

# Dalrymple Wealth Counsel

## Building you a secure future



### Quarterly Newsletter

As at March 31, 2014

#### Our Philosophy

We believe that long-term financial security is the result of sound investment disciplines and risk management practices.

Helping clients feel secure in their goals is our first priority.

#### We believe in:

- Partnership with our clients in the goal setting process
- Clearly identifying each client's unique financial needs and objectives
- Consistent application of a logical disciplined investment approach
- Accountability through adherence to strategies consistent with client financial goals
- Absolute confidentiality

### Global Economies are “Worlds Apart”

For the first time, we have published a long-term forward looking Investment Strategy as a new companion piece to our Quarterly Newsletter.

Today, we are beginning to see a return to more “normal” financial markets. This comes after more than 5 years of financial markets focused on the U.S. financial meltdown, Euro-area debt and bank issues (Greece, Ireland, Portugal, and Spain), US government shutdowns, last—minute agreements on debt-ceiling limits in the US and US bank issues.

There are still underlying structural reform issues continuing in Europe, Japan, China and Latin America. Structural reform can take the form of changes in labour laws (e.g. in parts of Europe), or in banking systems - the US is far ahead of Europe in bank reform. Or it may be changes in social security programs. People are living longer. On the other end of the spectrum, birth rates continue to fall, so this time around unlike the early 80's, there is no baby boom to help us grow out of the 70's banking and oil crises of that decade, but there are signs of new innovations emerging that will lead the way to growth in this decade and into the next.

Dalrymple Wealth Counsel  
3650 Victoria Park, Suite 205  
Toronto, Ontario  
Phone: 416 502-9393  
Fax: 416 492-9394  
E-mail:

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<u>Financial Markets</u> <u>(% Change)</u>	<u>Level</u>	<u>Current</u> <u>Quarter</u>	<u>Past Quarter</u>	<u>Trailing 12</u> <u>Months</u>
Canada (S&P/TSX COMPOSITE INDEX)	14335	5.20	6.50	12.40
US (S&P 500 INDEX)	1872	1.30	9.90	19.30
China (CSI 300)	2146	-7.90	-3.30	-14.00
Europe (DJ Euro Stoxx 50)	3162	1.70	7.50	20.50
India (SENSEX)	22386	5.74	9.42	25.41
Japan (NIKKEI 225 INDEX)	14828	-9.00	12.70	19.60
United Kingdom (FTSE 100)	6598	-2.20	4.40	2.90

*Note: Performance is measured in local currencies; changes are the indices changes that do not include income.  
Source: Bloomberg, Raymond James.*

Over the past 12 months growth in US and European equity markets has been almost equal (about 20%). In the current quarter, US equities were up 1.3% while Europe was up 1.70%. In Japan, (where last quarter equity markets were suddenly the year's leader) equity markets are now up almost 20% in the last 12 months. The difference here is Japan was down 9% in the quarter. Canadian equity markets, a laggard 6 months ago, had strong growth this quarter – up 5.2%. The continuing equity market decline in China has been 14.0% over the last 12 months – including an almost 8% decline in the quarter. We expect the equity market in China to show continued weakness.

<u>Interest Rates (10-Year):</u>	<u>Mar-14</u>	<u>3 Months</u> <u>Ago</u>	<u>12 Months</u> <u>Ago</u>
Canadian Government (interest yield basis)	2.45	2.72	1.76
US Government (interest yield basis)	2.72	2.9	1.96

*Source: US Federal Reserve and Bank of Canada.*

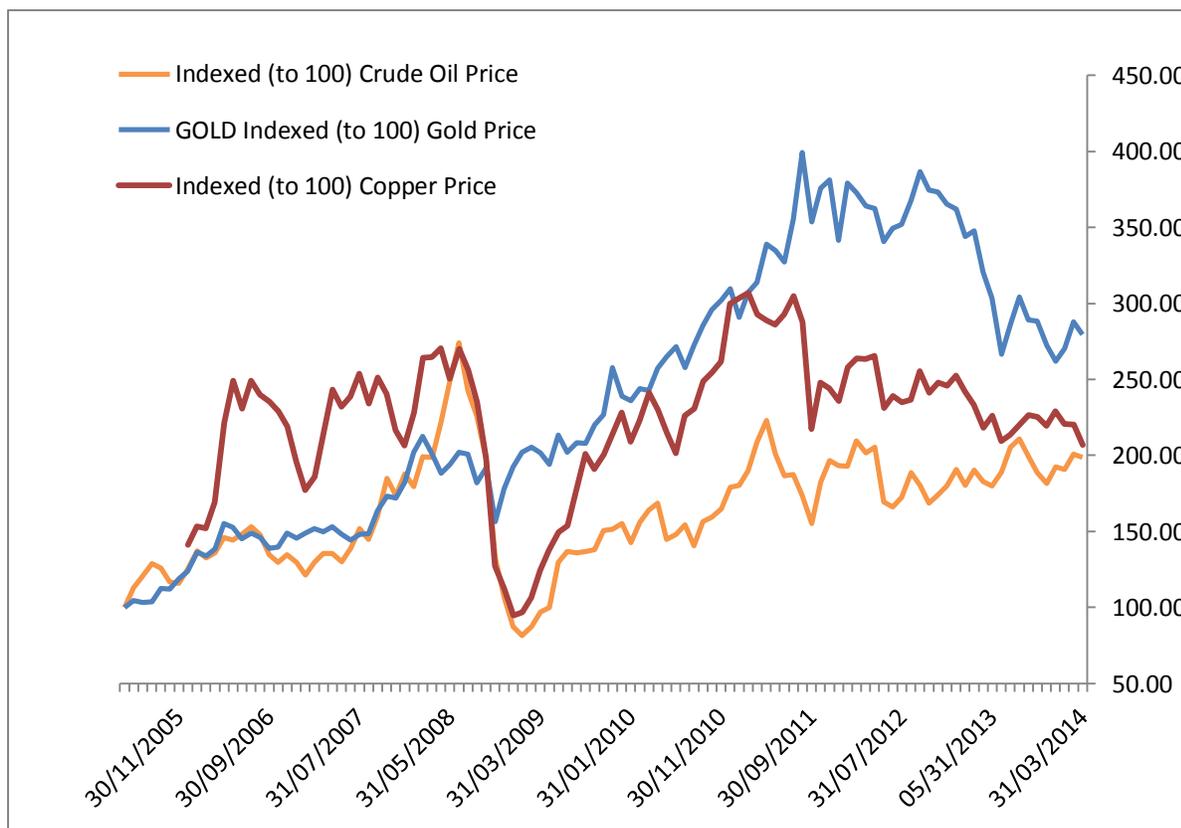
We expect interest rates to rise over the next five years and inflation will as well. But put this against a world where:

- Growth in capacity to produce goods and services far outstrips demand
- World population growth rates are slowing
- The world is awash in savings
- Structural reform and government deleveraging put downward pressure on inflation

Interest rates are up in both Canada (2.45%) and the US (2.72%) and are about 0.75% from where they were one-year ago. But they are down about 0.25% from where they were last quarter.

## Gold and Oil and Copper

<u>Currency, Oil &amp; Gold (% Change):</u>	<u>Level</u>	<u>Current Quarter</u>	<u>Past Quarter</u>	<u>Trailing 12 Months</u>
Canadian Dollar (in US Dollars)	\$0.91	-3.90 ↓	-2.90 ↓	-7.90 ↓
Oil (US\$/bbl)	\$101.58	3.20 ↑	-3.80 ↓	4.50 ↑
Gold (US\$/oz.)	\$1,284.00	6.50 ↑	-9.30 ↓	-19.70 ↓
US Dollar (Trade-Weighted)	\$80.10	0.10 ↑	-0.20 ↓	-3.50 ↓
Copper (US\$/lb)	\$2.97	-9.7 ↓	0.8 ↑	-11.07 ↓



Source: Bloomberg, Raymond James.

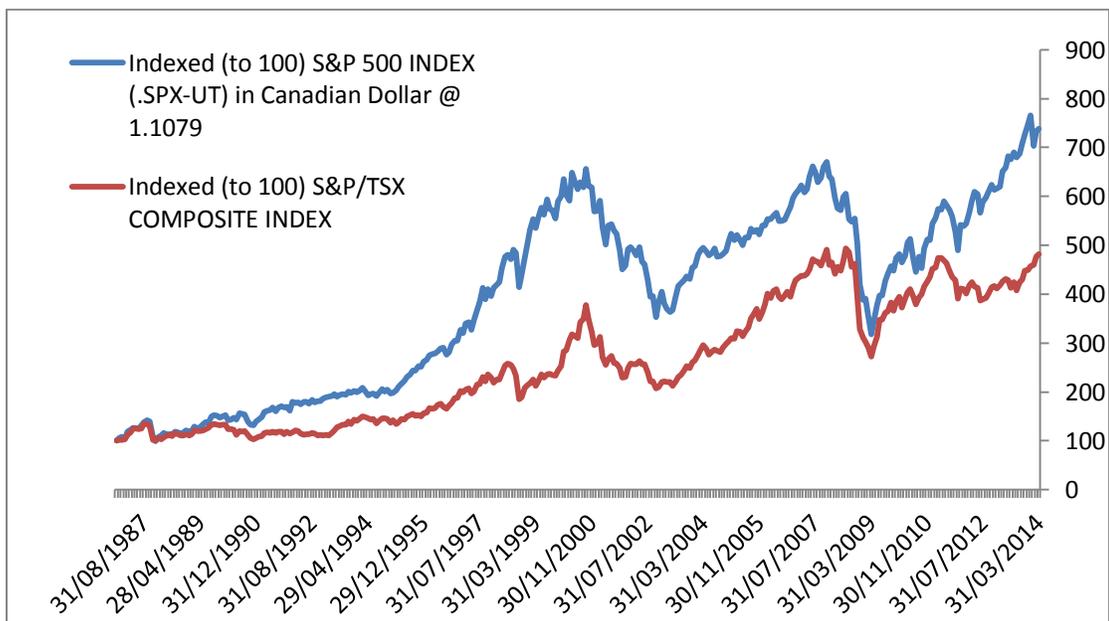
There is nothing in the price of gold or the price of oil that portends higher inflation. The US trade weighted dollar-index is slightly down (3.5%) over 12 months. The Canadian dollar fell by 3.9% last quarter and has weakened by almost 8% in the last year. This has, no doubt helped the Canadian economy – by making Canada’s exports more competitive and reducing the risks of deflation in the short-term.

## Looking Ahead in 2014

There continue to be a number of potential speed bumps to the global economies going forward:

- Emerging evidence that the price of oil may begin to steady in a range lower than \$100 per barrel over the next 5 years. Oil is currently trending flat or rising on events of Middle East upheaval - it is now projected that the U.S. will overtake Russia as a leading oil producer by 2020.
- Government debt “de-leveraging”, leading to slower economic growth and potential banking system instability in Europe or China for example.
- Potential political, fiscal or currency instability, there are a number of regions here: Japan because of its failure to restructure although “Abenomics” appears to be working, China as it moves towards more capitalism, or Europe if there is a destabilizing currency or banking event.
- Potentially higher taxation, probably more related to sales or VAT tax.
- Reduction in social security or medical care benefits (e.g. raising the age for accessing benefits).
- Currency volatility in the emerging markets, coupled with slower growth.

## TSX and S&P 500 Composite Indices



Source: Thompson One



Robert Hughes, Financial Advisor

*“Risk management, long of forgotten importance, is the most critical factor in achieving your vision and goals in the future”*

*... Ian Dalrymple*

## How We Think About Risk Management

In preparing for this article, I typed “risk management” into the search field of my browser to gain some perspective into how others think about risk, and to determine if my intuitive belief that our approach to risk management is unique. One of the first search results included words such as “we have a strong, well-established, centralized risk management culture and its effectiveness is fundamental to **our** success.” The families we work with succeed because we look at risk and how various risks affect **them** – first and foremost. One of the search results I came across did discuss risk in the context of clients. Here I read, “Our wide array of risk management solutions can help you safeguard your finances. Insurance, at its most fundamental level, is about managing risk and protecting against future financial loss.” Again, these words come up short because, clearly, this definition of risk has been designed to sell a product. If you read my last article, you know that we do not *sell financial products; rather, we build custom tailored portfolios of stocks and bonds to support our clients’ visions*. The problem with most familiar and every day usages of the term “risk” is that they tend to define risk as being strictly objective and impersonally measured; when really it is a personal or social attitude toward something uncertain in the future. That “something” is the family vision. Our risk frameworks are carefully designed to help families achieve their visions.

We look at risk within the context of your financial goals - in terms of the chance or likelihood an individual or family will be able to achieve their vision. To understand your family vision, we provide a framework to help families manage their personal risk as well as risks associated with the financial markets. Our framework helps the family identify, manage, control, and monitor risks in the content of a plan. This approach allows us to deliver highly personalized professional wealth management because it broadens the scope of how wealth is looked at beyond financial assets. It treats the management of all assets and liabilities and lifestyle needs in an integrated, holistic framework. From our perspective, recommending a mutual fund is not doing right by you (setting aside for the moment the fact we don’t sell mutual funds), because the mutual fund manager invests without regard to your plan and your goals. We achieve this by helping you identify the various types of risks you may face in your plan.

**Identifying various types of risks and working to ensure that these risks do not jeopardize the family vision of the future is the centerpiece of our approach.**



Ziyu Chen, Assistant Branch Administrator

*“Being with Dalrymple Wealth Counsel for 3 years has inspired Ziyu to set his career path in private wealth management. He is working diligently to acquire the necessary skill set, qualifications and experience in order to provide clients with the highest level of service.”*

*... Ian Dalrymple*

Ziyu Chen joined Dalrymple Wealth Counsel in 2011. His current responsibilities include client service, researching and reporting. In addition, he assists the team with trading, administration and business development.

Ziyu has a diverse working and educational background including administration, accounting and finance. As a young immigrant, Ziyu moved to Toronto 10 years ago. Since then, Ziyu completed the Canadian Security Course (CSC) while he was an accounting student at George Brown College. He later received his Honours Bachelor of Administrative Studies (Finance Stream) at York University and is currently pursuing his designation to become a Charter Financial Analyst (CFA) – a prerequisite for the Portfolio Manager designation.

## Giving Back to the Community

*“Giving back to the community is in the DNA of Dalrymple Wealth Counsel. Set aside the Eurozone debt crisis, the US financial meltdown – giving back to the community is our vision of the future. We choose our partners carefully – where we have a relationship to build a better tomorrow.”*

*... Ian Dalrymple*



Marisa Bertoia, Branch Administrator



On April 6, 2014, CBC News, The National featured a great story, including Dr. Cynthia Hawkins, Marisa Bertoia and her husband Stan Bertoia talking about a ground breaking research discovery at Toronto SickKids Hospital – a step towards finding a cure for brain cancer in children. The “Skate with Daniel” event that the Bertoia’s organize each year to raise funds contributed towards this brain cancer research.

The Bertoia’s lost their son Daniel to a rare inoperable brain cancer when he was 18 years old. Daniel requested that the family focus on raising funds to find a cure to help other children. Over the years, Marisa, her family and friends and community have raised over \$500,000 to support brain cancer research at Toronto’s SickKids Hospital.

Dalrymple Wealth Counsel, with the help of the Raymond James Canada Foundation, has supported “Skate with Daniel”.

Marisa has inspired many with her passion and energy to organize the “Skate with Daniel” and “Skate with Daniel Comedy Nite” fundraising events.

To learn more about Skate with Daniel events or to donate, please contact Marisa directly or visit the website: [www.skatewithdaniel.com](http://www.skatewithdaniel.com)

CBC National News Video Link: <http://www.youtube.com/watch?v=E2eDJu0cCfk>

Dalrymple Wealth Counsel also sponsors the “Neil Lovatt Memorial Fund” (NLMF)

The NLMF was established 12 years ago as an initiative of the Muskoka Woods Youth Foundation to raise funds to send economically disadvantaged children to summer camp at Muskoka Woods. Each year, the NLMF has been able to send over 120 deserving youth every summer for a week at Muskoka Woods by working with partner agencies like Urban Promise, Youth Unlimited, One Voice One Team & the Salvation Army.