PRIVATE WEALTH MANAGEMENT

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THE CM GROUP INVESTMENT FOCUS AND QUARTERLY

Normally we try to separate our Investment Focus newsletter and our Quarterly newsletter; however, due to unforeseen circumstances, we have decided to combine the two for May. As we are heading towards the May long weekend, this will give everyone something to read, as the inevitable rain/snow moves in.

As a reminder, this Investment Focus will look back on the first quarter of 2019, giving an overview of the global markets for that three month period. We have also prepared two article for you, with help from our friends at Dimensional Fund Advisory's.

Have a great Spring,

Enjoy.

"Predicting rain doesn't count. Building arks does"

-Warren Buffett

Retirement Planning

There is much more to retirement planning than how much you save. The focus for most people is how much we need to save to get to retirement. Savings is an important component, but it is just one step. The other components to look at includes which account, how tax efficient each account and investment security is, and matching liquidity and withdrawal needs.

Types of accounts

There are three main types of investment accounts available. These include Registered Retirement Savings Plans (RRSPs), Tax Free Savings Accounts (TFSAs) and non-registered (Cash) accounts. Each of these accounts have different tax efficiencies and different withdrawal and liquidity rules.

RRSP accounts are used for retirement savings. These accounts are tax efficient with no tax paid on the capital gains or income generated while securities are held in these accounts. There is tax paid when withdrawing from an RRSP, the tax rate is the same as your marginal tax rate. Whatever amount you withdraw is declared as income on your tax return for the year that the withdrawal was made. There are significant liquidity issues if cash is withdrawn from an RRSP account early. There is no ability to recontribute the amount back to an RRSP, the room is lost forever. As such, RRSP accounts should be used to fund future retirement plans.

TFSA accounts are used for retirement savings as well as other savings strategies. TFSA accounts offer the best tax efficiency as there is no tax collected on capital gains or income generated. All income is 100 percent tax free. TFSA accounts offer great liquidity as you can recontribute 100 percent of a withdrawal back to a TFSA account in the following calendar year with no penalty. As such, TFSA accounts can be used for funding retirement as well as other items an investor is saving for.

Cash accounts are used for everything else. There is tax efficiency in cash accounts as you only pay 50 percent of your tax rate on capital gains and there is also a dividend tax that discounts the tax bill on income earned through dividends. Capital gains and dividend income are reported on your personal tax return for the year that they are incurred. Cash accounts also offer great liquidity as there are typically no barriers to depositing or withdrawing from these accounts. As such, cash accounts should be used for excess savings above and beyond the other two forms of accounts.

Type of investments

There are contribution limits to RRSP and TFSA accounts, meaning that these two buckets are commonly filled first. Generally speaking, the following investments can be held in each different account to maximize their potential benefits.

- RRSP accounts should hold items that attract the highest marginal tax rate. These items would be bonds and other fixed income instruments that are taxed at your marginal tax rate.
- TFSA accounts should hold items with the highest expected return. These items would include stocks that have the potential for the highest rate of return over long periods of time.
- Cash accounts should hold everything else. Keeping in mind that bonds held in cash accounts with attract the top tax rates and equities (or stocks) will attract somewhere around 50 percent of the top tax rate.

Order of withdrawal

Now it is time to start using that money, but which one first? The answer to this is… it depends. Retiring early or working later plays a big role on what savings to start using. Do you have pension or is it just your personal savings that is going to fund the next stage in life. Are there other income sources, maybe a younger spouse will work a little longer then you or maybe you both want to retire together. The factors that determine the strategy you use are always unique for the individual, that is why planning is so important.

One of the biggest components of retirement planning is planning for how we start taking that money out. This is the most frequently asked questions we receive from soon to be retirees. The questions are which investment account and which investment vehicle to take from first. To answer this question, you must determine how much money you will need to live on yearly. This is where a proper financial plan comes into play. The planning should include cash flow analysis to set the foundation. Many financial planners will advise to order the withdrawal from the accounts in this order, but each person's financial situation is unique, which is why it may be a good idea to talk with your investment advisor beforehand.

1. Cash accounts. Withdrawal made are from after-tax dollars as investors have already paid taxes on the cash that was put into these accounts. The tax bill coming out will only be the amount of growth.
2. RRSP accounts. These accounts will be converted to Registered Retirement Income Funds (RRIFs) at age 71. There is a mandatory withdrawal amount annually starting at age 72. The amounts withdrawn are treated as income on your tax return.
3. TFSA accounts. As discussed above, there is no tax to be paid on the growth or income generated in a TFSA account. The truly tax free nature makes these the best accounts to hold to the longest.

The main thing is to have an idea of what you want to see from retirement, at least the first few years. Layout where your income sources are going to come from and also keep in mind tax consequences that will arise. As in your working years, your net income will play a big part in these decisions. The more tax efficient you can be, the more money you will keep.

Other income sources – Income Layering

Taking Canada Pension Plan (CPP) early could take the strain off relying on your non-registered (cash account) savings in the early years. Also keeping in mind that you can convert your RRSP to RRIF well before age 71, which can help lower what your RRIF minimum is in the future. We like to look at the least flexible income sources first and use them as a base, then start adding other income to get to the desired income amount that each client needs to fund their retirement plans.

Pensions, annuities and government benefits provide a reliable income stream that help pay for the necessities of living, but you are limited on taking out extra money when needed and also have limitations on providing income to a surviving spouse or even an estate. Having available money later in retirement means that you still maintain control of your retirement and your lifestyle. Just as your plans change in the working years, your plans will change in your retirement years as well. Again, just because you are now retried does not mean you should stop planning, in fact it is probably even more important to have regular reviews and update your plan.

-Colin Andrews, The CM Group

Déjà Vu All Over Again

February 2019

Investment fads are nothing new. When selecting strategies for their portfolios, investors are often tempted to seek out the latest and greatest investment opportunities.

Over the years, these approaches have sought to capitalize on developments such as the perceived relative strength of particular geographic regions, technological changes in the economy, or the popularity of different natural resources. But long-term investors should be aware that letting short-term trends influence their investment approach may be counterproductive. As Nobel laureate Eugene Fama said, “There’s one robust new idea in finance that has investment implications maybe every 10 or 15 years, but there’s a marketing idea every week.”

WHAT’S HOT BECOMES WHAT’S NOT

Looking back at some investment fads over recent decades can illustrate how often trendy investment themes come and go. In the early 1990s, attention turned to the rising “Asian Tigers” of Hong Kong, Singapore, South Korea, and Taiwan. A decade later, much was written about the emergence of the “BRIC” countries of Brazil, Russia, India, and China and their new place in global markets. Similarly, funds targeting hot industries or trends have come into and fallen out of vogue. In the 1950s, the “Nifty Fifty” were all the rage. In the 1960s, “go-go” stocks and funds piqued investor interest. Later in the 20th century, growing belief in the emergence of a “new economy” led to the creation of funds poised to make the most of the rising importance of information technology and telecommunication services. During the 2000s, 130/30 funds, which used leverage to sell short certain stocks while going long others, became increasingly popular. In the wake of the 2008 financial crisis, “Black Swan” funds, “tail-risk-hedging” strategies, and “liquid alternatives” abounded. As investors reached for yield in a low interest-rate environment in the following years, other funds sprang up that claimed to offer increased income generation, and new strategies like unconstrained bond funds proliferated. More recently, strategies focused on peer-to-peer lending, cryptocurrencies, and even cannabis cultivation and private space exploration have become more fashionable. In this environment, so-called “FAANG” stocks and concentrated exchange-traded funds with catchy ticker symbols have also garnered attention among investors.

THE FUND GRAVEYARD

Unsurprisingly, however, numerous funds across the investment landscape were launched over the years only to subsequently close and fade from investor memory. While economic, demographic, technological, and environmental trends shape the world we live in, public markets aggregate a vast amount of dispersed information and drive it into security prices. Any individual trying to outguess the market by constantly trading in and out of what's hot is competing against the extraordinary collective wisdom of millions of buyers and sellers around the world.

With the benefit of hindsight, it is easy to point out the fortune one could have amassed by making the right call on a specific industry, region, or individual security over a specific period. While these anecdotes can be entertaining, there is a wealth of compelling evidence that highlights the futility of attempting to identify mispricing in advance and profit from it.

It is important to remember that many investing fads, and indeed, most mutual funds, do not stand the test of time. A large proportion of funds fail to survive over the longer term. Of the 1,622 fixed income mutual funds in existence at the beginning of 2004, only 55% still existed at the end of 2018. Similarly, among equity mutual funds, only 51% of the 2,786 funds available to US-based investors at the beginning of 2004 endured.

WHAT AM I REALLY GETTING?

When confronted with choices about whether to add additional types of assets or strategies to a portfolio, it may be helpful to ask the following questions:

1. What is this strategy claiming to provide that is not already in my portfolio?
2. If it is not in my portfolio, can I reasonably expect that including it or focusing on it will increase expected returns, reduce expected volatility, or help me achieve my investment goal?
3. Am I comfortable with the range of potential outcomes?

If investors are left with doubts after asking any of these questions, it may be wise to use caution before proceeding. Within equities, for example, a market portfolio offers the benefit of exposure to thousands of companies doing business around the world and broad diversification across industries, sectors, and countries. While there can be good reasons to deviate from a market portfolio, investors should understand the potential benefits and risks of doing so.

In addition, there is no shortage of things investors can do to help contribute to a better investment experience. Working closely with a financial advisor can help individual investors create a plan that fits their needs and risk tolerance. Pursuing a globally diversified approach; managing expenses, turnover, and taxes; and staying disciplined through market volatility can help improve investors' chances of achieving their long-term financial goals.

CONCLUSION

Fashionable investment approaches will come and go, but investors should remember that a long-term, disciplined investment approach based on robust research and implementation may be the most reliable path to success in the global capital markets.

Source: Dimensional Fund Advisors Canada ULC (Dimensional Canada).

Eugene Fama is a member of the Board of Directors of the general partner of, and provides consulting services to, Dimensional Fund Advisors LP.

Quarterly Investment Update

First Quarter 2019

Market Update: A Quarter in Review

March 31, 2019

CANADIAN STOCKS

Large Cap	Small Cap	Growth	Value
12.54%	11.58%	13.82%	11.90%

INTERNATIONAL STOCKS

Large Cap	Small Cap	Growth	Value	Emerging
7.57%	8.24%	9.59%	5.56%	7.51%

US STOCKS

Large Cap	Small Cap	Growth	Value
11.25%	12.17%	13.73%	9.57%

REAL ESTATE AND FIXED INCOME

Global REITs	1-Month T-Bills	Short-Term Bonds	Intermediate Bonds	Global Bonds (hedged)
11.57%	0.39%	1.74%	3.91%	0.94%

Data is in Canadian dollars. Market segment (index representation) as follows: Canadian stocks: Large Cap (S&P/TSX 60), Small Cap (MSCI Canadian Small), Growth (MSCI Canadian Growth), Value (MSCI Canadian Value); US stocks: Large Cap (S&P 500), Small Cap (Russell 2000), Growth (Russell 3000 Growth), Value (Russell 3000 Value); International stocks: Large Cap (MSCI EAFE [net div]), Small Cap (MSCI EAFE Small Cap [net div]), Growth (MSCI EAFE Growth [net div]), Value (MSCI EAFE Value [net div]), Emerging Markets (MSCI Emerging [net div]); Real Estate: Global REITs (S&P Global REIT [net div]); Fixed Income: 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Short Term Bonds (FTSE Canada Short-Term Bond), Intermediate Bonds (FTSE Canada Universe Bond), Global Bonds-Hedged (FTSE World Government Bond Index 1-5 Years [hedged to CAD]). S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance does not guarantee future returns.

Survey of Long-Term Performance

March 31, 2019

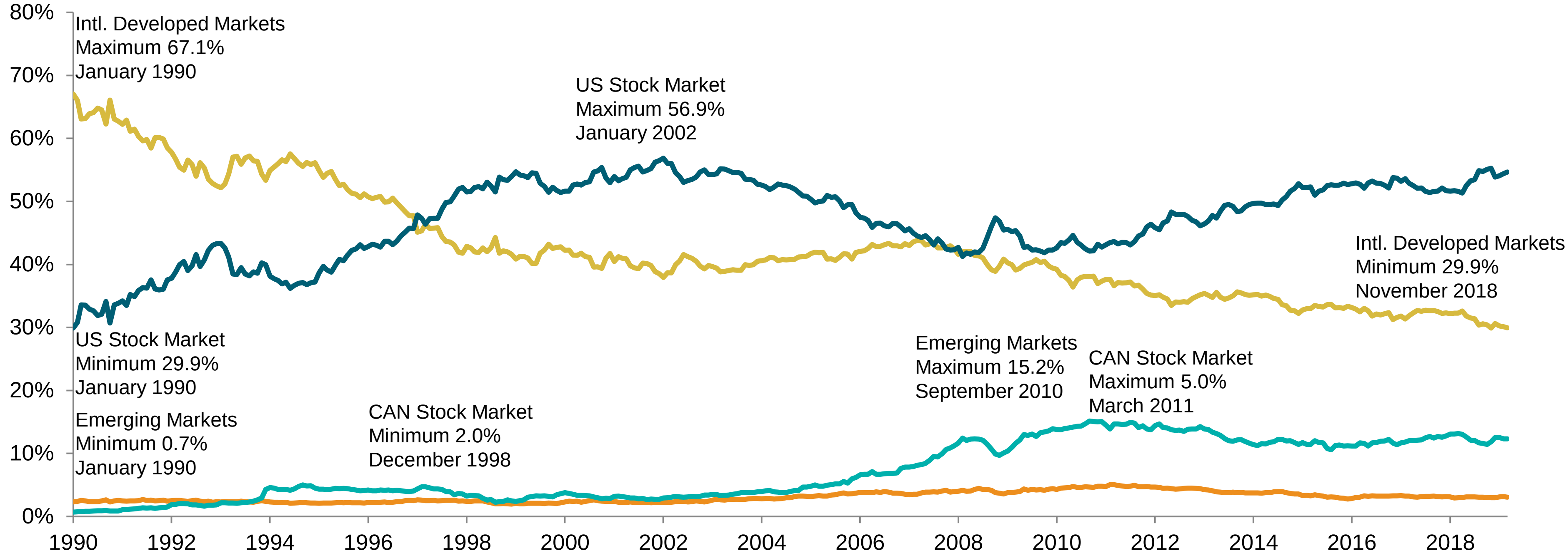
Asset Class	Index	Annualized (%) 1 Year	3 Years	5 Years	10 Years	20 Years	Since Inception	Inception date
CANADIAN STOCKS								
Large Cap	S&P/TSX 60	9.04	9.95	6.34	9.31	7.28	8.52	Feb-87
Small Cap	MSCI Canadian Small	3.30	6.97	1.21	9.78	7.49	8.10	Jul-90
Growth	MSCI Canadian Growth	8.25	7.36	5.01	7.19	5.92	7.04	Jan-82
Value	MSCI Canadian Value	5.90	10.75	4.75	10.84	8.65	10.64	Jan-82
US STOCKS								
Large Cap	S&P 500	13.56	14.59	15.19	16.59	5.40	11.32	Feb-51
Small Cap	Russell 2000	5.84	14.00	11.19	16.03	7.79	11.73	Jan-79
Growth	Russell 3000 Growth	16.22	17.51	17.47	18.12	4.99	11.58	Jan-79
Value	Russell 3000 Value	9.21	11.55	11.72	15.16	6.23	12.29	Jan-79
INTERNATIONAL STOCKS								
Large Cap	MSCI EAFE (net div.)	-0.23	8.43	6.31	9.61	3.30	9.05	Jan-70
Small Cap	MSCI EAFE Small Cap (net div.)	-6.08	8.67	8.54	13.44	7.08	6.75	Jan-93
Growth	MSCI EAFE Growth (net div.)	2.27	8.78	7.98	10.40	2.82	9.06	Jan-75
Value	MSCI EAFE Value (net div.)	-2.73	8.05	4.59	8.77	3.64	11.42	Jan-75
Emerging Markets	MSCI Emerging Markets (net div.)	-4.06	11.88	7.71	9.60	7.72	10.55	Jan-88
REAL ESTATE								
Global REITs	S&P Global REIT (net div.)	18.06	5.61	10.79	15.54	8.36	8.54	Jul-89
FIXED INCOME								
Canadian T-Bills	FTSE Canada 30-Day T-Bill	1.43	0.89	0.81	0.76	2.07	5.91	Jun-73
Canadian Short-Term Bonds	FTSE Canada Short-Term Bond	3.46	1.44	1.87	2.51	4.04	7.39	Jan-80
Canadian Bonds	FTSE Canada Universe Bond	5.27	2.70	3.77	4.41	5.23	8.60	Jan-80
Global Bonds (hedged)	FTSE World Government Bond Index 1-5 Years (hedged to CAD)	2.33	1.08	1.57	1.99	3.37	5.97	Jan-85

Data is in Canadian dollars. MSCI EAFE Small Cap Index return is price-only prior to January 1999 data inception. MSCI Emerging Markets Index return is gross dividends prior to January 1999 data inception. S&P Global REIT Index return is gross dividends prior to January 2001 data inception. S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Value of Stock Markets around the World

January 1990–March 2019

	Number of Countries	Number of Stocks	Total Value	Weights: March 31, 2019	Weights: Change from Previous Year	Weights: 01/90-03/19 Average
Canada	1	302	1.73 Trillion	3.1%	1.5%	3.1%
United States	1	2,411	30.68 Trillion	54.7%	6.5%	47.1%
Developed Markets	21	3,251	16.80 Trillion	29.9%	-8.2%	42.6%
Emerging Markets	24	2,709	6.92 Trillion	12.3%	-5.4%	7.2%
Total	47	8,673	56.13 Trillion	100.0%		



Global market capitalization weights are not static; they change across time.

Data is in US dollars and values are beginning of month. The proxies for the Canadian and US equity markets are based on the respective country markets from the MSCI All Country World IMI Index. The international developed market proxy is the MSCI All Country World IMI ex USA ex Canada Index. The proxy for emerging markets is the MSCI All Country World IMI Index (Emerging Markets).

The Randomness of Quarterly Returns

March 31, 2019

This table shows from top to bottom the highest returning asset classes each quarter over the last 17 quarters. Each asset class is color coded based on the legend below.

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q1 2017	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Highest Return	14.37	0.14	6.26	10.18	4.54	9.02	10.68	6.68	10.37	3.48	3.90	7.63	4.36	8.21	5.26	1.77	13.29	?
	13.00	0.02	0.66	8.75	1.39	6.41	8.05	4.54	6.21	3.48	3.68	7.11	1.85	6.77	0.31	1.33	11.64	?
	11.49	-0.71	0.15	8.56	1.13	5.60	5.98	1.64	4.73	1.11	1.41	4.99	0.94	6.01	0.01	0.41	11.57	?
	11.01	-0.79	0.12	4.36	0.38	5.11	5.45	0.12	2.41	0.45	0.61	4.45	0.26	0.78	-0.38	-0.45	7.57	?
	4.15	-1.26	-0.91	0.98	0.12	4.93	1.29	-0.56	1.24	0.23	0.28	3.16	0.10	0.51	-0.57	-2.24	7.51	?
	2.58	-1.63	-4.10	0.11	-0.77	3.31	1.19	-1.90	0.47	0.13	0.16	2.02	0.04	0.31	-0.96	-7.58	3.91	?
	0.82	-1.71	-7.86	-0.06	-5.23	3.11	0.12	-2.86	0.21	-0.99	-1.84	0.21	-3.06	0.04	-1.77	-9.47	0.94	?
Lowest Return	0.20	-9.19	-12.28	-1.40	-8.96	1.41	0.06	-3.44	0.13	-1.64	-2.61	-0.04	-4.52	-6.09	-2.81	-10.11	0.39	?

- Canadian Stocks
- US Stocks
- International Developed Markets
- Emerging Markets
- Global REITs
- Canadian 1-Month T-Bills
- Canadian Bonds
- Global Bonds

The lack of a pattern indicates that picking which asset classes will be the best or worst performers is virtually impossible.

Portfolios combining these various investments will avoid extreme returns.

Data is in Canadian dollars. Indexes represented as follows: Canadian stocks (S&P/TSX Composite Index), US stocks (Russell 3000 Index), International Developed Markets (MSCI EAFE Index), Emerging Markets (MSCI Emerging Markets Index), Global REIT (S&P Global REIT Index), Canadian 1-Month T-Bills (FTSE Canada 30 Day T-Bill), Canadian Bonds (FTSE Canada Universe Bond Index), Global Bonds (FTSE World Government Bond Index Canada 1-5 Years (hedged to CAD)). S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Currency

March 31, 2019

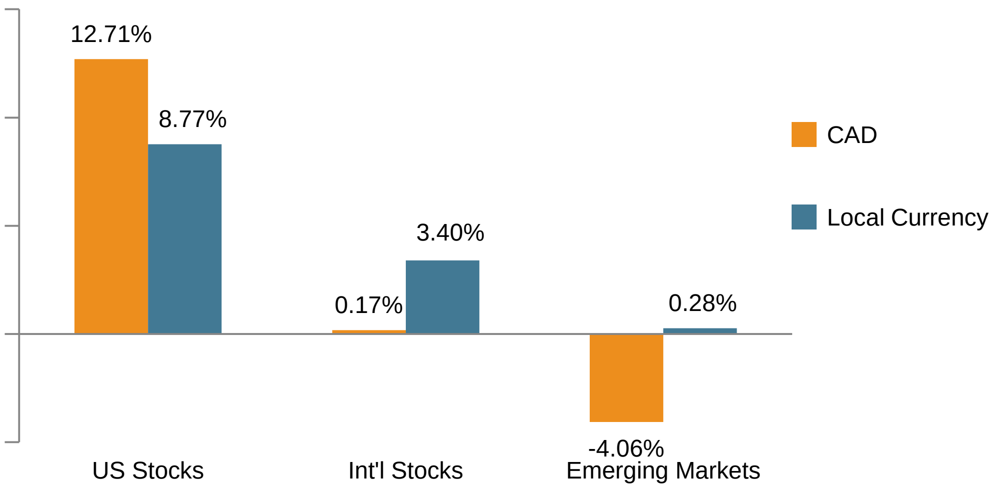
CHANGE IN FOREIGN EXCHANGE RATES (%)

FX/$CAD

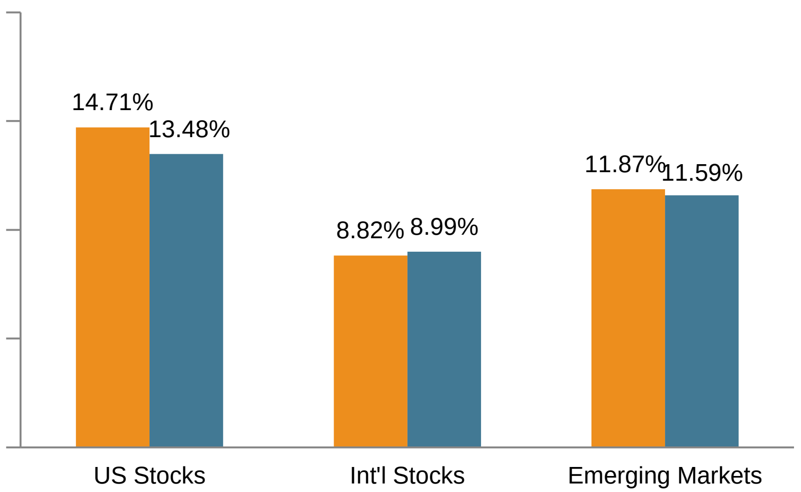
Currency	Q1 2019	One Year	Three Years
$ US Dollars	-2.11%	3.71%	0.95%
€ Euro	-4.16%	-5.45%	0.47%
£ Pounds	0.03%	-3.72%	-2.29%
¥ Yen	-3.19%	-0.43%	1.47%

IMPACT OF CURRENCY FLUCTUATIONS

Annual Returns in CAD and Local Currency



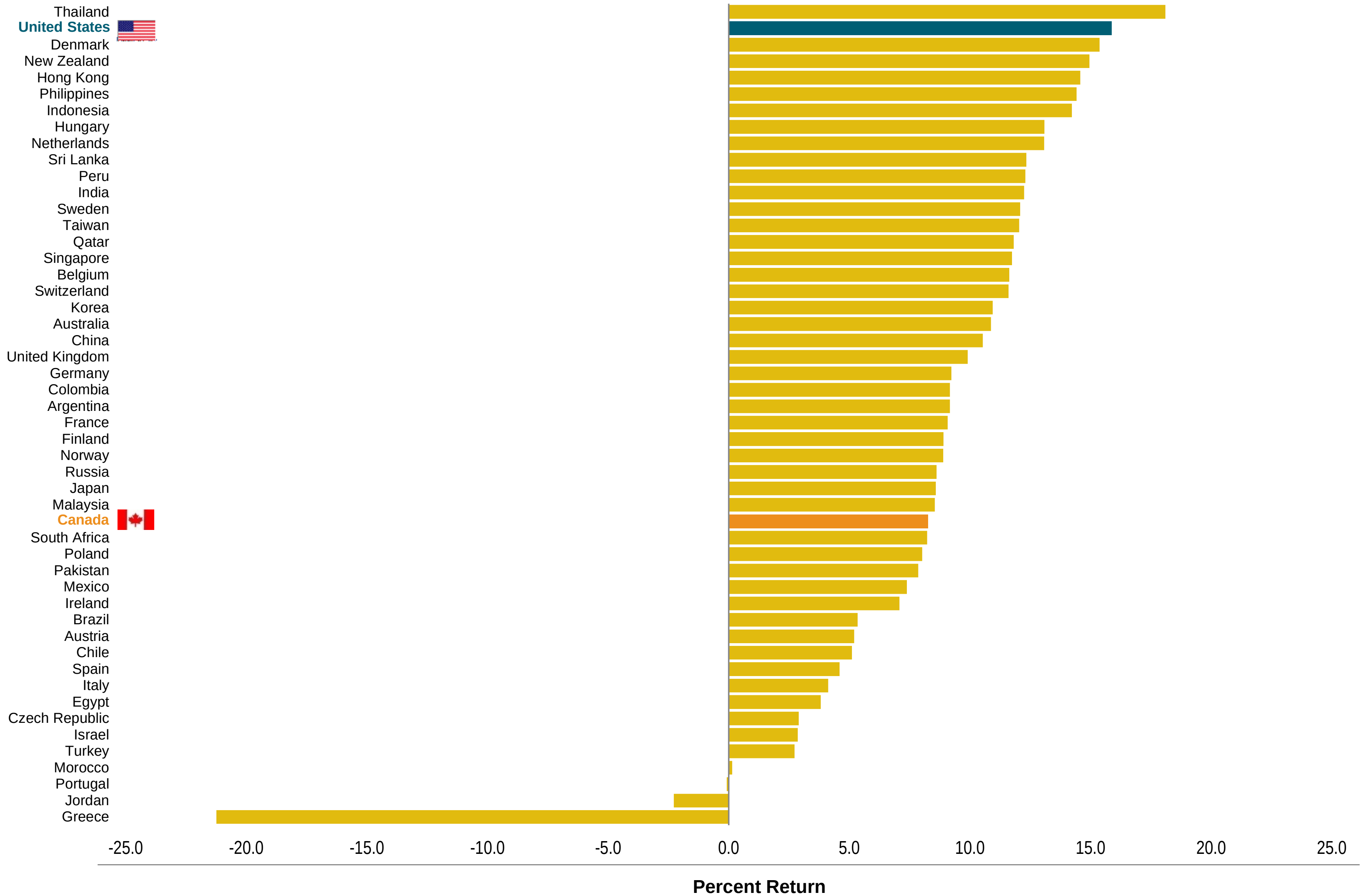
Three-Year Annualized Returns in CAD and Local Currency



Data is in Canadian dollars. The market for the United States, International Developed Markets, and Emerging Markets is defined as: Russell 3000 Index, MSCI EAFE Index (net div.), and MSCI Emerging Markets Index (net div.), respectively. MSCI data copyright MSCI 2019, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

MSCI Country Returns

Country Rankings—Ten-Year Annualized Returns as of March 31, 2019



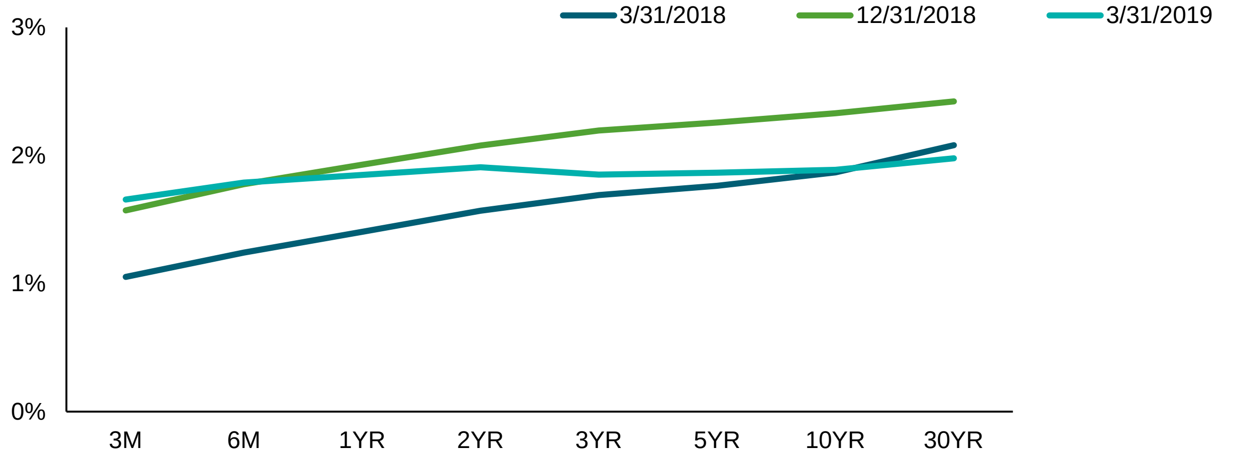
Data in Canadian dollars gross of fees. MSCI data copyright MSCI 2019, all rights reserved. Indexes are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Bond Returns

March 31, 2019

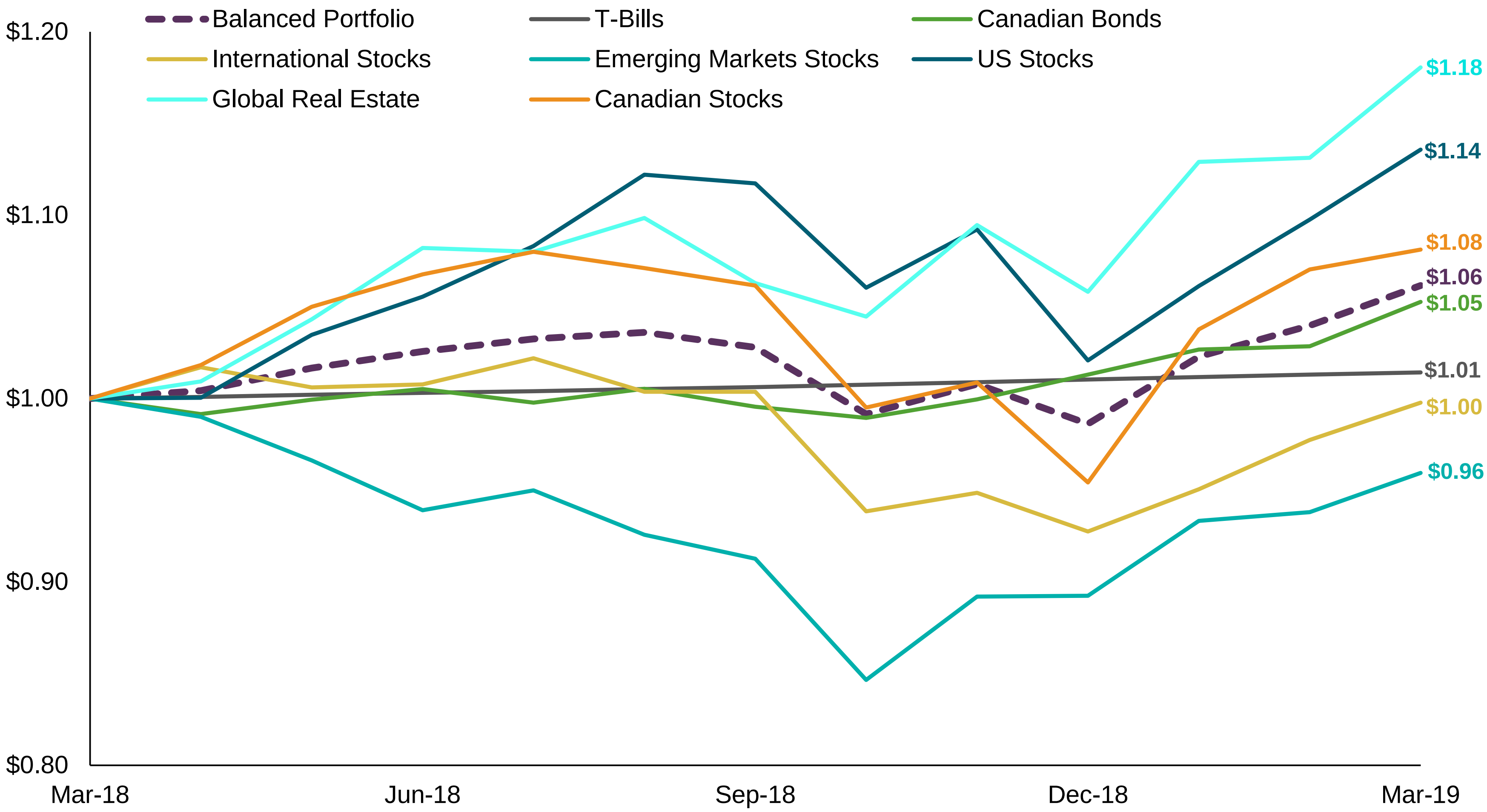
	Return (%)		
Index	**Q1 2019**	**One Year**	**Three Years Annualized**
FTSE Canadian 30 Day T-Bill	0.39%	1.43%	0.89%
FTSE Canada Short-Term Bond Index	1.74%	3.46%	1.44%
FTSE Canada Mid-Term Bond Index	3.77%	5.74%	2.24%
FTSE Canada Long-Term Bond Index	6.94%	7.28%	4.66%
FTSE Canada Universe Bond Index	3.91%	5.27%	2.70%
FTSE World Government Bond Index 1-5 Years (hedged to CAD)	0.94%	2.33%	1.08%

CAN Treasury Yield Curve



Growth of Wealth

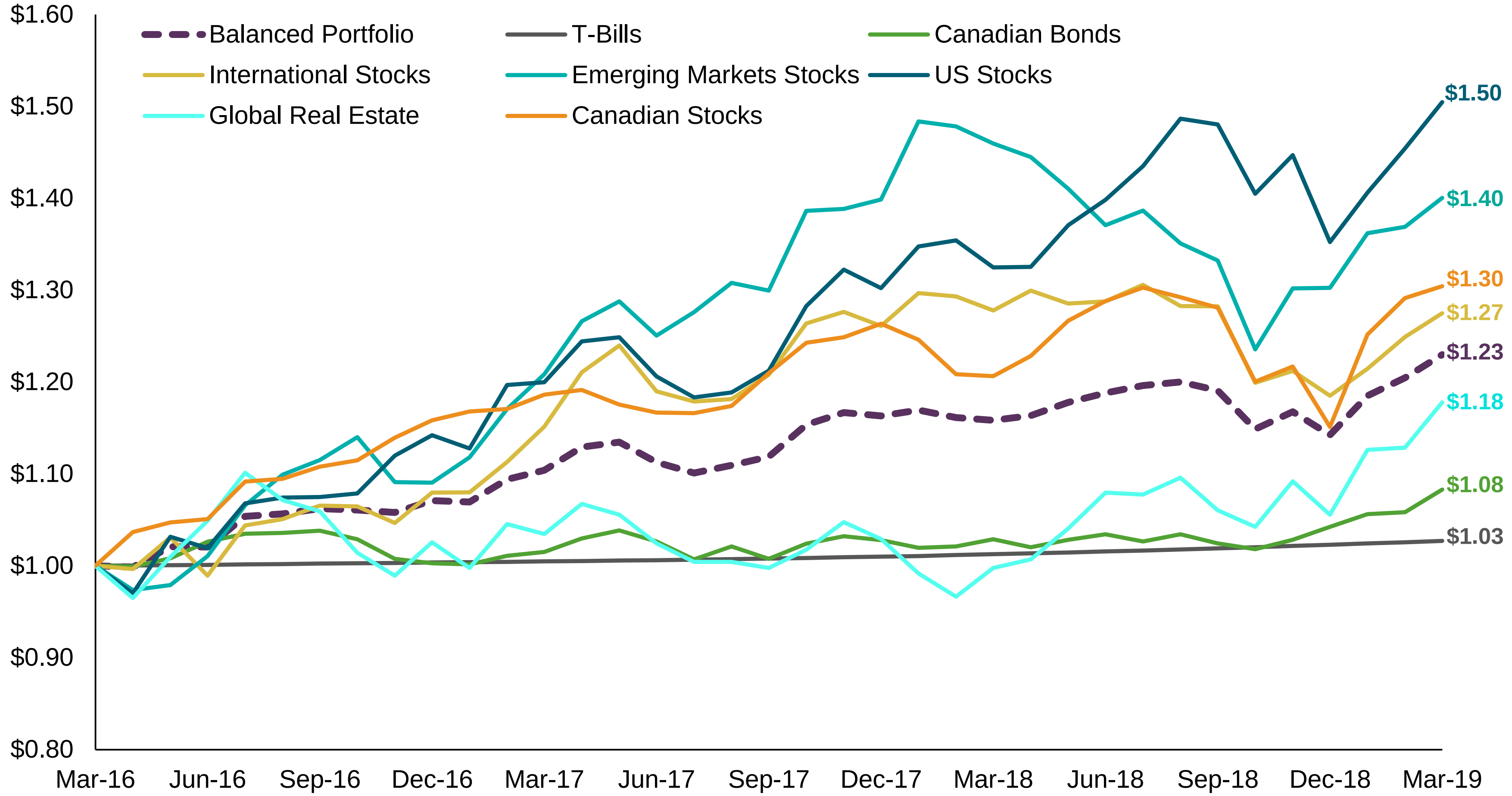
One Year as of March 31, 2019



In Canadian dollars. T-Bills is FTSE Canada 30 Day T-Bill, Canadian Bonds is FTSE Canada Universe Bond Index, International Stocks is MSCI EAFE Index (net div.), Emerging Markets Stocks is MSCI Emerging Markets Index (gross div.) from 01/1988 to 12/1998 and MSCI Emerging Markets Index (net div.) from 01/1999, US Stocks is S&P 500 Index, Global Real Estate is S&P Global REIT Index (gross div.) from 07/1989 to 12/2000 and S&P Global REIT (net div.) from 01/2001 and Canadian Stocks is S&P/TSX Composite Index. Balanced Portfolio is 10% T-Bills, 30% Canadian Bonds, 20% Canadian Stocks, 15% US Stocks, 15% International Stocks, 5% Emerging Markets Stocks and 5% Global Real Estate. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. MSCI data copyright MSCI 2019, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

Growth of Wealth

Three Years as of March 31, 2019



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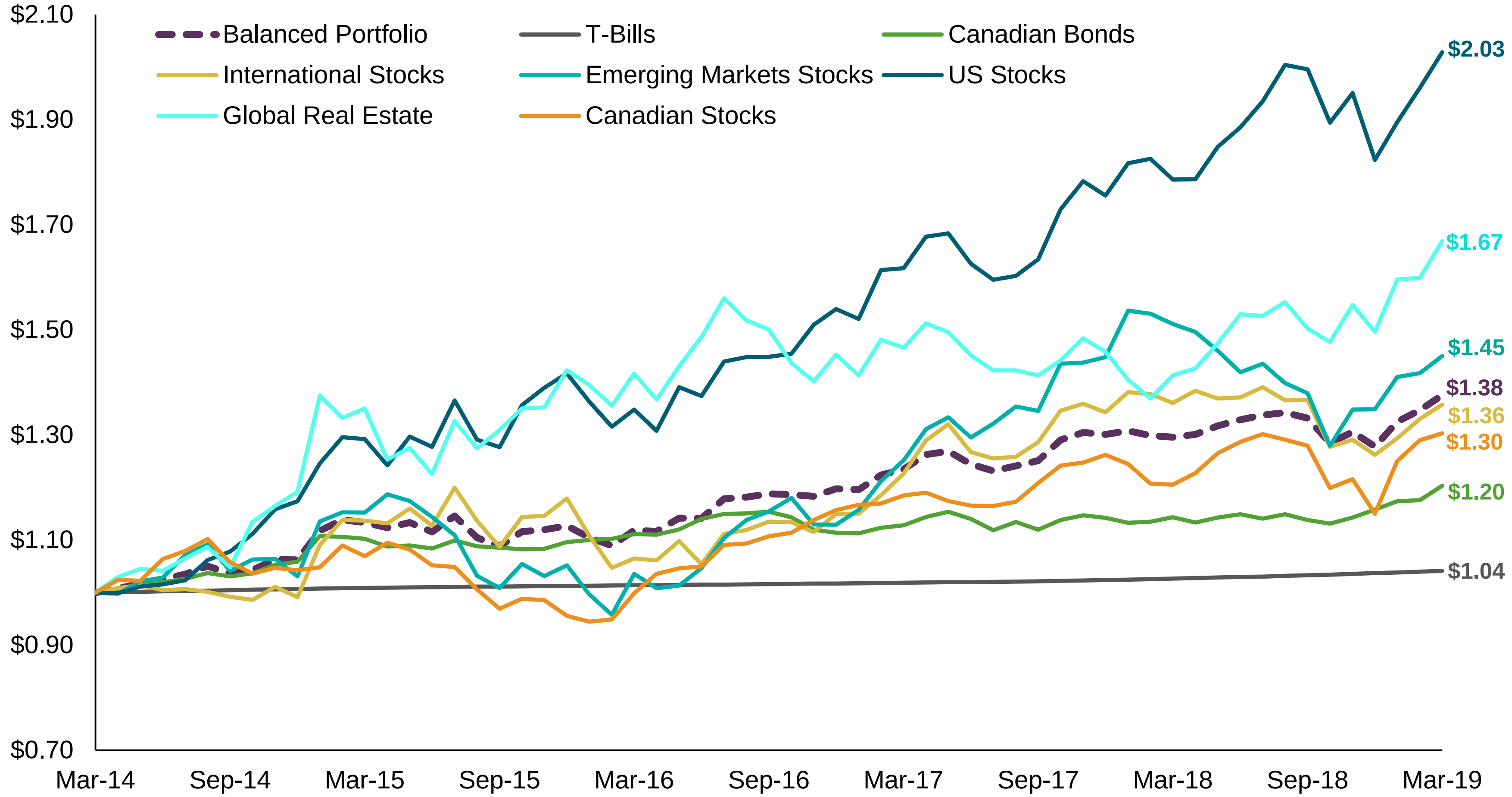
Growth of Wealth

Five Years as of March 31, 2019



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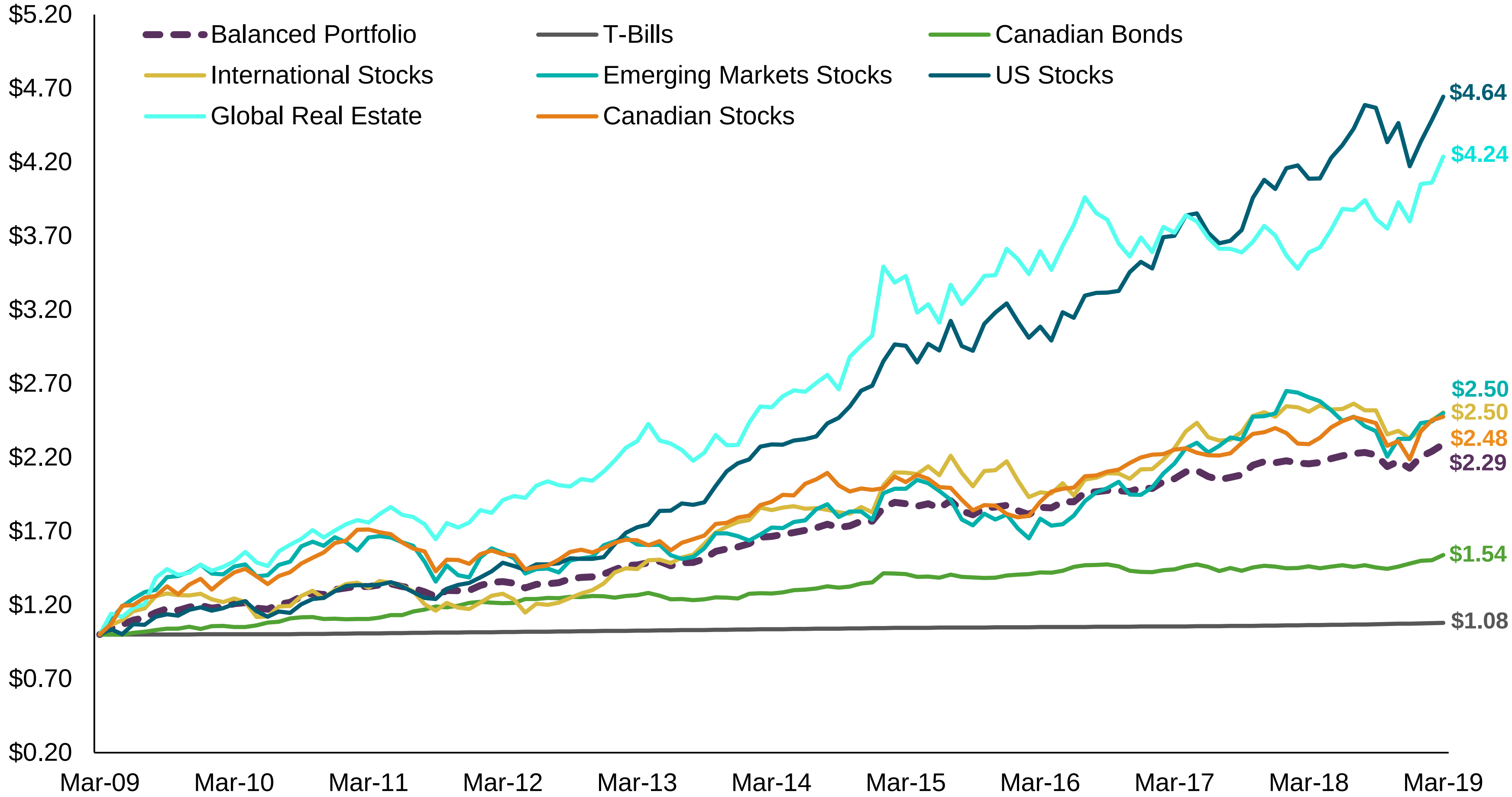
Growth of Wealth

Ten Years as of March 31, 2019



In Canadian dollars. T-Bills is FTSE Canada 30 Day T-Bill, Canadian Bonds is FTSE Canada Universe Bond Index, International Stocks is MSCI EAFE Index (net div.), Emerging Markets Stocks is MSCI Emerging Markets Index (gross div.) from 01/1988 to 12/1998 and MSCI Emerging Markets Index (net div.) from 01/1999, US Stocks is S&P 500 Index, Global Real Estate is S&P Global REIT Index (gross div.) from 07/1989 to 12/2000 and S&P Global REIT (net div.) from 01/2001 and Canadian Stocks is S&P/TSX Composite Index. Balanced Portfolio is 10% T-Bills, 30% Canadian Bonds, 20% Canadian Stocks, 15% US Stocks, 15% International Stocks, 5% Emerging Markets Stocks and 5% Global Real Estate. FTSE fixed income indices © 2019 FTSE Fixed Income LLC. All rights reserved. MSCI data copyright MSCI 2019, all rights reserved. The S&P data are provided by Standard & Poor's Index Services Group. S&P/TSX data provided by S&P/TSX. Indexes are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.