

July 27th, 2015

Rob Kelland's Market Commentary

- TSX is down 3.80% year to date
- TSX is down 8.21% over the past year
- The equity markets in North America have not had a meaningful pullback/correction in years. We suggest such a pullback is normal, natural and healthy. It creates the select investing opportunities that we seek.
- We expect single digit equity returns in North America this year.
- We expect bond yields (interest rates) to remain benign
- We feel equities will outperform bonds over the next 12 months. Our bias is to global equities over Canada. Canada represents a mere 2-3% of global market capitalization.
- The “secret to investment success” is to invest in quality over the long term and to be patient and disciplined.
- Our defensive, recession resistant theme persists. Buy quality at the right price, be disciplined, diversify and avoid the noise of the media and pundits. Investing is a journey, not a sprint. Measure returns over years, not months.
- We remain underweight in energy, metals, and gold which have benefited our portfolios over the past 5+ years.
- We feel that preferred shares and rate reset preferred shares remain an attractive asset class for fixed income investors. The pendulum of negativity has swung too far in our view.
- The vast majority of our client portfolios have outperformed both our “target rate of return for each client” and the respective indices or benchmarks over time.
- Investment returns beyond Savings Accounts, Savings Bonds, and GICs will never be linear. Invest for the medium to long term, invest in quality and resist the temptation to follow your statements monthly. If you never want to see your statement drop you can only invest in GICs, Savings Accounts, and Savings Bonds.
- Our Model Portfolio (85% equities) has outperformed our target return for it, as well as the indices by following this approach. For specifics on our Model Portfolio, ask our team.
- Canada is at best in a contraction and at worst in a recession. The outlook for energy/metals/gold (half our market) is weak. I like the banks and some other names, but you can only have so much in this sector. A theme of ours for years has been to invest globally.
- We keep our energy/pipeline weightings at 6-10% (well underweight) and gold at 1% or less (well underweight).
- Clip your coupons from the recession resistant names and be patient.
- We as a Team care, and are always here to assist

Rob Kelland, CIM®, FCSI®

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Trusted Advice + Exceptional Service = Peace of Mind

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