



# MCMURTRY INVESTMENT REPORT

## Investment Commentary (August 2018)

As a result of ongoing headwinds from rising interest rates and ongoing global trade protectionist policies, I am reducing my equity content by 2.5% with cash weights going up by the same amount.

After these changes cash will represent 37.5% and 32.5% of the Income and Growth portfolios respectively.

I am reducing my equity weight for both Europe and the Emerging Markets to a combined total of 6%. Last month the weight was 8.8%. The US has a much stronger economy currently and has the upper hand in these ongoing trade talks.

Further exacerbating the current problems are financial concerns in some Emerging Market countries like Turkey and Argentina. Most of these countries' debts are denominated in US dollars, so the recent US greenback strength puts enormous financial hardship in Emerging Market countries.

Saudi Arabia's reaction to a recent Canadian government tweet in regards to a human rights issue seemed quite extreme to me. It looks like Trump and company gave their full blessing to the Saudis to go after Canada. It just shows you how slimy Trump really is.

In regards to NAFTA, I think the Canadian government must give some concessions to the US to get the deal done. Revoking the supply management dairy tariffs seems like a no brainer to me, but at the moment all three Canadian political parties are against getting rid of it. Alternatively, accepting a five year sunset clause seems like a good compromise to me that would be palatable to all three Canadian political parties in addition to the US.

However nothing has been resolved at the moment and this creates a lot of uncertainty in the capital markets.

In terms of North American equity sectors, I remain overweight the 65% US 35% Canada benchmark weights for Financials, Energy, Industrials, Consumer Discretionary and Technology.

I remain underweight Telcos, Consumer Staples, Utilities and Real Estate.

I have just gone to underweight the Materials sector with ongoing headwinds from a rising US dollar globally, combined with slowing of economic growth in China and the continuation of the trade wars.

I remain market weight the Healthcare sector.



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I added Shopify to the Growth portfolio in the Technology sector several weeks ago. Their recent quarter showed the continuation of strong revenue growth.

I am removing Facebook from the Growth portfolio's technology sector. The share price has recovered somewhat from its recent price weakness, but the company indicated in its last quarter that revenue growth would slow markedly and expenses would climb. Alphabet, already in my Growth portfolio, does not appear to have the same negative issues as Facebook and yet it still offers significant growth opportunities.

In the healthcare sector I added Danaher to both portfolios. The US company offers a solid dividend and continues to provide strong growth in free cash flow and dividends.

I am adding Finning International to both portfolios in the Industrial Sector. The company is the Caterpillar dealer for western Canada and offers a solid dividend and good earnings growth prospects.

In the Utilities sector, I am switching out of Emera into Algonquin Power for both portfolios. Algonquin offers better growth prospects and it is much less leveraged than Emera.

Lastly in the Consumer Discretionary sector, I am removing JD.com from the Growth portfolio. While I continue to like the company over the long term, it is facing some very serious financial issues in China predicated largely from Trump's ongoing trade war. In this current environment in China, I favour only having the larger and stronger Alibaba.

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## McMurtry Investment Report - Portfolios (August 2018)

	Income		Growth	
<b>Cash</b>	Alterna Bank - High Interest Savings (2.05% current rate) EQ Bank - High Interest Savings ( 2.30% current rate)		Alterna Bank - High Interest Savings (2.05% current rate) EQ Bank - High Interest Savings ( 2.30% current rate)	
<b>Bonds</b>	iShares XSB Short Term iShares XFR Floating Rate iShares CBO 1-5 Ladder Corp iShares CLF 1-5 Ladder Gov't		iShares XSB Short Term iShares XFR Floating Rate iShares CBO 1-5 Ladder Corp iShares CLF 1-5 Ladder Gov't	
<b>Preferreds</b>	<i>Security</i>	<i>Dividend Yield %</i>	<i>Security</i>	<i>Dividend Yield %</i>
	Enbridge Pfd V Enb.pr.V US Horizons Active Mgt. Pfd HPR Industrial Alliance IAG.PR.G	6.20 3.78 3.94	Enbridge Pfd V Enb.pr.V US Horizons Active Mgt. Pfd HPR Industrial Alliance IAG.PR.G	6.20 3.78 3.94
<b>Common Stocks</b>	<i>Security</i>	<i>Dividend Yield %</i>	<i>Security</i>	<i>Dividend Yield %</i>
<b>Financials</b>	Royal Bank RY National Bank TD TD CIBC CM Sun Life SLF JP Morgan JPM US Bank of America BAC US Citibank C US Goldman Sachs GS US Manulife MFC T. Rowe Price TROW US iUnits US Regional Banks IAT US Keycorp KEY US Blackrock BLK US Paychex PAYX US PNC Fin'l PNC US	3.70 3.89 3.47 4.48 3.57 1.95 1.94 2.50 1.35 3.64 2.35 1.64 2.40 2.49 3.25 2.62	Royal Bank RY National Bank TD TD CIBC CM Sun Life SLF JP Morgan JPM US Bank of America BAC US Citibank C US Goldman Sachs GS US Manulife MFC T. Rowe Price TROW US iUnits US Regional Banks IAT US Keycorp KEY US Blackrock BLK US Paychex PAYX US PNC Fin'l PNC US Visa V US	3.70 3.89 3.47 4.48 3.57 1.95 1.94 2.50 1.35 3.64 2.35 1.65 2.40 2.49 3.25 2.62 0.61
<b>Energy</b>	Suncor SU Freehold FRU Whitecap WCP Torc TOG Pembina Pipe Lines PPL Enbridge ENB Vermilion Energy VET	2.63 5.41 3.77 3.78 4.87 5.81 6.86	Suncor SU Freehold FRU Whitecap WCP Torc TOG Pembina Pipe Lines PPL Enbridge ENB Vermilion Energy VET Centennial Resources CDEV US Step Energy STEP Parex Resources PXT	2.63 5.41 3.77 3.78 4.87 5.81 6.86 0.00 0.00 0.00
<b>Materials</b>	Agnico Eagle AEM Franco Nevada FNV BMO Global Base Metal ETF ZMT	1.14 1.35 2.61	Agnico Eagle AEM Franco Nevada FNV BMO Global Base Metal ETF ZMT Lundin LUN Trevali Mining TV Hudbay Minerals HBM Roxgold ROXG	1.14 1.35 2.61 1.90 0.00 0.34 0.00
<b>Industrials</b>	DowDuPont DWDP US Applied Materials AMAT US Toromont TIH WSP Global WSP Canadian Pacific CP General Dynamics GD US SNC Lavalin SNC Guggenheim Eq Wt IND RGI US Honeywell HON US Finning FTT	2.21 1.65 1.38 2.03 1.01 1.86 2.17 1.14 1.87 2.58	DowDuPont DWDP US Applied Materials AMAT US Toromont TIH WSP Global WSP Canadian Pacific CP General Dynamics GD US SNC Lavalin SNC Guggenheim Eq Wt IND RGI US Honeywell HON US Finning FTT Fedex FDX US	2.21 1.65 1.38 2.03 1.01 1.86 2.17 1.14 1.87 2.58 1.06
<b>Consumer Discretionary</b>	Home Depot HD US Sleep Canada ZZZ Stanley Black and Decker SWK US Canadian Tire CTC.A Amazon AMZN US Kohl's KSS US Magna MG Lowe's LOW US Carnival Cruise CCL US	2.09 2.39 1.77 2.21 0.00 3.30 2.49 1.93 3.38	Home Depot HD US Sleep Canada ZZZ Stanley Black and Decker SWK US Canadian Tire CTC.A Amazon AMZN US Kohl's KSS US Magna MG Lowe's LOW US Carnival Cruise CCL US Dollararama DOL Alibaba BABA US	2.09 2.39 1.77 2.21 0.00 3.30 2.49 1.93 3.38 0.33 0.00
<b>Telecom</b>	Rogers B RCI.B	2.80	Rogers B RCI.B	2.80
<b>Consumer Staples</b>	Alimentation Couche Tard ATD.b Loblaws L Constellation Brands STZ US Unilever PLC UL US	0.67 1.72 1.42 3.18	Alimentation Couche Tard ATD.b Loblaws L Constellation Brands STZ US Unilever PLC UL US	0.67 1.72 1.42 3.18
<b>Technology</b>	Apple AAPL US Microsoft MSFT US Open Text OTEX	1.53 1.58 1.67	Apple AAPL US Microsoft MSFT US Open Text OTEX Nvidia NVDA US ETFMG Prime Cyber Sec. HACK US Shopify SHOP Alphabet GOOGL US	1.53 1.58 1.67 0.25 0.11 0.00 0.00
<b>Utilities</b>	Algonquin Power AQN Fortis FTS	5.14 3.97	Algonquin Power AQN Fortis FTS	5.14 3.97
<b>Healthcare</b>	Abbott Labs ABT US Johnson & Johnson JNJ US Merck MRK US US Healthcare iShares ETF IYH US United Healthcare UNH US Eli Lilly LLY US CVS US	1.71 2.72 2.91 1.06 1.42 2.28 3.09	Abbott Labs ABT US Johnson & Johnson JNJ US Merck MRK US US Healthcare iShares ETF IYH US United Healthcare UNH US Eli Lilly LLY US CVS US DanaHER DHR US Thermo Fisher Scientific TMO US IBB Biotech ETF IBB US	1.71 2.72 2.91 1.06 1.42 2.28 3.09 0.64 0.29 0.27
<b>Real Estate</b>	Cdn Apt. REIT CAR.un InterRent REIT IIP.un Summit REIT SMU.un Chartwell REIT CSH.un	2.87 2.42 5.82 3.86	Cdn Apt. REIT CAR.un InterRent REIT IIP.un Summit REIT SMU.un Chartwell REIT CSH.un	2.87 2.42 5.82 3.86
<b>European Equity</b>	iShares MSCI Europe XEU	4.39	iShares MSCI Europe XEU	4.39
<b>Emerging Markets</b>	iShares MSCI Emer. Mkts XEC	0.96	iShares MSCI Emer. Mkts XEC	0.96

**McMurtry Investment Report - Sector Weights (August 2018)**

Equity Sector Weights (%)				
Sector	My Weight	TSX Comp	S&P 500	65 % US / 35% CDN
Financials	22.80	33.50	14.10	20.89
Energy	12.00	19.90	6.20	11.00
Materials	4.63	11.10	2.60	5.58
Industrials	11.00	10.30	9.90	10.04
Consumer Disc.	11.00	5.70	12.70	10.25
Telecom	1.50	4.50	1.90	2.81
Consumer Staples	4.00	3.40	6.90	5.68
Technology	18.88	3.80	25.60	17.97
Utilities	2.35	3.80	2.90	3.22
Real Estate	2.00	2.80	2.80	2.80
Healthcare	9.85	1.20	14.50	9.85
<b>Totals</b>	<b>100.00</b>	<b>100.00</b>	<b>100.10</b>	<b>100.07</b>

**McMurtry Investment Report Asset Mix (August 2018)**

Asset Mix - Income and Growth Portfolios		
%	Income	Growth
Cash	37.50	32.50
Bonds	10.00	5.00
Preferreds	15.00	10.00
Equities	37.50	52.50
CDN	11.03	16.28
US	20.48	30.23
Europe	4.00	4.00
Emerging Markets	2.00	2.00

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