MARCH 2017 NEWSLETTER

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Market Review

2017 started well for most investors, with the Canadian market up 4.3% between December 31, 2016 and the February 21, 2017 high. Since then, the market has corrected slightly, with the oil and gas sector among the weakest sectors. Our telecom and utilities sectors have been the strongest in 2017.

	March 31/16 Close	Dec 30/16 Close	March 31/17 Close	90-Day % Change	1-Year % Change
S&P 500	2,060	2,239	2,363	5.54%	14.7%
S&P/TSX Composite	13,494	15,288	15,548	1.70%	15.2%

Source: Thomson One

World Markets	YTD
S&P/TSX Composite	**1.70%**
S&P 500	**5.54%**
iShares MSCI China ETF	**14.2%**
iShares S&P/TSX Preferred Index ETF	**6.42%**
DJ Stoxx 50	**6.38%**
iShares MSCI Emerging Markets EFT	**12.4%**
iShares MSCI Japan EFT	**5.40%**

As of March 31, 2017 Source: Thompson One

Our Top 30 Positions – Dividend Increases

While markets go up and down on their own relatively unpredictable schedule, dividend income tends to be a more reliable source of returns.

Below are the securities in our top 30 holdings that changed their dividend in the first quarter of 2017. Fourteen of our top holdings increased their distributions while the other 16 remained the same. Although the Freehold Royalty Ltd. (FRU) dividend has increased 25% from 2016, it was much higher in 2014 when oil prices were stronger. Banks, utilities, and telecoms have a much better history of steady dividend increases.

Position	Investment	2016 Dividend	Current Dividend	Increase
16	Freehold Royalties Ltd.	0.04	0.05	25.00%
23	Brookfield Infrastructure	0.39	0.44	11.54%
9	Manulife Financial Corporation	0.19	0.21	10.81%
15	Suncor Energy Inc.	0.29	0.32	10.34%
13	Raymond James Financial Inc.	0.20	0.22	10.00%
3	Toronto Dominion Bank	0.55	0.60	9.09%
12	Brookfield Asset Management Inc.	0.13	0.14	7.69%
26	BCE Inc. (BELL)	0.68	0.72	5.13%
7	Power Financial Corporation	0.39	0.41	5.10%
11	Brookfield Renewable Energy LP	0.45	0.47	5.06%
2	Royal Bank of Canada	0.83	0.87	4.82%
17	Telus Corporation	0.46	0.48	4.35%
14	Bank of Nova Scotia	0.74	0.76	2.70%
20	Bank of Montreal	0.86	0.88	2.33%

Source: Thomson One

Recommendation from One Year ago

In our March 31, 2016 newsletter (available on our website www.douglasduncanwm.com) we recommended XYZ preferred share. We kept the name between ourselves and our clients because the security is thinly traded and we did not want non-clients competing with our clients for buys.

The security is Brookfield Asset Management Inc. Class A Series 38 preferred share (BAM.FE) and the chart is below:

Source: bigcharts.com

One year ago the Brookfield preferred share traded at $18.35 and has increased to $22.54 as of March 31, 2017 market close, a 22.8% increase. It has also paid an annual $1.10 dividend, yielding 5.99% at the $18.35 price. At current prices it yields 5% and it is a good hold.

Investing for Growth

The vast bulk of our clients' investment assets are income producing assets including banks, real estate, investment trusts, utilities, telecoms, and other mature income producing sectors.

For investors who have their income needs satisfied by pensions or other investments, a portion of their portfolio in growth sectors may add to their portfolio's rate of return.

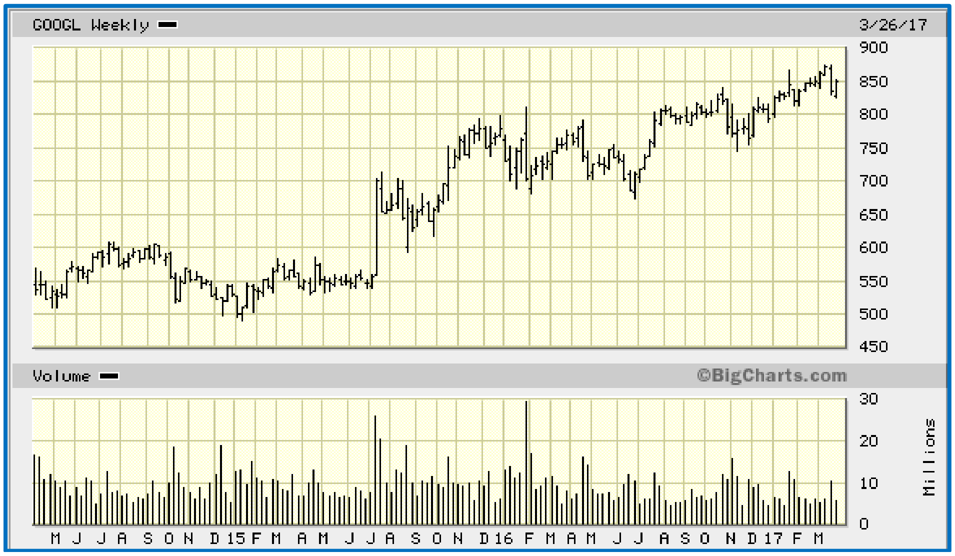
The following investments offer the potential of higher growth and diversification within a core portfolio.

Alphabet Inc. (Google) GOOGL-US

Google is hardly a start-up company but at this time it offers a relatively low valuation when compared with its growth rate.

	2014	2015	2016
Sales (million $)	66,001	74,989	90,272
Net Income (million $)	14,444	15,826	20,745

Below is Google's three year chart:



Source: bigcharts.com

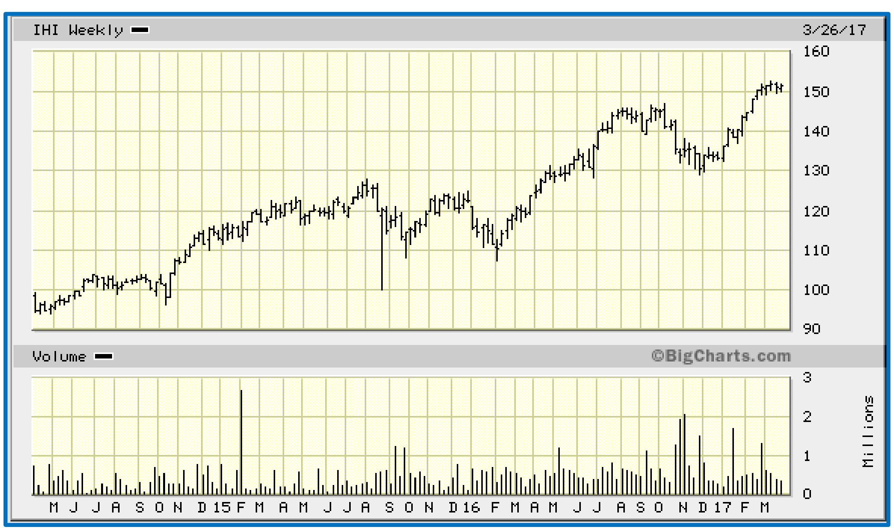
With one billion users and products like Google Maps, YouTube, Chrome, and Android, Google produced over $90 billion of revenue last year with products not in existence twenty years ago. While Google stock has done amazingly well since its IPO in August of 2004, it currently trades at a reasonable forward earnings multiple of 25.38 and it looks like an attractive choice for a 1% portfolio position.

iShares U.S. Medical Devices ETF (IHI-US)

Healthcare makes up approximately 15% of the S&P 500 but most of our clients only own one healthcare company directly, Johnson & Johnson. As we all know, hip, knee, and other replacements are hardly rare, and this trend shows no sign of slowing down.

As 'losers' in the healthcare sector tend to lose big (Valeant, Concordia, Gilead Science), the iShares U.S. Medical Devices ETF provides diversification in this growth sector for a very reasonable 0.44% MER. The underlying companies in this ETF are not cheap, but not ridiculously expensive either. For investors looking for medical diversification, a 1% position could be purchased, with potential additions on any pullback.

Below is iShares U.S. Medical Devices ETF's three year chart:



Source: bigcharts.com

Canadian T-Bills and Bonds Yields

	Sept. 30, 2016	Dec. 30, 2016	Mar. 31, 2017
90 day	0.50%	0.47%	0.53%
180 day	0.52%	0.57%	0.55%
1 year	0.53%	0.64%	0.64%
2 year	0.516%	0.747%	0.744%
5 year	0.611%	1.116%	1.111%
10 year	0.993%	1.721%	1.621%
30 year	1.657%	2.313%	2.301%

Source: Thomson One

International 10-Year Bond Yields

	Sept. 30, 2016	Dec. 30, 2016	Mar. 31, 2017
Japan	-0.10%	0.04%	0.06%
U.S.	1.59%	2.44%	2.39%
Germany	-0.12%	0.20%	0.32%
Canada	0.99%	1.72%	1.62%
U.K.	0.74%	1.23%	1.14%
France	0.18%	0.68%	0.96%
Spain	0.88%	1.38%	1.64%
Italy	1.18%	1.81%	2.30%
Portugal	3.30%	3.73%	3.93%
India	6.81%	6.51%	6.67%

Source: Bloomberg.com

Bond yields have stabilized since December as markets try to decide whether the world is in a stronger growth phase or a continuation of the slow growth of the last few years.

Where do we go from here?

From a high of 15,625 in August of 2014 to a low of 11,531 in January 2016 the S&P/TSX fell 26.2%. Since that low the S&P/TSX has gained 35% to almost get back to the 2014 high.

When we look to the future we can see conflicting signals. Low bond yields, relatively high dividend yields, and a supposedly business-friendly US Republican majority would be expected to support continued growth. On the negative side we have more global political risk than usual, a potential Canadian real estate bubble in some of our larger cities, and a US stock market (S&P 500) that has had a 254% run since the March 2009 low.

Our recommendation is to stay the course for now, but to make sure that we have some cash on the sidelines for future opportunities. We can be certain that at one point in the future we will see some investor panic like we experienced one year ago. At that time we can take advantage of others' financial stress and find some good bargains.

Client Appreciation Event / Open House

Mark your calendars for Thursday, June 22! We are again hosting our annual client appreciation at the Westwood Tennis Club (Christina's on the Lake) in Nanaimo from 5:00 pm to 8:00 pm. This year very talented musicians, Bill and Donna Konsorado, will be playing music. Look out for your mailed invitation at the beginning of May.

A new addition to the Douglas Duncan Team

Mark and his wife, Kelsey welcomed the newest member to their family, Graeson Daniel Duncan at 7:44 pm on Friday, March 24, weighing 8 lbs. 1 oz. and measuring 20 ½ inches.

Mom, dad and baby are doing great. Thank you for sharing in this joyous news with us.

With the addition of Mark and Meaghan as Associate Advisors, we now have the ability to take care of more relationships. 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!

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