

The Opportunity Update – Tuesday, September 6th, 2016

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Track #1: Introduction – The Skinny

Hi, this is Chris Raper, Senior Vice President & Portfolio Manager, Private Client Group of Raymond James Ltd. & co-founder of **The Dividend Value Discipline™**. Welcome to **The Opportunity Update**, which is being recorded for you in Victoria, B.C. on Tuesday, September 6th, 2016. Here is what we are going to cover today:

You are now listening to **Track #1: The Introduction**, where I give you the skinny on what I am going to talk about.

On **Track #2: The Markets – Yellen Yawns and Stocks Move Higher**, first up I will speak to what is perhaps the most overrated non-event in the global financial markets this summer – that being the August 26th speech from U.S. Federal Reserve Chairman, Janet Yellen, in Jackson Hole, Wyoming. Then I will give you our take on our two leading economic indicators, the price of copper and the Philly Semiconductor Index. Finally, I will address the price of oil and what that portends for our Canadian dollar.

On **Track #3: The Dividend Value Discipline™ – Rent Cheques That Grow!**, I will follow my usual course and walk you through the major investment decisions – the buys and sells – and explain our thinking at the time of those decisions. Once again, you will see the theme of buying disruptors and aggregators being played out as we seek out those companies that can grow their businesses and

their rent cheques (aka dividends), in this slow to no growth environment we find ourselves in. If you would like a little more colour on that subject, you can catch my recent BNN interview clip on the front page of our website, www.chrisraper.com, or seek out the May 2016 edition of *The Strategist* where the lead article was **Disruption and Aggregation: “searching for growth in a no growth world”**.

On **Track #4: The Wrap Up – How to “Trump” Trump**, I will present the key takeaways and then give you some insight into our thinking on the U.S. election cycle and how we intend to handle the unknowable outcome. I will then conclude with what sectors we expect to find value in as we approach the fourth quarter of the year – a quarter that tends to start rough and end well.

Track #5: Postscript I is where I walk you through our core investment program, **The Dividend Value Discipline™**, its methodology, return objectives and all-in costs. This track is primarily for the benefit of potential clients who are being introduced to us by way of this recording. By the time you are done listening you will know what makes the process unique vis-à-vis our competition and whether or not you are interested in pursuing it any further. Not interested, not interested right now, and let’s talk further are all perfectly acceptable answers.

Track #6: Postscript II is again for the benefit of prospective clients. It will give you some insight on what to expect during our initial meeting, where we both want to answer the question, “Is there a fit between our services and your needs?”

In terms of legal requirements – the opinions that are expressed on this recording are mine. They may differ from those of Raymond James Ltd.

I am also required to tell you that Raymond James Ltd. is a member of the Canadian Investor Protection Fund, which is a good thing. If you are interested in those details, please ask me the next time we speak.

I also want you to recognize that some of the things I am going to say today are going to be proven wrong. It is an inevitable part of this business. It is also important to recognize you don’t have to be right all the time, to do well. You just have to be more right than most or conversely, less wrong than most. When we are wrong, we aim to acknowledge it quickly and adjust accordingly – we try to keep our losses small.

Finally, regarding investment jargon, when I say I am bullish, it means I expect things to go up; when I say I am bearish, it means I expect things to go down. Likewise, north means up and south means down. When I speak about rent cheques, I am speaking about income – primarily dividends and interest payments. If you catch me using industry jargon beyond that, I invite you to call me out. Send an email to the office and the team will let me know, usually with considerable gusto!

That's a wrap on the skinny and off we go to Track #2.

Track #2: The Markets – Yellen Yawns and Stocks Move Higher

As per this track on the May 24th edition, central bankers addiction to negative interest rates continues – to wit, as at August 31st, Switzerland has negative bond yields all the way out to 30 years, Japan to 20 years, Germany to 10 years and France to 5 years. Here in North America, we at least have some sanity left – the 10 year Bank of Canada bonds were yielding 1.01%, and the big offering of the day was U.S. Treasuries at 1.56%. It is not hard to see why the U.S. dollar has resumed its upward trend.

	1Y	2Y	5Y	10Y	20Y	30Y
Switzerland	-0.993	-0.953	-0.811	-0.502	-0.193	-0.051
Japan	-0.224	-0.201	-0.18	-0.071	0.334	0.419
Germany	-0.625	-0.625	-0.504	-0.066	0.265	0.454
France	-0.584	-0.586	-0.389	0.177	0.792	0.977
Sweden	-0.73	-0.644	-0.364	0.096	0.895	
US	0.588	0.784	1.169	1.56		2.225
Canada	0.565	0.568	0.653	1.011	1.613	1.621

That said, the U.S. Fed Chair did little to convince the world that the U.S. would start raising interest rates any time soon as she spoke on August 26th at the 2016 Global Economic Symposium in Jackson Hole, Wyoming – a kind of rock fest for central bankers and economists from around the world. Sounds like an exciting bunch, doesn't it? Janet Yellen continued in her usual narrative that the economy is improving, and yet it is not quite good enough that an interest rate rise in September should be viewed as imminent; these comments, despite the fact that there have been an increasing number of U.S. Fed officials publically calling for higher rates. Yellen's take is that there are lots of reasons why they should raise rates, but she cited lots of reasons of why they might not, so no commitment implied – basically, a bunch of mumbo-jumbo singing the same old song. We continue to be of the mindset that the U.S. Fed will take the path of least resistance, i.e. do nothing until after the U.S. election. In theory at least, the U.S. Fed is supposed to be non-political...and if you believe that, I have some wonderful wild cat drilling prospects to sell you in Moose Pasture, Siberia. Part of the U.S. Fed's concern is legitimate – if they do the right thing and start raising interest rates it will attract even more money into the country, driving the U.S. dollar further north, thereby making their exports less competitive. In a world where central bankers are addicted to the cocaine of negative interest rates, being a lone wolf threatens your own economy. The U.S. Fed is stuck, and thus, our thesis that they will be reluctant followers of the global trend in interest rates, which is down. When does it end? I don't know, but I see no evidence at present that the trend is reversing.

The stock market's reaction to Ms. Yellen's speech was logical – if interest rates are not going to go up, and by Ms. Yellen's own admission the U.S. economy is doing pretty well, then corporate profits should grow and dividends should get boosted – ergo, buy stocks! And that is pretty much what happened. Despite it being the “dog days of summer”, we saw new highs in the S&P 500 Index in both July & August. Yes, that happened before her speech, but let's recall that the market is a forward looking animal – it had already figured out there would be no rate increase. The good news is that we have finally busted through our range bound market, with the S&P 500 besting the previous high water mark it set back in May 2015. If you are a bit of a market sage, you will recognize that as markets hit new highs after a prolonged sideways track, they tend to do even better. Part of that phenomena stems from lack of sellers – when markets hit new highs, more and more people are making money and thus, will only be convinced to give up their stocks when offered higher prices. That's how trends become trends – the herd mentality makes them self-reinforcing. In fact, nothing is harder for us than a trendless market, so we are grateful for the breakout after 14 months of sideways action.

Turning to Canada, not surprisingly given the current commodity rout, the TSX Composite Index remains well under its closing high of 15,658 pegged on September 3rd, 2014, i.e. two years ago. By that measure, the TSX closed out this August still down 6.8% from its all-time high, which requires a gain of 7.3% to get back to scratch. So if you are solely invested in the Canadian market, you have no doubt experienced a lot of pain. Thankfully, most of our equity exposure remains in the U.S. and I expect that to continue for the foreseeable future.

Economically speaking, we see the U.S. as leading the global economy higher and we are seeing the emerging markets starting to grow, as the moderating U.S. dollar over the last six months greases the wheels of their economies. Leading indicator wise, regular listeners will know that we track the price of copper as a proxy on the emerging markets. On the May 24th recording we had copper at \$2.07 per pound and today it is still at \$2.08, so that is hardly convincing that things are getting better and yet important to note that copper came nowhere near the February bottoms of \$1.95. We see the price action in the copper complex as scratching out a bottom. For the developed economies, we have a way different story – the Philly Semiconductor Index (\$SOX) was at 680 on that last recording, whereas today it is at 802 and it hit an all-time high just last week – now that is a little more convincing, and it points to further growth in the developed economies which will ultimately help the emerging economies.

That takes us to oil, and I will be the first to confess that this complex has been really challenging this summer. Here is what I know to be important – the oil centric Wood Mackenzie consulting firm just released the findings of their study showing 2.7 billion barrels of new conventional oil supply was discovered in 2015, the smallest amount since 1947. Somewhere down the road, that is going to impact prices in a big way. I also know that it may be way too early in the cycle to matter. It is important to note that the study focused on conventional oil, i.e. it ignored the shale based horizontal drill and fracking technologies which have become the swing producers in supply. This is the first oil bust we have gone through with that technology so mainstream. Producers are doing it faster, cheaper and better with each passing month. History has shown us that getting to a bottom in oil is a process, not an event – there will be several bottoms and more bankruptcies and consolidations before we reach a period of sustainably higher prices. Our best guess is we will remain range bound in the \$40 to \$50 level until early winter and perhaps get a boost to \$60 in early 2018. I expect the energy complex to remain a difficult place to make money. As Ryan and I toured Alberta this summer, it was painfully evident that the investor enthusiasm for Canadian based energy stocks in April and May was not translating to any new work on the ground. What did all those companies do with the money they raised? They took it from their investors and they gave it to their bankers – that's the way we see it.

That takes us to the Canadian dollar which gave me fits all summer long, as I just couldn't explain why our loonie rallied as strong as it did. For now, it is looking like our perseverance is paying off – the trend is back to lower lows and lower highs. Seasonally, it is interesting to note that both the loonie and oil are entering some very tough months that tends to last until we see the first cherry blossoms in Victoria, i.e. February.

With that we are now going to track #3.

Track #3: The Dividend Value Discipline™ – Rent Cheques That Grow!

To preface this track, regular listeners will be aware that we have been working full out to acquire companies that have demonstrated their ability to grow their dividends at double digit rates, regardless of what is happening in the economy. As we looked for that growth, it became evident that we would have to focus on two types of companies: those that are disrupting the way business is done in their industry, and those that are able to grow by aggregating small “tuck in” acquisitions and improving the acquired businesses. As per the great observations from Amber Kanwar and Jon Erlichman during my recent BNN interview, we are much better off focusing on the dividend growth rate than the current dividend yield. You can hear more about that on the clip. Some listeners will be aware that we have been working on this transition for the last three quarters and I would like to tell you that we haven’t made any mistakes, but you and I both know that’s not true. That said, you will note the elimination of some “old school” companies in favour of “new school” companies as I walk you through the transactions.

So... starting with the “sell all” decisions, first up was **United Parcel Service Inc.**, a company you probably know as UPS. We originally bought it in part due to the secular shift in retail – i.e. Amazon ships a lot of goods via UPS. Our positive view of UPS notwithstanding, we have to acknowledge that the “last mile” side of their business seems to be under threat from technology-driven platforms like Uber. This could substantially change UPS’s scale advantages and over time, erode profitability. You can see the old school, new school theme being played out as we notched a marginal loss of ~1% on the position when we exited in early June.

The only other sell all decision was when we nixed **Apple Inc.** in mid-June, just shy of \$96 USD, notching a 17% gain. Here was our thinking – smartphones appear to be reaching market saturation. Each new iPhone upgrade has fewer bells and whistles versus the existing iPhones and their competitors – i.e. Samsung is rapidly catching up. Anecdotally, we noted that many of our younger employees have moved from Apple to Samsung, LG, or Motorola handsets, with little loss of functionality. To us, this suggested the Apple “moat” is not as strong as it once was, so we chose to move to greener pastures. As it turned out our thinking was overly pessimistic, aka wrong, at least in the short term. Apple actually turned the earnings corner when they announced their 2nd quarter results in late July and the stock rallied sharply – bottom line, we left some money on the table.

The news isn't all bad though, because we took the cash and acquired **Casey's General Stores Inc.**, a classic aggregator that has knit together over 1,900 convenience stores in 14 Midwestern states, where they offer self-service gasoline, grocery items, and made-from-scratch pizza. In fact, they are the fifth largest pizza outlet in the U.S., serving up over 19 million pies a year and 62 million individual slices – now that's a lot of pizza! The Casey's formula: as Mom and Pop operators retire, buy their stores and improve the business with better systems and expanded product offerings – a classic “tuck in” aggregator. Their management group is an impressive lot – transparency, tenure and a clear focus on their economic engine (operating income per store) are behaviours we look for. The rent cheque has grown at a respectable clip and represents a modest ~20% payout, leaving lots of room for expansion.

The next company we bought was a name we have owned in the past, **Kaiser Aluminum Corp.**, a producer of semi-fabricated specialty aluminium products. They serve the highly engineered aerospace, custom automotive markets and higher spec industrial markets. This company produces a product that is disrupting traditional markets. Most of you will be aware that Ford is now producing an all-aluminum chassis F150 version, replacing or disrupting the traditional use of steel. We also know that aluminum content per vehicle is growing, the world's commercial aircraft fleet is aging, and a replacement cycle is well underway. These are high spec products and thus the Kaiser “moat”. Culture wise, the company is strong with the median management tenure of 18.5 years and a great history of succession planning. Financially, Kaiser carries only moderate amounts of debt, they have impressive earnings growth and a 3-year dividend growth rate of 9%, so we are getting close to that double digit number we are seeking.

Our next acquisition was the purchase of electronics provider to the “internet of things”, **Amphenol Corp.** They design, manufacture and market electronic connectors, sensors and fibre optics components for original equipment manufacturers. The world's insatiable demand for more electronics, more connectors, and more sensors in everything from cellphones to washing machines means Amphenol has strong secular tailwinds at its back. With only 4% of the global market share, despite being one of the largest players in its space, Amphenol can grow! Thankfully, management is up to the task. In fact, our senior analyst gave them a preliminary 6 out of 5 stars in our culture scoring – how does that work? Their track record displays a lean organization with 80% of its manufacturing in low cost countries. Free cash flow continues to grow with each cycle, notwithstanding their numerous “tuck in” acquisitions. We expect the future to look much the same –

the rent cheque has grown at an eye popping 38% over the last three years and the dividend pay-out ratio is a modest 25%, so once again, lots of room for growth.

Next was our purchase of **AmerisourceBergen Corp.**, a name we have owned in the past and sold over valuation concerns. This time around, we are much happier with the value proposition. They are one of the world's largest pharmaceutical service companies acting as the solutions provider between drug manufactures and health care providers. Some of you may recall that healthcare companies tend to get beat up as the U.S. election approaches because they are easy fodder for the presidential nominees. Thanks to Hillary Clinton's EpiPen tweet, the stock dropped like a stone on August 25th, and we were able to pick it up on the cheap. History has shown by the time the President gets elected, they will have bigger fish to fry – i.e. healthcare stocks tend do well as the election season winds down and during the months following the election. In the interest of time, if you want more colour on why AmerisourceBergen, please refer to our one-page dispatch.

Finally, we acquired an initial stake in food brand aggregator **Hormel Foods**, a company we have been waiting to buy since last February. Hormel has a stable business in their 125 year old food processing segment and they are using the free cash flow from that business to aggregate (buy) up and coming brands like Skippy (#1 share in peanut butter), Muscle Milk (#1 share in protein drink), and Applegate (#1 in organic/natural value added proteins). That's a lot of #1's. This trend speaks well of management, where you will find a 27 year veteran of the company as CEO, all the executives have been hired from within, and refreshingly, they own lots of stock. Their discipline is evident by their high and stable return on capital employed and last, we have another rent cheque champion with over 50 years of consecutive dividend increases – go Skippy!

Wrapping this track up, ***Rent Cheques That Grow***, I had our research team put together a list of our top 10 dividend growers, which I invite you to look over. What you will see is that the dividend yields are not that exciting...now do a little mental math using the rule of 72 and see how long it will take for those dividends to double – it gets a little more exciting, doesn't it?

	3-Year Dividend Compound Annual Growth Rate	Company	Annual Yield	5-Year Dividend Compound Annual Growth Rate	Type
1	42.3%	VALERO ENERGY CORP	4.4%	54.3%	Neither
2	32.5%	CCL INDS INC	0.8%	23.4%	Aggregator
3	27.2%	LOWES COMPANIES INC	1.8%	22.9%	Aggregator
4	24.8%	INTUIT INC	1.2%	55.4%	Disruptor
5	23.7%	TJX COMPANIES INC	1.3%	23.6%	Disruptor
6	23.6%	CVS HEALTH CORP	1.8%	27.7%	Disruptor
7	22.5%	AMPHENOL CORP	0.9%	79.6%	Aggregator
8	22.2%	CUBESMART	3.0%	24.6%	Aggregator
9	19.5%	HORMEL FOODS CORP	1.5%	17.8%	Aggregator
10	18.9%	SHERWIN WILLIAMS CO	1.2%	18.1%	Aggregator

With that question posed, we are now on to track #4 – the wrap up.

Track #4: The Wrap Up – How to “Trump” Trump

First the takeaways:

Track #1 – A reminder, the opinions that are expressed on this recording are mine. They may differ from those of Raymond James Ltd. Please recognize some of what I told you is going to turn out to be wrong and when it becomes evident we are wrong, our intent is to acknowledge it quickly and adjust accordingly. The strategy is to keep the inevitable losses small and let the winners run.

Track #2: The Markets – Yellen Yawns and Stocks Move Higher – Our take is that the U.S. Fed will take the path of least resistance and be a reluctant follower of the global trend in interest rates, at least until after the U.S. election. To raise rates when everybody else is heading south would translate to a sharply higher U.S. dollar and thus, harming their exporters. That’s a pill they are unlikely to swallow. Leading indicators wise, we see copper scratching out a bottom whereas the Semiconductor Index is hitting new all-time highs. The latter is a strong vote of confidence for the developed economies and we see the emerging economies catching that tailwind. Oil wise, range bound and lots of pain still to come. It is going to be a difficult place to make money. The Canadian dollar looks lower to us and I will have a lot more conviction on that if we get solidly through the .76 USD level and stay there for a few days.

Track #3: The Dividend Value Discipline™ – Rent Cheques That Grow! – Our transition from old school to new school continues as we seek out those companies that can grow their businesses and their dividends at double digit rates, regardless of what is happening in our slow growth world. We are finding such companies by looking for disruptors and aggregators, in addition to putting them through the ringer with our Great Company Bias. On a side note, I am happy to report that **The Dividend Value Discipline™** hit an all-time month end high in July, so it is apparent our efforts are bearing fruit.

Track #4: How to “Trump” Trump – Without a doubt, the U.S. Presidential race is the issue that we get asked about the most. Beyond the historical precedents I outlined in the last issue of ***The Strategist***:

1. If the economy is growing (it is), the incumbent party wins 71% of the time – a nod to Hillary this cycle.

2. Post the 2nd convention which was July 29th this year, to Election Day, the market has rallied ~5% when the incumbent party wins versus a ~2% loss when they lose – it is too early to mean much.
3. The stock market has performed better under a Democratic President and a Republican Congress – another nod to Hillary.

Beyond those observations, there is not a lot to say – the outcome is unknowable as is the impact of that outcome. The only thing I would ask you to keep in mind is that no matter who wins, they still have to build consensus to get anything done. With a Republican controlled Senate and Hillary at the helm, that's going to be challenging. With the bombastic Trump at the helm, that's going to be equally challenging. Either way, not much gets done and thus not much changes. I don't see either candidate as Canada friendly – Hillary means no southbound pipelines and Trump wants to rip up the free trade agreement. My conclusion, let's skip the spin cycle and not get into predicting the unknowable. I am much more interested in studying the political whipping boys that tend to get hammered in the lead up to the elections and rally sharply thereafter. Obviously that was part of our thinking when we made the move to reacquire AmerisourceBergen. Where do we expect to find value as we approach the November vote? Healthcare and financials. The former are great whipping boys, and the latter may suffer again as the U.S. Fed pushes off another rate increase – that could change significantly post the election and again, recalling that the market is a forward looking animal, we will need to be ready to move when the opportunity presents itself, likely well before the election.

Just a reminder that September and October tend to be rough months in the market, where good companies move from weak hands to strong hands. Yes, there can be some violent selloffs and that feeds us the opportunity to buy on the cheap as we approach the seasonally strong November and December.

That concludes our key takeaways. If you are a potential client being introduced to us by way of this recording, please take the time to listen to Tracks #5 & #6.

To our clients, thank you for taking the time to listen. By keeping current on these recordings, it allows us to spend more time on issues that are specific to your family when we do meet. Until next time, this is Chris Raper from Victoria BC, wishing you a good day and may God bless, on Tuesday, September 6th, 2016.

Track #5: Postscript I – The Dividend Value Discipline™ Methodology

The first thing to note is that **The Dividend Value Discipline™** is core to everything we do – meaning if we were approached by a prospective client and we determined that this core investment process did not fit with their investment philosophy or their need, then we are not the right advisors for that particular client – there is no fit.

You should also be aware that nothing gets any more attention at our shop than this program. The lion's share of our client assets are allocated to the program, and that includes our most senior people, my family, and me. The takeaway is that my team and I have huge vested interest in ensuring the success of the program.

The process is discretionary, meaning we make all of the buy and sell decisions and report to you after the fact. Post a new purchase, our normal course is to send an email outlining the background of the company and the rationale for the decision, five business days after it settles to your account. When we close out a position, we also send an email outlining the result and our rationale.

Our objectives for the program are:

- 1) Income every month – that can be paid out or reinvested
- 2) An acquisition process where we buy **only** those securities which become attractive on a “go forward” basis
- 3) Absolute returns of 8%+, each and every year

On September 27th, 2015, we marked our 13-year anniversary, with account #1 pegging in with net-to-client return of +8.48%, compounded annually. That said, I do not want to leave you with the impression that it has been a consistent +8% each and every year – that is the objective, it has not always been the result. Yes, we took a bath in 2008. We learned lots and more importantly put structures in place to prevent it from happening again. 2009 was an absolutely stellar year and by February 2011 we were on to new highs, having fully recovered from the worst bear market in 70 years. Accounts that have been around since the start of the program have experienced one calendar year of negative returns. As at December 31st, 2015, we are at a meet or a beat in nine of the past thirteen calendar years. Those results have been achieved by focusing on three keys objectives, so let's walk through this with the illustration of a three legged stool.

The First Leg is Dividends

Every security that we buy you must provide some form of income. We do that because income makes portfolios inherently less volatile, i.e. less chance of loss. The analogy I like to use is that of an apartment block versus a piece of raw land – it is a lot easier to hold onto the apartment block in a tough real estate environment when you are getting a rent cheque every month. Income drives stability and absolute returns.

The Second Leg is Value

Our research function is in-house. We were one of the first private client teams in the industry to have a dedicated analyst on staff and that team has expanded since then. My objective was (and still is) to get to the truth. I did not want to depend on any outside analysts that I had little or no contact with. One of the great things about having an in-house investment team is that I can ask questions until I am satisfied that we have the right answers. We spend an inordinate amount of time studying the corporate culture. If you are interested in what that looks like, read **Good to Great** by Jim Collins – that is the yardstick we use to measure potential investments against. Another yardstick is the importance of wide economic moats. You can hear more on that subject by archiving the September 2013 edition of this recording on our website. We believe that the focus on great corporate culture and wide economic moats gives us an edge. Anecdotally, we can provide you with lots of evidence to support that. I remain convinced that having your own people who are totally dedicated to the investment process adds a lot of value not available at most other private client focused groups.

The Third Leg is Discipline

Here I refer to the buy/sell decisions. We often identify extremely attractive value propositions and then delay the buying decision, why? Because if you are the only guy in the world that sees it as undervalued, you can wait a very long time for the market to recognize that value – in other words, the stock price doesn't rise or worse, it goes down! Those are not comfortable situations so we try to avoid them. We buy when it is apparent that the market is starting to recognize the stock as undervalued. One of the most helpful indicators is positive relative strength – i.e. is the security in question starting to outperform its peer group and the market – because if it isn't, there's little incentive in owning it. Sell decisions can be triggered by a number of things – when the company fails to materialize as expected, when a company's stock price exceeds what we believe it to be worth, negative relative

strength, or when we find a better opportunity elsewhere. In reality it tends to be a combination of those factors.

Perhaps the most important part of the buy/sell discipline is the way we operate the program – we call it “The Buys Only Mandate”. Unlike our competition, we only buy those securities which become attractively priced on a go forward basis, meaning if you start today and your brother starts three months from now, your portfolios are going to be different in the short-term, and more closely aligned the longer you are in the program together. As rational as that might seem, most people do the exact opposite. Every time you buy a mutual fund, you buy a pro-rata share of an existing portfolio – by definition, you got the buys, the holds and the near sells. To us, that is not rational. Would Warren Buffett buy 100 companies in a single day? Were they all great value propositions? You should also be aware that most third party money management programs work exactly the same way – they buy the basket. Our objective is the protection of your hard earned money and we believe that the buys only mandate is consistent with that objective.

Other key points to the program – a fully invested account would normally have 20 to 25 positions in it, so we are relatively concentrated. Our fees are 1.75% per annum plus the GST or HST – it is tax deductible for non-registered accounts. Our target returns is 8%+, net to you – roughly half of it coming in the form of income and half in the form of capital gains.

You should also know that when I buy for you, I buy for me – when I sell for you, I sell for me – same time, same price – and that statement also applies to our most senior people as well. Furthermore, every person on our team participates in our profit sharing plan, which means they have a vested interest in looking after you.

Generally speaking, we are looking to establish new relationships with new clients that have north of \$1 million in investable assets – that said, I’m a lot more interested in where you are going, than where you are. If you have a credible plan to get to that number say within a three to five year period, we are very interested in meeting with you.

To conclude this track, if income and absolute returns are attractive to you, and you think that there may be a fit between your objectives and those of **The Dividend Value Discipline™**, then I would suggest a face to face meeting is in order. You can check out what to expect during that initial meeting by moving to Track #6 – “Is There a Fit”, and that is where we are going right now.

Track #6: Postscript II – “Is There a Fit?”

Our objective – and presumably yours – during the first meeting is to figure out whether or not we have a basis for an ongoing relationship. In essence, can we work together? If so, will it be mutually beneficial? Job one is to get your tough questions off the table, so we encourage people to ask whatever is on their mind. Our responsibility is to be forthright with our answers, regardless of what it is that you might want to hear.

Before we enter into any new relationship, one of the biggies we ask ourselves is, “can we add significant value”? To answer that question we need to learn some things about you, your family, your finances and what your ideal future looks like. If you are not really sure on the latter point, we have some thinking exercises that will take us through that process.

Next we will walk you through an a la carte menu of our services that are most applicable to you. We’ll outline how we will report to you and who the key relationship people will be. You will also have a very clear picture of the costs involved.

Before you leave we’ll outline how we see our program fitting with your situation, or not. We will not ask you for a go/no go decision at the meeting and quite frankly, we don’t want to be pressed for a decision that day either. We’ll schedule a meeting of the minds call, say a week out, and then mutually agree on the best course of action from there.

At the end of the day, we are in the business of keeping our client’s most challenging financial decisions consistent with their life goals. Our mission is ongoing progress towards those goals, and the result we seek is appreciative clients who are increasingly confident about their future.

So... if that process sounds engaging, I invite you to call and book some time. If you’d like further information, including access to our quarterly communication pieces, you can check us out on the web at www.chrisraper.com and send us an email from there.

This concludes “Is There a Fit”.

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