

ANOTHER GOOD YEAR IN THE FACE OF ADVERSITY

MARKET COMMENTARY

Despite a few hiccups along the way, 2014 was a good year for the stock market. In Canadian dollars, the S&P TSX Canadian Composite (+10.6%), the S&P 500 (+24.3%) in the United States and the global MSCI World (+14.4%) all delivered returns that exceeded their historical averages.

The dramatic decline in the price of oil and the fall of the loonie against the greenback in the second half of the year led to the underperformance of Canadian equities versus their American counterparts. The heavy weighting in resources was a burden on the Canadian market as the only sectors that underperformed the S&P TSX in 2014 were materials (-2.6%) and energy (-4.8%). The Canadian market fell 2.0% in the second half of the year while it had risen 12.9% during the first six months of 2014.

OUTLOOK

Looking ahead, and without attempting to predict the future, the renewed strength of the US economy and the widespread growth of earnings fuel our optimism about equity markets. Company valuations remain reasonable and we believe that in 2015 portfolio returns will be mostly derived by improved financial results rather than from an expansion of multiples.

In hindsight, the financial crisis of 2008 has had some positive effects as it encouraged corporate leaders to use credit with much more discernment. This can be seen by the improved quality of corporate balance sheets. It also prompted leaders to rethink their operations and to reduce costs. This largely explains the improvement in margins that we have observed in recent years.

Strong balance sheets, the availability of credit and an improving economic backdrop could result in an acceleration of capital investments and mergers and acquisitions activity.

We have experienced a number of extreme economic events over the past 20 years and we will certainly witness many more. We, nevertheless, believe that trying to predict these events is futile. Instead, we concentrate our efforts on buying financially sound and profitable companies that trade at attractive multiples. It is the relentless, rigorous and disciplined application of our principles that allows us to stay the course and grow our clients' wealth in the long run.

ALLARD, ALLARD & ASSOCIÉS IS TURNING 20!

PLEASE SAVE THE DATE OF JUNE 11TH 2015

2015 will mark the 20th anniversary of the founding of our company. We invite you to come celebrate with us on the evening of Thursday, June 11th.

Final details of the event will be communicated to you shortly. For now, we simply want you to know that your presence is dear to us and we ask you to block this date in your calendar.

DID YOU KNOW?

DONATING STOCKS TO CHARITY

A stock donation is a tax-efficient way to support the foundations you cherish. By donating stocks with high unrealized gains, you receive the tax credit on the full market value of the stocks while being exempt from taxes on capital gains. If you are interested in this tax strategy, please discuss it with us or with your tax advisors. We will be happy to assist you in this process.

2014 TAX REMINDERS

For 2015, the maximum contribution to a Tax Free Savings Account (TFSA) remains \$5,500. If you have never contributed to your TFSA since its inception in 2009, you can contribute \$36,500.

Your 2014 RRSP contribution must be made by March 2, 2015. The maximum RRSP contributions ceiling is \$24,270 for 2014 and \$24,930 for 2015.

Our fees for non-registered accounts are tax deductible; please keep your quarterly invoices and include them in your tax return.

In the event that significant changes occur to your financial situation, please inform us rapidly as your investment policy may need to be reviewed.



Portfolio managers

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