



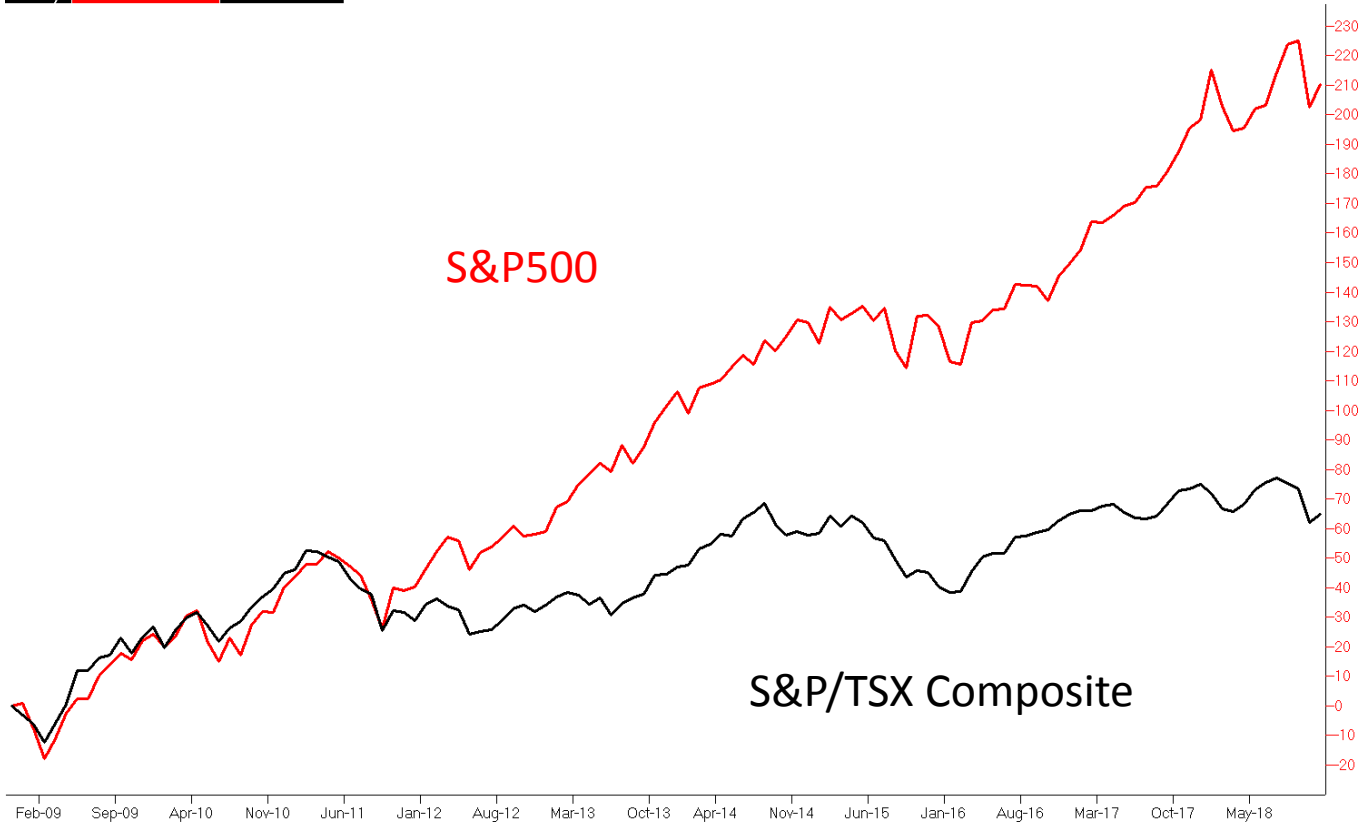
Investment Strategies in a Changing Environment

PRESENTATION FOR: ASSOCIATION OF ONTARIO LAND SURVEYORS

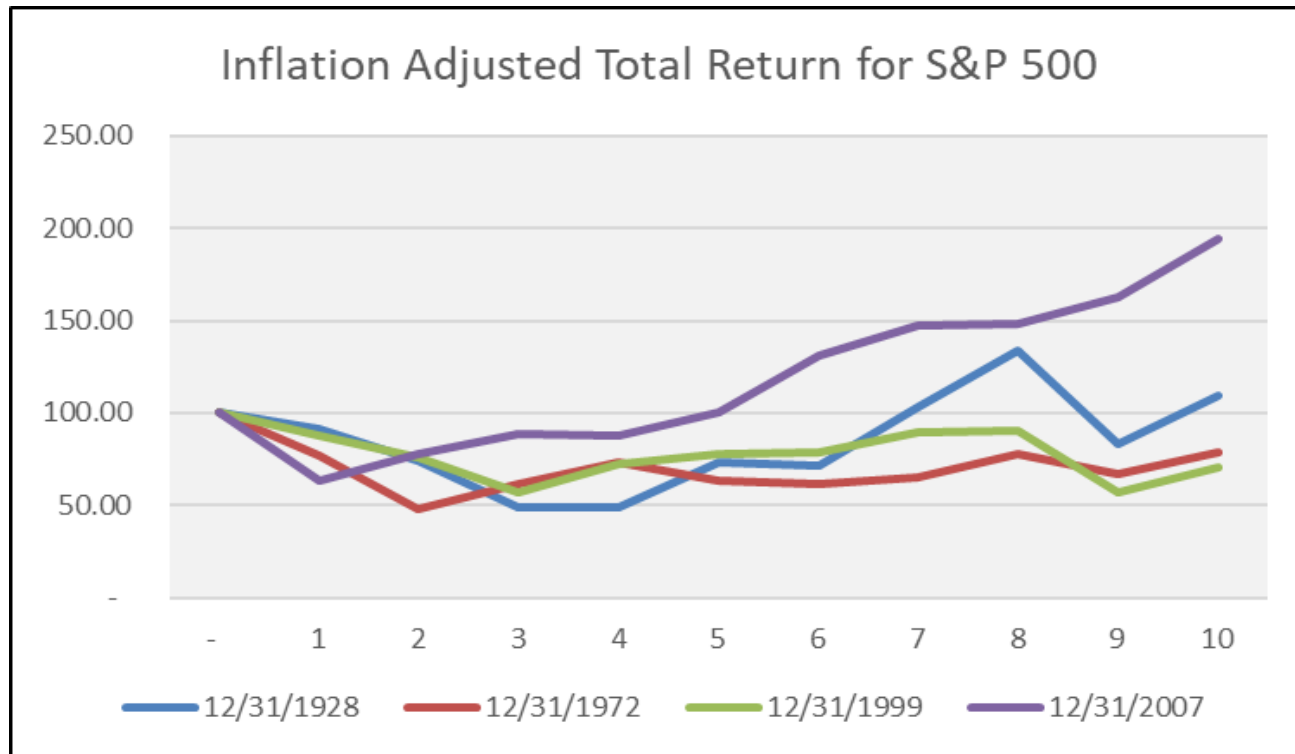
NOVEMBER 21, 2018

The path we travelled - Equities

Monthly > SPX-UT %: 210.30 > TTI-T %: 64.76



Inflation-Adjusted Return – best on record



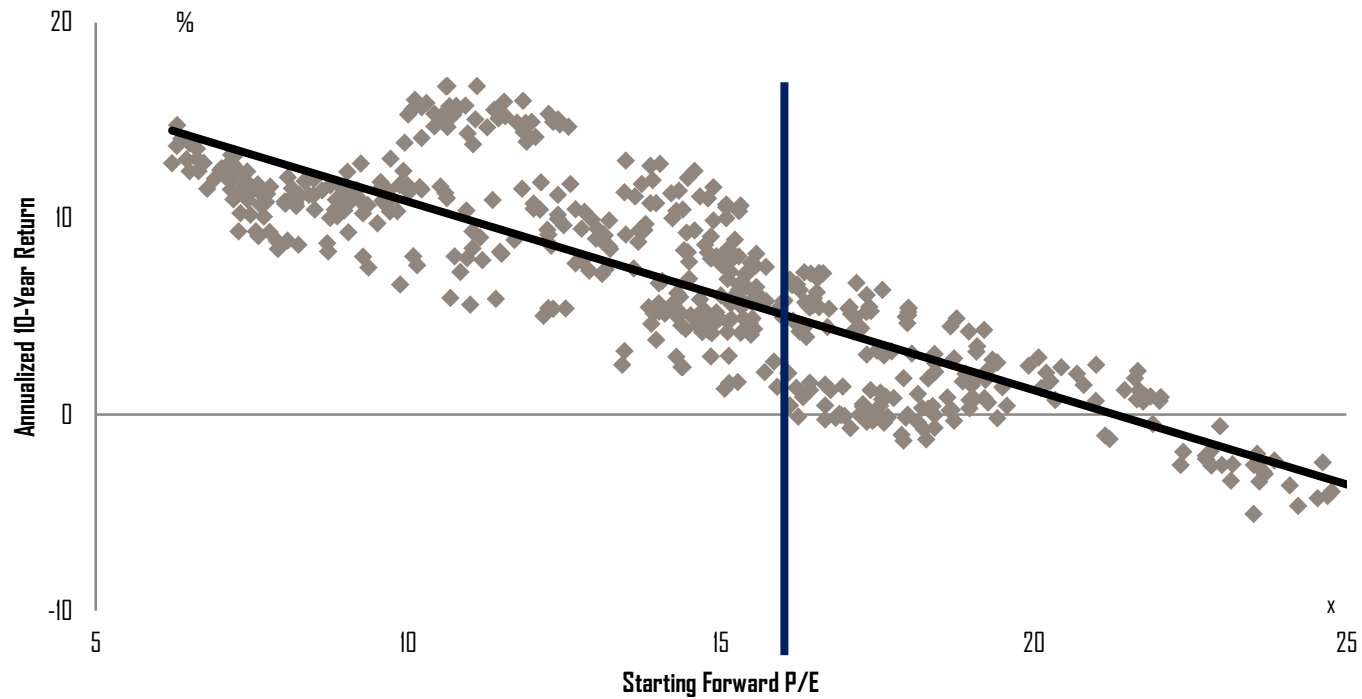
Has Equity Bull Market Already Ended?

SPDR Index MSCI All Country World Index (Ex-US)



Source: Thomson Reuters

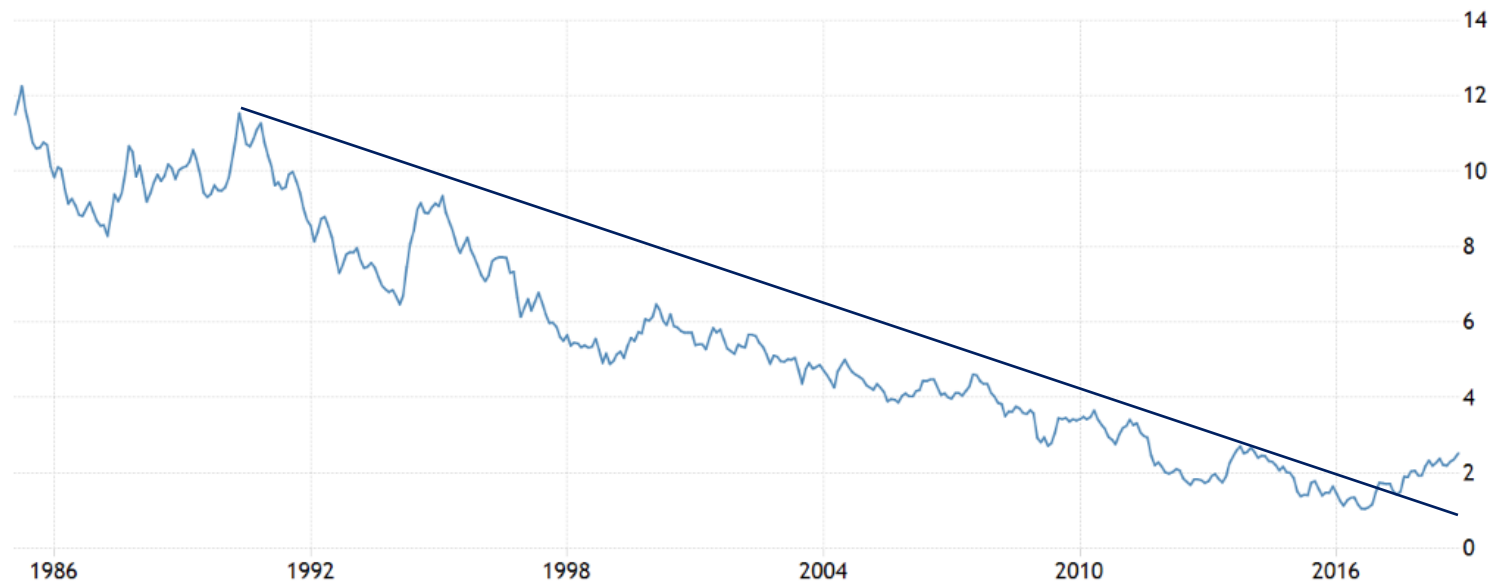
Valuations Suggest Lower Average Returns



Source: Credit Suisse

The path we travelled – Bonds

CANADA GOVERNMENT BOND 10Y



SOURCE: TRADINGECONOMICS.COM | TREASURY BOARD OF CANADA

How bond pricing changes

Government of Canada 10 Year Bond

Issue Price:	\$100
Interest Rate:	1.5%
Maturity	10 Years

One Year Later: Interest Rates move to 2.5%

Price Drops to: \$92

A Dilemma for Investors

After a 10 year bull market in equities and with interest rates rising – what is an investor to do?

Stay focused on your goal

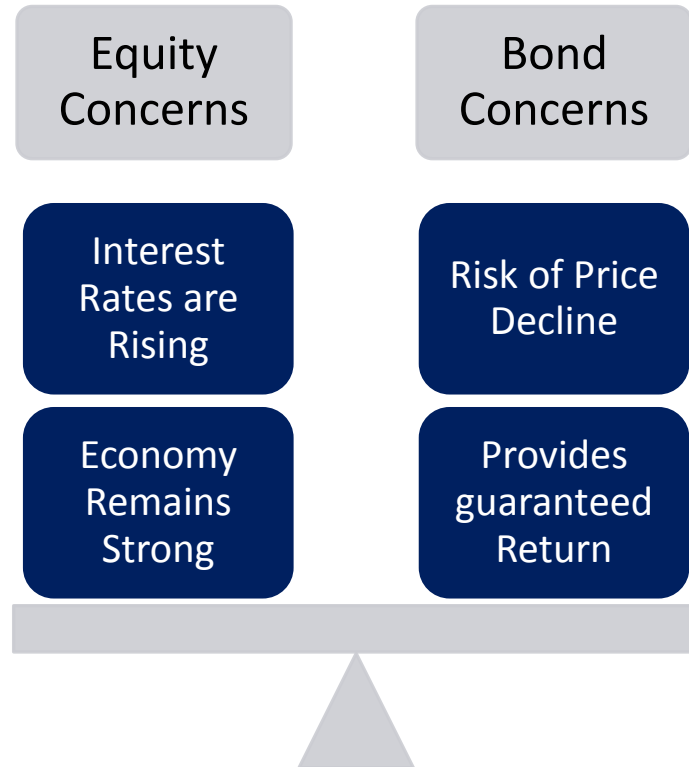
What is my risk tolerance?



What do I need?

How long do I have?

Asset Allocation



What matters most: FOMO or Capital Preservation – or both?

Equities –where to position

SECTOR SCORECARD

Through 7 declines, some sectors have finished above the overall market

SECTOR	ABOVE S&P 500	BELOW S&P 500	DIVIDEND YIELD
CONSUMER STAPLES	7	0	2.9
UTILITIES	7	0	3.4
HEALTH CARE	6	1	1.5
TELECOM	6	1	5.5
ENERGY	4	3	2.7
CONSUMER DISCRETIONARY	2	5	1.1
FINANCIALS	2	5	1.7
INFORMATION TECHNOLOGY	2	5	1.1
MATERIALS	2	5	1.9
INDUSTRIALS	1	6	1.8

Sources: Capital Group, FactSet. Includes the last seven periods that the S&P 500 declined by more than 15% on a total return basis. Sector returns for 1987 are equally weighted, using index constituents from 1989, the earliest available data set. Dividend yield as of 8/31/18.

Individual Bonds

Focus on Yield to Maturity – don't worry about pricing.

Purchase Price	\$98
Interest Rate	4%
Time Until Maturity	5 years
Maturity Value	\$100
Yield to Maturity (total return)	4.4%

These are cash flow items – current pricing only matters if must sell.

Bond Funds & ETFs

The challenges with bond funds/ETFs:

- No finite holding period
- Vulnerable to other people's cash flows
- Limitations to liquidity



Conclusions

Business Cycle:

Now likely in the late stages of the economic cycle

Interest Rates are Rising – weight for both bonds and equities

Cycles can last longer than expected

Keys thoughts:

Understand your own objectives

If possible, take a longer term view on bonds

Plan your equity exposure based on your priorities



Questions?

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