

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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Oil and the Loonie

Can January's rally last?

For Canadian investors, there are few questions more important. If the rally has legs, it calls for sharply decreasing our U.S. dollar exposure while increasing our Canadian dollar resource-based equities. If this rally is countertrend in nature, i.e. a snap back from oversold conditions, then we need to be further reducing our already minimal energy exposure and buy U.S. dollars/U.S. securities. What follows is my take - both short and long term.

In the short term (weeks), prices tend to be driven by fear and greed. Oil is currently oversold, sentiment is terrible, and speculators have contracted to sell massive amounts of oil they don't own in hope of buying it cheaper. In other words, fear, fear, and greed—my read? It is at least plausible that oil could rally to the \$40 range over the next several weeks...before it fails, again.

Inflation-adjusted oil prices since 1861:

Mean: \$33.03

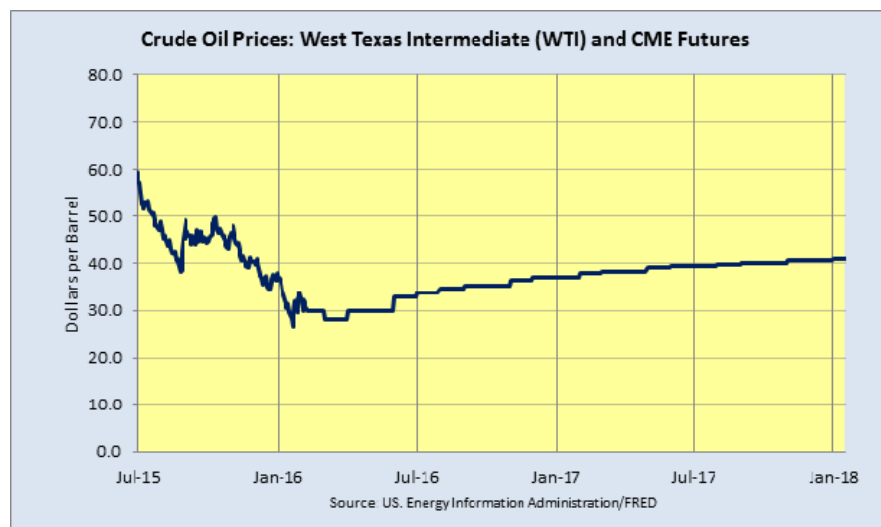
Median: \$22.47

Low: \$9.94 (1931)

High: \$119.56 (1864)

Source: Ned Davis Research

Longer term (months to years), prices tend to be driven by supply versus demand, and on that front, I believe we are a long ways off from oil's ultimate bottom. Here's why - let's recognize the long term average price of oil (inflation adjusted) is ~\$33/barrel. We just spent the last decade at multiples above that, while adopting fracking and horizontal drilling technology that allows us to extract massive new resources at far cheaper costs. Furthermore, history suggests we must endure a far longer period of below average prices before we start to normalize. How long? I don't know - but I do know that since the 1800s, the average commodity bear market has lasted almost 20 years. We are currently sitting at 5 years. Supply wise, Total U.S. Petroleum Inventories are ~23% above their five year average, U.S. production has barely budged in the face of \$30 oil and drillers are still being incented to drill with the 2 years futures curve at ~\$41/barrel (see below). Only when every last oil bull has had their proverbial “head handed to them” and the banks have totally shut down the producers capital supply will we develop a stage for sustained price increases.



“Man is the only kind of varmint that sets his own trap, baits it, and then steps in it.”

– John Steinbeck

Mumbai and the Banjara People *East Meets West*

I finally did it - after two years of procrastination, I finally stopped making excuses as to why I couldn't go and boarded a plane for India. Destination: Mumbai, where 22 million people are trying to scratch out a living in a land mass the size of Greater Victoria. Yes, it's dirty, it's noisy and the traffic is unbelievable.

We have been sponsoring a Balwadi (slum) school for the last two years in the Cuffe Parade district, home of the Banjara people. My reason for going was to put "boots on the ground" and see the impact our efforts are having. I was blown away. Our schoolchildren, age 3 to 6, live in unbelievable conditions by North American standards. For them, getting into public school is near impossible because you need to know your ABCs and 123s. If you come from an illiterate family/community, who will teach you? Without outside help, most will have no chance of getting an education in India - that is where our school comes in. For \$6,000 per year, we can change the lives of 30 children and all the generations that follow. Our kids get a uniform, a backpack, the best meal they will get that day...and a hand up. By the numbers, only 4% of slum children get into public school, but the Balwadi schools are seeing 96% of our children getting in.

The most common question I get is: "How was it?" The experience was tremendously uplifting and I returned with my spirit filled. Despite the poverty - huts built on bamboo stilts over tidal flats with garbage, sewage and stench that turns your stomach - I saw whole families eking out a living, peeling those little shrimp you get out of a can for about \$1 per day in pay. I also saw beaming smiles and hope for a better future. The Banjara People want the same things you and I want - to bring children into the world, scratch out a living and see their kids get ahead. They want to improve their lot, and they work incredibly hard just to survive. In essence, I saw tremendous courage and a testament to the human spirit.

If you are intrigued and would like to know how you can make an impact, check out www.eastmeetswestvictoria.ca.

Update on the Team

Aside from Chris's trip to India, our other big update on the team is the latest addition! Linda Olver joined our team in December, filling the role of Client Service Representative. Born and raised in Banff, Linda is a recent graduate from the Gustavson School of Business at UVic with a specialization in Entrepreneurship. Linda's main responsibilities are account documentation and performance reporting - both of which she has picked up very quickly!

In other news, Erika is busy planning for her wedding in June, Ryan is still trying to get over the Seahawks not making it to the Super Bowl this year, and John and his wife Kerri have some exciting news - they have just put pen to paper on their first home!



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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