



Be well-advised.

Market Update October 2018

Dear Friends,

With Thanksgiving having just passed, I hope that you had family and friends to celebrate with and feel as I do that we have so much to be thankful for.

Winter is coming (couldn't resist) and I have been asked on occasion how I think the year will turn out from an investment standpoint. Although I cannot make a December 31st projection, I do have some observations that I hope are of value to share with you.

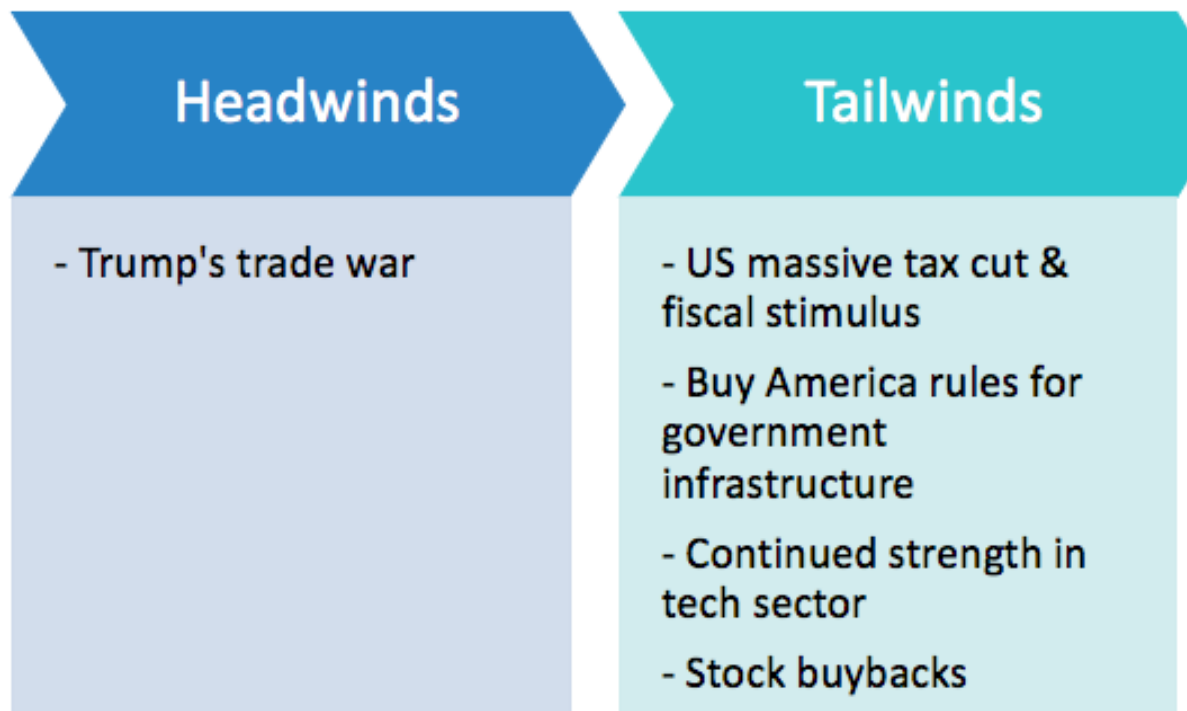
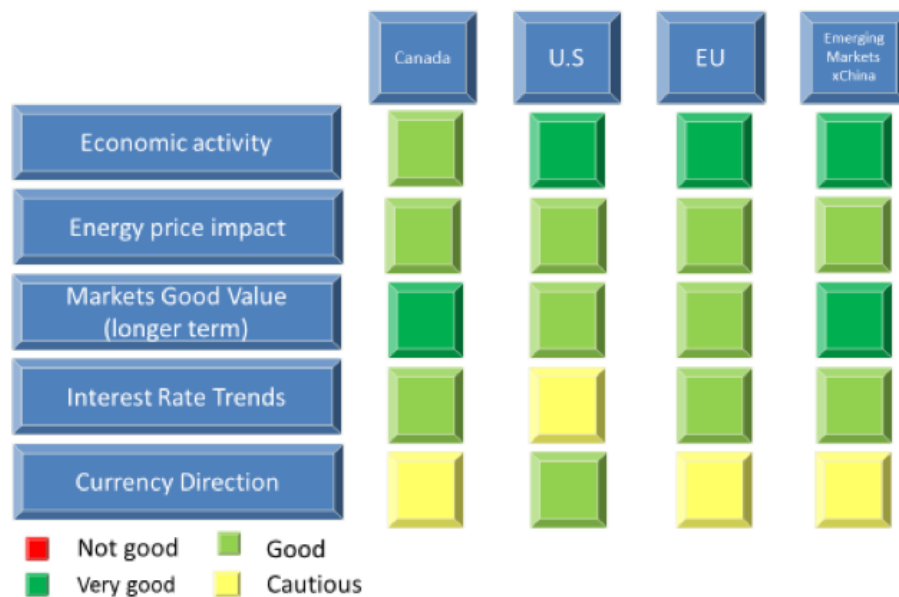
The health of the economy in each region in which we are invested ultimately determines the value and growth of our investments. There are a number of economic indicators we can turn to for guidance on the health of the economy, but just a few that I know we can trust to give us a realistic picture going forward.

They are, inflation, employment, and interest rates.

Looking at the world today we see low inflation, full employment and stable but slowly rising interest rates. The fact that interest rates are rising is in itself an indication of a healthy economy and full employment.

My assessment of the world economy is summarized in the following charts.

Market Outlook- Q4 2018



Interest rates

As the US and Canadian economies continue to grow at a rapid pace, the central banks plan to raise interest rates to keep inflation at around 2% yet keep a sustainable level of economic growth.

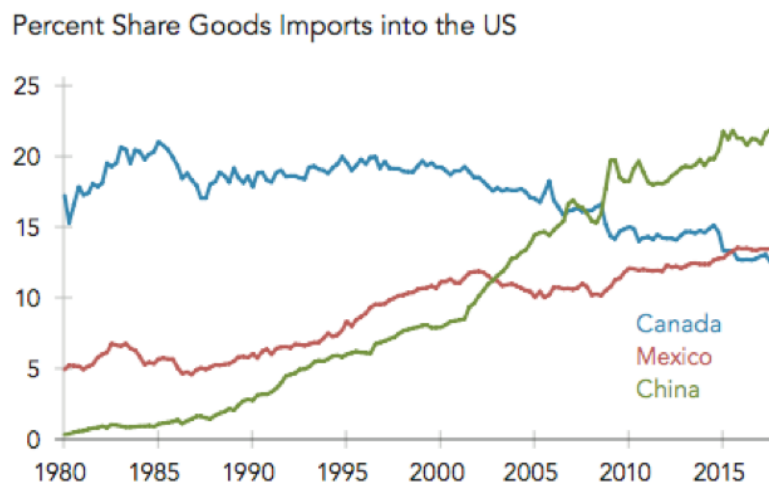
The US central bank is projecting that it will keep raising rates into next year. This tells us two things:

1. The Federal Reserve is optimistic about the outlook for the US economy and
2. That when the eventual economic downturn appears, the central banks will have ammunition to stimulate the economy by lowering rates.

Expectations for interest rates are for them to go up only about another 1%.

Trade

Why has the US focused on Mexico and China? An important factor in the Trump trade war, is that Canada's share of imports into the US keeps dropping, while Mexico and China have come from almost nothing 30 years ago to being significant trade exporter to the US now. The US has a trade imbalance with China as they import much more than China allows them to export to China. This is not fair trade.



Source: Census Bureau, Haver Analytics, FMR Co as of May 31, 2018

This is why Trump focused the NAFTA renegotiation on Mexico, with Canada as an afterthought and why the US administration has zeroed in on trade with China. In this the Trump administration has good reason.

As we know, Trump's negotiation style is to hit hard and then make friends. This has worked as evidenced by the trade deals with Europe and NAFTA, but longer term results may not be so encouraging as countries respond with tariffs of their own. Whatever we think of Trump and his style of operation, this approach is being applied to China as well.

Buybacks

A major factor in the US markets this year has been that companies are buying back their own shares, providing a pay back to shareholders -- and with big cash balances heading into 2019, companies are ready to continue buying. DataTrek estimates that in the last 12 months, the companies in the S&P 500 have purchased \$646 billion of their own stock, 29 percent more than the previous 12 months.

Each quarter, however, companies report their earnings publicly and, during this period, they are often partially or fully restricted from buying back their own stock, removing a buyer from the market. Since the beginning of 2018, we have seen this pattern, followed by a recovery in the market after the so-called blackout period has ended.

Based on the indicators highlighted above, the world is in a reasonably healthy financial place. This assessment may run counter to the market news of the day but we should not be influenced by current market activity or trends. The facts have to line up for prudent investment decisions to be made.

On this subject, we insist on a disciplined investment style and a value-based approach to investment selection. This means that the companies in our portfolios are companies that are purchased at fair prices, making money today and are positioned to make money into the future. Market values for stock may fluctuate (just look at the Canada/US dollar exchange recently) but good companies will always see their prices return to fair value because they are profitable.

Our financial health requires longer term thinking. Market timing guesses most often lead to reduced returns so we must ignore the hype, stick to the facts and

know that what we own through these very skilled and disciplined managers will reflect their value over time. This fact lets me sleep soundly at night.

Wishing you all a very happy and healthy fall.

Yours,

Per, Jeff, and your Assante team

Our team is here for you:



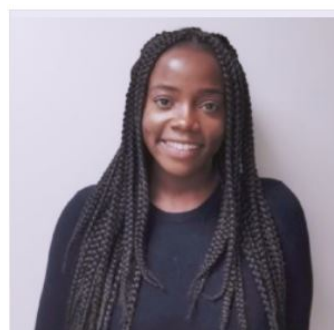
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