



# NEWSLETTER: FOURTH QUARTER 2018

## CINDY'S INSIGHT

### *"Buy in May and Go Away"*

You may have heard this, however I think this year it may have been backwards! Based on the chart below, I'd say you can't really depend on these sayings.



Chart Shown: S&P 500 and TSX. Source: Quotestream

### *"Buy Low and Sell High"*

Most investors can make money in an upward market, but many of them can't sell. We initially bought Aecon Group at \$14.49 in November 2016 and right after that it went down to just above \$13.00. We continued to patiently buy the stock as it went up and down until August 2017. When the Chinese take-over was announced in October 2017 we reviewed the position. We decided to sell at \$19.56 in November 2017. The stock fell as low as \$14.27 after that. We were paid a nice dividend while we held the stock. We switched to another industrial stock, Canadian National Railway at \$102.44 in December 2017. The stock also pays a bit of dividend to our clients and traded as high as \$118.62 prior to the recent correction. This is an example of taking profit and tactical management.

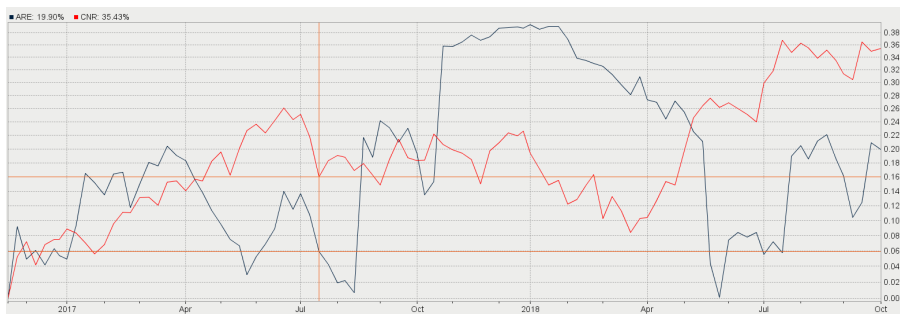


Chart Shown: AECON and CNR. Source: Quotestream

### *"The Trend Is Your Friend"*

As a long term chart reader, the "trend is your friend" until it's not. Markets operate on news not on facts...we work in facts. If the facts don't support the trend then frankly, we are out. (continued on pg. 2)



## Inside This Issue

Cindy's Insight | 1

Life Insurance FAQs | 2

I Think I'll Wait | 2

News & Events | 4

Boardroom Presentations | 4

ADVISOR TALK

“ Did you know Cindy is now US Licensed to provide Cross-Border Services to clients living in the U.S.A!?”



FINRA/SIPC

CINDYBOURY | RAYMOND JAMES

(continued from pg. 1.)

***“When the tide goes out, you see who’s swimming naked” - Warren Buffett***

He is correct. If you do not have diversification in your portfolio you are “swimming naked.” By being diversified your average returns are more consistent, you will miss the higher returns but losses and volatility will be reduced.

***“I’ll tell you how to be rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.” - Warren Buffett***

This means buy when no one wants to and sell when everyone is buying. As discretionary portfolio managers we do this for you and we don’t need to call you each time to place a trade.



***“Stock market corrections although painful at the time are actually a very healthy part of the whole mechanism, because there are always speculative excesses that develop, particularly during the long bull market.”***

**- Ron Chernow**

***“Nobody ever lost money taking a profit.” - Bernard Baruch***

**My comments regarding the portfolios:** This last month we took profits in the market and we have increased our cash positions. We are currently waiting for an opportunity to buy when there is weakness. We are true investors; we hold positions longer term, we like dividends and capital growth. We see opportunities as well as strength in the world for capital growth. This means we still like the stock market and will continue to be equity heavy and bond light in the portfolios.

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

## I THINK I’LL WAIT

Legendary investor Sir John Templeton said “the best time to invest is when you have the money.” While that may seem obvious, many investors adopt a strategy of waiting for less uncertainty before they buy stocks.

That has proven time and again to be a costly mistake. The chart below shows the Standard & Poor’s index of 500 of the largest companies in the United States and the Toronto Stock Exchange over the past three years.

During that time one could hardly be blamed for feeling uncomfortable. We have been bombarded with news of “trade wars” (2018), “rising inflation” (2018), “war in Korea” (2017), “China slowing” (2016) “Brexit” (2016) “oil price collapse” (2016) and “refugee crisis” (2015).

As we can see from the chart, an investor who stayed on the side-lines over the past three years would have missed significant market gains. Granted, three years is a fairly short period of time, so what about the longer term?

In the last 10 years we’ve had the worst financial crisis in 75 years, European

## LIFE INSURANCE FAQs

**Q:** *“Why should I buy critical illness insurance?”*

**A:** Critical illness insurance may provide you with a lump sum benefit if you diagnosed with one of the covered critical illnesses and satisfy the waiting period. The benefit you receive is yours to use as you choose. The lump sum benefit provides financial relief allowing families to focus on recovery.

CI insurance is offered as a standalone plan. Premiums are based on age and personal medical history at the time of application. Plans are issued up to age 65, but we recommend purchasing CI as early as possible. We hear of more and more young people being diagnosed with illnesses that used to be thought of as an “older person’s” disease.

Critical illness insurance can help alleviate some of the financial strain when you should be focusing on your health and family.

Florenza Jones  
Insurance Representative



# MARKET ECONOMIC UPDATE

sovereign debt issues, a nuclear meltdown and a whole range of other events that added to uncertainty. In that same time frame the S&P 500 index is up over 150% and the TSX is up almost 37%. In the past 20 years we had the technology wreck, the rise of terrorism, multiple wars, an Asian financial crisis and so on. Still the Toronto Stock Exchange is up over 160% and the S&P 500 is up almost 200% in that time. It should also be remembered that the figures quoted above don't take into account dividend income or dividend growth either.

Based on this, it seems clear that an investor with a longer frame time horizon may be wise to set aside their emotions and follow Mr. Templeton's sage advice. That's not to say one should always plow every dollar into stocks regardless of any external factors.

A prudent tactical manager will raise cash at different times, will move capital from one asset class to another or from one market to another. It simply means that we should understand our emotions, ignore those who make a living by stoking fear and remain disciplined in our investment strategy. The application of this principle is true for markets as a whole as well as many individual investments. So where are we now?

The global economy continues a modest expansion led by the United States. The typical signs of recession such as short term interest rates higher than longer

term rates, weak purchasing manager's indexes, an inflationary spiral, capacity utilization over 80%, falling housing starts, labour market weakness or negative leading economic indexes are simply not there. Consumer confidence recently hit an 18 year high in the U.S.A. and it is important to remember that the consumer accounts for roughly 70% of economic activity. All of this has led to impressive earnings growth. In the second quarter the S&P 500 companies reported average sales growth of 9.5% versus the previous year. Operating margins were 11.6% and net earnings were up 24.8%!

Perhaps the most important take-away is that historically stock prices have an over 94% correlation to profits, not to the political gyrations or the opinions of "experts". So what are companies doing with all those earnings and what does it mean? Companies are hiring, increasing wages, buying plant and equipment, investing in research and development, increasing dividends and buying back record amounts of stock. All of this will only contribute to higher earnings in the future until interest rates and slowing economic growth cause current trends to abate and ultimately reverse.

Bull markets are very good at shrugging off bad news like all the headlines referenced above. Until the backdrop changes, the market can continue to grind higher and we are content to participate as it does.

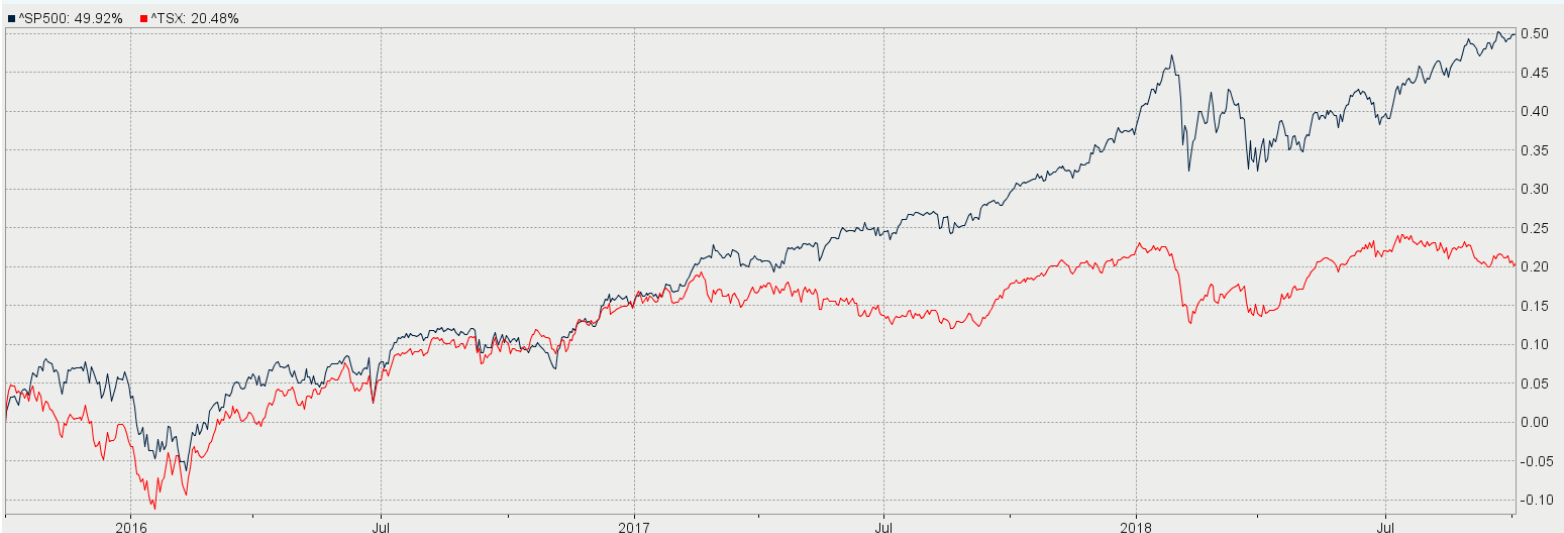
At this point one could ask about the timing issue and if we should be buying when some markets are trading at all time high levels. To that we would point out there is always value to be found. On average, international stocks are trading at a record 30% valuation discount to American stocks. Meanwhile there are many American stocks that are trading at reasonable valuation levels.

The other approach that has paid dividends (pun intended) in the past is to emphasize stocks that pay dividends to shareholders. This gives us another source of total return. We can tolerate a bit of volatility when we are "paid to wait" in the form of cash every three months!

Since 1946 the S&P 500 index went up roughly 75% of the time. If we exclude years the economy was in recession the market increased 80% of the time. Clearly we're not in a recession now and the signs of an imminent slow down are few. Simple math suggests that the investor who waits will have a roughly one in five chance of being right by staying out of the market.

If one waits for uncertainty in markets to disappear before investing money, one runs a very high risk of missing out on similar great appreciation in the future.

Martin Chambers CIM®  
Trading and Research Specialist





## Raymond James Women's Symposium

(Right) Cindy Boury recently attended the 24th Raymond James Women's Symposium in Florida! This annual Network for Women Advisors Conference brings together a professional group of women Advisors to network and share best practices.

## "Do I Need a Wealth Advisor?" Event

(Below) Thank you to all who attended our event, "Do I Need a Wealth Advisor?" This event was for those who had questions you have always wanted to ask an advisor!



## Proud Sponsor!

(Right) Cindy Boury delivering a sponsorship cheque to the Central Fraser Valley Search and Rescue Society!

## ATTEND OUR FREE BOARDROOM PRESENTATIONS

Thank you to all who attended our recent session, "Do I Need a Wealth Advisor?" Due to positive feedback, we will be launching new presentations soon! Stay up to date on events by visiting our website: [www.cindybourypwm.ca](http://www.cindybourypwm.ca)

### Upcoming Events:

- Back to the Basics: Part 2 & 3
- Pay Off Your Mortgage Smarter
- Understanding Economics to Become a Successful Investor
- What is an RDSP? How Can it Help You and Your Family?

*"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 US ON SOCIAL MEDIA!

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

Click the hyperlinks or copy to your webpage to follow:

 [www.linkedin.com/in/cindyboury/](http://www.linkedin.com/in/cindyboury/)

 [www.facebook.com/cindybourypwm/](http://www.facebook.com/cindybourypwm/)

Suite 200-2881 Garden Street, Abbotsford, BC V2T 4X1 | 604-855-0654 | [cindy.boury@raymondjames.ca](mailto:cindy.boury@raymondjames.ca)

**CINDYBOURY** PRIVATE WEALTH MANAGEMENT | **RAYMOND JAMES**

Raymond James Ltd., Member-Canadian Investor Protection Fund. This newsletter has been prepared by Cindy Boury Private Wealth Management. It expresses the opinions of the writer, and not necessarily those of R.J.L. Statistics, factual data and other information are from sources believed to be reliable but accuracy cannot be guaranteed. It is furnished on the basis and understanding that R.J.L. is to be under no liability whatsoever in respect thereof. It is for information purposes only and is not to be construed as an offer or solicitation for the sale or purchase of securities. R.J.L. its officers, directors, employees and their families may from time to time invest in the securities discussed in this newsletter. It is intended for distribution only in those jurisdictions where R.J.L. is registered as a dealer in securities. Distribution or dissemination of this newsletter in any other jurisdiction is strictly prohibited. This newsletter is not intended for nor should it be distributed to any person residing in the USA. Insurance products and services are offered through Raymond James Financial Planning Ltd., which is not a Member-Canadian Investor Protection Fund.