

As a kick off to 2019, we spent two days at our Toronto Due Diligence conference with several of our investment specialists who manage portfolios for Counsel Portfolio Services and IPC Private Wealth. Attending events like this gives a broader perspective on what is happening in the markets, what our investment specialists are doing, and highlights new opportunities and best practices when it comes to financial planning. **The outcome:** great insights that reinforced our thoughts on maintaining perspective now and into 2019. The following are some key highlights:

MAKING SENSE OF MARKET MOVEMENTS

The end of 2018 reminded us that periods of volatility can come without notice. Bouts of uncertainty crept into the markets as the year drew to a close, leaving investors unsettled as both fixed income and equities ended up in negative territory, North American interest rates were seemingly on an upward climb, and the media was buzzing about a U.S. presidential investigation and trade conflicts with China. All of these factors combined to turn sentiment bearish and triggered a reset on what seemed like unstoppable market growth.

2018 Felt A Lot Like 1994

When we take a moment to look back, however, we find that 2018 was a lot like 1994. It was in this year we saw the U.S. President (Bill Clinton) under investigation, a trade dispute with the second-largest economy in the world (Japan), and interest rates on the rise among other concerns. Yet after a period of volatility and uncertainty, the markets rebounded, moving onto the next phase of growth over time.

Our experts believe that the market volatility we're seeing now is reverting to more normal levels after a period of abnormally low levels, and that global growth will continue, just not as quickly as we've become accustomed to. Our investment specialists see markets growing slower than in the past as they get used to higher interest rates. Having strategies in place to protect against market downside and mitigate risk over the long term will be key.

VIEWS FROM OUR INVESTMENT SPECIALISTS



David Picton | Picton Mahoney
Canadian Growth

Looking forward: We believe the next cycle in Canada – the commodities cycle – will be a winner despite what governments have done. With it, growth will follow, and this will help Canada be the place to be.



Peter Chin | Lincluden
Canadian Dividend

Opportunity: We see many stocks in the Canadian Energy sector severely mispriced and discounted. Last year was an anomaly where Canadian stocks didn't really participate in WTI (West Texas Intermediate oil price) rally. We expect them to turn around as the Western Canadian Select price for oil improves.



Mel Mariampillai | Sionna
Canadian Value

Something to think about: Canada is not a value trap even though it feels like it sometimes. Commodity prices and energy prices will rebound. Now isn't the time for a negative view – that's for when those prices are at record highs, not lows. Now is when you want to re-balance toward Canada.



Jason LaRocco | Franklin Templeton
Global Fixed Income

Keep in mind: Global fixed income is defensive in nature, but simply taking benchmark exposure is risky because you end up allocated to just the biggest issuers of debt, like the U.S., Europe and Japan, where you don't want to be right now. It's more important to be truly global.



Steve Locke | Mackenzie Investments
Canadian Fixed Income

Did you know: With the Canadian-centric issues on pricing in oil, a key inflation driver is absent, so the Bank of Canada doesn't have to react to that as inflation expectations aren't in play right now, meaning further interest rate hikes are likely on hold for 2019.



David Ragan, Mawer Investments
International Growth

Food for thought: We believe the opportunity is micro, not macro. We invest in the companies, not the countries or the sectors and that makes all the difference. Our portfolio is built entirely from the bottom up.



Anthony MacGuiness
Irish Life Investment
Management | Counsel
Retirement Portfolios

Our approach: When we think about managing the risk of market downturns for investors nearing or at retirement, which is when they are at the greatest risk, we want to start with effective diversification and then layer in downside protection strategies like Global Low Volatility and Defensive Global Equity which can help protect against the depth and duration of market drawdowns. Looking forward, there is some reason for cautious optimism.



George Fox | Titan
Advisors | IPC Private
Wealth Multi-Strategy
Alternatives

Opportunity: Recent market changes and the trend toward higher interest rates provides an opportunity for increased diversification through access to unique strategies that can reduce portfolio volatility. An allocation to alternative investments can provide different sources of return and access to market exposure while reducing volatility.

OUTLOOK FOR 2019

The market environment coming out of 2017 was extremely benign. There were wonderful returns and low volatility, but that's when we get the most nervous. The downturn in the last three months of 2018 has made valuations more attractive but there is a risk to earnings from any economic slowdown. We expect volatility to remain elevated compared to what we saw through 2017 and much of 2018, and more variability in returns. Regardless of what is happening in the markets, we remain focused on the long-term goals of our portfolios, and defensive strategies like global trend, sector rotation, and exposure to low volatility equities provide protection on the downside and will help mitigate risk during periods of volatility. At times like this, it is important to maintain a disciplined and long-term perspective rather than letting quick decisions or feelings guide your approach. Market volatility is normal and our portfolios along with our investment specialists implement a number of strategies to protect and grow your money.

When markets are volatile, we know it can be tough to keep your emotions at bay. We're here to be your guide and help you stay focused on your goals. If you have any concerns, please give us a call.

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