

HollisWealth[®]

"Staying Abreast of Changing Times"

What The "World Needs" and "Why You Should Own It"

"It all makes perfect sense, and at the same time, nothing seems to make any sense at all."

Doesn't the above statement make sense at certain times? You know, it all sounds so-good and yet you turn on the TV and everything seems to be just crumbling. Most would agree nothing makes sense about investing during a down market; – except for some it is very often the greatest time to invest! Nothing makes sense but it all makes perfect sense! How does that work?

We all know the best time to buy a house is when an economy stalls and housing prices drop that's usually when you get the best value but what about your investments' and can you add to your investments' on the dips without worrying? You are already! Most people don't think how dividends can build their futures, by reinvestment of dividends and likely with little or no worry.

We hear a lot these days about dividends where people ask for investments that earn dividends – and we agree, we know long-term reinvestment of dividends can be extremely rewarding and especially if those dividends are being invested back into equity funds that will earn more dividends. That is why we make investments in such funds.

There is a big difference between a bond fund that pays a "yield" and a stock fund that pays "dividends." Both are income but the bond fund is paying interest and taxed at a higher rate than the stock fund paying a dividend out of earnings and possibly capital gains. That dividend has to come from a Canadian corporation and that's what allows it to be taxed at the lower rate. (Do you know that most Canadian investment funds that invest into foreign investments earning dividends qualify for the Canadian Dividend Tax Credit?)

In a down market you can optimize the value of your stock fund dividends by letting those dividends reinvest. Why? If the markets are dropping do investors rush out and buy shares? Some do, but most don't. Investors will often wait until the market goes back up because they want to see the price of the shares (or the market) go up first. But what if they were earning dividends that would reinvest automatically; it would invest to buy more shares of that investment on the day the dividend is issued – and in a down market scenario would be investing likely cheaper. No decision by the investor, no phone call to ask you to buy, no concern about you having to record this transaction for tax purposes; as it is all done for you.

The investor just optimized the value of their shares by reinvesting dividends back into the stock fund at a lower price. Suggestion; in a stock fund have the dividends reinvested, if possible.

The future may always appear dim, so let's look at what is ahead of us, and we'll draw a picture of how you can plan to receive dividends and why this should be part of your investment strategy. Many would agree we all want Professional Management of our money and we all want sound investments, together with solid returns, and, of course, all double-digit returns and no down-periods. But we have to be realistic that even with great Professional Management they too face tough days, as we all do. It makes perfect sense to have professional management but makes "no sense" for anyone to believe they won't have tough periods.

So, we might conclude a down period in markets can be a good period to invest. Now what can we do to optimize your Portfolio? This is where we place the need for Professional Management of Money together with our thoughts for the future.

What will long-term needs be in our Future Society and why? Both are so simple! The population of the world is growing at 80 million people a year*, that's more than the population of two Canada's, that's 220,000 people a day, and at that rate we will have 8.3 billion people on earth by 2030. With that knowledge what can we surmise? While we all need investment optimization the world needs resource optimization because of the global social-impact of an ever increasing population. So how should you be investing?

* Source: http://www.earth-policy.org/indicators/C40/population_2002

We know markets are going up and down, and we know we all want dividends for growth, and we know the population is expected to grow, and we can identify areas that must grow – can we select investments that are reaping the benefits to support your needs 10, 15, and 20 years out? We can!

Money is also a resource to draw upon, we would all agree? So, if we have a resource “money” and it's sitting in a bank doing little – are you losing something? What you could be losing is the value of your money buying into businesses that could be working for you and it's also losing future value due to inflation, perhaps we are also losing the value of reinvesting dividends over a number of years. So, by comparison, we look at any resource – water, oil, gas, hydro these are all resources working and providing usable products but only if someone turns on the power, or drills for the oil, or cleans the water for consumption and so on. It's also what these resources go into to make other products that this world needs.

Money is one resource and what people need to do today is look carefully at optimizing that resource. We have a growing world population, heavier demand upon water (97% of the world's water is undrinkable)*, energy (80% of America's energy comes from fossil fuel)*, disposing of waste (ongoing environmental support), food (70% of grain in developed countries are fed to animals)* so we desperately need agriculture.

National Ground Water Association

- <http://www.ngwa.org/Fundamentals/teachers/Pages/information-on-earth-water.aspx>

World Energy Council

- <https://www.worldenergy.org/news-and-media/press-releases/world-energy-council-report-confirms-global-abundance-of-energy-resources-and-exposes-myth-of-peak-oil/>

WWF - Livestock impacts

- http://www.wwf.org.uk/what_we_do/changing_the_way_we_live/food/livestock_impacts.cfm

We offer a broad base of Professional Managed Products that allow clients to invest into enterprises that have and will have a social-impact, social-impact companies that will pay dividends, that are broadly diversified, and that are geared up to harvest big, bold and new ideas to manage the needs of tomorrow.

“It all makes perfect sense, and at the same time, nothing seems to make sense at all.” Today in this day n' age many put down their investment guard, they fall away from good investments at the wrong time in their lives – why? When direction of markets are questionable people lose sight of the future and its' needs.

So, while we believe ownership of good quality companies are not just desirable they likely will be needed desperately as currencies fail to keep pace. We are in a world supported by record monetary stimulus, keeping interest rates at rock-bottom levels. As an example, Germany is not alone in this precarious world of “nothing return on bonds.” Last year, Switzerland became the first government to issue long-term debt with a negative yield while Japanese 10 year yields (debt) declined below zero this year.

Sovereign debt carrying negative interest returns topped \$10 trillion globally, and now accounts for nearly one third of all outstanding government debt according to Fitch Ratings*. Earlier this month Toyota Motor Corp issued bonds with the lowest coupon ever for a Japanese company, issuing notes with a yield of .001%!

*Source: The total amount of fixed-rate sovereign debt trading at negative yields grew to \$10.4 trillion (\$7.3 trillion long-term and \$3.1 trillion short-term) as of May 31, 2016

<https://www.fitchratings.com/site/pressrelease?id=1005505>

It's summer a great time to meet, discuss your concerns, your views, and your future. Each summer we try to call and set up appointments with as many clients as we can, if you wish before we call you, please, call us at 857 0757.

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