RAYMOND JAMES | DOUGLAS DUNCAN wealth management

MARCH 2020 NEWSLETTER

COVID-19 PANDEMIC

The last two months have been stressful for everyone as a virus that was normally only found in animals crossed over to humans and spread worldwide in weeks. We are very fortunate that to our knowledge none of our clients or their families have become sick from the pandemic. Many of you have been extraordinarily inconvenienced by the outbreak, including a couple stranded on a Norwegian Cruise Line ship in the South Pacific. Another family has made a painful decision for the father to live separately from his wife and newborn child, as he is a doctor and expects to get the virus in the course of his practice. Some of our clients have had to temporarily shut down their businesses, others are in self-isolation after travelling to various foreign countries, and many more are in the age group that they are vulnerable to an infection.

With the Canadian market down 25.4% from the February high, and the US market down 23.7%, no diversified portfolio will look good on your March statements. Fortunately for everyone, there were no March 23 statements as the market has rebounded 19.1% since then. We are very grateful that we have experienced nothing but goodwill and grace from our clients in these challenging times.

The time it takes to contain and eventually find a vaccine or cure for this disease is uncertain. Johnson and Johnson, our #7 position, has announced that they expect to have a vaccine ready for trials in September, and available for use in early 2021. They plan to produce and distribute this on a not for profit basis. Other scientific and medical groups around the world are sharing resources and are creating tests, manufacturing medical safety equipment, and working on potential vaccines and cures. However the timing and success of these is uncertain. For this reason, we can't give you a date when the market bottoms and your portfolios start to recover again.

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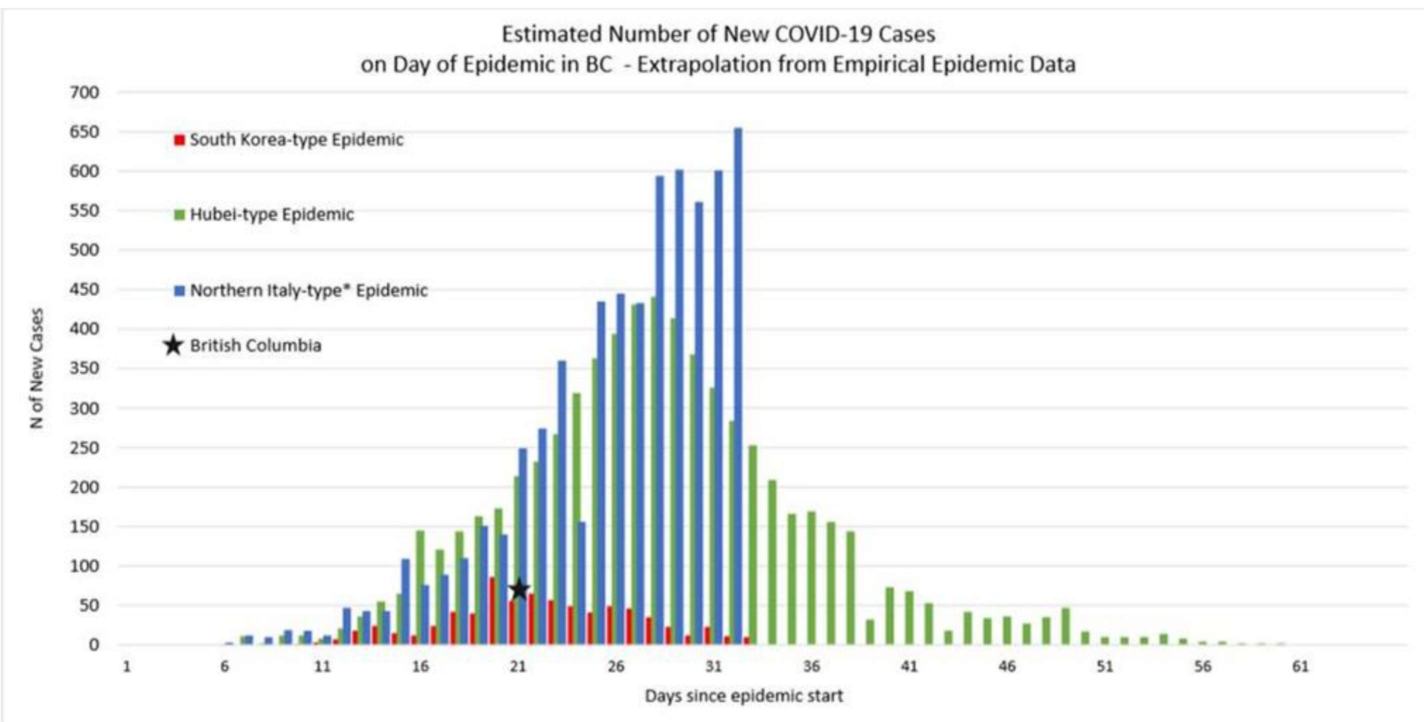
The good news is that for many years we have been focusing on the most secure high quality companies who are leaders in their industries, and on the less cyclical sectors. No business is immune to the economy getting a mandated shutdown to slow the spread of the virus, but the key is to own companies strong enough to weather the storm so they can participate in the recovery. At this point it is critical that we make the best decisions, not panicking out at fire-sale prices or speculating on long shots. When the pandemic is finally tamed, we expect share prices to recover very quickly from the trough levels. Our role over the next few months is to ensure that we are communicating with everyone, and making sure that your portfolios are appropriate for your risk tolerance, cash requirements, and appetite for new opportunities.



Source: www.gov.bc.ca

WE HAVE BEEN HERE BEFORE…

This is an excerpt from our January 2009 newsletter after the 2008 market crash:

Corporate Bonds, Capital Trusts and Debentures:

Corporate bonds currently carry huge spreads above Canada bonds. Should these companies survive we now have an excellent opportunity to lock in very attractive rates.

Examples are:

ISSUER BONDS	*MATURITY*	*YIELD TO MATURITY*
Royal Bank F/F	*June 2014*	*8.0%*
Bell Canada	*Feb 2017*	*7.2%*
Shaw Communications	*Mar 2017*	*7.6%*
Telus	*Mar 2017*	*7.0%*
Great West Life F/F	*June 2017*	*8.6%*
TD Bank F/F	*Dec 2017*	*8.3%*
Suncor	*May 2018*	*7.0%*
Brookfield Power	*Nov 2018*	*10.5%*
Canada	*2018*	*2.83%*

CAPITAL TRUSTS		
Royal Bank	*June 2018*	*9.3%*
TD Bank	*Dec 2018*	*9.3%*
Bank of Montreal	*Dec 2018*	*9.6%*

Please check with me prior to purchasing any of these. These all have different credit ratings and the fixed floaters (F/F) all have different maturity terms. If our banks become Lehman Brothers stories these will suffer. Corporate bonds are usually sellable prior to maturity, but are generally not as liquid as stocks or government bonds. However, if the credit markets return to normal in a few years this could be a once in a decade opportunity to lock in decent returns with relatively moderate risk (in a diversified portfolio).”

In January of 2009, we felt that the best risk / reward opportunity was Canadian bank capital trusts yielding over 9% for 10 years. These were well received by our clients, and many of you enjoyed these excellent yields until maturity in 2018. Today we feel that the best risk reward opportunities are the very highest quality companies, in both Canada and the US. While weaker companies may have a stronger percentage increase from their currently depressed levels, we really want to take advantage of the fire sale prices of terrific companies who are well financed and leaders in their sectors. If the pandemic is worse and longer than we expect, we want to ensure that we are owning companies who will still be around when the recovery takes hold.

	Mar 29/19 Close	Dec 31/19 Close	Mar 31/20 Close	90-Day % Change	1-Year % Change
S&P 500	2,834	3,230	2,584	-20.0%	-8.8%
S&P/TSX Composite	16,102	17,063	13,378	-21.6%	-16.9%

Source: Thomson One

World Markets	YTD
S&P/TSX Composite	**-21.6%**
S&P 500	**-20.0%**
NASDAQ	**-14.2%**
Dow Jones	**-23.2%**
Russel 2000	**-30.9%**
iShares S&P/TSX Preferred Index ETF	**-23.9%**
DJ Stoxx 50	**-25.6%**
FTSE 100	**-24.8%**
HANG SENG	**-16.3%**

As of March 31, 2020 (all in local currency) *Source: Thomson One*

Canadian T-Bills and Bonds Yields

	Sept 30, 2019	Dec 31, 2019	Mar 31 2019
90-day	**1.65%**	**1.66%**	**0.25%**
180-day	**1.68%**	**1.72%**	**0.33%**
1 year	**1.72%**	**1.74%**	**0.36%**
2-year	**1.58%**	**1.696%**	**0.419%**
5-year	**1.398%**	**1.686%**	**0.585%**
10-year	**1.362%**	**1.699%**	**0.696%**
30-year	**1.529%**	**1.762%**	**1.306%**

Source: Thomson One

International 10-Year Bond Yields

	Sept 30, 2019	Dec 31, 2019	Mar 31 2020
Japan	**-0.23%**	**-0.03%**	**0.00%**
U.S.	**1.66%**	**1.92%**	**0.67%**
Germany	**-0.58%**	**-0.19%**	**-0.48%**
Canada	**1.36%**	**1.70%**	**0.69%**
U.K.	**0.48%**	**0.81%**	**0.35%**
France	**-0.28%**	**0.11%**	**-0.03%**
Spain	**0.14%**	**0.46%**	**0.67%**
Italy	**0.82%**	**1.41%**	**1.52%**
Portugal	**0.15%**	**0.43%**	**0.85%**
India	**6.70%**	**6.55%**	**6.13%**

Source: Bloomberg.com

OUR TOP 30 POSITIONS

Position	Investment	2020 High	Mar 31/20 Close	Yield
17	H&R REIT	$ 23.66	$ 8.93	15.45%
29	Riocan REIT	$ 27.92	$ 16.13	8.93%
22	Russel Metals 6% 19APR22 Call	$ 100.15	$ $96.50	8.48%
27	Suncor Energy Inc.	$ 46.00	$ 22.46	8.28%
30	Power Corp	$ 35.15	$ 22.64	7.91%
15	Manulife Financial Corporation	$ 27.78	$ 17.67	6.34%
14	Bank of Nova Scotia	$ 76.75	$ 57.47	6.26%
24	Bank of Montreal	$ 106.51	$ 71.06	5.97%
18	Brookfield Infrastructure LPU	$ 74.66	$ 51.10	5.91%
20	BCE Inc. (BELL)	$ 65.45	$ 57.73	5.77%
3	Toronto Dominion Bank	$ 77.96	$ 59.83	5.28%
11	Telus Corporation	$ 27.74	$ 22.25	5.24%
16	TC Energy Corp	$ 76.58	$ 62.55	5.18%
10	Brookfield Renewable Energy LP	$ 76.35	$ 59.19	5.15%
2	Royal Bank of Canada	$ 109.68	$ 87.17	4.96%
13	JP Morgan Chase & Co**	$ 141.10	$ 90.03	4.00%
5	Fortis Inc.	$ 59.28	$ 54.27	3.52%
21	Bank of America Corp**	$ 35.72	$ 21.23	3.39%
7	Johnson & Johnson**	$ 154.50	$ 131.13	2.90%
12	Raymond James Financial Inc.**	$ 102.45	$ 63.20	2.34%
23	S&P 500 Trust ETF**	$ 339.08	$ 257.75	2.25%
8	Canadian National Railway Co.	$ 127.96	$ 110.03	2.09%
4	WSP Global Inc.	$ 98.12	$ 79.92	1.88%
28	Vanguard S&P 500 Index	$ 79.86	$ 64.35	1.66%
6	Brookfield Asset Management Inc.	$ 90.72	$ 62.38	1.62%
26	Costco Wholesale Corp**	$ 325.26	$ 285.13	0.91%
	10 Year Government of Canada Bond##			0.70%
9	Manulife Trust Premium Savings A/C	$ 10.00	$ 10.00	0.60%
	5 Year Government of Canada Bond##			0.59%
1	Manulife BK Premium Savings A/C	$ 10.00	$ 10.00	0.55%
19	RBC Investment Savings Account	$ 10.00	$ 10.00	0.55%
25	Alphabet Inc. Cl A (GOOGL)**	$ 1,530.74	$ 1,161.95	0.00%

***US DOLLARS / ## For illustrative purposes only as we do not own these bonds* *Source: Thomson One*

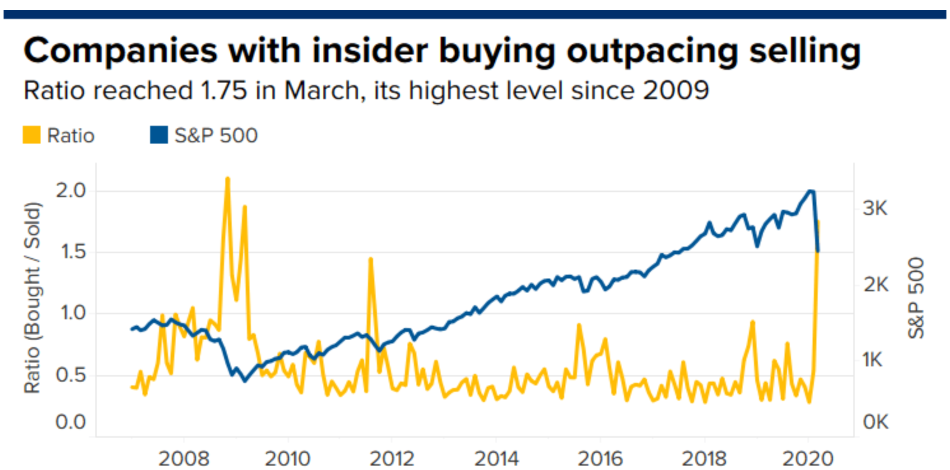
The market clearly feels that there is some risk to the dividends of oil and gas companies and real estate trusts. For this reason, the companies with the highest yields can't be expected to have a 100% chance of continuing the dividend payments at this level. We are closely monitoring these companies, as we have to determine which are temporarily depressed by indiscriminate selling and which are fundamentally weak.

WHAT DO WE DO NOW?

When markets are high, portfolio performance is great and almost every stock is up, human nature gives us our highest risk tolerance. When markets are down, recent portfolio performance is awful and stocks are on sale, human nature gives us our lowest risk tolerance. We feel that everyone should own a portfolio that they are comfortable with over the long haul and times like the last few months test that comfort. While we feel that this is a very poor time to sell anything, if you must please don't sell the best stocks in your portfolio because you can get out at a profit. Sell the worst performers which have been irritating you for years and which are more likely to have legitimate risks. If you want to hold pat and wait for the recovery that is fine as well. If you have the desire to take advantage of the volatility, Meaghan and Mark can give you some suggestions.

In addition to our usual list of core holdings, we have been purchasing, Amazon, Alphabet (Google), Microsoft, Visa, Starbucks, and other world class companies that we always wanted to own but seemed too expensive. This may be a once in a decade chance at purchasing these companies at such a discount to their normal trading range.

No one, including us, will know when the bottom will be. We suspect that we have already seen it on March 23, right before the $2 trillion US stimulus package, but we can't be certain. For this reason, those investors choosing to add to their equities should consider buying in 1/4 to 1/3 of their intended addition at a time over the next few weeks or months.



Source: Washington Service

Recently insiders have been buying shares of their own companies at a rate not seen since the 2008/2009 market crash.

CANADIAN OIL AND GAS COMPANIES

While we have been significantly underweight Canadian oil and gas companies, at the current time one share is too much. As the CEO of a Canadian oil service company said recently on BNN, "the Canadian oil industry was like an 85 year old with pre-existing conditions when the COVID-19 crisis hit." We are all aware of the Saudi/Russia plan to flood the oil market, and the huge discount between Western Canada select prices and West Texas crude prices due to lack of pipeline capacity. Currently, the US WTI price is $20.24, and the Canadian WCS price is $5.06. At that price no Canadian oil or gas producer is economic. On March 31, TC Energy, supported by the Province of Alberta, announced its plan to start construction on the Keystone pipeline and the beleaguered Canadian oil and gas index jumped 15.48% in one day. Ultimately Canada's oil industry is dependent on new pipelines. If two or three get built investors will do very well from today's levels. However if they are not built we may see most of the conventional producers shut down, perhaps leaving Canada with only Suncor, CNQ, and a few others. As there are so many opportunities in the market today without such binary risks, we have not been adding to the oil and gas positions that we have.

CLIENT APPRECIATION

We regret that our 2020 client event previously scheduled for June 17 has been postponed until 2021 in light of the physical distancing recommendations put forth by the BC Centre for Disease Control to prevent the spread of COVID-19 in our community.

SUMMARY

While the recent market panic has reduced equity values worldwide, and left no portfolios unscathed, we believe that the core of our holdings are sound. There are currently many very high quality companies on sale and there are numerous opportunities as others sell indiscriminately.

We wish you and your families all the best in this challenging time and if you have any questions, please call.

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