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The Winds of Change

The winds of change have begun, and there will be opportunities and challenges.

In any period of change there are winners and losers. Some react with fear and loathing, others with enthusiasm and hope. We have a choice which stance to take. In the investing world, we see that uncertainty can diminish confidence and cause stock prices to weaken, even those of high-quality companies. But it can be during times of uncertainty that rational investors have an opportunity to take advantage of temporary weaknesses. At Sionna, we are mindful of challenges, but focus our energies on the potential opportunities.

Canada has experienced our fair share of big political shifts – think back to when the Parti Québécois first came to power in Quebec in the 1970s, or to 1990 when an NDP candidate became Premier of Ontario. Even more recently, Alberta experienced a historic result last year with the NDP winning a majority government, ending a 44-year-old Conservative party dynasty. Few predicted these changes. Some were excited for what lay ahead, others didn't know what to expect. What's important to remember is that humans can, and do, adapt to new environments and attempt to make the best of their new circumstances.

We are now faced with a political change in the U.S., and even though it was outside of our influence, most of us are wondering what this means for us. There is no doubt that changes may occur, but if opportunities that arise are seized, humanity will grow wiser and stronger in the fullness of time.

Canada and the U.S. are each other's largest trading partners because of our interconnectedness. Our economies move in lockstep; usually in the same direction, despite differences in magnitude. The old adage "when the U.S. sneezes, Canada catches a cold" still resonates. We may be impacted by their choices, which could bring both benefits and challenges.

Over time, the impacts will become more apparent and appropriate responses will become clearer.

With the recent U.S. election results, one potential change stands out for us. There was an indication throughout Trump's campaign that there may be a shift from greater trade and connectedness, to a more protectionist stance, with consumers buying more domestically-produced goods. If this change occurs, the decades-long growing acceptance of global investing has the potential to slow, or quite possibly even reverse.

As of October 31, 2016, the MSCI World Index has a 59% allocation to the U.S. market. After the election results, we wouldn't be surprised if some investors might find that allocation too large. The shifting political winds may lead more investors to decide that a home country bias to investing is more prudent for them (see [Home Sweet Home Soundbite](#)).

Further, global investors may find an indirect exposure to North America through an investment in Canada, to be a more prudent and defensible approach.

As always, a well-diversified investment approach of underpriced securities should support the maintenance and growth of investors' wealth and purchasing power over time. Staying the course in diversified investing continues to make prudent sense to us.

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