RAYMOND JAMES® | DOUGLAS DUNCAN wealth management

DECEMBER 2019 NEWSLETTER

Market Review

After 2018's tough year in the markets, 2019 was terrific, rewarding investors who had equity exposure. In our December 2018 newsletter we predicted: "Our conclusion is that while no one can time market bottoms exactly, the odds are that investors are likely better off buying than selling at this point." This was clearly the understatement of the year as the markets had the best year since the 2009 market recovery. 2019 was also a lesson for those pundits who chose to time the market with an "all out" strategy. Cash on the sidelines, while useful for managing risk, or a buying reserve and liquidity, did not help out returns in 2019.

	Dec 31/18 Close	Sept 30/19 Close	Dec 31/19 Close	90-Day % Change	1-Year % Change
S&P 500	2,507	2,976	3,230	8.5%	28.8%*(22.5% CDN $)
S&P/TSX Composite	14,323	16,658	17,063	2.4%	19.1%

**US Dollars* *Source: Thomson One*

World Markets	YTD
S&P/TSX Composite	**19.1%**
S&P 500	**28.9%**
NASDAQ	**35.2%**
Dow Jones	**22.3%**
Russel 2000	**23.7%**
iShares S&P/TSX Preferred Index ETF	**-1.8%**
DJ Stoxx 50	**24.8%**
FTSE 100	**12.1%**
HANG SENG	**9.1%**

As of Dec 31, 2019 (all in local currency) *Source: Thomson One*

Published for the friends and clients of
Douglas Duncan Wealth Management
Raymond James Ltd.
#1-5767 Turner Road
Nanaimo, BC V9T 6L8
Toll free: 1-866-729-2830
www.douglasduncanwm.com

Canadian T-Bills and Bonds Yields

	June 28, 2019	Sept 30, 2019	Dec 31, 2019
90-day	1.67%	**1.65%**	**1.66%**
180-day	1.69%	**1.68%**	**1.72%**
1 year	1.69%	**1.72%**	**1.74%**
2-year	1.475%	**1.58%**	**1.696%**
5-year	1.397%	**1.398%**	**1.686%**
10-year	1.467%	**1.362%**	**1.699%**
30-year	1.685%	**1.529%**	**1.762%**

Source: Thomson One

International 10-Year Bond Yields

	June 28, 2019	Sept 30, 2019	Dec 31, 2019
Japan	-0.17%	**-0.23%**	**-0.03%**
U.S.	2.01%	**1.66%**	**1.92%**
Germany	-0.33%	**-0.58%**	**-0.19**
Canada	1.47%	**1.36%**	**1.70%**
U.K.	0.83%	**0.48%**	**0.81%**
France	-0.01%	**-0.28%**	**0.11%**
Spain	0.39%	**0.14%**	**0.46%**
Italy	2.20%	**0.82%**	**1.41%**
Portugal	0.47%	**0.15%**	**0.43%**
India	6.88%	**6.70%**	**6.55%**

Source: Bloomberg.com

Fixed Income

Bond yields fell further from the December 2018 levels, providing bond investors with returns above the coupon rates. With most of the world's high quality bonds yielding below 2%, and many sovereign bonds having negative yields, it is hard to think that returns looking forward 5 years can be positive. If Canadian and US rates fall to zero we could get further appreciation in longer term government bonds, but there is always the risk that rates could rise again, which would be a nasty experience for bond investors. While interest rates are notoriously hard to predict, there are a number of reasons why they could rise. Firstly, most governments are running deficits, creating a greater supply of bonds to be sold. Secondly, with protectionism and tariffs raising their ugly heads worldwide, inflation could increase as the world starts to lose some of the efficiencies of free trade. While we did not benefit from longer term bonds in our portfolios, we did enjoy very attractive returns from bond proxies, including Fortis, TC Energy Corp, Brookfield Renewable Power, and Telus.

While some savers may feel comfort with the certainty of GICs and bonds, 2% returns will not keep your purchasing power up with inflation. For example, Nanaimo and Vancouver have passed property tax increases of 5.1% and 7.0% respectively for 2020. Basic insurance rates at ICBC have gone up by 6.3% and food prices were up 3.5% (*Source: cbc.ca*). The "guaranteed" GIC portfolio ensures that the saver will gradually become poorer each year. This may be acceptable for individuals with large pensions or very small spending needs, but for investors who expect to live for some time on the proceeds of their savings, a diversified portfolio is the only option.

RAYMOND JAMES | DOUGLAS DUNCAN wealth management

Our Top 30 Positions

Position	Investment	Dec 31/18 Close	Dec 31/19 Close	Income	Performance
10	Brookfield Renewable Energy LP	$ 35.35	$ 60.30	$2.71	78.25%
4	WSP Global Inc.	$ 58.67	$ 88.67	$1.50	53.69%
17	TC Energy Corp (formerly TransCanada Pipelines)	$ 48.75	$ 69.16	$3.00	48.02%
5	Brookfield Asset Management Inc.	$ 52.32	$ 75.03	$0.84	45.02%
19	Brookfield Infrastructure LPU	$ 47.15	$ 64.86	$2.65	43.17%
26	Power Financial Corporation	$ 25.83	$ 34.90	$1.82	42.17%
14	Manulife Financial Corporation	$ 19.37	$ 26.36	$1.00	41.25%
13	JP Morgan Chase & Co*	$ 133.27	$ 180.99	$4.67	39.31%
21	Bank of America Corp*	$ 33.64	$ 45.73	$0.93	38.70%
27	Parkland Fuel Corp	$ 35.34	$ 47.71	$1.19	38.38%
25	S&P 500 Trust ETF*	$ 341.19	$ 417.86	$7.29	24.61%
6	Fortis Inc.	$ 45.51	$ 53.88	$1.91	22.59%
30	Alphabet Inc Cl A (GOOGLE)*	$1,426.57	$1,739.02	$0.00	21.90%
	Vanguard FTSE Cda All Cap Index ETF	$ 29.02	$ 34.40	$0.63	20.71%
24	Riocan REIT	$ 23.80	$ 26.76	$1.44	18.49%
8	Canadian National Railway Co.	$ 101.11	$ 117.47	$2.15	18.31%
22	Bank of Montreal	$ 89.19	$ 100.64	$4.24	17.59%
23	BCE Inc. (BELL)	$ 53.93	$ 60.16	$3.17	17.43%
12	Telus Corporation	$ 45.25	$ 50.28	$2.33	16.27%
15	Raymond James Financial Inc.*	$ 101.58	$ 116.15	$1.92	16.23%
18	Suncor Energy Inc.	$ 38.13	$ 42.56	$1.68	16.02%
2	Royal Bank of Canada	$ 93.44	$ 102.75	$4.20	14.46%
16	Bank of Nova Scotia	$ 68.05	$ 73.35	$3.60	13.08%
3	Toronto Dominion Bank	$ 67.86	$ 72.83	$2.96	11.69%
7	Johnson & Johnson*	$ 176.18	$ 189.39	$4.93	10.30%
11	H&R REIT	$ 20.65	$ 21.10	$1.38	8.86%
28	Russel Metals 6% 19APR22	$ 99.75	$ 101.25	$6.00	7.52%
	Vanguard Cdn Aggregate Bd Index ETF	$ 24.87	$ 25.86	$0.63	6.51%
1	Manulife BK Premium Savings A/C	$10.00	$ 10.00	1.65%	1.65%
9	Manulife Trust Premium Savings A/C	$10.00	$ 10.00	1.65%	1.65%
20	RBC Investment Savings Account	$ 10.00	$ 10.00	1.65%	1.65%
29	Freehold Royalties Ltd	$ 8.27	$ 7.29	$0.63	-4.23%

**Performance in Canadian dollars Dec 31, 2018 - $0.7325 / Dec 31, 2019 - $0.7702*

Source: Thomson One

Our Top 30 Positions

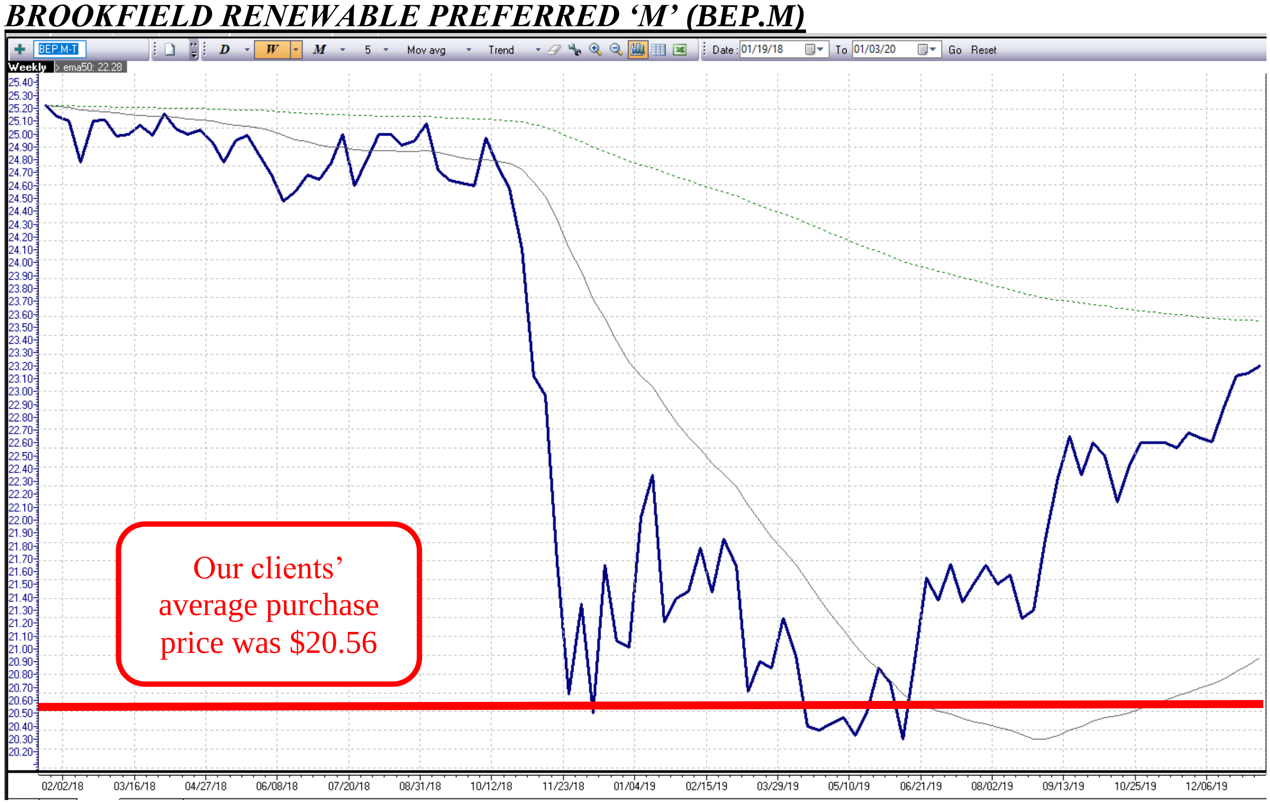
A few years ago, we made a focused effort to increase our exposure to non-financial, non-resource companies. The reason was that we had lots of banks and insurance companies in our portfolios, and Canada's resource sector was producing negative returns. This strategy paid off in 2019. Not only did Brookfield Asset Management, WSP Global, CN Rail, Fortis, and Alphabet (Google) provide diversification, but they outperformed the Canadian oil index and Canadian banks.

Our US bank positions, primarily JPMorgan and Bank of America, also contributed to out-performance. Utilities and technology were the strongest sectors.

Marijuana stocks, which we have cautioned against, had a very tough year due to excess capacity and provincial red tape limiting the opening of legal retail outlets. Nanaimo's Tilray for example is down over 94% from its October 2018 high. Canada's Energy Index underperformed, but still squeaked out a small gain for 2019.

The Vanguard FTSE Cda All Cap Index ETF and the Vanguard Cdn Aggregate Bond Index ETF, highlighted in yellow, are not holdings of ours. They are a representative of how a diversified Canadian equity and bond investor would have done in 2019.

BROOKFIELD RENEWABLE PREFERRED 'M' (BEP.M)



Source: Thomson One

Honourable mention goes to our 31st position, Brookfield Renewable Partners Preferred "M". Preferred shares were very out of favour in the spring of 2019 and we managed to buy this security at an average price of $20.56, to yield 6.08%. We purchased over $1.4 million for our clients, but were constrained as many of our clients already have large positions in Brookfield Asset Management and its subsidiaries. With a December 31st closing price of $23.17, our clients have seen over 11% capital appreciation in addition to the dividend. We will continue to look for similar opportunities as they present themselves.

Dividend Changes

Position	Investment	Q4 2018 Dividend	Q4 2019 Dividend	Increase
15	Raymond James Financial*	$0.30	$0.37	23.33%
21	Bank of America*	$0.15	$0.18	20.00%
8	Canadian National Railway Co.	$0.46	$0.54	18.13%
18	Suncor Inc.	$0.36	$0.42	16.67%
13	JPMorgan Chase & Co*	$0.80	$0.90	12.50%
3	TD Bank	$0.67	$0.74	10.45%
25	S&P 500 Trust ETF*	$1.44	$1.57	9.34%
17	TC Energy	$0.69	$0.75	8.70%
2	Royal Bank of Canada	$0.98	$1.05	7.14%
19	Brookfield Infrastructure LPU	$0.47	$0.50	6.91%
12	TELUS Corporation	$0.55	$0.58	6.88%
5	Brookfield Asset Management Inc.	$0.15	$0.16	6.67%
6	Fortis Inc.	$0.45	$0.48	6.11%
22	Bank of Montreal	$1.00	$1.06	6.00%
16	Bank of Nova Scotia	$0.85	$0.90	5.88%
7	Johnson & Johnson*	$0.90	$0.95	5.56%
26	Power Financial Corporation	$0.43	$0.46	5.20%
10	Brookfield Renewable Energy LP	$0.49	$0.52	5.10%
23	BCE Inc. (BELL)	$0.76	$0.79	4.97%
27	Parkland Fuel Corp (monthly)	$0.10	$0.10	2.05%
4	WSP Global Inc.	$0.38	$0.38	0.00%
14	Manulife Financial Corporation	$0.25	$0.25	0.00%
30	Alphabet Inc. Cl A	$0.00	$0.00	0.00%
24	RioCan REIT (monthly)	$0.12	$0.12	0.00%
11	H&R REIT (monthly)	$0.12	$0.12	0.00%
28	Russell Metals 6% 19APR22	6.00%	6.00%	0.00%
1	Manulife BK Premium Savings A/C	1.65%	1.65%	0.00%
9	Manulife Trust Premium Savings A/C	1.65%	1.65%	0.00%
29	Freehold Royalties Ltd (monthly)	$0.05	$0.05	0.00%
20	RBC Investment Savings Account	1.65%	1.60%	-3.03%

**Dividends in US Dollars* *Source: Thomson One*

In 2019, our strongest dividend increases were from US Financials followed by CN Rail and Suncor. Our only income decrease was from an RBC Savings Account which lowered its rate from 1.65% to 1.60%.

Our goal is to find companies that have sustainable dividend yields. These companies must have strong business models, and retain some of their earnings so that they can continually re-invest in their businesses to grow future earnings and dividends. If the core of our portfolios are in these kind of companies (Royal Bank, Fortis, and TD Bank come to mind), we should get gradually increasing incomes and capital gains over time.

Doom and Gloom predictions

Very few of us will be delighted by the daily news and it is easy to be pessimistic after watching some of the characters leading various countries around the world. Fortunately, most business leaders are competent and level headed and our economic system is quite resilient. Our clients who have kept their portfolios invested have outperformed those who have tried to predict downturns.

Strategy for 2020

2019's excellent returns will be a tough act to follow and 2020 includes the uncertainty of a US election. While most sectors continue to be better value than GICs or bonds, we plan to keep a buying reserve to take advantage of opportunities that come up.

Meaghan and Mark will be contacting you shortly to top up TFSAs. The contribution limit for 2020 is again $6,000.00.

Look out in mid-January for a tax related notice. This year you can expect a trading disposition summary for anyone with taxable accounts which will be mailed after the first week in March.

We wish you all the best for 2020!

If you have friends who have expressed an interest in finding a new advisor, we would be delighted to hear from you. Just call our office at 250-729-2830 and we'll take it from there. Thanks!

Mark Duncan	**Meaghan Douglas**	**Ian Douglas**	**Lisa Cajolet**	**Janice Wilson**
Financial Advisor	Financial Advisor	Senior Vice President Financial Advisor	Administrative Assistant	Administrative Assistant