

This e-mail is broadcast in nature and is intended for participants (and interested parties) of

The Dividend Value Discipline™



This note picks up on my latest audio recording of **The Opportunity Update**, produced on Wednesday, Nov. 26/14. You can find the recording, as well as a downloadable transcript, at www.tinyurl.com/TheOppUpdate.

First up, please know that while we have not gone unscathed throughout this rout, we are standing up relatively well. As of 9:00 AM PDT this morning, Dec 11/14, most accounts within **The Dividend Value Discipline™** are tracking at ~6.5% year to date. In essence, cash on hand, US stock exposure, and low energy exposure has helped us withstand the onslaught.

Now to the markets and where to from here? For some context, below I record the then and now:

	26-Nov-14	10-Dec-14	% Change	52-week high	% off 52-week high
Oil Spot Prices (price for one barrel)					
West Texas Intermediate Crude (\$US)	\$73.30	\$63.27	-13.7%	\$107.68	-41.2%
Western Canadian Select (\$CAD)	\$63.03	\$50.71	-19.5%	\$92.83	-45.4%
S&P/TSX Capped Energy Index	252.57	198.32	-21.5%	339.96	-41.7%

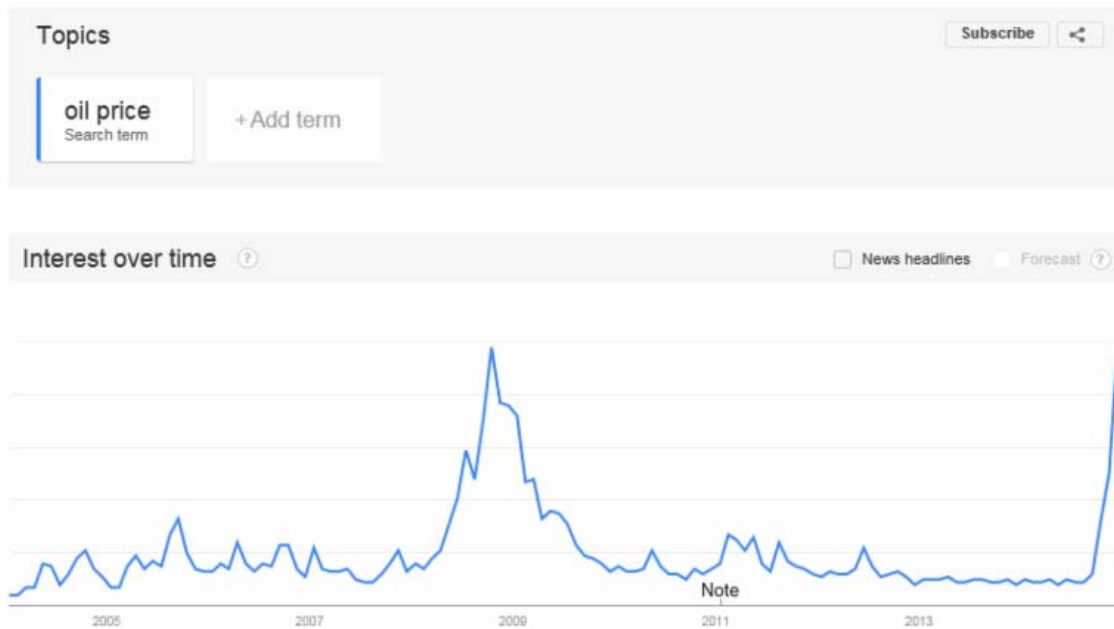
The key question I posed on the Nov. 26/14 recording was, **"Oil, is it time to play the contrarian card?"**. After citing considerable evidence, my conclusion on the oil complex was as follows:

"Short-term, say over the next 6 weeks, we are like an overstretched rubber band, so a bounce to the upside before year end is certainly plausible. We intend to use any such bounce to lighten our already diminished energy exposure. Longer term, there are a lot of headwinds for the industry and our sense is that investors en masse do not fully appreciate how long this could go on. In conclusion, we are way too early in the cycle to play the contrarian card on the oil complex. We expect to remain underweight in our oil and gas exposure for the foreseeable future. The small 6% allocation we do own is biased to those companies that own refining assets as lower oil prices actually help that side of their business."

Chris, as of yesterday, Dec 10/14, Canada's Energy Index is down another 22% since your recording. What has changed in your thinking, and have you committed any thinking to action?

I still feel like we will get a rally in the short term - probably before year end. Why? Oil and gas producers are now extremely oversold. The evidence? It is inescapable front page news on both the national and international circuits - the old adage, **"if it is in the news it is in the stock"** is apropos.

How can you be sure the panic is in? In truth, you can't be sure, yet you can weigh the evidence. The Canadian Google Trends picture (thanks to our ever thinking, sleuth analyst, Alex Vozian) tells us if we haven't peaked, we certainly have to be close. Note the peak worry spike back in 2008 and where we were as of last night. The global picture looks similar although not quite as extreme.



Furthermore, the [Dec. 6/14 cover story of our ever valuable contrarian indicator The Economist](#) is just one more peg in the extreme pessimism camp.

So, what have we done?

Over the last three trading days we have stepped up our equity exposure in one integrated (production and refining) producer at an average discount of 17% from our last sale date on Nov. 21/14. The company has great free cash flow, little in the way of debt, and a healthy dividend. That said, we are still significantly underweight in oil and gas versus the TSX Composite, and we intend to remain that way for the foreseeable future. In essence, we believe we are at or near a bottom, but perhaps not *the* bottom.

Assuming we get a short term rally, my current intention is to eliminate one more energy producer from the portfolio in its entirety. As an aside, and perhaps of considerable importance to prospective clients reading this piece, I do see the "oil worry" leaking into other sectors of the Canadian equity markets; banks being but one example.

Will we make the 8% this year? Obviously, I can't make any guarantees. I can tell you we are working hard and will do our level best to make it so. Where is Santa Claus?...I hear he is mired in an Northern Alberta oil slick!

From all of here at the most proactive wealth advisory team on Planet Earth, Merry Christmas.

Yours truly,

Chris Raper

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