Issue 3 **Friday, January 18th, 2019**

By any account, December was an exceptionally frustrating month to be an investor. What a difference a few weeks can make.

While we have witnessed a strong recovery since Boxing Day, investor sentiment remains understandably low and nervous. However, it is precisely when outlooks are murky and uncertain that the investment opportunity is greatest. When we think about that for a few moments, it makes complete sense, because you rarely get a tremendous investment opportunity when the outlooks are strong and rosy. This is the underlying and confusing emotional dynamic of the markets.

Not to be glib, as there are very real reasons for that uncertainty to exist; U.S. / China trade policy, the U.S. Government shutdown, and Quantitative Tightening monetary policy chief among them. Elevated market volatility driven by passive ETF and algorithmic trading has also fanned those flames. But if we set that aside for the moment, we realize that prices and valuations are often lowest, and dividends are highest precisely during these periods. So, if our philosophy is to buy low and sell high, these opportunities often present themselves at the exact moment when we feel the opposite.

Last week I wrote that we need to see continuing positive economic data, quarterly corporate earnings exhibiting growth, along with reduced trade tensions. On average we are seeing this, but the real big news was this morning. As we received reports out of China that they are offering a path to eliminate their trade imbalance with the United States. Nothing official yet, but I have seen enough positive data and news that leads me to believe that this recovery is real and should be taken advantage of.

I have mentioned many times that fundamentals, historically, have been the driver of returns, and that I see tremendous fundamental value within the financial services and energy sectors. This is particularly true within the fixed income asset class, as the heightened volatility during the fourth quarter created tangible panic and worry among many.

This panic has created an opportunity to re-allocate capital towards fixed income, which is typically a stable ballast within one's portfolio. There are several reasons why fixed income is also set to participate within this healthy recovery, and I believe this is particularly true within "rate reset" preferred equities.

Banks, life insurance companies and pipelines are some of the strongest companies in Canada. They also offer some of the highest quality preferred shares, with many set to increase their dividend yields over the coming months.

Erik Benson, CFA, CIM
Investment Advisor &
Portfolio Manager

Lori Kennedy
Investment Advisor Assistant

Jena Karmali
Business Development Associate

Strategic Partners

Paul Marion, CLU, CHS
Managing Director, Wealth
Management – Canada
Canaccord Genuity Wealth &
Estate Planning Services Ltd.

Anne Jackson, BBA, CMA
Wealth & Estate Planning
Specialist

Making now the time to look towards an asset class that I expect to provide above average returns over the next few years, coming from both elevated dividends as well as capital appreciation.

For some it is appropriate to add an individual preferred share offering from Enbridge or Sun Life, but for others a diversified ETF approach is more suitable. I have begun utilizing the **Evolve Active Canadian Preferred Share ETF**, since meeting with their head portfolio manager several times, reviewing their institutional track record, and touring their offices to meet the remainder of the team. It became obvious to me that Ryan Domsey and his team are simply the best at what they do.

As we consider the contribution deadline for the 2018 taxation year is Friday March 1st, or that the Tax-Free Savings Account contribution limit has been increased in 2019 to $6000, I will be discussing how Preferred Equity might be the opportunity to be taken advantage of.

Have a wonderful weekend with friends and family.

.

Erik Benson, CFA, CIM
Benson Private Wealth

This Week's Market Numbers

S&P/ TSX Composite	15,303
Dow Jones Indus. Avg.	24,706
S&P 500	2670
Canadian/US Dollar	$0.7531
US/Canadian Dollar	$1.3275
Euro / Canadian	$1.5087
Gold	$1280.20
Silver	$15.35
Copper	$2.71
Brent Crude Oil	$62.64
WTI Crude Oil	$53.74
Natural Gas	$3.17