

Investment Update for Q4 of 2019

The 4th quarter fed off of the same stories that have shaped markets all year, namely the trade war, and geopolitical concerns. The good news is that many of these issues turned more positive in the 4th quarter. Because of the portfolio positioning we had done earlier in the year and in 2018, we were in excellent position to take advantage of these trends and that really showed up in our 4th quarter returns for many of our clients. In particular our positions in Alibaba Group Holdings, Tencent Holdings, Whitecap Resources, JP Morgan Chase, and Power Corporation of Canada all did extremely well in 2019.

Let's start with the trade war which of course has been the story which dominated 2019. On September 17, 2018 Donald Trump announced 10% tariffs on \$200 Billion of Chinese goods. This was soon followed up by successive rounds of tit for tat tariffs with periodic optimism throughout 2019. This turned around in the fall however. On October 11, the White House announced a "Phase One" trade deal, though it took until December 13 to finally agree on the final wording of the deal. The deal has yet to be signed though it looks as though it will be signed in mid January. The truce in the trade war definitely led to a surge in equity markets in the last 3 months of the year.

The worries over the trade war seemed to have been partially replaced by worries over potential conflict in the middle east and what affect that could have on world markets. The price of oil has already risen in the 4th quarter as a result of a larger than expected production cut by OPEC as well as signs that US production growth is slowing. The price of oil is notoriously volatile as we talked about in our last update, but it can have important effects on the global economy so it will be something to watch in 2020. An escalated conflict in the middle east or if production in the US starts to stagnate could be potential triggers that push prices higher. Failing that we could see prices drop if OPEC starts to increase production and the global economy stutters.

Other geopolitical issues such as the Hong Kong riots and Brexit seemed to have been shuffled aside for now, though these could come back to threaten equity markets and the world economy in 2020. These are very unpredictable things so it's best not to invest on one particular outcome over another.

Given the relatively expensive prices of equities and other investments at this point in time, we are taking a more cautious approach and are currently building up a cash position to try and wait for better opportunities. One thing we can say for sure is that equity markets will continue to be volatile and that should allow us to take advantage of opportunities in the future, just like we did in 2019. The political environment remains very unstable, especially with 2020 bringing a Presidential election in the US.

Nevertheless, this volatility is not an unusual situation for markets and it doesn't change the fundamentals of what we're trying to do, which is buy good businesses at a price which builds in a large margin of safety. I fully expect 2020 to be very volatile and the possibility of a global recession cannot be ignored, however I am as confident as ever that our businesses that we own will continue to prosper, in spite of these potential headwinds.

Should you have any questions or concerns about your portfolio or about the topics discussed in this letter, please feel free to reach out to me.

- Craig White, BA, LL.B., CIM®

Craig White is an Investment Advisor at Endeavour Wealth Management with Industrial Alliance Securities Inc, an award-winning office as recognized by the Carson Group. Together with his partners he provides comprehensive wealth management planning for business owners, professionals and individual families.

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