

# 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](http://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

## Rationally Optimistic Perspective on All-Time Market Highs

With the TSX Composite and the S&P 500 pegging all-time market highs what seems like every other day, investors have a lot to ponder. Is there another bear market around the corner? Is it time to buck up and buy the seemingly unstoppable FAANG stocks (Facebook, Apple, Amazon, Netflix, and Alphabet aka: Google - 5 of 500 stocks that have contributed 27% of the S&P 500 year-to-date returns)? Or is it time to stick with the middle ground and focus on wide moat/great culture dividend-paying companies that continue to post double-digit rent cheque increases?



What follows are bullet points that we believe are pertinent to today's market environment and **The Dividend Value Discipline™**, starting at the 50,000 ft. level and becoming increasingly granular:

- The global economy is firing on all cylinders: It is no longer just a U.S. story – Asia, South America, and even Europe are participating.
- The leading indicators continue to point north: Copper is trading above \$3.00 per lb., the semi-conductor index continues to post all-time highs and the oil market has rallied due to increasing demand.
- The oil rally is great news for our commodity-centric TSX Composite, which closed out October 2017 at 16,026 - yes a new record high, and a mere 2.6% above the high of 15,625 set in August 2014...but note the breakout!
- The S&P 500 closed out the month of October at +15% year-to-date...if you measure it in U.S dollars. In “loonie” terms, that number is +10.4%.
- The correlation between oil and the SCAD is beginning to normalize and Governor Poloz is clearly backing away from further near-term rate hikes.

Within **The Dividend Value Discipline™**, the median earnings growth for Q2 2017 (on a year-over-year basis) for all 27 of our investee companies was 12.2%, and the announced dividend increases annualized at 14%. Thus far, Q4 is shaping up in like fashion. Those kind of numbers ultimately drive stock prices. So yes, it is frustrating for us to peg in with low single-digit numbers as the markets hit new highs, and we know it is for you too. That said, the market is a voting machine in the short term and a weighing machine in the long term. And what does the market weigh? Earnings - the precursor to dividends, or in our language, “rent cheques” and **our rent cheques are growing at double-digit rates!** This movie ends well even when there are days we feel like Buffett in 1969 (see next page).

## Think Like Buffett

...so the question will surely arise, "Is it time to abandon dividend paying stocks in favour of the high flying FAANGs?" We are not prepared to do that and to explain our rationale, we quote the master investor, Warren Buffett.

*"Essentially, I am out of step with present conditions. On one point, however, I am clear. I will not abandon a previous approach whose logic I understand (although I find it difficult to apply) even though it may mean foregoing large and apparently easy profits to embrace an approach which I don't fully understand, I have not practiced successfully and which, possibly, could lead to substantial permanent loss of capital."* - penned by Warren Buffett in 1969, as he gave his investors their money back due to lack of opportunity.

Translation? The pursuit of seemingly easy short term gains can quickly turn into painful and permanent losses of capital. Those of you who have been with us since we started the program will be aware that we have experienced one negative calendar year (2008) performance-wise, and have compounded returns at ~7% per annum. Yes, short of the 8% objective and we are going close the gap by sticking to our discipline, **The Dividend Value Discipline™**.

## Coping with SAD: Seasonal Affective Disorder

Now that Daylight Savings Time has ended, shorter, darker days are just the prelude to another Canadian winter ahead. If you've ever noticed a change in mood, or felt "down" during the fall and winter months, you are not alone. According to the Canadian Mental Health Association (CMHA), about 2% to 3% of Canadians will experience Seasonal Affective Disorder (SAD) in their lifetime.

SAD is a type of depression that typically begins this time of year and can last until spring. Adults, women, and those who live further away from the equator (i.e. all of us in the Great White North) are at a higher risk of experiencing this mood disorder. Common symptoms include, but are not limited to: oversleeping or trouble getting a proper sleep, fatigue, changes in appetite, weight gain, feelings of sadness, and irritability.

If you suspect that you may suffer from Seasonal Affective Disorder, consult with your doctor or another health professional. More information can be found on The Canadian Mental Health Association's website at: <http://bit.ly/cmhasad> or by visiting [www.mayoclinic.org](http://www.mayoclinic.org) and searching "SAD".

## Update on the Team



Many of you will know that Chris Raper & Associates has been funding the Cuffe Parade Balwadi school for some of the world's poorest children in the slums of Mumbai, India. Our efforts teach preschool kids their ABC's and 123's, which is their ticket to an education and a path out of generational poverty. On October 15th, Chris and Arleen hosted a table at the Balwadi School's annual East Meets West Fundraiser, where over \$46,000 was raised! We are happy to report that our efforts are multiplying (Chris says they are infectious when you get the value proposition). Our team's analyst, Alex Vozian aka: "Monet", and his family donated four pieces of artwork from their repertoire [www.vozian.com](http://www.vozian.com), and his two youngest daughters, Emilia (11) and Angelina (7) (both pictured left), were first off the mark enabling them to raise \$144 each - enough to sponsor six children for a whole year! Alex and his wife Dorina's pieces followed, to make it \$1,100 raised thanks to the Vozian Family. Two of Chris's guests teamed up and took over a whole school (with naming rights) for a mere \$6,000, and Chris is even growing his prize tomatoes for the cause - selling the first basket for \$120! We sure hope they were tasty.

If you'd like to learn more about the Balwadi schools and how you can help, call Chris or check out the [February 2016 edition of The Strategist](#), in which Chris shares the experience of his own trip to our school in Mumbai, where he witnessed the incredible impact our efforts have had first-hand.

On the continuing education front, we're happy to report that Larissa Ruditsch has finished studying, passed her exams, and is now officially licensed as an Investment Representative!



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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