

TD Wealth

Private Investment Advice



**The District of Thunder Bay Social
Services Administration Board**

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Portfolio Managers

Annual Review April 19, 2018



1. Review Performance

- Recap of Portfolio
- 2017 Performance
- Year to Date Performance
- Since Inception Performance
- Defensive Nature of Equity and Portfolio Impact
- Market Commentary

2. Questions?

\$12.8M invested

- \$11.6M deposited April 1st 2015
- \$0.9M deposited June 15th 2015
- \$0.3M deposited May 4th 2016

Asset Mix – Balanced Income profile

- 70% Fixed Income:
- investment grade Canadian corporate bonds (5 year ladder)
- Initial YTM 1.78%
- 5% of Fixed Income to be 90 days or less (previously 25% until July 2017)

30% Equity:

- Canadian "blue chip" dividend paying companies
- Dividend yield at the time 3.65%
- U.S. and international exposure is not permitted



2017 Performance

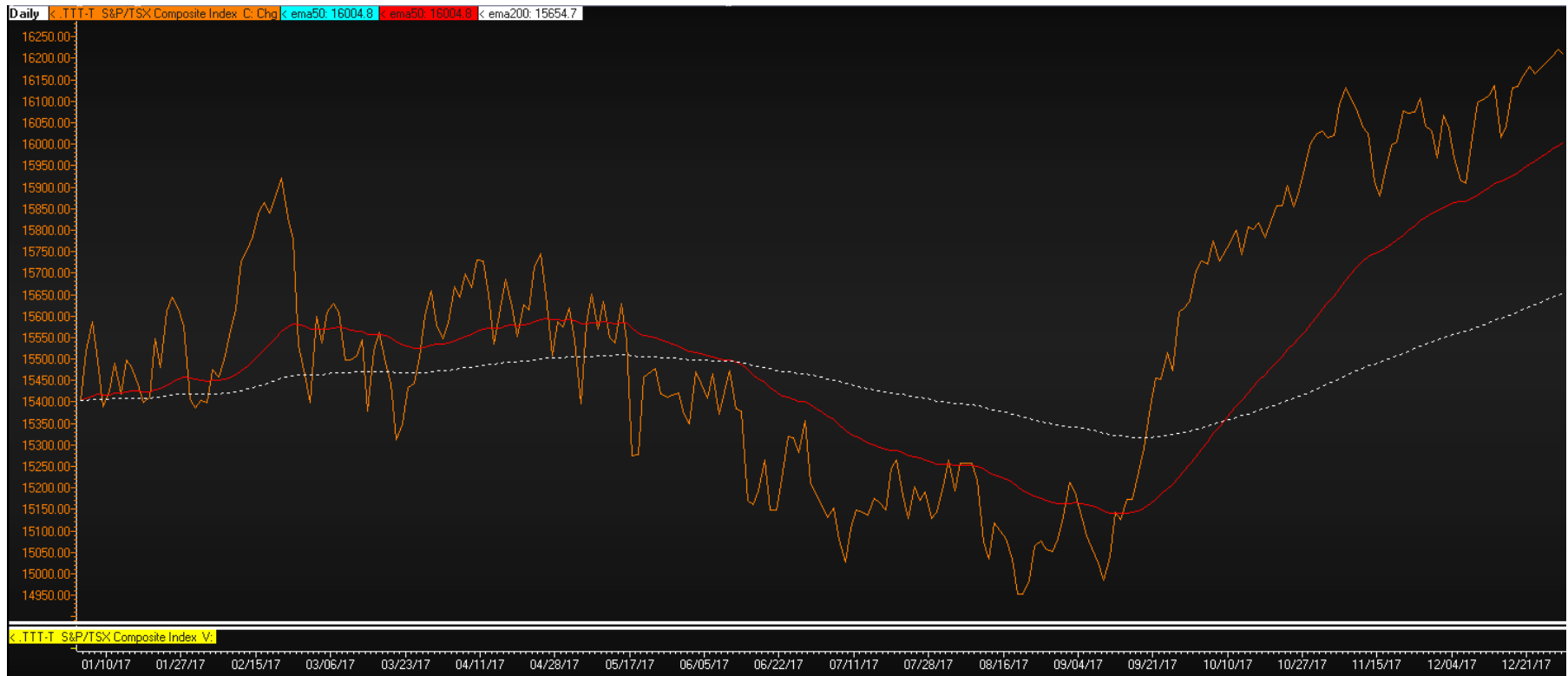
\$13,372,894 Market Value Dec 31, 2016

\$13,876,555 Market Value Dec 31, 2017

\$503,661 increase in value (3.8% holding period return)

- \$360,019 interest income on bonds
- \$137,438 dividend income on equities

The TSX in Canada was up 6.0% in 2017



YTD Performance (Jan 1st to Apr 10th 2018)



\$13,876,555 Market Value Dec 31, 2017

\$13,712,037 Market Value Apr 10, 2018

\$164,518 reduction in value (1.2% holding period loss)

- \$66,596 interest income on bonds
- \$35,573 dividend income on equities

The TSX in Canada was down 5.8% over the same period



Since Inception: Apr 1, 2015 to Apr 10, 2018



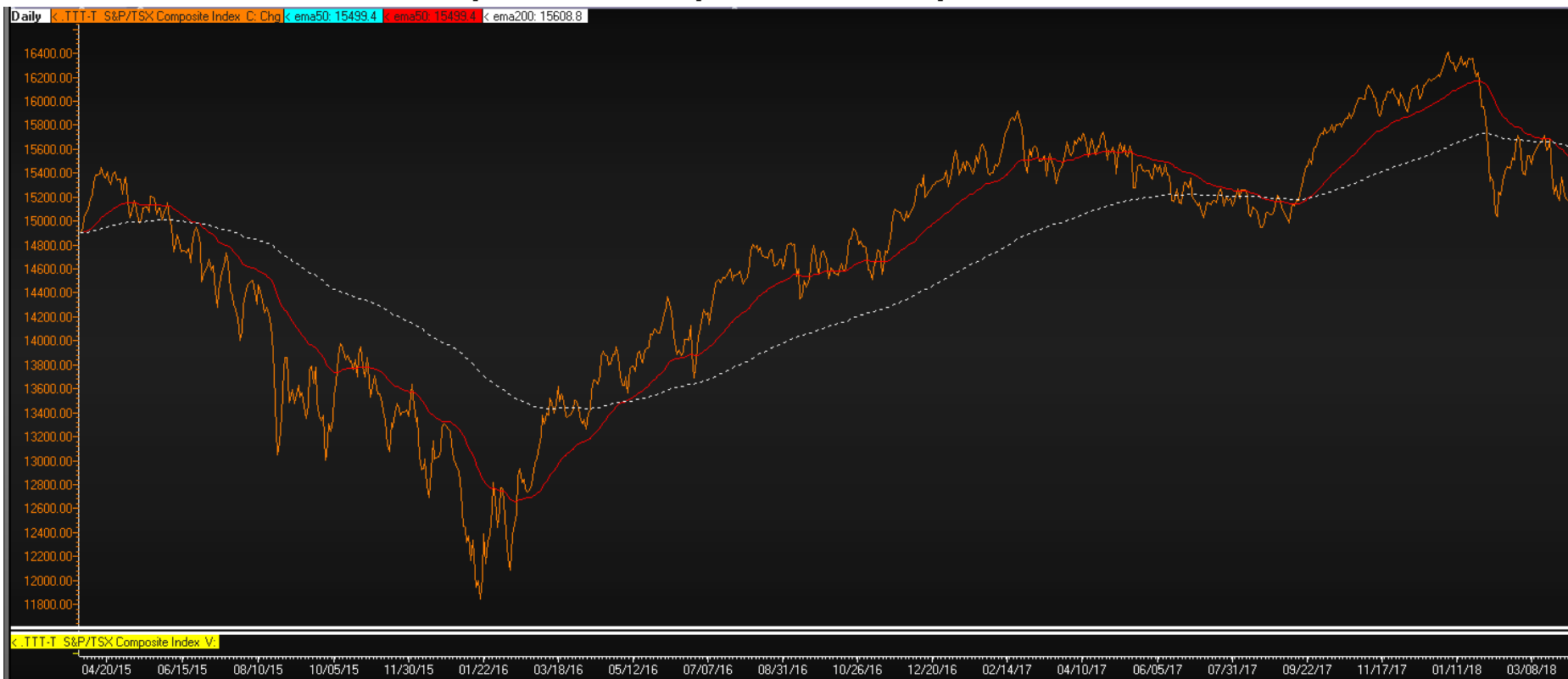
\$12,806,027 Invested Capital
\$13,712,037 Market Value Apr 10, 2018

\$906,010 increase in value (7.1% holding period gain)

- \$1,120,980 interest income on bonds
- \$399,438 dividend income on equities

2.4% annualized
return per annum

The TSX in Canada was up 2.4% from Apr 1st 2015 to Apr 10, 2018



Defensive Nature of Portfolio's Equities & Impact



- Emphasis on blue chip and defensive dividend paying companies
- The TSX was down 10.0% between Jan 4th and Feb 9th 2018 (highest to lowest point)
- Your Equities were down 7.1% over the same period (experienced 30% less of a drawdown)
- Equities are 30% of the portfolio so max drawdown on portfolio was approx. 2.1%
- Over a 12 month period, Equities are providing a 3.8% dividend yield
- Over a 12 months period, Fixed Income is providing a YTM of 2.1%

Breakeven on Portfolio over 12 months:

- TSX would have to fall by approx. 12.4% before portfolio would incur a loss over a 12 month period
- Even though the TSX was off 10.0% at one point this year, this has improved to 7.0% as of Friday's close Apr 13th 2018

Where Are We Today – U.S. Recessionary Dashboard



Start of Recession	Yield Curve	Inflation Trends	Labour Market	Credit Perform.	ISM Mfg.	Earnings Quality	Housing Market
November 1973						--	
January 1980						--	
July 1981						--	
July 1990							
March 2001							
December 2007							
Present							

Recessionary
 Expansionary
 Neutral

- Argus Research Company projecting a 3,000 target on the S&P 500 for 2018 (12.9% upside from Friday's close)
- TD Securities also has a 3,000 target on the S&P 500 for 2018
- S&P 500 is currently trading at 16.2x forward P/E (vs. 17x historical avg.)

Toronto Stock Exchange – Current & Relative Valuation

Price-to-book ratio – S&P/TSX Composite Index



Source: Bloomberg

The TSX is trading at a Price to Book (P/B) of 1.79x (1.9x last review)

- 2.3x P/B in 2011 : suggests 28.5% upside
- 2.8x P/B in 2006 : suggests 56.4% upside
- 3.1x P/B in 2000: suggests 73.2% upside

12 month Forecast by TD Securities

- 17,500 for 2018 (14.5% upside)
- 18,500 for 2019 (5.8% upside)

Equities continue to look attractive relative to fixed income

- Basket of five Canadian banks currently paying dividend yield of 4.1%
- 5 year bond ladder (BBB) currently has yield to maturity of 2.6%

Questions?



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