February 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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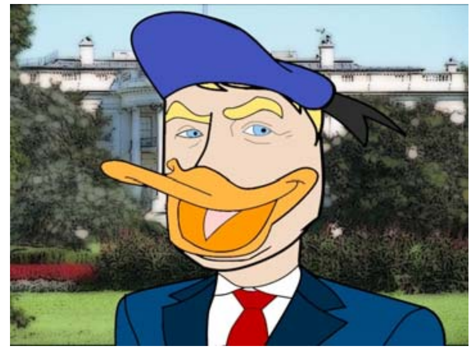
Navigating The Donald

It seems like every morning I awake with one question on my mind, "What did The Donald do last night?" Between tweets (or are they quacks?) we watch his latest musings move markets, sectors and stocks in some extraordinary ways, as investors try to figure out who wins and who loses. An obvious question is, "Chris and Ryan, what is your strategy for navigating the new Trump era? "



Artist: Cody Bergeron

Step 1: Take a deep breath and do very little in the near term. While his "latest" are market moving today, they will become background noise in the very near future — I am talking weeks or maybe a few months, at worst.

Step 2: As Yogi Berra liked to say, "You can see a lot just by watching" — to wit, the immigration ban. While none of us know who crafted the executive order (was it Trump, Bannon or ???), it was obvious that within 24 hours there was some serious back pedaling (it's okay if you have a green card) and then the legal challenge was mounted. While Trump is a polarizing figure, he is not stupid. He will learn that he has to work within the bureaucracy that he desperately wants to dismantle. The bark will be worse than the bite.

Step 3: Recognize that some of Trump's policies could turn out to be a very good thing for investors while others are downright awful. Let's start with tax reform — the U.S. has one of the highest corporate tax rates in the industrialized world — fix that issue and you will cure the disincentive for global companies to reinvest in the U.S. It would be an absolute win for investors and workers, and would certainly push the U.S. dollar north. The downright awful would be a border tax which is extraordinarily hard to implement, would drive consumer prices up for Americans (estimated to boost the cost of a new car by $5,000), and will undoubtedly result in a tit for tat trade war, where the global economy shrinks and everybody loses. In summary, bad, bad, bad and as we see it today, it has very little chance of happening as the Republican party has traditionally been pro trade.

Where does that leave **The Dividend Value Discipline?** When we layered on our ***"disruptors and aggregators"*** themes, we certainly didn't have the Trump presidency in mind, yet it was fortuitous in that a lot of our companies are truly global in nature and are likely to be minimally impacted if a trade war was to develop. Let's look at Microsoft as an example — their cloud services and Office 365 subscriptions slip across border cyberspace unchallenged and because most businesses can't live without it, their business would be amongst the least impacted. Constellation Software, Intuit (TurboTax and Quickbooks) and Expedia are in much the same camp.

As we eyeball the balance of our holdings, the lions share of our companies either have their revenue predominately within the U.S., i.e. Valero, CVS Health, Hormel, CubeSmart, Amerisourcebergen, Lowes, and/or they have their revenues/earnings well diversified in a global context, i.e. CCL Industries, Amphenol, TJX, Bank of Nova Scotia.

Where are we most vulnerable to a trade war? Some would make a case for our Canadian energy producers who are either directly or indirectly dependent on selling their products into the U.S., i.e. Peyto and Arc Resources, yet it seems Trump wants our hydrocarbons given his quick movement on Keystone XL.

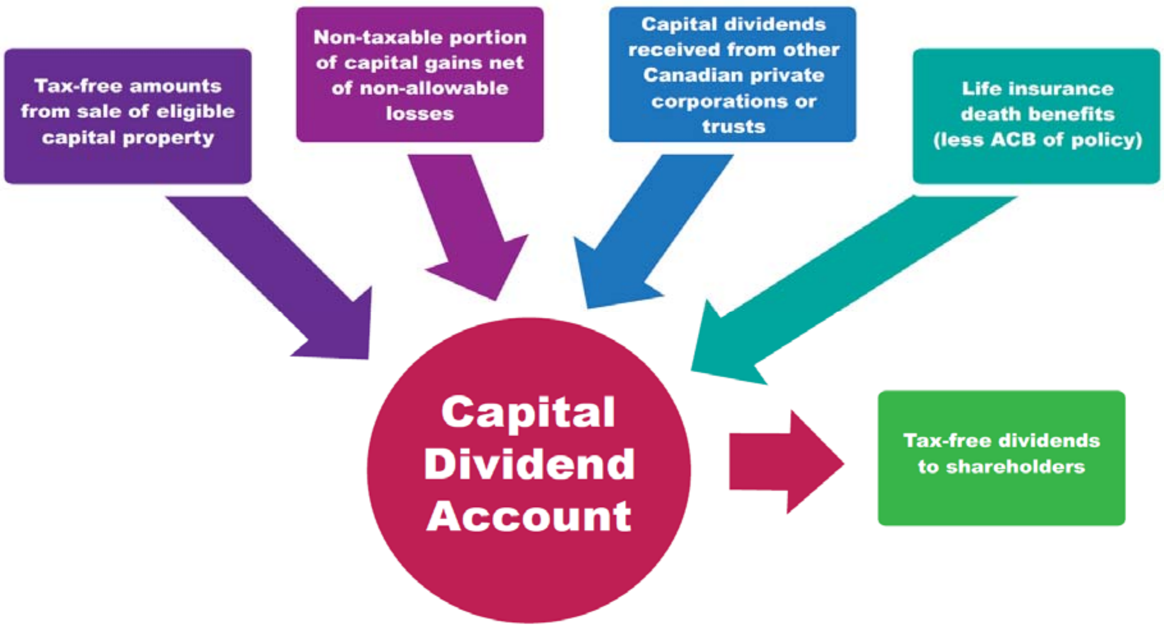
As you know, we invest in companies that have demonstrated great corporate culture and when challenges come, they tend to rise to the challenge. The overwhelming majority of our investee companies have some kind of moat, meaning they are difficult to compete with. That too will serve us well. Finally, all but a handful of our companies fall into the ***"disruptors and aggregators"*** themes and their growth is evidenced by their double digit "rent cheque" increases. We continue to believe that same will serve us well as the "Donald" future unfolds.

CHRIS RAPER & ASSOCIATES | RAYMOND JAMES

Understanding the Capital Dividend Account

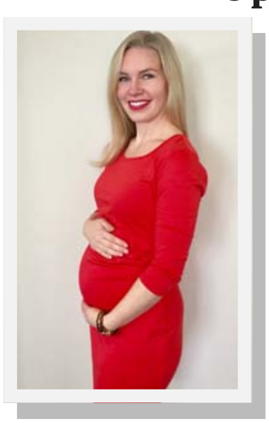
By: Chris Raper

I have never met a business owner who isn't interested in getting money out of their corporation tax-free. Yes, there is a way...and it has limits. The capital dividend account (CDA) is a notional account that is only relevant for tax purposes. It does not show up in the company's financial statements and yet it is one of the few ways a Canadian resident shareholder can receive funds from their corporation, tax-free. In essence, CDA computes its balance from tax-free or non-taxable sources of income that the corporation has realized. Perhaps the easiest example to understand is the non-taxable portion of capital gains. Currently 50% is taxed and 50% is not taxed — the latter would be credited to the CDA and can be removed from the corporation tax-free. (FYI — many tax practitioners see the taxable portion of capital gains moving to 75% with the Trudeau government's next budget). Other sources of tax exempt monies to the CDA are outlined in the schematic below, with the granddaddy of them all being life insurance benefits. That is why corporately owned life insurance policies are such a great estate planning tool...providing you can convince yourself that you will not spend the money in your lifetime and thus, it is best to maximize the benefit to your heirs and/or chosen charities. Please be aware, the actual CDA balance is a cumulative and real time calculation. It is updated as eligible amounts are credited to the CDA balance. The calculation rules are complex, and careful tax planning and advice is necessary to optimize the use of the CDA, particularly concerning the timing of capital losses — certainly not a DYI project.



Update on the Team — Growing in More Ways Than One!

By: Erika Kuzio



It has been a whirlwind year for me. Back in June, I got married in a fairytale wedding at Chris's farm. So it may come as no surprise that my husband Luke and I are on to the next big adventure — starting a family! I am thrilled to announce that we are expecting our first baby in July.

I thought this would be a great opportunity to share our plans at ***Chris Raper & Associates*** for the coming year. As my family (and belly!) is growing, so is our team. Larissa Ruditsch will be stepping up to help look after our clients while I am on maternity leave. In the interim, she will be working closely with Ryan and me for the next few months and I have every confidence that you will be well looked after. Keeping with the growth theme, we are looking to fill Larissa's client service representative role over the next few weeks. If you know an administrative rock star who you think would be a good fit, we would welcome an introduction.

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