November 2015

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!***

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In Search of Growth

in a no/slow growth world

It will come as no surprise that Canadians have lost their default growth driver. The oil & gas industry "was" the go-to sector for investors seeking outsized returns, but those who hung out too long have endured a world of hurt over the last couple of years - as the chart below amply demonstrates. History teaches us that oil cycles are long, and this time around we have a scaled-up technology shift (fracking) to deal with. How long will this last? I did my best to answer that question in the February 2015 edition of *The Strategist* with the lead article **$50 Oil Is Cheap Oil…Right?** In a nutshell, think years, maybe even decades - not months**.** Of course, the downturn in the oil patch has negatively impacted everything from railways to banks, leaving Canadians with few investment choices here at home.

Participants within **The Dividend Value Discipline™** will be aware that we have searched south of the border, and more recently across the pond, in search of growth…and we have found some. As always, we continue to focus on the "rent cheque", aka the dividend. This focus eliminates the super-fast growing companies - i.e. Amazon, Alphabet (formerly Google), Netflix, and Facebook - as well as, arguably, a lot of risk. That said, it does not eliminate the theme: Find companies to invest in that can/will continue to grow in virtually any economy.

Our poster child may be Forrest Gump's fruit company (Apple), but there are others to be found - sometimes in unlikely places. To illustrate our thinking, we recently purchased Valero Energy Corp. Yes, it is in the energy sector, yet to us it is the anti-oil thesis. As you can imagine, the "not in my backyard" syndrome means that developing a new refinery is difficult at best. That leaves existing refiners in an oligopoly situation. In a nutshell, huge barriers to entry and cheap feedstock (oil), coupled with increasing demand as fuel prices come down, all translate to better margins (the crack spread) and growing free cash flows.

Growing free cash flows "fuel" dividend increases. To us, the evidence points to an era of cheap energy so we went into Valero expecting surprises to the upside - sometimes things go according to plan! When Valero reported its earnings on October 28, its "quarterly profit jumped 30 percent as its refining margins grew due to robust prices for refined products and low crude costs". Apparently, the board and management expect more of the same. To wit, they announced a 25% increase in its quarterly dividend that day. Bottom line - our search for growth in a near zero interest rate environment continues. We will continue to focus on the rent cheque, especially ones that grow.

CHRIS RAPER & ASSOCIATES | RAYMOND JAMES

You guys are doing well in a tough market. Keep it up!

\- a recent email from an appreciative client

Update on the Team

In late August, Chris & Dave, along with Mike Todd from the Raymond James Canada Foundation and 30 other “road bike grinders”, completed the Ryder Hesjedal Tour de Victoria as a fundraiser for the micro-finance organization Opportunity International. Thanks to many of you, a total of some $66,000 was raised for budding entrepreneurs in Nicaragua! Despite this success, Dave didn’t stop to rest on his laurels - he quickly turned his attention to his role as lead organizer of the Raymond James “Drive to End Homelessness” golf tournament for the Victoria Cool Aid Society, which was attended by over 100 golfers and raised over $18,000. The money will be leveraged to federal and provincial government grants, which will then enable our region to create a single apartment. How do you eat an elephant? One bite at a time. Yes, we do have an elephant’s worth of work to do.

In September, we welcomed Allison back from maternity leave and gave her a very short runway (about a day) before promptly ramping up research expectations - a challenge which was enthusiastically accepted. Welcome back, Allie! Industry education wise, John successfully completed his first Wealth Management Essentials Exam and Alex completed the Investment Advisors Training Program. Translation? All seven team members of **Chris Raper & Associates** are now licensed with the Investment Industry Regulatory Organization of Canada (IIROC). In the old dog / new tricks department, Chris completed the U.S. Series 63 exam, which is a huge step forward in helping us serve client needs. Specifically, Chris is now registered with the Financial Industry Regulatory Authority (FINRA) in the U.S., providing him with the ability to manage a wide range of investment accounts for both Canadian and U.S. residents (through Raymond James USA Ltd.) - including IRAs.

Finally, it gives us great pleasure to announce that Raymond James Ltd. has been named one of Canada’s Top 100 Employers for 2016. We thought our CEO, Paul Allison, summed up the firm’s ethos rather well recently: “what sets us apart is our deep conviction to our core values - integrity, independence and conservatism, all centered around our intense client-first focus”. In our humble opinion, that is what makes Raymond James the firm of choice for financial professionals.

Tax-Gain Selling?

Top Combined Alberta and Federal Rates

Income Type	2014	2015	2016 predicted
Salary, interest, foreign income	39.00%	40.25%	48.00%
Eligible dividends	19.29%	21.02%	31.71%
Non-eligible dividends	29.36%	30.84%	40.40%
Capital gains	19.50%	20.13%	24.00%

Based on known federal and Alberta rates at October 27, 2015 and predicted rate increases for 2016

For the first time in Chris’s 20+years in this business, there are apt to be at least some cases where it will make sense to crystalize capital gains sooner as opposed to later. Why? Let’s review the Alberta example in the above table. In essence, assuming you will be in the top marginal bracket in 2015 and 2016 (>$300,000 of taxable income in 2015 and >$303,900 in 2016), crystalizing your gains before year-end will save you 4% on the taxable portion. As if $40 oil wasn’t bad enough!

Live in B.C.? Well ... it’s complicated. Yes, the new Liberal government is intent on raising the federal rate by 4% for taxable income over $200,000, yet there is some good news. They also promised to lower the federal tax bracket between $44,702 and $89,401 by 1.5%, but wait ... the B.C. top marginal rate is schedule to fall by 2.1% for amounts in excess of $151,050 - so this creates a bit of a sweet spot for B.C. residents until they breach the $200,000 level. Believe it or not, it looks like by the time 2016 arrives, Alberta’s top marginal rate will be ever so slightly higher than B.C.’s!

If the prospect of higher taxes is giving you angst, this link will take you to our recently produced Year-End Tax Planning Opportunities report. We encourage you to discuss anything that you think might be applicable with us and/or your tax professional.

Finally, are you contemplating making a significant donation to a registered charity? If so, and you have non-registered investments with unrealized capital gains, you may want to consider donating securities (as opposed to cash) - especially if you own a corporation with publicly-traded investments. Details? Give us a call or send us an e-mail - we are here to help!

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