
## Office move now complete!

We are happy to announce that our office move is complete! As of Monday, December 4, the office is now open at our new location at **One London Place, 255 Queens Avenue, 9th Floor**. One London Place is located at the corner of Queens Avenue & Wellington Street in downtown London. Please note that our phone numbers and our email addresses will **not** change. Our new mailing address is posted at the bottom of this page. We look forward to welcoming you to our new space!

### Rob Kelland's market commentary

The pendulum of emotion both positive (current sentiment) and negative (2009) can remain elevated for a period of time. In time, the pendulum tends to return to historic norms.

The P/E (Price/Earnings) ratio is a key valuation metric we use to compare the current market prices to historical averages. These valuations remain stretched. We are buyers of quality names on sale. Not many ties are currently on sale. We remain patient, disciplined. Having a higher cash position than normal is prudent in this environment. This allows us to protect the downside when the market corrects. We don't know when that is. History has taught us the market cannot continue to go up forever. The extra cash position has us ready to buy when the ties go on sale.

We are cautious, patient and disciplined at this juncture of the investment cycle. We continue to hold companies that are not heavily correlated with the cycles of an economy. This helps to keep our portfolios what we refer to as "recession resistant".

We are currently in the second longest bull market in history (S&P 500). This tells us that the end of the cycle may not be too far away. It has been 8+ years since the last bear market (>20% correction). Statistically a bear market occurs every 5 years or so.

The bottom in interest rates is now in the rear view mirror. Yet rates will climb in a methodical, benign manner. Until inflation picks up, we feel the Federal Reserve (U.S.) and Bank of Canada will be very cautious in moving rates upward.

We are not bullish on the Canadian dollar, and Canadian consumer debt levels continue to be high.

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## Mail from ScotiaMcLeod

For those clients in the Managed Portfolio Program (MPP), we are very pleased to announce that we have made improvements to the process and delivery of a portion of the communications that come to you from our head office. Effective immediately, clients will no longer receive documents in the mail such as proxy-related materials, including annual reports and financial statements that are sent in connection with security holders meetings; and annual reports and financial statements that are not part of proxy-related materials. Over the years, we have received a great deal of feedback from clients on the amount of mail arriving in your mailboxes. We are very pleased to have been able to reduce this! Please note that this change will not impact the documents delivery of your account statements, or communication from our Team.

## Will your portfolio sustain you in retirement?

This is a question we are often asked by clients. Typically our Team is comfortable with a 4.00% flow out rate. In other words, if your portfolio is worth $500,000, we would be comfortable sending out $20,000 per annum, or $1,667 per month. This has worked out well for clients in good and bad markets.

An article in the Globe & Mail in June 2016 confirms this using the same $500,000 starting point. If a couple had started this in 1991, by 2016 (25 years later), they would have taken out $1.33 million from their portfolio. And, the portfolio would still be worth $1.86 million. This is based on an asset allocation of an equal split between equities and fixed income.

In hindsight 1991 was a good starting point. What if an investor retired at the end of 2000, the start of the lost decade for investors? This time period is 15 years vs 25 years. The original $500,000 would have produced $365,000 in income, and the portfolio would still be worth $620,000. This includes the market downturns between 2001 and 2015, including the great recession of 2008.

Please note past performance is not necessarily indicative of future results. However as a Team we remain comfortable with a 4.00% flow out rate, through good markets and volatile markets.

## Tax loss selling deadlines

The last day for tax-loss selling in both Canada and the U.S. is Wednesday, December 27, 2017.

## Team charitable endeavours in 2017

Throughout the year in 2017, our Team had the opportunity to support a number of incredible local charities such as Breakfast of Champions (supporting St. Joseph's Health Care London); Words, the Literary and Creative Arts Festival; the Country Classic Auction (supporting the London Health Sciences Foundation), and Showdown in the Downtown (focusing on kidney disease and other local charities) to name a few. We are pleased to have just made a commitment to once again support the Breakfast of Champions in 2018. More details to follow in the new year!

## Holiday greetings!

Each of us at the Kelland Portfolio Management Group would like to wish you and your families all the very best this holiday season! Many of our Team members will be taking time off this month, but we will ensure that there will be staff here to cover for those who are enjoying some time away.

Merry Christmas! Happy New Year! Happy Holidays!