

The Market Letter

September 20, 2018

Market Commentary

Pipeline bottlenecks, uncertainty over NAFTA, and an uncompetitive tax structure are all contributing to capital flight and lacklustre equity markets here in Canada. As this letter is being written, the TSX is almost completely flat since the end of last year and has been one of the worst performing developed nation indices. As NAFTA negotiations continue to drag on, it's worth noting that in 2017, 75% of our exports went to the US. This only serves to highlight our overdependency on the US and the pressing need to diversify our export markets.

Canada's difficult position can be summed up in the following quote: **“With NAFTA in place, Canada is an option when globally oriented firms considered their North American strategies; without it, Canada is a smallish market that probably can be served from the U.S. or elsewhere.”**

Throw in a pot-stock craze reminiscent of the tech bubble of the late 1990's and it's easy to feel like the TSX has lost its way.

Fortunately for investors, their capital is mobile and can be re-deployed to more competitive markets. No matter your feelings for Mr. Trump, the US has become a more attractive environment for investing. As such, **we recommend investors allocate at least 25% of their equities towards US stocks**. Below are some of our favourite US and Global names listed on the NYSE:

Becton Dickinson (BDX) – Health Care Equipment & Services

Diageo PLC (DEO) – Beverages

Johnson & Johnson (JNJ) – Pharmaceuticals & Biotechnology

Mastercard (MA) – Financial Services

Moody's Corp (MCO) – Financial Services

For investors looking for a one-stop, diversified portfolio of global companies, we continue to recommend the **Fiera Defensive Global Equity Fund**. This portfolio contains no Canadian stocks and employs an active hedging strategy to reduce downside risk. This makes it an ideal solution for more conservative investors who wish to diversify their holdings and compliment their Canadian stock portfolio. As of August 31st, Fiera was positive 11.3% since the start of the year after fees.

Despite our less buoyant view of the TSX, we are not by any means recommending that investors unload all Canadian stocks. Even though the TSX is flat so far this year, many investors have managed to achieve good returns by being selective and avoiding underperforming sectors of the market. The dividend tax credit here in Canada also provides an incentive for investing at

home, particularly for income-oriented investors. Our feeling however is that through some geographic diversification, we can potentially improve returns while at the same time reducing risk & volatility.

New Team Member!

We would like to introduce our new team member, Jamie Reinisch. Jamie comes to us from within NBF as she has been our receptionist for the past 2 years. She is keen to expand her knowledge and build a long-term career in the financial industry. Jamie is known for her hard work and excellent customer service and will be assisting us with administration and client servicing requests. Our clients can expect to get to know her over the coming months. Welcome Jamie!

Estate Planning

A reminder to ensure that your Wills, Power of Attorneys, and beneficiary designations on your accounts are up to date. **We cannot stress this enough!** Please contact us if you wish to review your Estate Plan.

Require accounting, legal, or banking services?

We would like to take this opportunity to remind our clients that we have relationships with a select group of accountants, bankers, and lawyers to assist with all financial matters. Whether buying or selling property, renewing your mortgage, or simply doing your taxes, please let us know if you require the services of one of these professionals and we would be happy to refer you.

Holding Extra Cash?

If you are holding excess savings at the bank, our NBI Cash Performer currently pays 1.60%. Interest is accrued daily, your capital is CDIC insured on the first \$100,000, and the funds are accessible within one business day.

Fixed Income Rates

Daily Money

NBI Cash Performer (CAD): 1.60%

NBI Cash Performer (USD): 1.40%

GICs

1yr – 2.46%

2yr – 2.81%

3yr – 2.89%

4yr – 3.02%

5yr – 3.20%

Rates are as of September 20, 2018 and are subject to change at any time.

I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. **This commentary reflects my opinions alone, and may not reflect the views of National Bank Financial Group.** In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your investment advisor to verify whether this security or sector is suitable for you and to obtain complete information, including the main risk factors.

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