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STATE OF THE UNION

September 30th has come and gone, with just a mad dash from now to year-end ahead of us. A change is in the air, and I'm not only talking about the weather here. We finished the quarter with our portfolios recovering from the summer doldrums, where a rising Canadian dollar and two interest rate hikes went against us. As predicted, both headwinds would blow themselves out and portfolios could deliver returns based on fundamentals. And fundamentally our portfolios are well-positioned, with low risk government bond funds, low-medium risk corporate bond funds and medium risk global equity funds serving to protect portfolios from market volatility, while offering solid return potential going forward.

The global economy is in good shape, through with 8 years of economic expansion since the 2008 Financial Crisis, we are probably closer to the next recession than the last one. Markets are lofty in terms of valuations and our hope is that Republicans can deliver on tax reform and soon. Markets are counting on this. Perhaps an overhaul of the US tax code and resulting positive economic growth would put pressure on our tax-and-spend governments here in Canada. If the US economic sees Reagan era growth rates while our economy falters from economy-killing taxation, the Liberals will be handed their political hat in 2019. And we believe that will happen. Taxation is one thing, confiscation is another.



"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."

Our call to shift from longer duration bond funds to floating rate ones has been a good call, as is (our belief) that maintaining a more defensive position is prudent given how expensive stocks are at this point in time. Markets will correct sooner than later and our portfolios will be in a good position to capitalize on downturns. Steady as she goes and we believe we'll cross the finish line December 31st in good position.

Enjoy the fall colours and we'll see most of you between now and year end!

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