Jan 3rd, 2019

Dear Client,

Hope you had an awesome Christmas and are starting the year off happy and healthy.

What a year! Both for our business and for your portfolios, 2019 brought us many wonderful gifts, which I'd like to share with you.

The most important aspect of this letter though, is to relay my thanks. I want to personally thank you from the bottom of my heart for your trust and your confidence. Especially to the many of you who have introduced us to your friends and family. Thank you so so much. We wouldn't be where we are today without each and every one of you.

The Markets

As you may recall from my August letter, in 2018, peak to trough, the Dow Jones Industrial Average lost 19.4%, most of that decline occurring in the final quarter of the year. Our client portfolios also tended to fall at that time, but by early 2019 they generally made up for those losses. **And the great news is that the positive trend that started so early in 2019 continued on for the remainder of the year.**

Depending on your particular portfolio, you may have experienced any one or more of the following return scenarios…

*Fund Allocation	Returns		
	2018	By mid year (July 31, 2019)	Year ending 2019
Conservative	-2.05%	6.33%	8.19%
Balanced	-3.88%	7.31%	10.46%
Growth	-5.82%	8.24%	12.65%
All Equity	-7.80%	9.12%	14.80%
Canadian Dividend	-8.98%	11.48%	18.80%

*All returns based on Counsel Portfolio Series F Funds

As you can see, by and large, the 2018 losses were made up for by mid year 2019 and then the positive performance persisted for the duration of the year.

The Economy

You may already be sick of hearing me say this, but I'm afraid that you will probably just have to get used to it, because I think I'll be saying it for a while. In my opinion, we remain stuck in an environment of…

- low growth,
- low interest rates and
- a great deal of global uncertainty.

Arnold Machel, CFP®, *Certified Financial Planner*
15178 Buena Vista Avenue White Rock, BC V4B 1Y3
Tel: 604-542-2818 Fax: 604-542-2819 Email: admin@visionvest.ca Web: www.visionvest.ca

At this point in time, I also believe that we are likely to be stuck in this environment for many years. That doesn't mean we won't continue to make money. Just that it will remain harder to do so and that returns like we saw last year aren't too likely to be repeated in the year that follows.

Global interest rates remain low, in fact negative in some regions. We believe that they need to rise somewhat over time, however we do not anticipate any dramatic changes in either direction.

Every year the International Monetary Fund (IMF) issues their World Economic Outlook. Last year they headlined the update with the phrase "Still Sluggish Global Growth".
They went on to predict …

- Low 2020 growth rates
  - Global growth of 3.5%
  - 1.7% for Canada and the same for advanced economies generally
  - US GDP growth at around 1.9%
  - Euro area growth at only 1.6%

- Continued uncertainty - describing the uncertain economic environment, they specifically mention
  - Brexit-related uncertainty
  - rising geopolitical tensions roiling energy prices and
  - Global technology supply chains being threatened by the prospect of US sanctions

If it's the kind of thing you are interested in, you can read the full (July 2019) report at

https://www.imf.org/en/Publications/WEO/Issues/2019/07/18/WEOupdateJuly2019

What are we Doing?

As I mentioned in the August letter, last year I was able to meet with many of the fund managers we use. Where possible I prefer to meet them face to face, so that I am able to better gauge their reactions when I ask them difficult questions. Last year I met with managers in New York, Dublin and Quebec City. In short, I remain confident in their ability to buy great companies at reasonable prices so that our portfolio values may accrete over time.

While we never know what markets will do in the short term, we are exceedingly confident that over the long run, your well diversified portfolio will significantly out-perform GICs and/or term deposits, especially after factoring in inflation and taxes. We continue to monitor our managers and your portfolios to ensure that they are positioned to best take advantage of opportunities without taking on too much risk.

Last year was good for all of us from a market perspective, but it was also good to us on a business level. We continue to grow, in large part due to the introductions that you make for us to your friends and family. Many of you have brought them along to events to connect us and I simply cannot thank you enough for that.

Ben, having completed his core educational requirements early on in his career, has been diligently working towards obtaining his Certified Financial Planner (CFP) designation. Last year he completed his Level 1 certification to that end, hoping to complete it fully this year.

In September I was honoured to be asked to participate on a 3-person panel to share some of the secrets of our success with a few hundred top advisers at the Investment Planning Council annual fall conference in Quebec. It was entirely a Q&A period with a moderator asking the initial set of questions and then giving advisers an opportunity to ask us questions.

Someone in the crowd expressed concerns about the current robo-environment and asked what we considered to be the biggest threat in the industry. I can tell you that I have never felt as confident about our industry as I do today (and that is exactly what I told my peers). We are in a great time in history when our advice is needed more than ever, and we can help people more than we could in the past.

In my opinion, we are in an historic period of latency that will be followed by one of the greatest bull markets ever seen in history. I suspect that the next few years will be marginal in terms of return (a fall/winter season if you will). The need and the value of wise counsel in this environment will be ever more critical, but once this season is complete and spring comes, the seeds that have been sown will reap huge rewards in the “summer”.

What Should You be Doing Now?

History has shown that periods of uncertainty provide opportunities for long-term investors. “Be greedy when others are fearful”, to quote Warren Buffett. While I do not anticipate stellar returns in the short run, a time will come when we will be very pleasantly surprised with a large up-tick. And it’s likely to come when we are least expecting it. Now is the time to position yourself for that eventual up-tick by investing as much money as you can.

- If you have any spare cash kicking around in GICs, term deposits, savings accounts, etc. call us now and get it invested.
- Can you afford to save just a little more money each month? Call us and increase that monthly contribution right now.
- If you don’t have a monthly contribution happening, start one!

Prepare for the “summer” by having as much money invested as you possibly can. I can’t promise that it will go up right away, but I can say that 10 years from now (and hopefully much, much sooner) you are likely to be very pleasantly surprised by the results.

As always, please never hesitate to call us any time to discuss your portfolio or your circumstance. We are just a phone call away.

Regards,

Arnold Machel

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