

Investment News



Left to Right:

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Market Returns as of February 28, 2017

S&P/TSX	0.7%
S&P 500 – USA (in US\$)	5.6%
MSCI World Index (in US\$)	5.4%
KPMG Model Portfolio	
Since January 2009 (annualized):	11.38%
2017 Year To Date:	1.96%

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Market Commentary

Rob Kelland continues to be cautious in his outlook, even as the major North America stock indexes hit new all-time highs in February. Rob observes that as of

mid-March we will have gone eight years since the end of the last “bear” market in the United States (a decline of 20% or more). The equity markets’ pendulum has swung too far to the overheated side in the short-term. Rob feels that the market is ready for a normal, natural and healthy pullback, and thus remains cautious, conservative and defensive in his investment stance. Rob has selectively taken some partial profits in recent weeks.

An increasing number of market-savvy leaders, such as Blackrock’s Larry Fink, have expressed concern over the uncertainty of global trade, together with fully-valued stocks in North America. Scotia’s Global Portfolio Advisory Group believes that a number of policy issues “could continue to weigh on investor psyche over the medium-term.” The big question is whether investors at large are oblivious to these concerns.

Following are just a few of the relevant matters:

Cross-border trade – Canada’s balance of trade in goods with the United States is the closest to being in complete balance, exports versus imports, since 2000.

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Trade in vehicles and transport equipment is about 24% of each country's exports to the other. However, oil and gas represent about 20% of total Canadian exports to the U.S. while only 9% of our U.S. imports. The U.S. imports about three times as much oil from Canada as it does from the next closest country (Saudi Arabia).

Trumponomics – Get used to another acronym: BAT. No, not as in baseball, but as in "Border Adjustment Tax". Presently it is in the concept stage, but as ideas turn into reality, this may be a major new feature of corporate taxation in the United States. The possibility of a border adjustment tax complicates things a lot. It would result in vastly different U.S. taxation dependent upon whether companies export more goods (positive) or import more goods into the U.S. for production or distribution (negative). This could impact commodity prices, one way or another. We don't know yet, but it could have significant implications for Canada. The tentative conclusion by Credit Suisse is that "BAT would challenge Canadian oil growth." It might challenge other industrial sectors too. By the same token, analysts believe "the major Canadian pipeline players (could be) net winners." Don't be surprised if the "BAT" becomes a heavy-hitter issue in trade talks! Stay tuned!

Visit our website – For lots more commentary on the "big picture" including recent POTUS news and clues, please visit our website at: <http://kellandgroup.com/news/robs-thoughts/>

Canadian Financials – The S&P/TSX index reached a new high in February without the help of the energy sector. Financials were a significant contributor. Over the past twelve months both the financial and energy sectors have increased by 30% (the TSX is up 24% overall), but over the most recent three months bank stocks are up 13% and energy producers are down -5%. Canadian bank stocks not only held their prior months' gains but also moved on to greater heights so far in 2017, as we begin to view their first quarter reports (three months ended January 31, 2017).

What about our insurers? Here too, there has been a 26% surge in the TSX Life and Health Insurance Index since early September, as fourth quarter reports are delivered. In that regard, the leader of the group, Manulife, came in with fourth quarter operating profits that met expectations, and raised its dividend.

Rob Kelland continues to recommend holding major stocks in both these categories, though outlying gains can be moderately pared back on a case-by-case basis.

Power of Attorney

50% of Canadians have a will, but only one-third have designated a Power of Attorney for their affairs while alive according to a study commissioned by Scotiabank. When preparing or updating a will, your legal advisor will likely recommend preparing or updating your power of attorney documents. This is good advice.

There are predominantly two types of power of attorney exercised in Canada, one for health and personal care, the other for one's property (financial) matters. These can be different individuals in each case. Either or both can be called into use as a result of a critical illness or accident or other event – like diminished mental capacity - that prevents the individual from making informed decisions. The circumstances might be as simple as being out of the country for an extended period of time. The power of attorney has the legal capacity to make those decisions for the person who is unable to do so.

As for finances, the purpose is to provide someone who can make the sound decisions that the incapacitated person would have made – and by law must act in that person's best interest. Beneficiary designations cannot ever be changed by the power of attorney. Thus the power of attorney should be someone very close to that individual, in many cases, the spouse. This might be as basic as paying the day-to-day bills, or managing the home. Or, it might involve investment decisions. As a person ages, it may be reasonable to name someone of the younger generation, or a close and dependable friend, who understands your wishes and has good judgment. For those who do not have a close family member or friend to act as power of attorney we recommend and can arrange a chat with Scotiastrust to see if their professional services might be helpful.

When the person dies, the power of attorney authority lapses, and the person and/or corporate trustee appointed in the will as the executor takes custody of financial decisions.

At ScotiaMcLeod clients will often sign another document known as a "Trading Authority" whereby the owner of the account gives authority to someone else (in many cases, a spouse, or close family member) to make decisions and give direction to us for management of their personal account(s). This may at like a Power of Attorney, but in addition, we are authorized to contact that named person – who might have more in-depth financial knowledge - when discussing accounts, even though the account holder is physically and mentally capable of doing so.

In summary, it is worthwhile considering whether these documents are up to date and reflect your most current situation and anticipate the best of outcomes. Please see page 4 for information on our upcoming estate planning seminar.

Annual Performance Statements

If you were looking at your industry-mandated performance report for 2016 and scratched your head wondering about the terminology, you are not alone!

The performance measure required by the regulators is called a "money-weighted" return. ScotiaMcLeod uses and prefers a measurement called "time-weighted return" when we review performance with clients. The numbers are different because the assumptions are different in calculating them. Further, most benchmark (market index) numbers use a "time-weighted" return. Space does not permit us to delve into the important differences in the arithmetic (because it is complicated!) but an explanation of sorts does exist in a *Globe Investor* article which we are happy to send to you on request.

Glimpses into the Past – and Future

- Super Bowl I, played in Los Angeles fifty years ago, was won by Vince Lombardi's Green Bay Packers. The highest price ticket to the game was \$12.00.
- When the National Hockey League played its first season as a new league in 1917 it was a fully Canadian affair! It started with four teams (two in Montreal, one in Toronto, one in Ottawa). It finished with three, as the home arena of the Montreal Wanderers burned to the ground. The leading scorer was ""Phantom Joe" Malone of the Canadiens who notched 44 goals in 20 games. (Mr. Malone, who died in 1969, still has family in southern Ontario.) This single-season record would not be broken until 1944-45 when Rocket Richard scored 50 in 50 games. The Toronto team (without a nickname) won the league playoffs and then challenged for the Stanley Cup, which they won by defeating the Vancouver Millionaires from the Pacific Coast league, three games to two, in March, 1918.
- If you drove to Expo 67 in Montreal, to help 50 million others celebrate Canada's 100th birthday,

you could fill up your automobile for about 40 cents a gallon. Or, roughly 9 cents per litre in 1967 dollars.

- Today, the new carbon tax in Ontario alone eats up about one-half of that cost. We fully realize that economics today are totally different from 1967. Yet, it is a fact of life that total taxes on a litre of gas in Canada average roughly 40% of the total purchase price, roughly double that of an equivalent purchase in the United States (on average). In British Columbia the price of fuel rose to over \$1.30 a litre early in 2017.
- With the price of gasoline probably trending in the same direction as the price of crude oil, we may expect to pay more at the pump as the year progresses – and certainly in future years as carbon levies increase. Be sure to budget that in to your Canadian travels as you enjoy this 150th birthday year!

Income Tax Filings

March means that more income tax information slips will be filed with Canada Revenue Agency and sent to clients.

Remember, clients now have electronic access to their Scotia Capital investment income slips On-Line at their personal and secure [Scotia On-Line website](#).

As in past years, we strongly recommend that clients wait until all tax slips are in hand before attempting to file tax returns for the 2016 taxation year. In most cases, especially where clients have any income from non-registered accounts, we believe clients should wait until at least *early April*, as some T3s and other slips and reports are not available until that time.

As in the past our KPMG staff will be preparing and mailing tax packages that include capital gains and loss reports and a variety of other relevant data that clients may wish to review with their tax advisor. This is a very labour intensive project for KPMG staff, but we see it as an important and valuable part of our client service and we appreciate your patience in waiting for it.

Note: ScotiaMcLeod does not offer tax or legal advice, but working with our team of experts we are able to provide a suite of financial services for clients.

COMMUNITY NEWS FROM THE KELLAND PORTFOLIO MANAGEMENT GROUP

BREAKFAST of CHAMPIONS

**BREAKFAST OF CHAMPIONS
WEDNESDAY, APRIL 26
LONDON CONVENTION CENTRE
7:30 – 10:00 a.m. (Registration opens at 7 a.m.)**



Rob and his Team are excited to be partnering with St. Joseph's Health Care Foundation as a Premier Sponsor of this year's *Breakfast of Champions*. This annual fundraising event is hosted by the Foundation in collaboration with the Canadian Mental Health Association Middlesex. The event aims to elevate the public dialogue about mental health and reduce stigma associated with mental illness. Past speakers include former US congressman Patrick J. Kennedy, actor Mariel Hemingway, singer Chantal Kreviazuk, Olympic gold medalist Clara Hughes and Canadian military hero Romeo Dallaire.

The event also shines a spotlight on individuals and organizations making great strides to advance mental health care in our region through the Canadian Mental Health Association Middlesex's Champion of Mental Health Awards.

A CONVERSATION WITH SUE KLEBOLD

The 11th annual *Breakfast of Champions* event taking place on Wednesday, April 26 will feature a conversation with Sue Klebold, mother of Dylan Klebold, one of the two shooters at Columbine High School in 1999 who

killed thirteen people before ending their own lives. Ms. Klebold documents her attempts to reconcile this deeply personal tragedy in a recently published book entitled *A Mother's Reckoning*. She will share this experience in an interview format with Heather Hiscox, host of CBC News Network, at this year's event.

Rob and his Team are looking forward to attending the event at the Convention Centre.

Tickets can be purchased online at www.sjhcfoundation.org, or by calling 519-646-6085. Cost is \$75.00 per ticket, and \$750 for a table of 10.

Estate Planning Seminar

Estate planning is about meeting the needs of your family and loved ones, as well as achieving the peace of mind that comes from helping to provide for their financial security. It's also an opportunity to clearly set out your legacy goals.

Our Team is pleased to announce that we are hosting an Estate Planning seminar for our clients on **Tuesday, May 30 at 2:00 pm** in the Talbot Centre Conference Room.

The seminar will feature two guest speakers: lawyer Cate Grainger from Harrison Pensa, and Sue Noorloos, Estate and Trust Consultant with Scotiatrust.

Only approximately 50% of Canadians have a Will. If you already have an estate plan in place, it is important to review this plan periodically to ensure it continues to reflect your wishes. A good rule of thumb is to revisit your estate plan every three to five years.

To register for this seminar, please contact any member of our Team.

Did you know?

68% of working Canadians do not have a registered pension plan (2013 data). Yet, only 46% were planning to contribute to their RRSP for 2016.

Sources: Scotia Wealth Management, Scotiabank Economics, Globe and Mail, Globe-Investor.com, Thomson Reuters, National Post, TD Economics, Credit Suisse, Manulife Investments, Advisor.ca, David Fingold blog (Dynamic Funds)