

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!

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

Disruption and Aggregation

“searching for growth in a no growth world”

As we face the reality of anemic global growth, with almost every industrialized nation moving towards negative interest rates, we recognize that +8% each and every year is going to be an increasingly difficult challenge. Where do we find the growth?

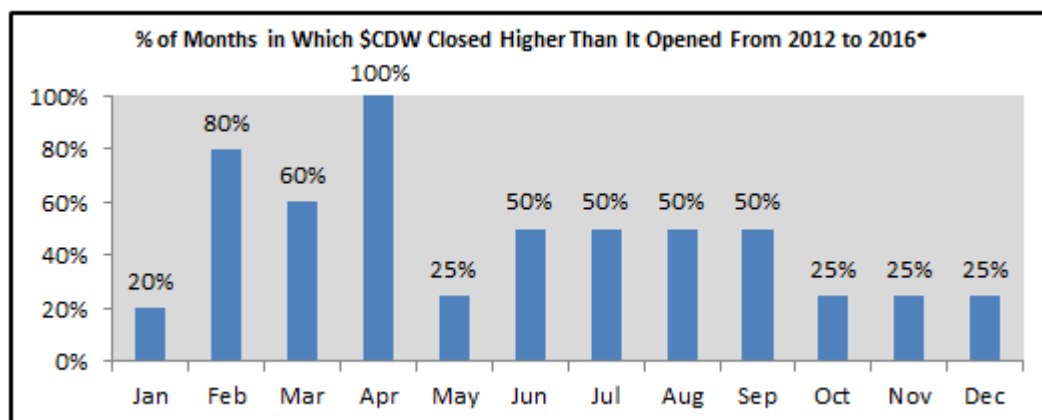
The fastest growers tend to be the **“disruptors”** - those companies that are reinventing how business is done in their industry. Two decades ago, it was Wal-Mart reinventing retail - today, it is Amazon. Most disruptors do not pay dividends and thus are not eligible for investment within **The Dividend Value Discipline™**. However, we have found a few that do, and we have added these ones to the portfolio:

- ⇒ **Dollarama** caters to a demographic that Amazon just can't touch, and they have competed successfully with the likes of Wal-Mart, enabling their dividend to grow at ~18% over the last three years.
- ⇒ **TJX Companies** (Winners/Marshalls/HomeSense) has disrupted the department store business, while growing its dividend at ~22% per annum over the last three years.
- ⇒ **Intuit** has disrupted the tax preparation business and muscled into the small business market with products like TurboTax and Quickbooks - their three year compound dividend growth is ~20%.
- ⇒ **W. W. Grainger** disrupted the industrial supply business by adopting technology and is now the U.S.'s 15th largest e-retailer, all while marking 45 years of continuous dividend increases.

The **“aggregators”** tend to be relentless about developing culture and systems to fuel their growth by buying smaller rivals. They gain efficiencies from scaling their existing technology and human resource systems. Our recent purchases include:

- ⇒ **CubeSmart**, an aggregator of the self storage business. Their annual dividend growth rate has compounded at ~25% over the last three years.
- ⇒ Canadian-based global packaging company, **CCL Industries**. CCL has acquired countless companies over the past decade, integrating them and improving efficiencies, thereby enabling a three year dividend growth rate of some ~24%.

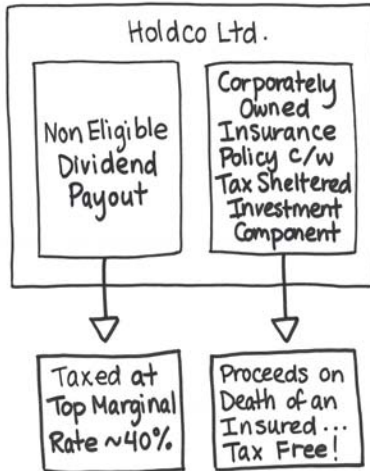
Bottom line - dividends and dividend growth matter. Given the world's propensity to negative rates, we see them as a path towards better returns, notwithstanding our short-term performance challenges. With few exceptions, our stocks have done well. However, with ~60% of our assets denominated in U.S. dollars, the 15%+ rise from the January lows in the Canadian dollar has definitely squeezed us. We expect some relief on that front - as per the chart below, over the last five years, April has been the strongest month of the year for our loonie, while May has been the weakest.



*Chart Data sourced from <http://www.stockcharts.com>

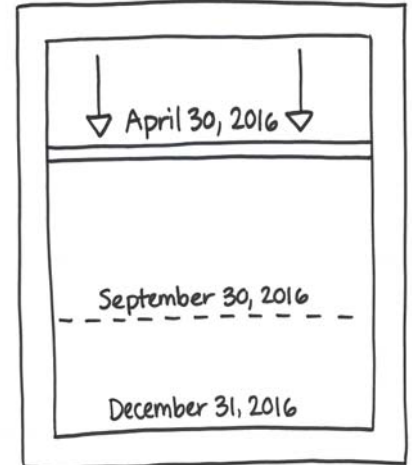
The Tax Sheltering Opportunity for Corporations Is Closing

Got Money "Locked Up"
In A Corporation?



If you have money "locked up" in a corporation, you are no stranger to the angst you feel when you pull that money out and have to pay an effective rate of ~XX% (varies by province). Is there a way around it? Yes, there generally is - it involves buying a life insurance policy inside the corporation. *But Chris, I don't need insurance?* That may be true, but if the cost of the insurance was cheaper than paying the tax on investment gains, you might consider it - especially if you don't anticipate needing the money anytime soon. *How does it work?* Corporately-owned insurance proceeds typically flow through the Capital Dividend Account tax free, so we often end up buying a joint last-to-die policy within the corporation. What the CRA seems to have missed is that most policies read that the investment component within the insurance policy (which grows tax free - with limits) can be paid out on

The Tax Sheltering
Window Is Closing



the death of an insured...in other words first or last to die. Statistics being what they are, this usually means that, ladies, you get the money tax free! It gets better - sometimes we can really grind down the cost of the insurance by adding a third life, say a son or a daughter that is involved in the business. The bad news? The CRA is changing the rules, and if you do not have this insurance in place by December 31, 2016, you will lose a lot of your tax sheltering ability. What is the September 30, 2016 dotted line? Insurance takes time, medicals are required, and we will need to coordinate the plan with the blessing of your tax professional. If you are interested in exploring this concept, now is the time to contact Chris or Ryan at 250-405-2434 or at chris.raper@raymondjames.ca.

Update on the Team

Home buying has become contagious within our team! After a March full of painting, packing and cleaning, our chief trader John Bataller and his family have finally settled into their new home (see the picture to the right), and our senior investment guru Alex Vozian and his wife finally bought their own dream house - steps from the University of Victoria and other great schools for their three daughters. Alex will continue riding his bike to work, as he has been doing every single day since he joined us in July 2013!

Looking ahead, Chris and Arleen will be hosting two very important weddings this summer. On May 28, their rustic barn and the freshly planted wheat fields will be the backdrop for their eldest daughter Alexa's wedding to Adam Wowchuk. Chris is pumped to have more testosterone in the family after the past two decades of playing the token male! A few weeks later, on June 18, Erika and Luke will be tying the knot in the same spot.

On the professional development front, John is back with yet another notch in his belt after passing his Wealth Management Essentials course.

Finally, at the end of April, we sadly said goodbye to client service representative Linda Olver, as she moved to the Okanagan to be closer to family. If you happen to know someone looking for an employer that "just gets things done", we would be pleased to make an introduction!



For more updates on the team and other exciting news, follow us on Twitter: [@ChrisRaperAssoc](https://twitter.com/ChrisRaperAssoc) or like us on Facebook: [f Chris Raper & Associates](https://www.facebook.com/ChrisRaperAssociates)

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