

# HollisWealth™

## "Staying Abreast of Changing Times"

### Welcome to 2016 – And hopefully an Aha Moment

*Each year people think of things and they want to have a fresh start, for 99% of the people that's not reality. With all the great intentions of resolutions in the New Year things do not change for long. Why? Because our thoughts don't really change, things don't really change unless we have a true "Aha Moment" and in this letter we want to bring to you that moment for 2016.*

We hope we are delivering an Special Message, one that you can understand easily and put into practice. The first thing about such a moment – it has to be steeped in truth. What is the truth? This world has changed and it has created a massive challenge ahead! Too many retirees, countries steeped in too much debt, too much worldwide money creation, a great demand to build and to repair infrastructure around the world. Technology is replacing people at work, and entitlement programs worldwide will require a lot of money to carry it through as people age. That's the good news.

We believe we should all get a message, "*We really need to think about what it will take to keep all the balls in the air.*" A dramatic change is more dramatic when people just do nothing! We are going to introduce to you a discussion on World Manipulation by nations and we believe to even mention that to clients will conjure up some freaky thoughts. Well we're not going to go there "but" it is a discussion that people should not be afraid off and should actually move towards. It should be a fresh discussion and a frank discussion – and in some cases a needed one.

Most of us don't think about the importance of taxes in other countries, the value of their currency, or our dependence on another country's success. Do we understand that it **does** make a difference whether the US, or England, France, China, or India or all the other countries have financially sound governments? And, if some or possibly even one of these countries' economies slow down or go into a period of deflation or stagflation it could change our country significantly? We should know it all now makes a difference.

Governments must tweak their economies constantly. When old tools are not working and the world changes are happening fast, governments cannot be inactive there are just too many moving parts. They must always be involved in daily activities that will affect their economy. We hope this understanding strikes you as an "Aha Moment," but not in a negative way. *World adjustments will create more volatility, and volatility creates greater opportunity.*

Just as the stagflation of the 1970s cursed the world with damaging wage and price controls, the low interest rates since the turn of the century has confounded investors with a myriad of situations, few of which can be cured by easy answers that don't affect something else. While low interest rates are perplexing to some, high interest rates are shocking to others. A deflationary environment may appear to one group as being OK, whereas another group might be helped more by an inflationary period, and in all cases the governments have to be working through their problems just as individuals must. In everything we've got to be flexible, and steadfast, and assured. 'These three things are not always an investors forte', so one could ask, "If I don't have that discernment in my portfolio how does one get it?"

It takes a lot of skill to run countries in a transitional world! Do investors require people- skills working for them as the governments have people-skills working for the government? Can you put your team up against the government's team? Do you have too?

We believe it sounds too non-structured, too disorganized or too confusing to use the word manipulation. Isn't that weird to use that word "manipulation" when talking about our governments? Would you be surprised if we said, "They better be manipulating." It's almost like saying, "Governments have to scheme or connive" – but that's not what it means at this time! Today's world is extremely complex and when we think on a much grander-scale and looking at world trade, world politics, world currencies, or world labour rates, we can see why the word manipulation isn't bad but another word -- that word "**inactivity**," which is an exact opposite of manipulation, is real bad! That's should be an Aha Moment too all today – "we need active management."

The world has changed so much – beyond our wildest imagination and it will change more, and at a much greater speed.

Here's one example: A person worked all his life and saved up \$250,000.00 and today earning 1% they receive \$2,500.00 a year. What's \$250,000.00 worth today? He would need \$329,000.00 just to maintain the cost of living as compared to year 2000. (Between 2000 and 2016, the Canadian Consumer Price Index averaged only 1.8%, meaning the cost of his money decreased by 31.5% in just 15 years.) If his money is worth 31% less the \$250,000.00 is worth about \$170,000.00 in today's money. What will it be like in the next 10 years?

<http://www.bankofcanada.ca/rates/related/inflation-calculator/>

So, who wants to manipulate anything when it comes to money, and who wants to be inactive when it comes to money? Two opposite ends of a stick. Very, very few -- what a dilemma and what's the answer?

Here's our thought. With everything that you face when investing, we can provide you with a team of professional managers that are up to looking after your challenges, and challenges that you have not experienced yet. They must concern themselves with inflation, or deflation, or low interest rates or slow economies, and up and down markets and change in currencies and so on. Everyone in the world today is facing obstacles that are moving, and changing.

Should we call it Government manipulation? Would the governments like to call it that? NO! Let's call it fine-tuning, adjusting, correcting, modifying. Let's call it editing, mending, refining, perfecting, and fine-tuning.

World governments are manipulating! But, of course, to be politically correct we should "never - ever" use that terminology. But if anyone thinks they don't do it, well I suppose they can call it whatever they want.

Here's an Aha Moment, "Never allow your portfolio to be **in-active**."

The World Bank's report cautioned on China, "Instead of promoting the foundations for sound financial development the state has "**interfered**" extensively and directly in allocating resources through administrative and price controls, guarantees, credit guidelines, pervasive ownership of financial institutions and regulatory policies."

<https://communicationleadership.usc.edu/news/why-chinas-stock-market-bubble-was-always-bound-to-burst-2/>

Here's another "Aha Moment" - Active Management

What is Active Management? Skillful management to handle, and to manage with different skill with a planned process to achieve performance and to adapt and change to suit their purpose, goals and to take advantage.

Whether it's a clay sculpture that is being worked on by a professional artist or if it's your Portfolio Manager positioning your portfolio to work best for you — both will require ongoing refining, perfecting, tuning, adjusting, correcting, and modifying. Taken in that context you might have that Aha Moment. What does that moment look like? "Aha — the world has changed, it continues changing and we all must change our view on how our financial world works constantly."

Why?

Success is the result of adjusting on a "daily basis," and if we are not adjusting we are more likely to fail. Sound management can make changes that most people could never do — the world just moves too fast.

You and I and everyone are familiar with change — if there was one thing in the financial world that is constant it's change; daily, weekly, monthly and yearly we are seeing change. Two huge examples; the Canadian dollar and energy costs.

Who would have thought the Canadian dollar would drop so much? As of the date of this writing, the Canadian dollar is worth \$ .71 US when just a few years ago it was above par! Who would have thought that energy prices would fall so much, or oil companies with ships at seas would have to reduce their fleet and reduce their staff? Did everyone make changes fast enough?

Are you still invested 100% in Canada with a falling dollar, slowing economy, or were changes made to your portfolio?

<http://www.xe.com/currencyconverter/convert/?Amount=1&From=USD&To=CAD>

How much time can you spend on your portfolio – can you spend 10 to 12 hours a day, over 300 days a year? Are you studying what is taking place in 40 to 50 countries around the world, or studying various asset classes to find the one that best suits tomorrow's direction? Can you send a team of experts to company after company and week after week to look at their operation and review their financial statements? Can you compare 50 companies in the same industry to see which one might grow the fastest? How fast can you get out of an asset class?

Everything tells us manipulation makes sense to governments and we view changes to portfolios not as manipulation but having professional managers make changes as required; to tweak and to refine, to fine-tune, to correct and to modify.

What we have to do is to help our clients understand the difference between the government's need to manipulate and professional asset managers' need to make changes almost constantly. We've taken you in a few words from this world is in an awful state to the understanding why you need an "Aha Moment". The world is in tough terrain because it's all changing too fast. Everything is being manipulated – and governments just cannot afford not to follow suit.

We "DO NOT" want or condone disorganization, we "DO NOT" want no-structure. What we want is "defined structure," people to work for our clients, we want the structure to include; asset management, managers ability to hedge currency (if necessary), global asset management, diversification of investment, the buying and selling of companies, buying investments when they are cheap and selling them at the right time. We want our clients to have dividend income, re-investment of capital gains and so on.

We need professional managers who work with integrity in their industry but each of those managers also must add different skills, different styles, different approaches, and (obviously) employ different staff (why different staff, we need their different skills). Each manager will see different opportunities, as they will see different pitfalls, and they see things you and I may never see.

Should you and I feel un-comfortable that we are counting on professional management to keep our portfolios growing and moving and dynamic in a changing world? Absolutely not we should feel they are being selected to do their job.

It's 2016 a New Year of opportunity and of discourse, a year when greater understanding will be required and maybe we lower our expectations on what governments are capable of doing for us – a new year of relying upon old and new tools in an ever changing world.

*Our thoughts don't really change, things do get better when we have a true "Aha Moment" and in this letter we want to bring to you that moment for 2016.*

We hope you have this Aha Moment, but maybe you won't; but maybe something will happen when you hear a speech or read an article that just jumps off the page. "Yes, I now get the Aha -- I understand why we need that team, those people who have spent their lives working on how to win in a world of change." Unfortunately we will be working in a year of a more volatility. Although that is not what we ordered, but that is something we have been preparing for by selecting managers who have been as well.

We would like to thank you for a successful 2015, we want to wish you our very best for 2016 and every day though out the year. We expect up and down days, maybe a little more volatility than last year but we also expect our choice of investment managers to put their efforts into making your year the best they can.

Thank you from all of us at Hollis Wealth, Moncton.

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