MARKET COMMENTARY

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Where Is the Mojo?

For the ninth time in my 28 years managing portfolios, it is my view that the Canadian stock market is likely to have a negative year-over-year return (8.5% +/-). That doesn't feel very good, but the reality is we've been through this roughly 30% of the time (9 out of the last 28 years). Equity markets have multiple intra-year corrections as they surge to new highs and then consolidate below those highs as profit takers and new investors exchange holdings. The result is 70% of the time markets trade below their previous peaks.

The eight losing years have averaged a negative 12.78% return, while the 20 positive years have averaged 14.95%. The TSX has risen from 3160 in January 1988 to 14,632 in December of 2014 for an average annual return in excess of 10%. Times change, volatility ebbs and flows, but patience has been key to long-term investing success.

Markets also tend to decline much quicker than they rise. According to behavioral research by the Money Management Institute, "it is interesting to note that the number one reason investors cite for investing additional savings is market appreciation, and on the other side 63% of investors globally say they would become more conservative after a portfolio decline. This encapsulates the classical behavioral urge to buy high and sell low."

The research also suggests that investors are likely to experience twice the amount of psychological pain when they lose money compared with the psychological pleasure they feel when they gain money.

In my opinion the key to avoiding emotional mistakes in portfolio management is taking a "goals"-based long-term approach to achieve a successful outcome. That may be easier said than done with the TSX trading approximately 15% below its peak set in 2007, but it works. Markets do tend to revert to the mean, however, and the current fundamentals of a de-valued currency, rising earnings ex-energy, an accommodative new government, and the lowest GDP to debt of G7 Nations should provide a spring board for positive stock market returns in 2016 and beyond.

Rudyard Kipling wrote: "If you can wait and not be tired of waiting." This typifies the discipline required to achieve long-term objectives.

The recent weakness in our market is likely due to tax loss selling after a negative return year. This may very well be the settling of the low point in this cycle and an opportunity to invest in some great values.

"Successful investing doesn't require extraordinary intelligence but rather extraordinary discipline." - Warren Buffet, Berkshire Hathaway, 2004 A.G.M.

November 21st marked the one-year anniversary of our return to Raymond James Ltd. 85% of my clients and 90% of my business had the confidence in us to make the move, for which I am grateful. Thank you for your support.

I'm looking forward to the challenges and opportunities of 2016. The hard part is staying committed to value investing. The rewards will follow.

All the best,

Graham

Notes from Teresa

RRIF Minimum Payment Schedule has been changed

Minimum withdrawals will affect RRIF incomes negatively for 2016. We will be in touch with you in early January to confirm your income needs and to make adjustments on your behalf.

Age of RRIF holder or spouse	Previous RRIF Withdrawal %	New RRIF Withdrawal %
Under Age 71	1 / (90 – age)	1 / (90 – age)
71	7.38	5.28
72	7.48	5.4
73	7.59	5.53
74	7.71	5.67
75	7.85	5.82
76	7.99	5.98
77	8.15	6.17
78	8.33	6.36
79	8.53	6.58
80	8.75	6.82
81	8.99	7.08
82	9.27	7.38
83	9.58	7.71
84	9.93	8.08
85	10.33	8.51
86	10.79	8.99
87	11.33	9.55
88	11.96	10.21
89	12.71	10.99
90	13.62	11.92
91	14.73	13.06
92	16.12	14.49
93	17.92	16.34
94	20	18.79
95 and over	20	20

Many thanks to our clients for the referrals you send our way. It is our best report card. Thank you for placing your confidence in us, and once again, we appreciate the new business. Please feel free to pass along our newsletter and contact information.

Thank you,

Graham and Teresa