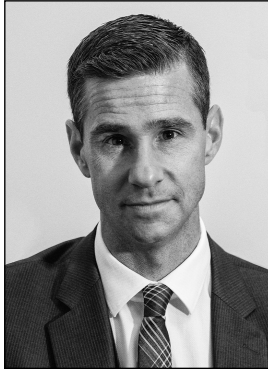


Portfolio Management Commentary

Quarter Ending March 31, 2018



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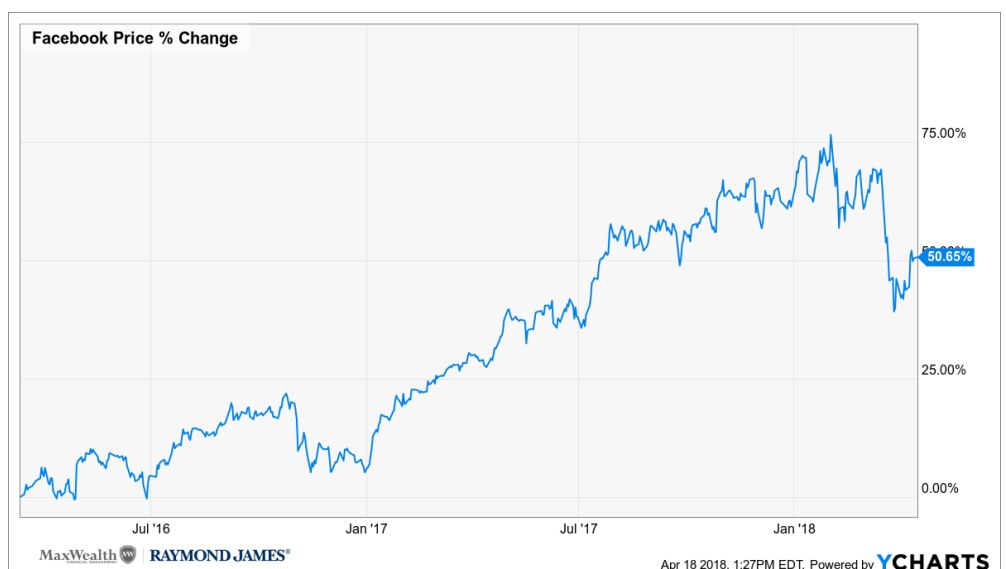
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The first quarter of 2018 was tumultuous for investors as “risk” became a topic for dissection and discussion. Frankly, I have been warning investors for months that the lack of volatility was abnormal and that we needed a “reality check” to reset our expectations. Almost on cue, the markets started to sell off in the last few days of January and sentiment has changed from bullishness to bearishness as people got caught up in the headlines about trade wars, political intrigue, financial conspiracies, and personal data manipulation. All-in-all it was a great quarter for movie ideas to populate Hollywood’s next blockbuster line-up.

But nothing’s really changed and “things are not different this time”, it’s just the ebb-and-flow of fear and greed as they play out their relentless drama in the financial markets. Remember you have a quality portfolio of investments whose purpose is to drive you towards the goals outlined in your financial plan. From time-to-time there will be traffic jams, road blocks, flat tires, wrong turns, and pit stops, but you will still make it to your destination as long as you don’t abandon your plan. I can’t stress this enough. Don’t let headlines and comparisons to indexes derail you. Your plan is unique, personal, and all about your financial goals and not a sound bite from some fast-talker on the TV. Okay enough said.

Have you Un-friended Facebook?

I probably get more comments about this stock than all else combined. So, what gives? Well the most recent controversy centers around the misuse of personal data and Facebook’s role in the security of this data. Frankly, I think we all need to realize that anything “shared” on the internet, really isn’t that private, and maybe we should reduce the amount of personal information we share with strangers. A little prevention, as they say. As an investment thesis Facebook (FB) has been a great addition to our portfolios both as an industry leader and an acquisition specialist. Instagram, Messenger, and WhatsApp are all owned by Facebook. Almost all of us have seen tremendous gains in this stock in the past two years. For now, FB remains a part of our allocation to technology because we hold a small percentage of in the portfolio (roughly 2%-3%) and its business model is still very compelling.



Your Portfolio

There were a couple of changes to the models over the past three months. We replaced our holding in Metro (MRU) with a holding in Dream Global REIT (DRG.UN) for two primary reasons: Increased dividend yield and international exposure. DRG.UN is a commercial real estate company which invests in office, industrial, and mixed-use properties located in Germany. Remember diversity is a key component of risk management. In the growth model, our position in the Horizons Auspice Managed Futures (HMF) was recalled by the issuer as the fund was closed down and we were paid out at NAV (net asset value). I will look for a suitable alternative to reallocate our funds.

The biggest changes occurred in our income model as we rejiggered our equity holdings. This updated model now holds 10 Canadian stocks with no more than two holdings per sector. The rationale for the changes was to fine-tune the dividend distributions. Pictured below are the new risk and valuation components relative to the S&P TSX composite. As you can see we up the yield while being mindful of the risk taken.



Data as of 04-13-2018

Summary

		COMPWGT (250)		Maxwealth Income Builder (10)		Distribution
		S&P/TSX Comp. Weight		Equal Weight		
		Benchmark	Relative	Distribution	Distribution	
Size and Liquidity						
Market Float (in \$ millions)	M FLOAT	\$43,435.6M	\$36,692.4M	-\$6,743.2M	-0.2	
Average Monthly Value Traded	\$VAVG1Y	\$1,737.9M	\$1,403.3M	-\$334.6M	-0.2	
Stability and Risk						
Long Term Debt to Equity	D/E	0.6x	0.7x	1.3x	0.1	
Cash Flow / Debt	CF/DEBT	0.3x	0.2x	0.7x	-0.0	
5-Year Beta vs S&P/TSX Index	BETA	+1.0	+0.6	+0.6	-0.7	
Variability of Historic EPS	EVR	9.1	5.6	-3.5	-0.9	
Spread of Fiscal EPS Estimates	CYCVE	10.0%	1.9%	-8.0%	-1.2	
Valuation						
Price to Trailing Earnings	TRL P/E	16.8x	16.1x	1.0x	-0.1	
Price to Forward Earnings	P/E CYM	15.0x	15.4x	1.0x	0.0	
Price to Book Value	P/B	1.8x	1.9x	1.0x	0.0	
Price to Trailing Sales	P/SALES	1.7x	2.6x	1.5x	0.1	
Price to Trailing Cash Flow	P/CF	8.0x	9.5x	1.2x	0.0	
Yield on Expected Dividends	YIELD	3.1%	3.9%	0.8%	0.3	

Final Thoughts

For many, Q1 2018 was an emotional rollercoaster as equity markets painted a picture similar to a spasmodic EKG. But three months is very short-term, and most accounts time-horizons are decades, if not, multiple decades. It's times like these that we need to keep our heads, invest for the long-term, and take advantage of the mispricing that occurs when investors forget about the optimism of the future.

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