

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 futures.

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!

Suite 1000 – 1175 Douglas Street
Victoria, BC V8W 2E1
Local Phone: (250) 405-2434
Toll Free: 1-877-655-5580

Shopping Across The Pond

For this first time in years, we now own a stake in the European equity space within **The Dividend Value Discipline™**. Yes, I am quite aware of what is going on with Greece as the stronger EU members seemingly throw good money after bad. Yes, over time, I still expect the Euro to be replaced with individual EU member currencies. The obvious question is: **“Why now, Chris?”**

In part, it is what is not attractive here at home - I look for most Canadian equities to get cheaper still as the ripple effect of lower oil prices takes its toll. U.S. equities in aggregate are relatively expensive and the high U.S. dollar is hurting the multinationals. That leaves a bit of a contrarian card on the table regarding European equities. As per the chart below, the Euro has clearly underperformed the U.S. dollar over the past year. Yet, note the fact that the U.S. dollar set new highs against the Euro back in March - not in early July when the Greek referendum fever had hit its zenith. The bark is often worse than the bite. The weaker Euro makes it easier for European companies to compete globally.



One should also note that the Euro has clearly outperformed our commodity centric loonie. Those cheaper commodities are a plus for most of Europe, i.e. another tailwind on the European equities earnings front. The third tailwind is on the economic front, where we are finally seeing some evidence of growth - for example, Germany's factory orders surged 2% in June, a big beat from expectations of just 0.3%.

The relative valuation argument is strong. The yield on 10 year government bonds in Europe ranges from -0.15% to 2.7% (excluding Greece). Ten year German bonds are yielding 0.7%. Compare that to our chosen vehicle, the Vanguard FTSE Europe ETF (VWGK), and we find an earnings yield of ~5.20% and a dividend yield of ~3.20%.

What about investor sentiment? It is so bad, it is good! The daily attitude numbers we are seeing out of Europe are negative in the extreme. That sentiment is backed up with action; European institutional and retail investors are extremely underweight equities.

What if the Euro currency gets replaced with individual member currencies? My take is that would drive Euro bond holders to sell their bonds and buy equities as they seek to protect themselves. Bottom line - European equities are well positioned for an upward move. We have a rare combination of currency tailwinds, positive economic surprises, accelerating corporate earnings, rock-bottom competing bond yields and extreme investor pessimism. Accordingly, we are buyers.

CRM2 and You

Don't recognize the above acronym? You will soon – it is short for Client Relationship Model Phase 2, and it may become as ubiquitous as the term RRSP. CRM2 is an initiative of the Canadian Security Administrators aimed at bringing more transparency to our industry for investors.

With CRM2, a number of new disclosure requirements will be phased in over the next few years, with the most important changes set to take effect on July 15, 2016. From that date forward, all investment brokers and dealers will be required to report money-weighted annual rates of return on month-end account statements, as well as disclose all fees and charges.

As a client of *the most proactive wealth advisory team on Planet Earth*, you are probably already asking yourself, “What’s the big deal? I already receive **The Progress Monitor** each quarter, which details my individual (and household) account returns, and I know that I pay a fee of 1.75% per annum to participate in **The Dividend Value Discipline™**.” You’re absolutely right, but it might surprise you to know that this level of transparency is not yet industry wide – some financial advisors need to play “catch up”. We welcome the CRM2 initiative and have decided to stay ahead of the pack once again, by opting-in on the performance reporting requirement well ahead of the July 15, 2016 deadline. So, beginning with your July 2015 statements, you will now see this information included.

Update on the Team

In June, Erika travelled to Vancouver for her first Grouse Grind hike. At the top, she was rewarded with more than a nice view and a cold drink ... she also received a proposal from her boyfriend Luke! That’s right – Erika got engaged and has the rock to prove it!

Alex also has a reason to brag - his daughter won 2nd place at the 2015 Canadian Youth Chess Championship in Windsor, Ontario. It’s safe to say that brains run in that family!

Looking ahead, Chris & Arleen will once again be participating in the Tour De Victoria bicycle race on August 23rd, raising money for budding entrepreneurs in South America and Africa who do not have access to reliable financing. If this sounds like something you would like to be involved in, you can visit Chris & Arleen’s Tour de Victoria page at <http://bit.ly/RaperTourDeVic2015> for more information.



2015 has continued to be a major year for professional development for our team. John has officially been licensed as an Investment Representative and will be taking his first Wealth Management Essentials Exam next week; Dave passed his Certified Financial Planner Exam 1; and Chris passed his Series 7!

With so much going on, it’s no surprise that some of us are taking well deserved vacation time with our families as we head into the last days of summer - we trust you are too.

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

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