

MARKET COMMENTARY



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The Times They are a-Changin'

Come gather 'round people
Whenever you roam
And admit that the waters
Around you have grown
And accept it that soon
You'll be drenched to the bone
If your time to you
Is worth savin'
Then you better start swimmin'
Or you'll sink like a stone
For the times they are a-changin'

Come senators, congressmen
Please heed the call
Don't stand in the doorway
Don't block up the hall
For he that gets hurt
Will be he who has stalled
There's a battle outside
And it is ragin'
It'll soon shake your windows
And rattle your walls
For the times they are a-changin'

Come mothers and fathers
Throughout the land
And don't criticize
What you can't understand
Your sons and your daughters
Are beyond your command
Your old road is
Rapidly agin'
Please get out of the new one
If you can't lend your hand
For the times they are a-changin'

- Bob Dylan

The beauty of music and poetry is that we can all derive our own meaning and interpretation of the message. Bob Dylan wrote this song in 1963 to motivate engagement in the issues of the day.

I find the message a motivation in my career as I advise folks to structure portfolios that accommodate the evolution of the business cycle and allocate their capital to benefit from changes in interest rates, GDP growth, tax changes etc. We also accommodate the many changes in the lives of our clients, from their accumulation years to their distribution phase and eventually to optimize their legacy through their estate. I find this business as fascinating and interesting as I did 30 years ago.

I've been advising high weightings in common shares with safe dividend yields in conjunction with adjustable rate preferred shares for the last few years as they appeared to be the best sectors to own in a slow growth low interest rate economic environment.

Looking forward, global economic growth seems to be synchronized and moderately accelerating. Interest rates are also projected to keep rising at a moderate pace. In 2018 I expect stock market returns to be generated from a broader base of companies unlike 2017 which benefited from high returns generated in only a few sectors, technology the most notable.

Adjustable rate preferred shares will continue to provide positive returns although not as good as 2016/17 due to their recovery in capital value reducing the coupon rate.

As a result I don't recommend changing our allocation at this point. My trigger event for change will be rising inflation and a subsequent upward acceleration in interest rates. We will endeavour to recommend portfolio changes in advance of the "crowd" as nonconforming as that might seem at the time.

What a year of changes and uncertainties we've had in 2017 and I expect 2018 will be similar; much as Bob Dylan dealt with in 1963 when he wrote "The times they are changing".

The last changes we need to discuss are my hours in the office. After 30 years of being in my office before the market opens I am going to change my routine. Beginning January 2, 2018 I will be in my home office pre market until approximately 8:00. I will then travel to the downtown office and be there from 8:30 to end of day 3:30 +/- . This is an experiment to accommodate a morning exercise regimen, highly recommended by Judy. Teresa will be in the Raymond James office at 6:30am when the market opens.

I want to thank-you for a great year in 2017; I appreciate your continued support and faith in my business.

My last favourite quote about the times; "it was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we were all going direct to heaven, we were all going direct the other way" Charles Dickens: A Tale of Two Cities (1859).

All the best for 2018,
Graham

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