

Notes from the Bridge

CANACCORD Genuity
Wealth Management

Benson
Private Wealth

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This week we saw a continuation of positive economic growth in both Canada and the United States as both posted strong GDP data, but also some negatives with respect to trade. As we turn the page from the typically quiet summer months to historically more volatile and unpredictable months of the year, I am noticing more than just the leaves changing colour.

The higher volatility and unpredictability of equity returns for both September and October are common knowledge. However, we also know that history doesn't repeat itself, it merely rhymes. So, with both being unknowns, how do we manage them and the uncomfortable stress that comes with that.

The over-simplified answer is diversification and having a long-term outlook, however, both are of little comfort during any negative market periods. This is not to say that I am expecting to see a period of negative returns starting next month, but rather much like an umbrella, they are only beneficial to you if you have it before the rain starts.

Recently, I have discussed a shifting or rotation of sentiment within the capital markets from growth to value, as well as the incorporation of real assets within one's portfolio. It is my opinion that we can only truly reap the benefits of diversification if we focus on diversifying the risks we take versus the number of holdings that make up a portfolio.

For example, real assets such as real estate, infrastructure and gold carry with them different risks and are influenced differently by economic and political factors. Being influenced differently does not mean they are immune to the vagaries of the capital markets, rather that factors such as rising inflation or a declining US Dollar that can be a negative risk for certain equity assets, tend to be a positive risk for assets such as gold.

As many of you will know, I have not been a large proponent of owning gold for quite some time. Primarily because the growth factors that affect the price of gold, beyond mere speculation, have not really been present over the past number of years. With inflation now beginning to shift higher, and increasingly protectionist trade policy a potential negative for the US Dollar, those factors are once again beginning to resurface.

Granted, this is a bit of an over simplification, but in owning a portfolio of very well-run companies that does not account for these changing economic and political factors, one is not truly diversified. Yes, I still want to own the Bank of Nova Scotia, Microsoft, Enbridge and Apple's of the world, but as inflation and currency risks begin to rise, I also want to hold assets that can offset and take advantage of those risk factors.

Now, I am certainly not trying to sound any alarms this week, but rather trying to illustrate that the risks affecting the overall capital markets have

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

Canaccord Genuity
Wealth Management
P.O. Box 10337
2200 - 609 Granville Street
Vancouver, BC V7Y 1H2

T: 604.643.7345
TF: 1.800.663.1899
F: 604.601.5966
E: erik.benson@canaccord.com

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begun to shift towards risks that tend to positively affect gold. Thus, as we continue to execute on the strategies to achieve our required growth and dividend income needs, taking profits where and when applicable, I will be discussing the inclusion of holding gold assets as a measure to diversify and account for that risk within a portfolio.

Have a wonderful Labour Day long weekend with friends and family.



Erik Benson, CFA, CIM
Benson Private Wealth



This Week's Market Numbers

S&P/ TSX Composite	16,262
Dow Jones Indus. Avg.	25,963
S&P 500	2,899

Canadian/US Dollar	\$0.7663
US/Canadian Dollar	\$1.3047
Euro / Canadian	\$1.5144

Gold	\$1205.40
Silver	\$14.55
Copper	\$2.67

Brent Crude Oil	\$77.45
WTI Crude Oil	\$69.90
Natural Gas	\$2.92

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