



# NEWSLETTER

## Message from the Managing Director, Private Client

Our business at Highstreet has always been founded on doing two things exceptionally well; 1) managing money and, 2) looking after our clients. Together, these two core beliefs are generally referred to as Wealth Generation.

Given the volatility that continues in the markets, investors are recognizing the benefits of relying on professional advisors for guidance around investment management during these challenging days. As noted above, the second part of our mission is to focus on “looking after our clients”. Traditionally this has meant regular contact with clients to ensure their investor profile remains current, the KYC discussion, as well as portfolio performance updates and general support around a range of investments such as RRSPs, RIFs, and TFSA's etc.

Often, one of the key areas that investors are remiss in paying attention to relates to Wealth Preservation. Unlike professional asset management that usually leads to tangible immediate and long term benefits, wealth preservation through wealth and estate planning does not usually lead to immediate payoffs; rather the benefits are often deferred to a date down the road. With no immediate benefit in evidence, this results in families deferring decisions on estate planning, and ultimately, events overtake them.

The consequences of not paying attention to wealth preservation and asset succession issues can be monumental for a family. A Will is not always sufficient to protect wealth through multiple generations. Multiple studies have shown that roughly 70% of wealthy families lose their wealth in two generations, and 90% in three generations. Through proper planning, such worries as leaving legacies to recalcitrant children can be avoided, and the intergenerational transfer of wealth can be done in a controlled and tax efficient manner. Negative financial effects of marriage breakdowns, (or remarriages) can also be mitigated.

We encourage you to expand your thinking to include Wealth preservation as well as Wealth generation. As an investment management firm, Highstreet has experience working with trusted partners experienced in wealth and estate planning.

### Market Update

The Highstreet team sent a Market Update to clients at the end of June after the results of the June 23rd vote by Britain to leave the European Union and its impact on the capital markets. Volatility was subdued before the vote, and the S&P 500 Index, a proxy for equities around the world, rallied almost 3%. The surprise result of the vote saw investors reacting quickly, with volatility increasing and global markets selling off for the next two days. However, the swift increase in volatility was followed by an equally swift decline in volatility as there was a push to revisit the vote as the impact to Britain was not completely understood. In fact the decrease in volatility on June 28th was the 9th largest one day decrease in volatility in history. Investors reacted to this development to look for attractive investment opportunities and the market had a very strong bounce where the S&P 500 Index rallied about 1.78% on Tuesday June 28th, the biggest one day move since March.

### Recap of Observed Themes this year

The key market driver last year was divergence. While the rest of the world was battling tepid growth and cutting interest rates, the US was poised to diverge from the rest of the world, showing signs of improving growth and raising interest rates. Elevated volatility was an overarching theme as investors struggled to reconcile this divergence.

In 2016, the investing backdrop has been challenged by V-shaped market moves. Commodities such as oil and gold have rebounded, as have stocks exposed to these resources, which has contributed to a stronger Canadian Dollar. The focus on commodity based Value sectors has helped Canada outperform the rest of the world in the short-term.



## Message from the Managing Director, Private Client *continued*

Recent events have clouded the path to global growth recovery. Elevated volatility spurred a global risk-off sentiment that saw investors seeking safe haven assets such as bonds, the US dollar and Japanese Yen, and gold. Consequently, the US 10 year bond yield hit record lows, the Dollar and Yen strengthened, and gold rallied.

We continue to believe that the market will experience higher levels of volatility compared to the past few years and the current positioning of more defensive equities, along with exposure to bonds and equities outside of Canada, is prudent for our investors.

**Michael Hodgson**

## Congratulations



Jeff Kay celebrates 5 years at Highstreet. He leads the Highstreet Structured Products team and is responsible for implementing option overlay strategies.

## Highstreet Welcomes Interns



Highstreet welcomes two interns from Western University's MFE Program, Di Xu and Natalie Leibowitz, and welcomes back Roy Gong.

Natalie's main project seeks to determine relationships between industry and firm capital spending and profitability, in order to make use of the capital cycle in explaining future stock return movements. This will aid in uncovering investment opportunities that can be utilized in stock picking and industry ranking strategies.

Di's project seeks to predict future stock return movements and factor risk allocation by using derivative-market implied factors. This will aid in improving existing option overlay and the option buy-back strategies.

Highstreet welcomes back Roy Gong as a junior developer for the summer. His main responsibilities include assisting the software development manager with managing databases, maintaining data integrity, developing software for reports for Portfolio Managers.

## In the Community

### CFIRM Workshop and Conference 2016



Head of Research and Co-CIO Grant Wang presented at the 2nd Annual Financial Econometrics and Risk Management Conference in April. He spoke about the cutting edge research on Big Data and sentiment analysis in finance that the Highstreet research team is involved in.

### Annual United Way Day of Caring



On June 2nd, Highstreet staff volunteered at the Annual United Way Day of Caring. They helped prepare and cook a meal for over 90 individuals living in poverty.

### For your Calendar

Highstreet's Annual Private Client Conferences will be held on November 2nd and 15th this year. More to follow!