<u>Jim's Investment Strategy – April 2019</u>

First some background: I have been investing since the 1970's **using only money my family will not need in the immediate future.** I also maintain a reasonable amount of ready cash in the bank to cover any potential short-term emergencies.

I retired from McGill at the end of the year 2000 at the age of 55, and am receiving a secure McGill pension from the days when McGill still offered annuities and the interest rates backing annuities were reasonable at 6.75%. I manage 6 accounts for my wife and myself (a regular, TFSA and RRSP account each) through an online discount broker affiliated with my bank.

My investment strategy follows:

1) I invest only in Canadian companies to keep it simple and avoid tax and currency issues. Also, as a Canadian, I have more legal rights with Canadian companies. I tend to buy and hold, unless there is a good reason to sell. My investment strategy is based on logic and common sense. I have no formal training, just experience.

2) I stick to companies I can understand, some of which seem very boring on the surface, but grow because they provide a necessary service or product (eg: electrical utilities, telephone companies, grocery chains, food producers, railways, banks, etc). These are primarily established companies that provide an essential service with steady profit increases and whose products or services are unlikely to become obsolete. I avoid "hi-tech" because someone will eventually invent a better "whiz-bang". Examples: Nortel, RIM (now BB). I also avoid mining stocks.

3) I invest for long-term gains and increasing income and ignore short-term fluctuations in stock price unless there is a significant problem the company has encountered that it is unlikely to recover from.

4) I favor companies with a history of increasing their dividends regularly, preferably at least annually.

5) I do include some riskier "special situations" (eg: overlooked companies, family controlled companies facing a generational change at the top, small companies that "fly under the radar", and potential takeover or privatization targets).

6) My overall portfolio objective is to increase dividend income by about 10% annually by means of dividend increases and reinvesting the dividends that do come in. This helps ensure long-term portfolio growth.

7) I do not invest in bonds, but do invest in some high income REITS that I consider safe.

8) I do not overly diversify and own only about 20 companies. My philosophy (required if you are going to significantly outperform the TSX) is that you need a balance between the concept that you must be somewhat diversified and the concept that you cannot have too much of the "right stuff". My success has come from having a reasonable amount of "balance" but also a lot of the "right stuff" that has really performed well.

Jim McVety
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TIPS FOR GETTING STARTED

If you have not invested on your own before now, how do you start at retirement? You probably should not unless you have some extra money outside of the pension plan and not required for potential emergencies that is available to invest and you have the tolerance for a bit of risk.

If you decide to give it a shot, remember that "long-term" is shorter than it was when you were 20.

The first thing you need to do is find a discount broker, preferably affiliated with the bank you do business with, and open an account. You should start to build your portfolio slowly with very safe stocks that have increasing profits and dividends – like the electric utilities, the telecoms, the banks, etc until you have a solid base of safe stocks that will provide steady and increasing dividends into your account. Do not buy a stock without first doing a bit of research on the company and watching its performance for a while. You want to buy it as cheaply as you can, not at its peak price.

If you have TFSA room to invest, gains and dividends will be tax-free, otherwise a regular taxable account will do (dividends and gains are taxed less than interest).

Helpful sources of information include the TSX website, the Globe and Mail (lists the daily performance of all stocks in the TSX Composite Index), company websites, and your own impression as a customer if applicable. SEDAR.com lists all public documents for each company and SEDI.ca lists all insider trades (by management and directors) in a stock.

If you own shares in a company that holds its AGM locally, it is worth attending the AGM to meet other investors and ask questions of management. Arrive early and leave late, as you may learn more from idle chit-chat before and after the meeting. You can also talk to management if you want, and meet other shareholders who could become good contacts for exchanging info and ideas.