



FINDING INCOME IN A 0 INTEREST RATE ENVIRONMENT

Agenda

- Philosophical Outlook
- Government Bonds
- Corporate Bonds
- Stocks
- Investment Outlook



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Tim Fuller
Damien Klassen



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Philosophical Approach to yield:

Don't live in the past

You have a choice:

- Refuse to accept low dividend/interest rates of return.
- Accept that the world has changed.

- Tax effectiveness

- Capital gain management

- Yield or Value Traps



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Philosophical Approach to yield:

Look to the future

- Sustainability of dividends
- Growth of dividends
- Capital is more volatile at low yields



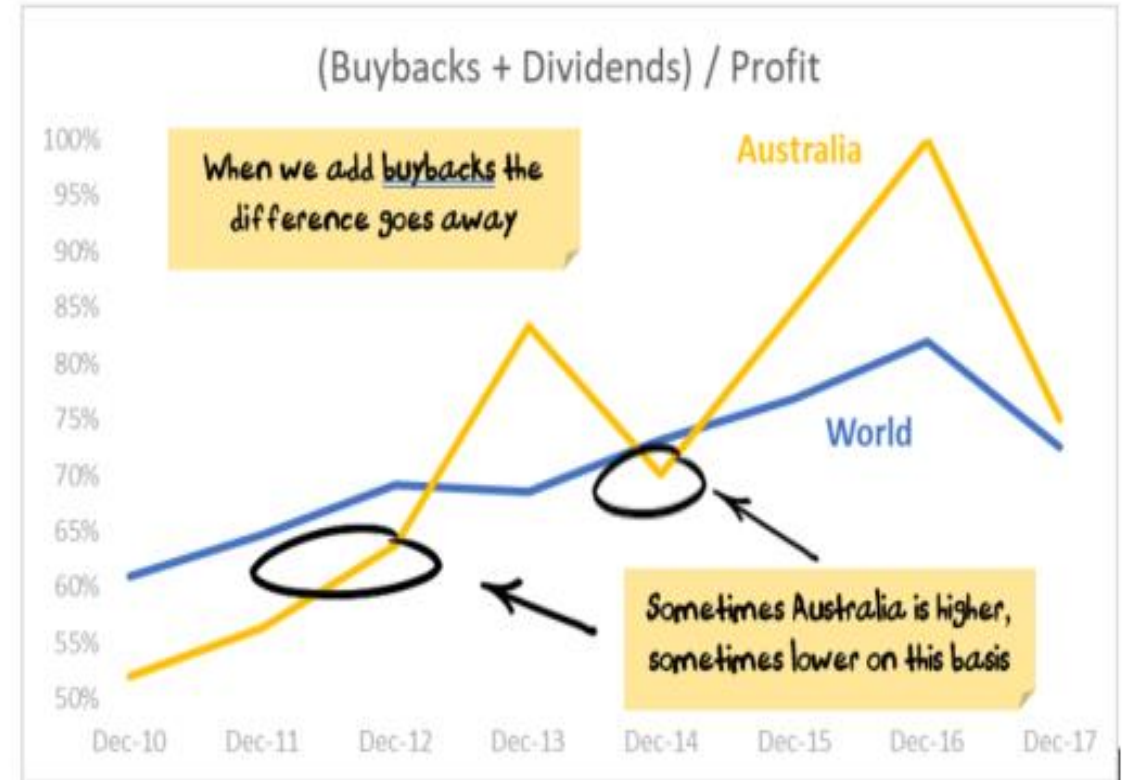
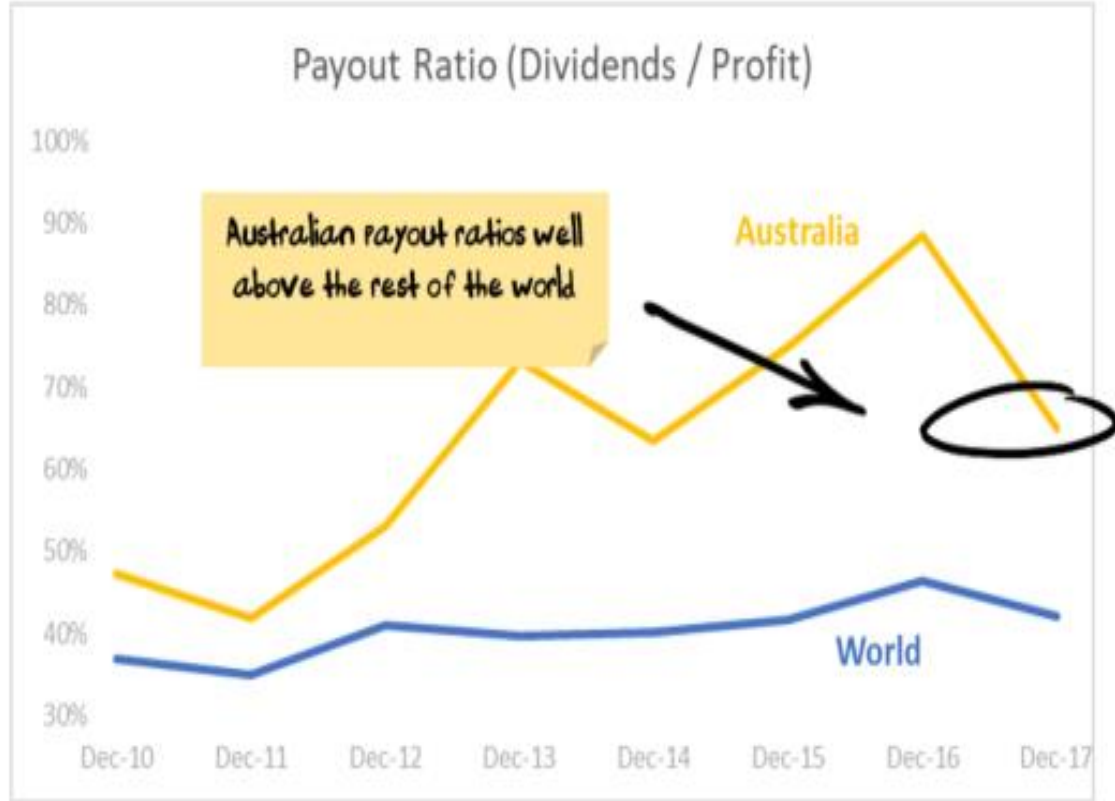
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Philosophical Approach to yield:

Buybacks vs Dividends



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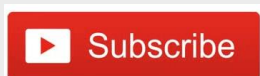
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Government Bonds for Yield :

Pennies in front of a steamroller?

- Potentially big downside risks, limited upside.
- Speed of adjustment is key
- 10 year bonds are a trading strategy, not an investment
- Traders take risks on bonds, investors get certainty



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Government Bonds for Yield:

Inflation risks and opportunities

- Inflation is the key
- Inflation linked bonds are a hedge
- Duration leads to a greater impact



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Reaching for corporate bond yields

Uncertainty never been higher

- How long will rules be suspended for?
- Spreads
- Fixed vs Floating
- Credit rating
- Duration
- Government backing



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Reaching for corporate bond yields

Implementation important

- ETFs, check underlying
- ETFs, liquidity issues
- Fund Lockups
- Size



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Stocks for Yield:

Sector Diversification

Sector Correlations, 1999–2018

	Comm. Services	Cons. Disc.	Cons. Staples	Energy	Financials	Health Care	Industrials	Info Tech.	Materials	Real Estate	Utilities
Comm. Services	1.00										
Cons. Disc.	0.73	1.00									
Cons. Staples	0.51	0.53	1.00								
Energy	0.45	0.45	0.36	1.00							
Financials	0.62	0.75	0.57	0.49	1.00						
Health Care	0.54	0.53	0.62	0.39	0.60	1.00					
Industrials	0.70	0.82	0.59	0.62	0.81	0.60	1.00				
Info. Tech.	0.75	0.69	0.31	0.38	0.51	0.47	0.65	1.00			
Materials	0.64	0.74	0.52	0.69	0.70	0.50	0.86	0.57	1.00		
Real Estate	0.52	0.68	0.51	0.40	0.66	0.50	0.69	0.45	0.64	1.00	
Utilities	0.31	0.28	0.45	0.45	0.34	0.40	0.39	0.20	0.34	0.47	1.00

Source: Fidelity Investments, as of 12/31/2018. U.S. equity market is represented by the top 3,000 U.S. stocks as measured by market capitalization and sectors are defined by the GICS. Correlation coefficient is the interdependence of two random variables that range in value from -1 to +1, indicating perfect negative correlation at -1, absence of correlation at 0, and perfect positive correlation at +1.



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Stocks for Yield:

Other forms of diversification

- COVID / non COVID
- Interest rate sensitive / insensitive
- Cyclical / Non-Cyclical
- Growth / Value
- Business Type
- Country



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Damien Klassen

