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Investment Themes

Demographics theme still intact	Investing outside of North America could prove profitable	Oil challenged by supply and demand
U.S. politics and geopolitical risks	Prepare for an unexpected rise in inflation	Industries with tremendous growth potential

1

Demographics theme still intact

- Baby boomers continue to impact travel, healthcare, cosmetic and fitness industries
- Greater demand for investments that generate income
- Pressure on governments to provide services to a large group of aging citizens could result in higher income taxes

2

Investing outside of North America could prove profitable

- U.S. dollar dominance waning. A strong U.S. dollar put pressure on non-North American economies over the past 5 years. This is starting to reverse.
- Economic numbers coming out of Europe are improving
- President Trump Effect – Europeans are electing centrist parties to show that they do not want the same type of leader as the U.S.
- Regression to the mean. Over the past 10 years, non-North American stock markets have underperformed the U.S. by over 5% per year.

3

Oil challenged by supply and demand

- OPEC cannot control the oil price, as the U.S. is now a swing producer
- Technology has made it possible to find and extract oil quickly to meet demand
- Demand is impacted by society's desire for cleaner energy sources
- Canadian dollar is considered a petro currency, therefore expect it to be range bound

4

U.S. politics and geopolitical risks

- Threats of impeachment, congressional hearings, and late night tweets are unpredictable, yet create more volatility than economic numbers
- North Korea continues to challenge the West and one day may elicit a violent response
- This is the greatest risk to equities

5

Be prepared for a potentially unexpected rise in inflation

- Austerity is no longer the mantra for most governments
- Minimum wages are increasing
- Depending on your investment objectives and risk tolerance, consider allocating a certain portion to gold

6

Industries with tremendous growth potential

- Military and defense – governments around the world are increasing defense spending. U.S. no longer wants to be the global protector – forcing many countries to look after their own interests.
- Cyber Security - spending to increase over the coming years. According to Morgan Stanley, the spend on Cyber Security surpassed \$60 Billion in 2016 and could double by 2020.
- Internet of Things (IoT) – the interconnectivity of devices (cars, appliances, medical devices) that collect and transmit data. As more devices are connected, we will require faster download speed, faster processor chips, more data storage capability and software that can analyze data.
- Electric Cars – the demand for electric cars will likely only increase over time. Rather than car manufacturers, we believe that the focus should be on batteries, charging stations and clean power generation.

Source: www.morganstanley.com/ideas/cybersecurity-needs-new-paradigm

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