

Cash Flow Solutions Model Portfolio

Q4 Quarterly Commentary - as of December 31, 2019

What a difference a year makes! After enduring a steep decline in Q4 2018 market values turned sharply higher making 2019 one of the strongest years we've had since 2009. Portfolios invested in the **Cash Flow Solutions model finished with a return of approximately 21%**! What makes this remarkable is that you earned this return while still maintaining a balanced and cautious approach to protect your capital. As a reminder our mandate is not to have more than 80% of your portfolio invested in equities, which means the remaining 20% of your portfolio is invested in fixed income and cash to reduce risk and provide liquidity within the portfolio.

We encourage you not to get too excited about the strong performance of the portfolio as big moves up (or down) can be short-term in nature. **Our long-term investment focus is on generating cash flow for you from your investments** in the form of dividends and interest payments along with capital gains from price appreciation. Currently clients have been annualizing over 7% since inception in December 2012.

[With a new decade upon us there are many bold predictions for what may or may not happen. Here are three key themes for 2020:](#)

1. Politics – The U.S. election is the main event but the trade war, unrest in Hong Kong and elsewhere, debates over climate change and much more are creating plenty of geopolitical uncertainty.

2. Challenges to global growth – Changing demographics and other forces are limiting the upside for global growth. The late stage of the economic cycle we're in though can last for a long time.

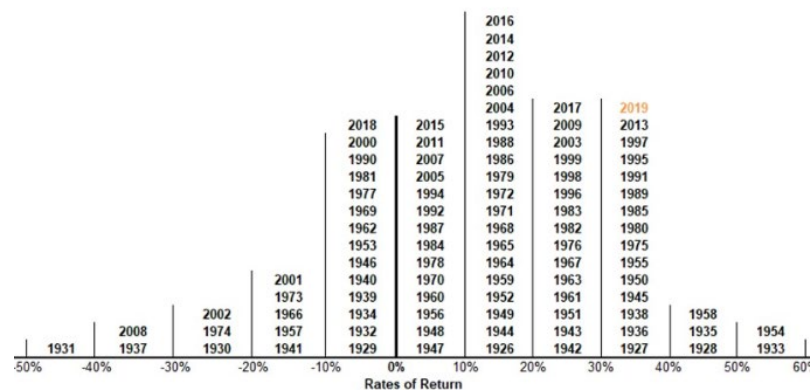
3. Search for yield – Around the world central banks have renewed their accommodative policies and lowered interest rates. As a result, the search for yield has intensified.

What does that mean for investment returns? Does the strong performance of 2019 infer that 2020 will be weak?

The graph below shows the yearly returns of the S&P 500 Index from 1926 to 2019. You can see that most of the time, approximately 73% of the time, the markets are positive. I'm anticipating a positive single digit return for 2020.

Historically it has paid to own stocks

Calendar year S&P 500® Index returns 1926-2019



73% of the time, U.S. equity market has posted calendar year returns above zero

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Monthly and Q4 returns for the Cash Flow Solutions Model were as follows*:

<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Q4</u>
+0.48%	+3.20%	-0.17%	+3.54%

* **Returns are net of investment costs.** Please note that the actual performance of your account(s) this past quarter and for the year will vary due to inception date and the timing of deposits and withdrawal.

At the time of this writing I see portfolio values are building on the positive gains made in 2019. While the future is unknown the best method of making money is to stay diversified.

The Top Three Best Performing Investments for 2019 based on price gains

1. Boyd Group – up 79%
2. Brookfield Asset Management - up 45%
3. Algonquin Power & Utilities - up 41%

Investment Highlights

- **Labrador Iron Ore (LIF-T)** announced another special distribution of \$0.80/share in addition to the regular dividend of \$0.25/share. LIF surprised us again with their fourth special dividend this year, which has helped offset their pullback.
- **Boyd Group Income Fund** converted themselves to a regular corporation and now go by **Boyd Group Services (BYD-T)**. The change in corporate structure triggered a capital gain in January 2020 but opened the investment to foreign investors, which we believe is helping the stock move higher.

During the 4th quarter the following changes were made to the portfolio model:

- We added a new investment in **Walt Disney (DIS-US)**. Many of you are familiar with the company, which recently launched its own streaming service called Disney+. We wanted to add more USD exposure to the portfolios via a well-known name.
- I also took partial profits in **WSP Global (WSP-T)** to raise cash just before Christmas as a defensive strategy to protect portfolios.

We thank you again for your patience as we recognize the ups and downs in the markets can be unsettling. Our success is linked to your success and we value the relationships we have with you. **Please contact us with your feedback on how we can better serve you. We look forward to hearing from you!** Take care.

*Wishing you and yours good health, happiness,
and continued success for 2020!*

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