

June 2016

Staring down the fairway

By Yoonjai Shin, CFA

Vice-President & Associate Portfolio Manager, Investment Consulting

Golf season is in full swing in Canada. While many people are hard at work on the golf course, we at the Investment Consulting team are hard at work at the office, entrusted with managing investments. While one is a fun pastime and the other is serious business, both golf and investing share many similarities. Both are difficult subjects to master and each require a similar set of criteria to succeed consistently – a dependable, repeatable process, sound strategy and tactics, control over emotions and ongoing maintenance.

The hallmark of professional golfers is the consistency and efficiency of their golf swing. They approach each swing in a uniform manner beginning with the address position, followed by the back swing then the down swing and finishing with the follow-through. The body moves fluidly with just enough weight transfer and torque and no unnecessary movements, leading to a well-struck ball down the fairway (or on the green). While perhaps lacking the same elegance, a well-engineered investment process, when applied consistently, leads to strong investment performance with a high level of predictability and reliability. Each time we stand over the ball and look down the fairway, our team applies the same “total return equation” approach in a consistent manner.

Proficient golfers not only have great swing mechanics, they also excel at course management, which involves knowing when to take risks and when to play it safe. Proper club selection is critical in successfully implementing the strategy. Novice golfers often choose the wrong golf club whether unintentionally – due to poor judgment of distance and other elements like wind, rain, elevation – or intentionally – oftentimes because they are biased towards using only a narrow selection of clubs. This reduces the accuracy of their shots and typically leads to poor results on the scorecard. Proficient golfers are comfortable using all the clubs in the bag. Similarly, in the investing world, the best-positioned portfolios are multi-asset strategies that access a full set of asset classes and are sufficiently flexible to adjust exposures as valuations and market conditions change.

Golf is a mental game as much as it is a physical one. Most golfers are susceptible to the emotions of greed and fear, both of which tend to have detrimental effects on their game. When greedy, a player who seeks to gain more distance may swing her driver too quickly and compromise the mechanics of her swing, leading to an errant shot and a loss of one stroke or more. If a water hazard lies just ahead and a golfer is fearful of losing his ball in the water, he may tilt the trajectory of his swing in an attempt to lift the ball higher only to hit the top of the ball and see it plunge decisively into the water; this is a

common error often referred to as “topping.” Greed and fear are well-known enemies in investing as well. A valuation-driven approach that seeks to accumulate assets when they are not liked by the market and reduce exposures when they are loved helps to manage emotions and to avoid the common mistake of buying high and selling low.

Professional golfers spend a great deal of time at the driving range and putting greens, repeating the same swings and putts on a regular basis to ensure that they maintain an optimal skill level. Similarly, our team continues to monitor the portfolios and capital markets on an ongoing basis, ensuring that they remain positioned for optimal performance. As professional investors, we will continue to seek ways to enhance our own skill sets and fine-tune our investment process as the environment evolves. On the other hand, we will probably not take the game of golf so seriously.

Combined top 15 equity holdings as of May 31, 2016 of the Evolution 40i60e Standard portfolio with Alpha-style exposure:

1. Microsoft	6. Tourmaline Oil	11. CIBC
2. Atco	7. Alphabet – Class C	12. Thermo Fisher Scientific
3. Manitoba Telecom Services	8. Toronto-Dominion Bank	13. UnitedHealth
4. Altagas	9. Simon Property Group	14. Alphabet – Class A
5. Chubb	10. Synchrony Financial	15. Apple

This document is intended solely for information purposes. It is not a sales prospectus, nor should it be construed as an offer or an invitation to take part in an offer. This report may contain forward-looking statements about one or more funds, future performance, strategies or prospects, and possible future fund action. These statements reflect the portfolio managers’ current beliefs and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. United pools are managed by CI Investments Inc. Assante Wealth Management is a subsidiary of CI Investments Inc. Neither CI Investments Inc. nor its affiliates or their respective officers, directors, employees or advisors are responsible in any way for damages or losses of any kind whatsoever in respect of the use of this report. Commissions, trailing commissions, management fees and expenses may all be associated with investments in mutual funds and the use of the Asset Management Service. Any performance data shown assumes reinvestment of all distributions or dividends and does not take into account sales, redemption or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the fund prospectus and consult your advisor before investing. Assante Wealth Management and the Assante Wealth Management design are trademarks of CI Investments Inc. This report may not be reproduced, in whole or in part, in any manner whatsoever, without prior written permission of Assante Wealth Management. Copyright © 2016 Assante Wealth Management (Canada) Ltd. All rights reserved.