August 2017

The Strategist

A Quarterly Report for Friends, Clients and Associates of Chris Raper

Chris Raper & Associates caters to the entrepreneurially-minded. We start by seeing the world as you see it – the things you want to do, the things you want to have, the legacy you want to leave. Our mission is to keep your most challenging financial decisions consistent with those goals. The result we seek is appreciative clients who are increasingly confident about their future.

The Dividend Value Discipline™, our core investment program, was founded in September of 2002, with the three-fold objectives of income every month, buying only those securities which become attractive on a go-forward basis, and an 8% net return each and every year. You will find the process innovative, rational and refreshingly transparent. Our fees are ***"asset-based"***. Our research is ***"in-house"***. ***We own what our clients own***.

Our services will appeal to people who want to be involved from a ***"big picture"*** perspective and are prepared to delegate the day-to-day responsibilities.

New clients come almost exclusively by way of introduction from our existing great clients. Generally speaking, they will have in excess of $1.0 million in investible assets or a credible plan to get there.

You can find a profile of our people and our processes at www.chrisraper.com.

Chris Raper & Associates – ***the most proactive wealth advisory team on Planet Earth!***

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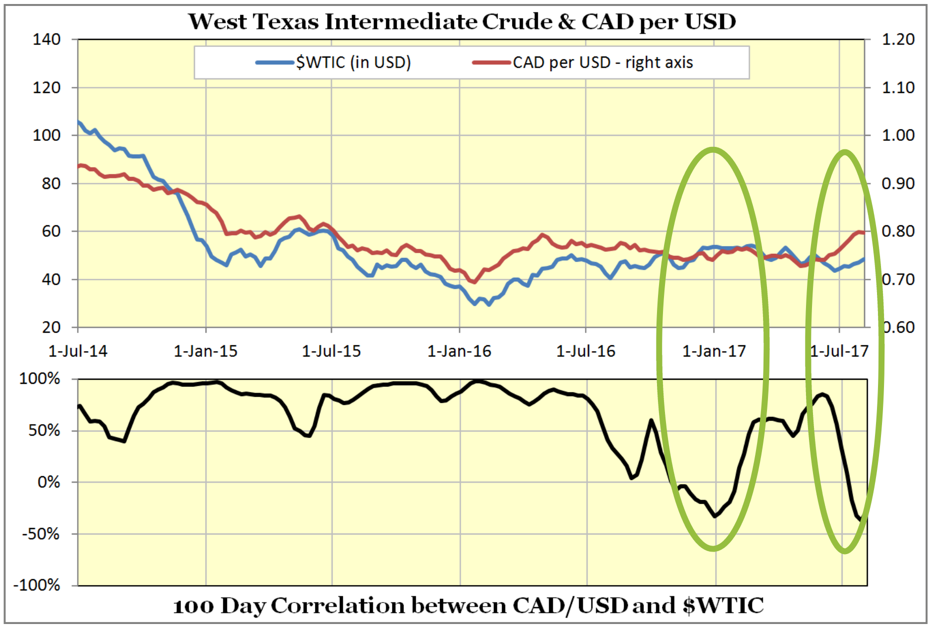
Summer Crush

Not wine, but maybe whine, as we wince with the seemingly unending rise in the Canadian dollar ($CAD). Most participants of **The Dividend Value Discipline™** already know that our respectable performance to the end of April (then ~+4% on a year-to-date basis) has been crushed by the huge rally in the $CAD, with most accounts pegging in at the end of July at roughly –0.6% on a year-to-date basis. Pretty much all of the "give up" has been due to the strength of the $CAD, as ~50% of our portfolio is denominated in $USD and the strength of the loonie has represented a –9% headwind over the last three months.



Turning to the obvious question, are we experiencing a secular shift in the $CAD? At this point, the evidence says no. As you can see in the chart above, our loonie is highly correlated to the price of oil and when it does decouple, time has a way of restoring it. In fact, the last time we had the $CAD at par with the $USD was in early 2013, when oil was north of $90 per barrel (versus the July 31, 2017 close of ~$50 per barrel), so no, we don't think we are going to par anytime soon.

In the interim, many of our companies continue to grow their earnings at impressive rates, boosting their dividends accordingly. Rent cheque increases announced in the last three months include Skyworks (+14%), Lowe's (17%), Bank of the Ozarks (+9%), Amphenol (+18%), Marsh & McLennan (+10%), and Northern Trust (+10%). We believe that the market will reward such companies with higher stock prices over time, just as we believe that the $CAD will moderate over time.

And if you're wrong? Then we intend to "take up the slack" with our energy investments and adjust over time. For more on that front, see the next page.

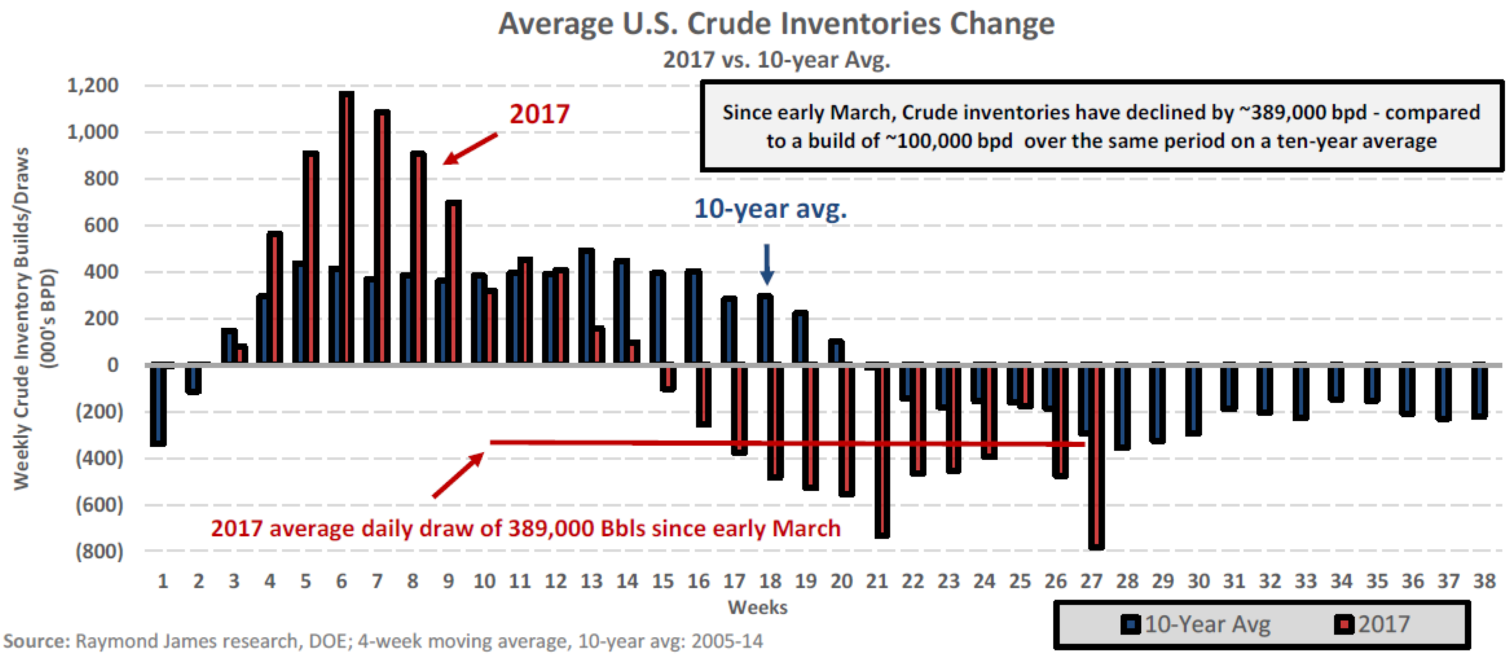
Earnings per share growth in most recent quarter	
Dollarama (DOL.TO)	20.6%
Nike (NKE)	22.4%
Bank of the Ozarks (OZRK)	21.7%
Northern Trust (NTRS)	11.3%
Skyworks (SWKS)	26.6%
Microsoft (MSFT)	23.2%
Sherwin-Williams (SHW)	11.3%
Constellation Software (CSU)	25.0%
Amphenol (APH)	24.6%
CubeSmart (CUBE)	11.4%
Marsh & McLennan Cos (MMC)	9.9%
Expedia (EXPE)	7.2%
Starbucks (SBUX)	12.2%

All charts on this page use data sourced from Raymond James Ltd. & Thomson ONE

CHRIS RAPER & ASSOCIATES | RAYMOND JAMES®

Is The $CAD Strength Pointing To Higher Oil Prices?

Given the historical correlations presented on the previous page, we simply don't believe that the loonie can sustain its advance without stronger oil prices, so are higher oil prices in the cards? It's plausible, and here's why — the excess supply picture is changing rapidly. As per the chart below, U.S. crude inventories are dropping rapidly and have been since spring. We are also noting the same picture globally. Anecdotally, we saw record speculative short positions in oil futures back in June and we took advantage of that extreme pessimism by adding to our existing oil and gas producers, as well as adding Suncor to the portfolio.



So...if this is the start of a secular shift in our loonie, then we do expect oil to play the lead role. We will adjust over time by opportunistically reducing some of our U.S. positions, and will no doubt add to our energy producers as well. Long time investors know that there have been times when we have been virtually 100% invested in Canada, and other times when we have been as much as 70% invested in the U.S. (with a smattering of international exposure). Right now we are roughly 50/50. The point is, we must adjust to the opportunities as they present themselves. No one strategy works all the time. ***Why not just buy Canadian companies?*** To the end of July, the 3-year annualized return for the S&P/TSX Composite Total Return Index is at only +1.8%, and that's before you pay anybody a nickel in fees. By way of comparison, our model account has annualized at +3.6% over the same period, after fees. ***Why not just buy U.S. stocks? They are hitting record highs.*** Yes, U.S. stocks are doing well, but the figures you are reading are likely quoted in $USD. To wit, the S&P 500 Index is up 10.3% year-to-date (to July 31) in $USD, but only +2.5% in $CDN terms – again, before any fees.

Update on the Team

Our search for a client service representative ended with a bang when Natalie Maclaren signed on in May. A recent graduate of the University of Victoria with a B.Sc. in economics, Natalie's analytical mind and energetic personality have already made waves around the office. We are excited to have her on board – and not a moment too soon, because Erika Kuzio and her husband Luke welcomed their baby girl, Elin, on June 13! Apparently, "*the most proactive wealth advisory team on Planet Earth*" also raises "*the most proactive babies on Planet Earth*" as baby Elin arrived three weeks ahead of schedule. Our take is that she was just too excited to meet her wonderful parents! All of us here at Chris Raper & Associates are delighted to report that Elin is healthy, happy, and enjoying life with her proud family. While Erika is away taking care of Elin, the rest of the client service team (Ryan, Larissa, John and Natalie) will be working hard to ensure that you are being taken care of as well.

For more updates on the team and other exciting news, follow us on Twitter: **@ChrisRaperAssoc** or like us on Facebook: **Chris Raper & Associates**