



Victor R. Dawydiak, B.Comm

Investment Advisor

Portfolio Manager

604-541-4930

victor.dawydiak@nbc.ca

January, 2019

31st Year of

The Prophetable Investor

Look to the future, because that is where you will spend the rest of your life. George Burns

2018 Performance

TSX	Down 8.89%
Dow Jones	Down 6.2%
NASDAQ	Down 3.9%
S&P 500	Down 6.8%
Gold	Down 1.7%
Oil (WTI)	Down 24.8%
Basket	Down 2.9%

T-Bill and GIC Rates as of 01/11/2019

1 Year T-Bills	1.65%
1 Year GIC	2.68%
2 Year GIC	3.05%
3 Year GIC	3.16%
4 Year GIC	3.18%
5 Year GIC	3.27%

TFSA & RSP Limits for 2019

The TFSA Limit for 2019 is \$6,000 for a cumulative total of \$63,500.

RSP Contribution Limit for 2019 is \$26,500.

Market Commentary

The speed at which the market declined as year-end approached was most surprising.

As of the end of September, the TSX was down about 2% on the year, but by the end of the year was down better than 12 ½%. After taking dividends into account, the index was down about 9% on the year.

The story is similar in the US with the S&P 500 down nearly 14% on the quarter and Nasdaq down 17 ½% on the quarter. The Dow was down about 12% on the quarter. There was also a wide disparity in returns for the year. For example, the energy sub-sector was the worst performing being down more than 30% on the year. Financial services were down better than 13% on the year. The only sub-sectors to put a positive return in were the low weighted information technology sector at 12.5% and consumer staples at .6%

In terms of areas to look at, I think the selloff in the banks is probably overdone and there are infrastructure and utility stocks worth considering. The preferred share index would appear to off the lows of Christmas week, but still giving very attractive dividends. I also added to precious metals weighting lately.

Basket Commentary

Ten of Thirty Apple (AAPL) shares in the basket were sold at \$178 US with the proceeds invested in 170 Shares of Altagas Canada (ACI) at an average price of \$14.47. Altagas Canada is a Spin-off of Altagas Ltd consisting of four fully regulated utilities located in BC, Alberta, Nova Scotia and the Northwest Territories as well as two renewable power generation plants. Altagas Canada seems to tick all of the boxes that fit with the Basket Strategy - Value, at 11 ½ times earnings, Yield - at about 5.75%, Pension Worthiness - the long term nature of a regulated utility fits with pension plan assets. [Here is a link to NBF's most recent research report on Altagas Canada](#)

The other recent switch in the was the sale of Horizon's Enhanced Income Gold producers position and the purchase of 170 shares of Wheaton Precious Metals (WPM) at the end of September at an average price of \$22.54. Vancouver based Wheaton Precious Metals is the world's largest precious metals streaming company trading a discount to its peers on a Net Asset Value and Cash Flow multiple. We were fortunate to purchase the company in the basket shortly before a \$400 Million dollar tax dispute with the Canada Revenue Agency was settled in the company's favour on December 13 of 2018.

The stock rallied about 15% into year end and is now the second largest weighing in the basket. The largest weighting remains National Bank (NA). Apple is now the third largest weighting in the basket. NBF has Wheaton outperform rated with a 12 month target of \$32.00. You can read a [recent NBF research report on Wheaton here](#).

Over the course of the year, the other purchase was Fiera Capital (FSZ) that was bought by a second sale of Apple shares earlier this year.

While the basket returns were down about 3% this year, the income levels actually increased. Several of the basket stocks had dividend increases. Namely, National Bank (a 5% increase), Horizon's Active Preferred ETF (a 3% increase), Bank of America (a 25% increase), BCE (a 5% increase), Fiera Capital (a 5% increase) and Apple (a 16% increase). This is one of the tenets of the basket philosophy – to buy companies with increasing dividends. The overall dividend level of the basket is about 4% based on year-end values.

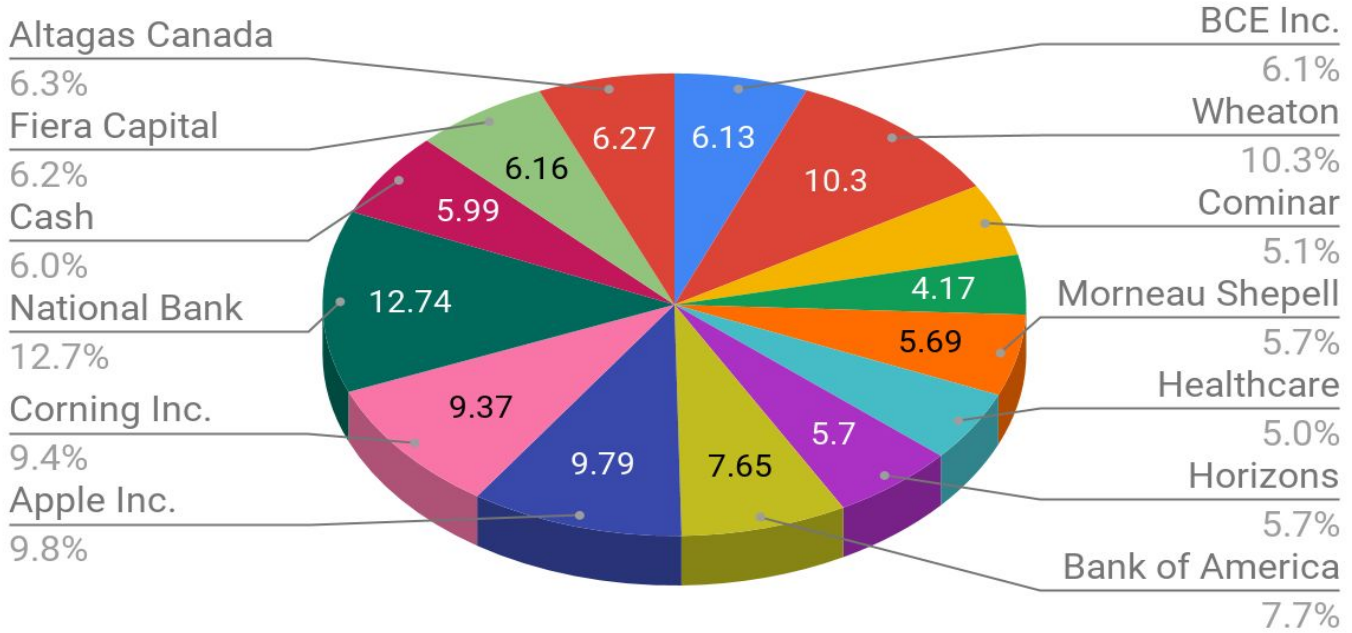
Basket Performance

	3 months	1 year	5 years	10 years	Since Inception 05/23/2007
Basket Performance	(8.54%)	(2.97%)	9.28%	12.32%	5.36%
Benchmark	(8.32%)	(6.08%)	5.00%	8.22%	4.02%

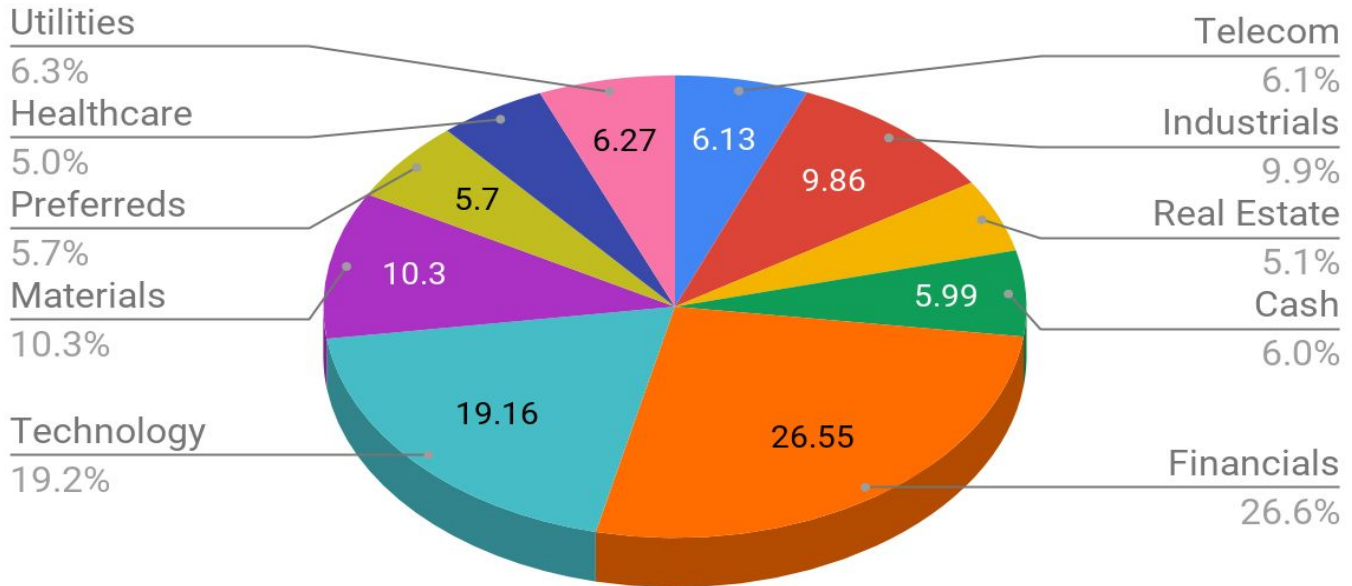
Calendar Year Performance

	2018	2017	2016	2015	2014
Return	(2.97%)	16.6%	19.4%	(3.4%)	19.44%

Portfolio as of December 31, 2018



Sector Allocation as of December 31, 2018



**Fees: The standard fee is 1.5% annually for the basket.
 No basket fee in fee based accounts.
 Benchmark 75% TSX 15% Corporate Bond Index 10% S&P 500 index**

Wealth Management Partners

As part of the Wealth Management offering, I have corporate partners in the areas of Estate Planning, Insurance Planning, and Financial Planning. In no particular order:



Dave Pettenuzzo, B.Comm., CFP, CLU, CH.FC, RHU
Tel. 250-727-7011 email: dave.pettenuzzo@nbifirm.com



Dave is an Estate and Insurance Planning Specialist with NBF Financial Services.

Dave is a Chartered Life Underwriter, Certified Financial Planner, Chartered Financial Consultant and a Registered Health Underwriter. He has extensive experience in personal and corporate financial planning, as well as advanced tax and estate planning.

Some of Dave's focus areas include:

- Estate Planning including Estate Bonds and Insured Annuities
- Individual and Corporate Tax Shelters using Insurance
- Guaranteed Permanent Insurance Solutions
- Annuities – prescribed, non-registered and registered
- Key-Man and Shareholder Insurance
- Using Life Insurance to create a new Asset Class
- Using Segregated funds to provide Estate Planning
- Family Wealth Transfer Plans
- Living Benefits – Disability, Critical Illness and Long Term Care Insurance
- Group Benefit Plans

For more detailed Financial Planning needs I partner with:



Carla Norris, CFP, Fellow of FPSC™
Senior Advisor, Financial Planning & Advisory Services
National Bank Trust

Carla has been providing comprehensive financial planning services to executives, professionals, entrepreneurs, retirees and families for over 20 years. As a financial planner, she has worked exclusively as a fee-only financial planner. This experience has provided her exposure to diverse planning areas, including retirement planning, tax planning, cash management and estate planning. Carla particularly enjoys the challenge of capturing the many details to be considered when making difficult financial planning decisions, and then making those decisions easy for clients to understand.

For clients who have banking or lending needs, National Bank has an office at our location.



Parm Dhaliwal is a full time Senior Personal banker.

Parm can be reached directly at 778-292-5669 ext. 29945.

Call Parm if you are looking for a mortgage or a home Equity Line of Credit.

An interesting graphic showing the distribution of the \$80 Trillion World Economy in one graphic:

<https://www.visualcapitalist.com/80-trillion-world-economy-one-chart/>

Disclaimer:

I have prepared this commentary to give you my thoughts on various financial aspects and considerations. This commentary reflects my opinion alone, and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgement 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. National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada.

National Bank Financial may act as financial advisor, fiscal agent or underwriter for certain companies mentioned herein and may receive remuneration for its services. National Bank Financial and/or its officers, directors, representatives or associates may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time on the open market or otherwise. The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. Unit values and returns will fluctuate and past performance is not necessarily indicative of future performance.

National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF Inc.), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF Inc. NBF Inc. is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA).