



## Issue #46 – 2016 Year in Review

*“Opinion polls measure the public’s satisfaction with its ignorance.” – Anonymous*

**D**onald Trump... What else can be said about 2016?

From the miscalculation on Brexit to the Trump landslide, we would venture to say that no-one had a harder year than pollsters. Despite these shocking news stories having overshadowed most of 2016, there was plenty on the world stage to keep investors on the edge of their seats.

Undoubtedly, it was a year of surprises on the markets. After starting the year with its worst two-week kick-off in history, reaching “correction” territory of -10% in mid Q1, the Dow Jones US stock index closed the year up double-digits. Unfortunately, Canadian investors in this market were hampered by a strengthening loonie which shaved off several percentage points of return.

In Toronto, the S&P TSX index also managed an impressive year with strong double-digit returns. For the most part, this was caused by a substantial rebound in the price of oil. In mid-February, oil futures reached US\$30 per barrel before rallying up to close the year above US\$53.

Worryingly, stock market rallies in both of these indexes were not accompanied by any substantive earnings growth in the underlying companies, which suggests that stock prices increased simply because people were buying more stocks. This has many observers concerned that we are in a stock bubble and given current valuations, we are inclined to agree.

In large part, this is due to the fact there are simply no other places to park cash. Bonds, the typical alternative to stocks, are generating little to no return on account of low interest rates and speculation of rising rates in the near future. With interest rates at or near all-time lows in most development economies, the FTSE TMX Universe Bond Index posted a meagre 0.7% return for the year confirming that investors were better off in savings accounts than in diversified bonds in 2016.

Meanwhile, economic fundamentals continue to show improving life signs. Unemployment rates are down in Canada (6.8% vs 7.1%) and the US (4.6% vs 5.0%) while inflation is starting to pick up at 1.5% and 1.7% respectively. In Canada, consumer confidence (103 vs 91), housing starts (+3.0% vs +1.6%), retail sales (+2.5% vs +1.8%) and the Ivey purchasing managers index (56.5 vs 42.5) all improved in 2016, despite falling GDP growth in the US (1.6% vs 1.9%).

### ***Our Performance***

2016 was a difficult year to forecast on all accounts. We agreed with the markets’ initial pessimism that sent them falling hard to start the year. Although we did trigger some buying during that initial down market, we felt that stocks never really reached a historically attractive price point and so we stayed on the side lines for a large part of the 2016 rally.

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In many cases, our positions were conservative and defensive, in part to meet the goals of our clients and due to our expectations of a bear market. This resulted in underperformance compared to the overall market, but with considerably less risk for investors.

For many clients, we maintained a significant position in high-interest savings rather than holding bonds. This proved fruitful for clients as we beat the bond index without any of the volatility.

In absolute terms, our conservative portfolio matched the needs of our clients and we provided an excellent risk-to-reward ratio for investors despite underperforming the overall index.

### *The Team*

It was truly a whirlwind year for the firm! First and foremost, we would like to thank you all for your infinite patience with the endless forms, void cheques, applications and signatures. Without a doubt, our move from Equity Associates to Aligned Capital Partners was a massive undertaking and your help in getting documents back to us was instrumental in our success.

With our new platform operational, we are now ready to start moving clients onto the new fee-for-service model. In almost all cases, this will result in reduced service fees for you and in many cases, the ability to tax-deduct a greater portion of these transparent fees.

Further, we can now access individual securities and exchange traded funds (ETFs) in your portfolios which will contribute to improved portfolios and better diversification. We hope to transition accounts following individual meetings with every one of you. We will also be taking this time to revisit risk tolerances, objectives, expectations and how we can continue to offer you best-in-class service.

Despite our year of transition, many of you were kind enough to refer our services to friends, family and co-workers. In an effort to manage sustainable growth, we remain extremely selective in the new clients we take on so as to ensure that our existing client base is well served. Your referrals led to our transitioning one new client per month into our model during 2016. Thank you!

As individuals, it was a year of development for our team. Kelly completed several courses in bookkeeping and income tax along with gaining experience in the field. Tanya's focused her efforts on the transition, learning the new systems and gaining contacts in the industry. J-F's continuing education has earned him the coveted Chartered Investment Manager (CIM) designation. He also published his first book entitled [Divide & Conquer](#). His first foray in the literary world is focused on helping network marketers organize their personal finances, a niche market in which he has developed an expertise.



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### Looking forward to 2017

Despite slightly improved economic figures, we see very little reason for the unapologetic optimism shown by investors in 2016, which sent most markets to new all-time highs. Given the unpredictability of the incoming President, we remain cautious in deploying new assets at a time when the fabric of international trade is under threat of being re-woven to better suit American interests.

For these reasons, portfolios are being tailored with downside protection as the primary objective. We believe that many of our clients are ahead of their long-term growth objectives owing to our outperformance in the last few years. With this in mind, we approach 2017 in a defensive stance, patiently looking for bargains before deploying capital.

Despite all this, there are reasons for optimism, particularly in emerging economies. Digital technologies are changing the way people do business in low-income countries where more people now have access to mobile phones than clean water. A third of the world's population is said to be under the age of 20, most of which are congregating in the urban centers of sub-Saharan Africa. Easier access to capital and much-needed business reforms are allowing entrepreneurs to solve problems unique to these economies. We are hopeful that new opportunities will arise as a result.

Regardless of what the markets bring, we will be there to ensure that you and your portfolio react appropriately to help you reach your long term goals!

All the best in 2017,  
J-F & the team

1. 247wallst.com : 2016 Year in Review: Major U.S. Market Statistics at Year-End. <http://247wallst.com/investing/2016/12/31/2016-year-in-review-major-u-s-market-statistics-at-year-end/>
2. WorldBank.org : Year in Review 2016. <http://blogs.worldbank.org/voices/year-review-2016-12-charts-and-video>
3. Market Data Provided by TD Bank's "Weekly Market Report" PDF and [www.Bloomberg.com/markets](http://www.Bloomberg.com/markets)

### Performance figures of major allocations as at Dec 31st, 2016

### Individual Accounts

Fund Name	Category	Risk Level	2016	2015	1-Month	3-Month	6-Month	3-Year	5-Year	10-Year	Inception
<a href="#">TD Income Advantage</a>	Cdn Bond	Low-Medium	<b>+3.57%</b>	+0.08%	0.17%	-1.32%	0.46%	3.47%	3.50%	3.62%	4.28%
<a href="#">TD Monthly Income</a>	Cdn Balanced	Low-Medium	<b>+14.88%</b>	-3.82%	1.72%	1.78%	7.60%	6.69%	7.50%	5.36%	8.25%
<a href="#">CI Global Leaders Balanced</a>	Global Balanced	Medium	<b>+4.27%</b>	+13.18%	1.01%	1.22%	9.15%	6.75%	13.12%	No data	5.86%
<a href="#">TD Global Low Volatility</a>	Global Balanced	Medium	<b>+5.39%</b>	+12.65%	1.32%	1.09%	4.01%	10.62%	12.58%	No data	13.01%
<a href="#">CI Select Income Fund</a>	Cdn Bond	Low	<b>+2.73%</b>	+1.68%	0.34%	-1.84%	0.34%	2.73%	4.17%	No data	3.71%
<a href="#">CI Cambridge Cdn Asset Allocation</a>	Cdn Balanced	Low-Medium	<b>+6.54%</b>	+4.09%	0.54%	1.37%	4.95%	6.93%	8.47%	No data	5.85%
<a href="#">Edgepoint Global Growth &amp; Income</a>	Global Growth	Medium	<b>+11.54%</b>	+9.01%	1.09%	5.37%	12.69%	11.46%	14.86%	No data	14.08%
<a href="#">Dynamic Premium Yield</a>	Cdn Bond	Low	<b>+0.22%</b>	+7.04%	0.33%	1.11%	0.79%	7.31%	No data	No data	7.54%

### Group Plans

Fund Name	Category	Risk Level	2016	2015	1-Month	3-Month	6-Month	3-Year	5-Year	10-Year	Inception
<a href="#">DynamicEdge Balanced</a>	Global Balanced	Low-Medium	<b>+0.42%</b>	6.18%	-0.17%	-1.17%	2.30%	4.24%	6.27%	No data	4.49%
<a href="#">Mackenzie Symmetry Balanced</a>	Global Balanced	Low-Medium	<b>+3.79%</b>	3.55%	0.84%	0.63%	4.35%	4.74%	6.81%	No data	7.42%

All performance is net of all management fees (After). Source: Morningstar.ca



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