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## The celebrity effect continues in Trump's favour

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Stock prices continued to trend higher in January and February on expectations that U.S. President Donald Trump will make America, if not the world, great again. Since President Trump was elected on November 8, 2016, U.S. stock markets, as measured by the S&P 500 Composite Index, have had 47 positive days and only 28 negative days. Of the 28 negative days, the downside has been less than 1%. This low level of volatility is unusual. We have been surprised by investors' vote of confidence in the new president.

Fixed income, widely regarded as a losing asset class for growth, experienced a large correction after the election but has held up reasonably well so far in 2017. No one can agree on whether fixed income is fairly valued. The interest income these investments offer is at historic lows, which suggests that their prices, which are inversely related, are at historic highs. However, the conclusion may be different when evaluating them from a fundamental perspective. We do not see catalysts for inflation to rise and economies to grow at a substantially stronger pace. Two major blocs, Japan and Europe, are still using quantitative easing and zero interest rate policies to fight deflation, while inflation in North America is being driven by a one-time increase in oil prices as a result of OPEC's decision to cut production in November 2016. If interest rates continue to stay low, we believe fixed income will have limited downside.

Under the backdrop of consistent stock market growth and stagnant fixed-income markets, some investors may be asking if they should sell their fixed-income holdings and add to their equity holdings. This motivation is likely driven by the belief that the current backdrop will persist. While we do not know when the backdrop will change, we are certain that it will change at some point and stocks will become out of favour. This could be driven by changes in valuation, macroeconomic outlook, or investors' assessment of Donald Trump – scenarios in which the performance of fixed income would generally strengthen. Owning both fixed income and equities effectively reduces the range of potential outcomes, or upside and downside capture, of a portfolio compared to holding only equities. We all wish to have high upside capture in rising markets but one should not accept high downside capture in falling markets. We aim to invest effectively and keep pace with markets by making informed decisions, not by adding risk.

*Combined top 15 equity holdings as of February 28, 2017 of the Evolution 40i60e Standard portfolio with Alpha-style exposure:*

1. Microsoft	6. Roche	11. Toronto-Dominion Bank
2. Apple	7. Alphabet Class C	12. JPMorgan Chase
3. Altagas	8. UnitedHealth	13. PrairieSky Royalty
4. Chubb	9. Wells Fargo	14. Bank of Nova Scotia
5. Atco	10. Alphabet Class A	15. Walgreens Boots Alliance

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