market investments, we do have some “problem children”

Our GE, Enbridge, ARC Resources and Cineplex investments have all declined from their average purchase price.

***So what were we thinking when we bought them, how do we see them now and what will we be doing?***

Before we look at those questions let’s review our basic investment approach;

- We favour long-term, value investing.
- We look for themes that aren’t well understood now but will potentially have a significant impact in the future.
- We are comfortable going “against the grain” and we don’t believe in chasing “hot” stories. We think that will earn extraordinary rewards far more reliably than speculation.
- We think in terms of the whole portfolio and are convinced that asset allocation is our most important decision.
- We look at portfolios over a multi-year time horizon.

- We like to be paid from investments.
- We find that many people talk about “buy low and sell high” but recognize that the buying low part can be hard.

With that perspective we can talk about our thinking on the companies above.

While General Electric has made a number of mistakes, we believe that the manufacturing of electrical generation equipment, jet aircraft engines, medical diagnostic machines and oilfield services are all businesses with great potential growth. We think the new management and directors will take the company in the right direction. We are being paid a dividend and will continue to buy the stock “on sale” in our judgment.

For many years Enbridge has been viewed as one of the highest quality companies in Canada. So when the stock declined from over \$55.00 to around \$40.00 we have to ask why, and what should we do? While there is no single reason for the drop in the shares, weakness in pipeline stocks, changes in U.S. taxes, the debt assumed to acquire a large U.S. gas pipeline company and fears of higher interest rates have all played a part. However, over 95% of Enbridge’s revenue is based on stable and predictable cash flows. The current dividend is well over 6%. The company has a long history of increasing the dividend and has indicated it will increase

# MARKET ECONOMIC UPDATE

by approximately 10% per year over the next three years. For those reasons, we will continue to add to positions when we think the time is right.

ARC Resources is considered one of the best managed oil and gas exploration companies in Canada. It has a strong financial position, pays an attractive dividend and has large growth potential. We also believe that the macro economics of natural gas (supply, demand, gas inventories and export growth) are setting up to reward investors handsomely for a number of years.

Cineplex offers investors exposure to the major growth theme of entertainment. While we understand the movie exhibition business has been poor over the past two years and long term societal trends may not be supportive of it in the future, we do not believe it is going to disappear. Meanwhile, areas that Cineplex has aggressively pushed

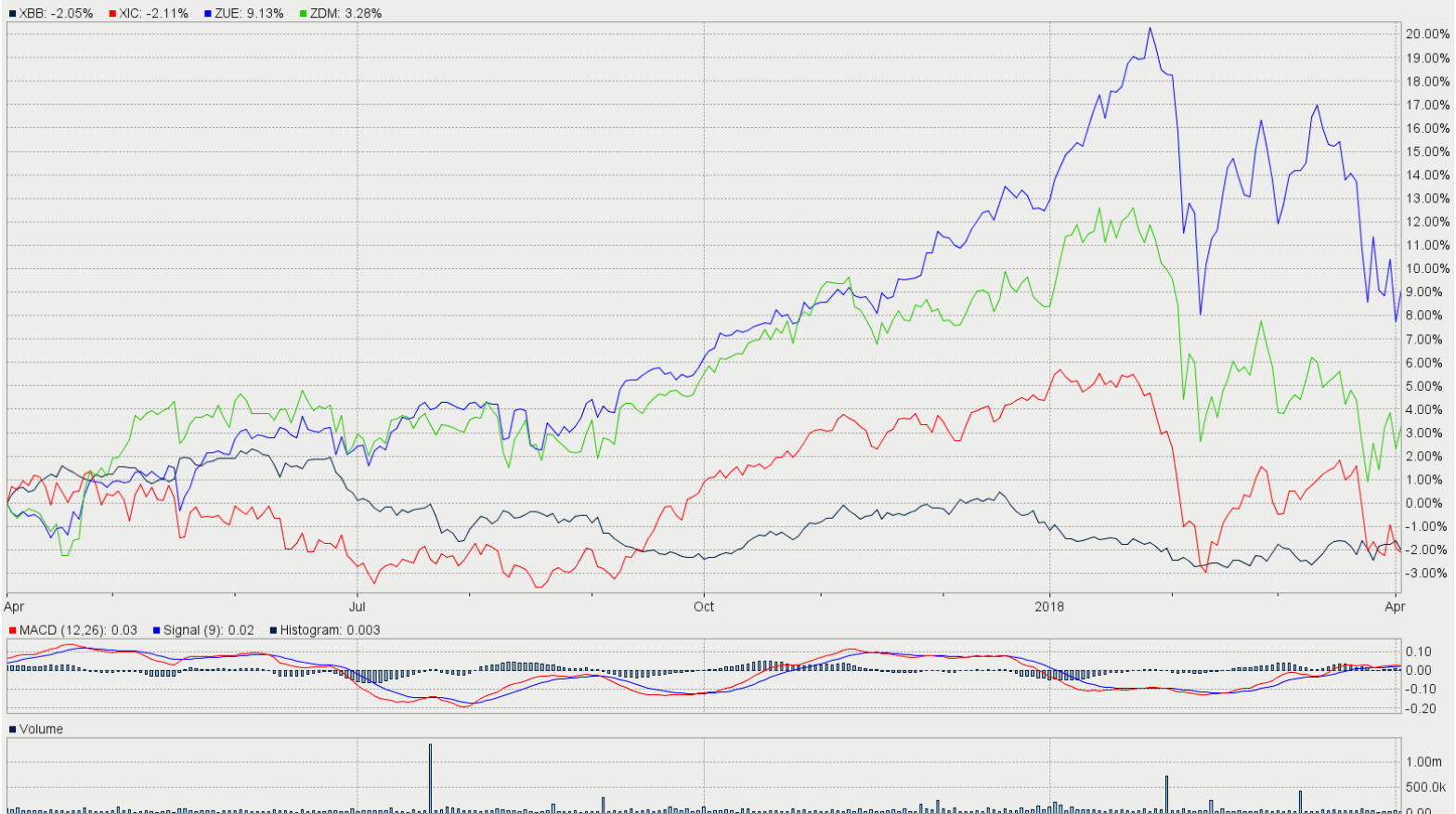
into such as electronic sports, dining and entertainment options as well as indoor golf have demonstrated rapid growth. The company has a strong financial position and it pays a generous dividend.

So as we ask what we were thinking when we invested in these companies at higher prices we come back to our approach to investing and to our understanding of what our "mission" is. We believe our mission is to provide the income our clients want and to build their wealth primarily for retirement and other long term goals. So if we were buying high quality, income oriented businesses, with growth potential, I guess we must have been thinking about our mission all along.

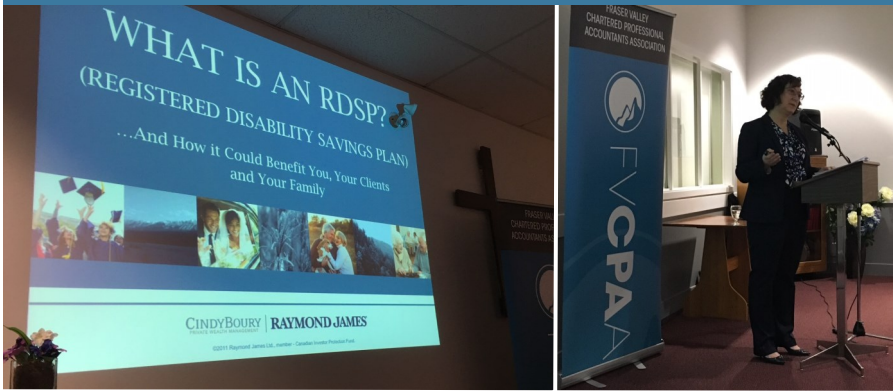
P.S. We are often asked about the recent weakness in the stock markets and if we think this is the start of a major decline. We don't believe that at all. We think the current fear and sell off

looks a lot like what happened in the spring of 2016. While the volatility can be uncomfortable we believe that the global growth story is intact and that it will lead to higher corporate profits and stock prices over the next few years. We will continue to use the current weakness in markets as an opportunity to invest our clients' money into great businesses at lower prices just as we are doing with our own personal accounts. The attached chart shows the price of four exchange traded funds that represent the broad Canadian stock market (XIC), the U.S. market in CAD dollar terms (ZUE) and other major markets in Canadian dollar terms (ZDM) and the Canadian bond market (XBB) over the past year. It has not been easy but we'll keep doing sensible things with confidence that it will reward you in the longer term! Thanks for hanging in.

- Martin Chambers







## FVCPAA Educational Presentation by Cindy

(Left) Thank you Fraser Valley Chartered Professional Accountants Association for the invitation to be a guest speaker. Cindy presented, "What is an RDSP (Registered Disability Savings Plan) & How it Could Benefit You, Your Clients, & Your Family." Qualifying for a registered disability tax credit (RDTC) may open the door for the registered disability savings plan. [www.fvcpaa.ca](http://www.fvcpaa.ca)



## Corporate Insurance & Estate Management Presentation

(Left) We had another successful lunch event at the Quality Hotel in the Mt. Baker Room for our associates and corporate clients. For this event we had guest speakers Michael Tomlinson and Brenda McEachern from Canada Life presenting on the topic of "Corporate Insurance and Estate Management."

## ATTEND OUR FREE EDUCATION CLASSES

Thank you to all who attended our sessions, "Back to the Basics: Part 1." Due to positive feedback, we will be launching parts 2 and 3 soon. (As well as other new educational sessions!)

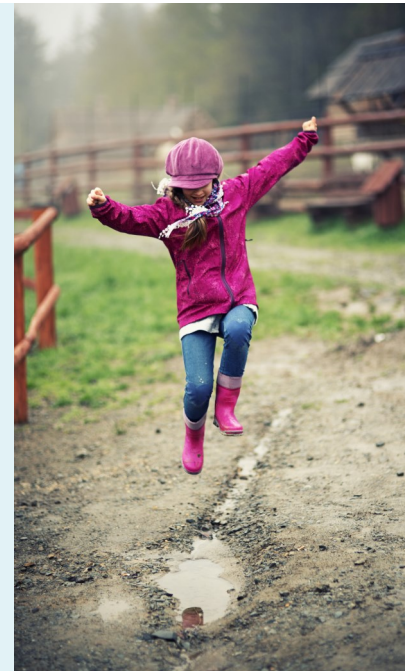
### Upcoming Events:

- Back to the Basics: Part 2 & 3
- Pay Off Your Mortgage Smarter
- Understanding Economics to Become a Successful Investor
- Bitcoins and Blockchains

*"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

Stay up to date on events by visiting our website: [www.cindybourypwm.ca](http://www.cindybourypwm.ca)



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