Details:

Webinar held by Cisco Webex, 2 pm Wednesday September 13th 2017

This is the first Webinar that we have held/hosted for our clients, and we look to offer more opportunities to provide learning and insight through webinars.

Background:

- John has known Leon Frazer & Associates (the Manager) for almost his entire career in the financial services industry.
- The IA Canadian Conservative Equity Fund (CCM1500 and CCM1300) forms a core position for clients with smaller portfolios or small account balances. We have been invested in the fund for over 8 years.

Terry Thib

- The 'Manager' of the IA Clarington Canadian Conservative Equity Fund for the past 18 months. Took over the portfolio after the 2015 energy meltdown, and felt the portfolio held too high a weighting in energy names (leading to volatility) and wanted to bring the portfolio back to a more traditional structure.
- Investment Philosophy:
    - Disciplined
    - Income Focused
    - Diversified
- Investment Model
    - Companies must pay a dividend
    - Companies must exhibit good 'Capital Appreciation' opportunity that is demonstrated historically, resilient and sustainable.
    - Create 'Yield Enhancement' by focusing on:
        - Companies that have a history of increasing dividends on a historical basis. Dividends are a sign of profitability and stability of a business.
        - Companies that grow their dividend have historically outperformed the broader markets. There are dividend payors and dividend growers. The focus of the portfolio is on companies that are dividend growers, with some allocation to mid-sized Canadian companies that could shift from being dividend payors to dividend growers.
        - Use Derivatives to round out the portfolio with a maximum of 10% - 15%
            - Current allocation to derivatives, specifically Covered Call Options or Writing Put Options, is 5%
            - This strategy also is used to sell a portion of a position that has performed well, could continue to perform (hold the stock), but could face to headwinds (Sell a Covered Call – which is contract to sell the stock at a stipulated price, if the value of the stock decreases)

- The Internal Dividend Yield is 3.40%
- There is low turnover in the portfolio (Changes in investments, buying and selling) and is around 10% - 15% year-over-year.

- Market Discussion
  - There is a global synchronized recovery in process, but Canada has not YET seen this. Terry discussed how Canada might be seeing signs of beginning to participate in the global economic recovery.
  - Housing has driven GDP Growth in Canada. Stephen Poloz, Bank of Canada, has raised interest rates by 25 bps (0.25%) in September 2017 but may be on hold for the foreseeable future.
  - There seems to be improving sentiment to Financials (banks and insurers) as well as Energy companies. Energy companies have adjusted to the lower value of oil and are starting to demonstrate profitability despite low oil prices.
  - Investing in the Infrastructure segment through Materials (iron, cement etc) and Construction firms as well as Engineering companies.
    - Examples are Russell Steel (RUS:TSX) and WSP Global (WSP:TSX)
  - Another area of recent interest and investment – Forestry and Lumber
    - Examples are Interfor (IFP:TSX) and Norbord (NBD:TSX)
  - US Investments: Investing in and holding US based investments is not a core approach to the fund, however the fund is able to hold up to 20% of the portfolio in US based names. The current allocation is 8% - 10%
    - Summit Materials (SUM:NYSE) which is engaged in Construction Materials

- What is the impact of the Canadian Dollar on the portfolio?
  - The C$ is impacted by the value of Oil and by Monetary Policy
    - As oil falls, the Canadian dollar falls. As oil rises, the Canadian dollar rises.
    - Monetary Policy which is influenced by interest rates or the sentiment of where interest rates will be in the future versus the USA and/or EURO. If Canadian Interest rates rise while other Central Banks hold their rates steady, the value of the Canadian dollar will rise (as we saw once Bank of Canada raise rates in September). However, if the Bank of Canada is now on hold and the US raises interest rates or is seen as likely to raise interest rates next, then the Canadian dollar can fall.
  - Terry does not focus on the perspective of the Canadian dollar as that is subject to many swings that are not indicative of the value of the underlying holdings. The cost of hedging the currency is just not worth the value that hedging may provide.