

# Dalrymple Wealth Counsel

## Building you a secure future



As at December 31, 2014

### Quarterly Newsletter

#### 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

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## The Secular Bull Market Continues

By mid-2013, we took the position that a new secular bull market in the US was underway due to:

- Mounting evidence of new technologies - 3D printing, robotics, biotechnology and use of new materials in industry, as well as new battery storage technologies
- Banking systems, particularly in the US, have been repairing

We have reviewed the report on the Euro banks – to see how far the banking system repairs have come in that region since then. It shows a significant improvement. But the abrupt fall in oil prices in 2014 may impact that and the potential that elections in Greece may lead to a Grexit (Greek Exit) have us pushing back possible investments in the Euro area.

Until now, the financial markets have largely ignored geo-political risks related to Russia, the beginning of structural reform in China, and aggression in the Middle East, Syria, and Africa. Not so now in Russia, the geo-political risks relating to Ukraine may have economic growth in the 3-5% area.

The current cyclical downturn in Europe, South America and China will abate. We expect that equity markets will resume their up-trend towards year-end and going forward into 2015 in Europe and over the year in the US. This recovery was pushed back in Europe in 2014 in our previous investment strategy.

#### Disclaimer:

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Financial Markets	Level	Current Quarter	Past Quarter	Trailing 12 Months
Canada (S&P/TSX Composite Index)	14632	-2.20 ↓	-1.20 ↓	7.40 ↑
US (S&P 500 Index)	2059	4.40 ↑	0.60 ↑	11.40 ↑
China (CSI 300)	3534	44.20 ↑	13.20 ↑	51.70 ↑
Europe (DJ Euro Stoxx 50)	3146	-2.50 ↓	-0.10 ↓	1.20 ↑
India (Sensex)	27499	3.26 ↑	4.78 ↑	29.89 ↑
Japan (Nikkei 225 Index)	17451	7.90 ↑	6.70 ↑	7.10 ↑
United Kingdom (FTSE 100)	6566	-0.90 ↓	-1.80 ↓	-2.70 ↓

Note: Performance is measured in local currencies; changes are the indices changes that do not include income.

Source: Bloomberg, Raymond James.

As we had anticipated in the last quarter, the market in China was up significantly in this latest quarter (44%), bringing that market a nudge over 50% for the last 12 months. New leadership in India has under-pinned trailing 12 month growth in the stock market there, reaching almost 30%. The laggard markets this quarter were Canada, and the UK, ranging from basically flat in the case of the US, to down for the quarter in Canada. Japanese markets continued their advance (7.9%) in the current quarter. We expect China to pause its strong advance in the 1<sup>st</sup> quarter of 2015 and Europe, the US, Canada and the UK to have modest growth.

Interest Rates (10-Year):	Dec-14	3 Months Ago	12 Months Ago
Canadian Government (interest yield basis)	1.79 ↓	2.20 ↓	2.72
US Government (interest yield basis)	2.21 ↓	2.53 ↓	2.90

Source: US Federal Reserve and Bank of Canada.

We may see deflation, particularly in Europe. The US, with inflation already below 2%, may also move downward, particularly with the recent decline in the price of oil. However, we expect inflation in Canada will rise due to the Canadian dollar weakness because the price of oil has dropped sharply.

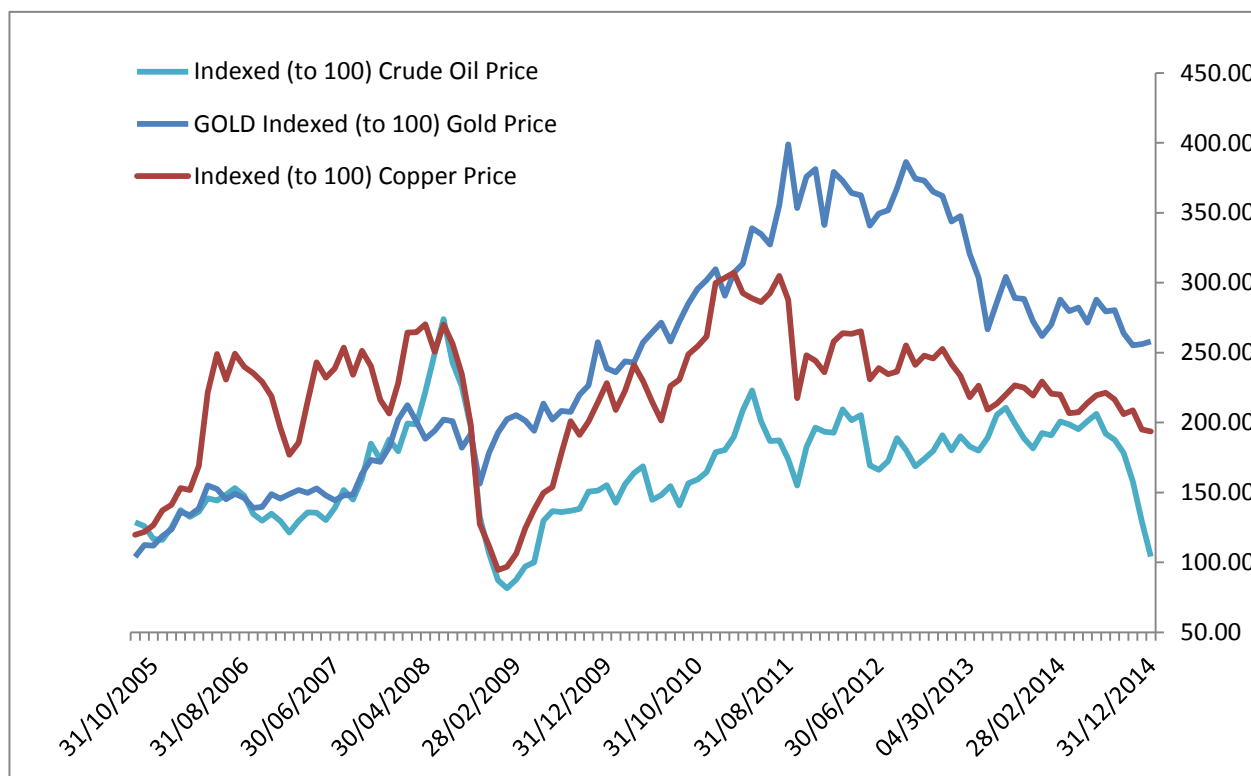
All of this set in a world where:

- 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 has put downward pressure on inflation

Interest rates are down in both Canada (1.79%) and the US (2.21%) from the last quarter, and are now down 0.70% in the US from where they were one year ago. US interest rates are down about 0.30% from where they were last quarter.

## Gold and Oil and Copper

Currency, Oil & Gold	Level	Current Quarter	Past Quarter	Trailing 12 Months
Canadian Dollar (in US Dollars)	\$0.86	-3.70 ↓	-4.70 ↓	-8.60 ↓
Oil (US\$/bbl)	\$53.27	-41.60 ↓	-13.50 ↓	-45.90 ↓
Gold (US\$/oz.)	\$1,185.00	-1.90 ↓	-9.00 ↓	-1.70 ↓
US Dollar (Trade-Weighted)	\$90.27	5.00 ↑	7.70 ↑	12.80 ↑
Copper (US\$/lb)	\$2.81	-5.50 ↓	-5.00 ↓	-14.40 ↓



Source: Bloomberg, Raymond James.

With the dramatic drop in the price of oil, economic growth has pivoted away from oil producers like Saudi Arabia, Russia, the United Arab Emirates and Venezuela to US, China, Japan and Europe.

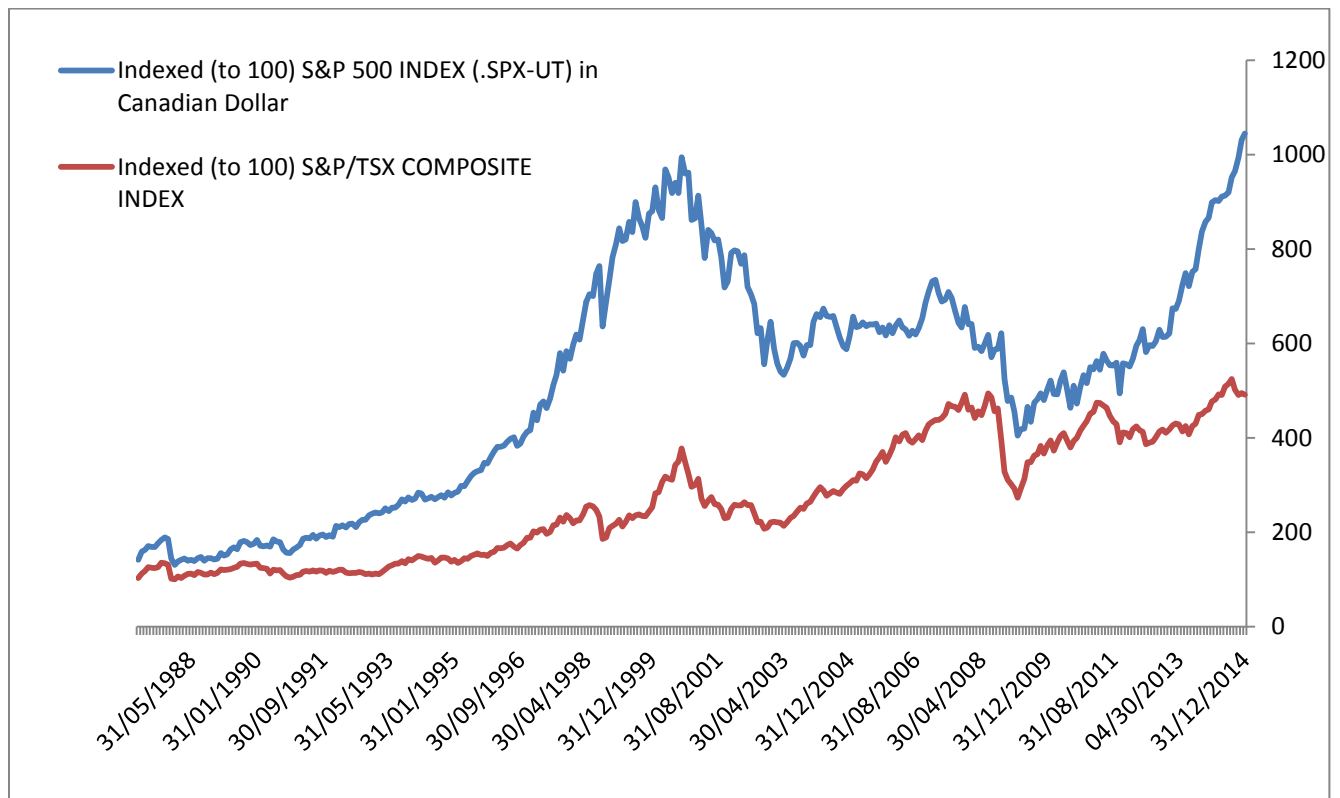
There is nothing in the price of gold, the price of oil, copper or commodities in general that portends higher inflation. The US trade weighted dollar-index is up significantly (almost 13%) over 12 months. The Canadian dollar weakened by 3.7% last quarter, and has weakened by 8% in the last year. This has, no doubt, helped the Canadian economy – by making Canada’s exports more competitive and reducing the risks of deflation in the short-term; however, the rapid decline in oil prices has been detrimental to the Canadian dollar in the short term.

## Looking Ahead Into 2015

There continue to be a number of potential opportunities for the global economy going forward:

- Emerging evidence that there will be a dividend from the lower price of oil at \$50 - \$80 per barrel over the next 5 years. Oil prices have fallen despite upheavals - it is now projected that the U.S. will overtake Russia as a leading oil producer by 2020.
- Government debt “de-leveraging” will lead to higher economic growth and potential banking system stability in Europe, China and the US.
- Fiscal or currency stability becomes more apparent as China remains stable while moving towards more restructuring, and the European banking system and currency zone becomes more stable.
- Re-emergence of stronger growth
- Over-weighted investment in the US market looks to be a good risk reward.

## TSX and S&P 500 Composite Indices



Source: Thompson One



## The Importance of Diversification

Robert Hughes, Financial Advisor

In these days of renewed volatility and unease in the financial markets (caused partially by the collapse in the price of oil), we are reminded that a well-diversified portfolio tends to perform better than others during these times. It seems unbelievable that just last June crude oil was trading at \$106.60 a barrel and it had fallen to a low of \$43.58 a barrel on January 29<sup>th</sup>. This fall in price was sudden and unexpected. Needless to say, portfolios that were heavily concentrated in oil and gas stocks have not performed well due to this event (as of time of writing the price of oil has recovered somewhat closing February 6<sup>th</sup> at \$51.69 per barrel).

We have long been proponents of maintaining strict risk mitigation practices to protect, preserve and grow wealth. In each portfolio, we have developed ‘seatbelts’ to protect against similar unexpected events and volatility in the markets. A well thought out diversification strategy is the single most important component to limit the downside away from established five year goals. We diversify by sector and industry group to ensure that we are doing our best to limit risk while still being fully invested.

As we have discussed in the past, our unwavering focus is on helping our clients live a comfortable retirement. Diversification is a big part of this process. While diversification does not guarantee against loss, it is a very important component in the pursuit of long-term financial goals and a comfortable retirement.

**Please turn the page for an exciting event from Skate With Daniel**



## Giving Back to the Community

*“Giving back to the community is in the DNA of Dalrymple Wealth Counsel, and an important part of 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



## Chantal Kreviazuk

### Private Benefit for Skate with Daniel

Skate With Daniel is proud to announce a special event on **April 22, 2015** with Canadian artist and multiple Juno Award winner, **Chantal Kreviazuk!**

In addition to her own Platinum-selling debut album *Under these Rocks*, Chantal Kreviazuk has achieved widespread acclaim in the music industry, writing hits for artists such as Pink, Avril Lavigne, and Carrie Underwood, among many others. Chantal has also been recognized for her dedication to many causes, War Child Canada among them. Chantal and her husband Raine were the recent recipients of the Slight Music Humanitarian Award for their many contributions.



Tickets for this exclusive event are **limited to 150** and will be sold on a first-come, first-serve basis at **\$250 each**. Any additional donations for Skate with Daniel will be greatly appreciated.

For more information please contact **Marisa Bertoia** at [marisa.bertoia@raymondjames.ca](mailto:marisa.bertoia@raymondjames.ca)

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All proceeds from this event will go directly to funding brain tumour research for Toronto’s Sick Kids Hospital and continue the pursuit for a cure. As Marisa Bertoia once said: “Skate with Daniel is driven by hope.”

Don’t miss this intimate once in a lifetime opportunity

*Advancing Research, Creating Miracles.*

[www.skatewithdaniel.com](http://www.skatewithdaniel.com)

### 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. 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.