

## THESE TRENDS ARE REAL

*"The outside world can push you into Day 2 (failure) if you won't or can't embrace powerful trends quickly. If you fight them, you're probably fighting the future. Embrace them and you have a tailwind."*

**Jeff Bezos, Amazon CEO**

Global economic activity and lifestyle modifications have changed remarkably over the past decade. These transformational trends have been largely due to technological innovation, advances in connectivity and mobile technology and globalization. Unfortunately, certain industries and companies have been slow to adapt to these fast-moving changes and, consequently, they have become casualties of the new economy. The fact is that these trends are very real and we believe that they will continue to deeply impact worldwide economic growth, employment, inflation and interest rates.

For instance, take consumer retailing. The growing use of the internet and the predominant position of Amazon radically transformed traditional store-front selling, impacting mall shopping, restaurants, newspapers, travel and entertainment. Beneficiaries encompass well-placed innovators including Uber, Airbnb, Salesforce.com and cashless expeditors such as Bitcoin, PayPal, MasterCard and Visa. More importantly, we expect these revolutionary lifestyle trends to continue to evolve through the expansion of artificial intelligence, engineering, robotics, medical innovation, as well as cryptocurrencies. Additionally, also impacted will be electric and driverless vehicles, solar energy applications, banking, cloud computing, burgeoning Chinese consumer demand, cellular phones/mobile technology, newspapers and magazines.

Many of these trends have been instigated by the tech-savvy millennial generation (roughly born between 1980 - 1996) who have been instrumental in spawning and quickly

adopting technological innovation. Now the largest generation in the workforce, we expect this group to become even more proactive and important with regard to future trends and successful investment positioning.

As analysts and portfolio managers we must take heed of these transforming trends and tailor our investments accordingly. Clearly, opportunistic industry titans including Amazon, Alibaba, Apple, Google, NVIDIA, Netflix, Tencent Holdings, Tesla, MasterCard, and Visa are becoming increasingly dominant and successful in deciphering, developing and extending these new directions. We expect this to continue.

In summation, we firmly believe that the current economic and investment trends are real and cannot be ignored. Over the past 18 months we have positioned our ABC portfolios to become beneficiaries of these changing economic and social activities which we anticipate will carry on into 2018.





Economic

Perspectives

## AN ELONGATED BUSINESS CYCLE

Although the current business cycle is over eight years old, North American economic growth continues to surprise the pessimists with its longevity, rising employment, lack of inflation and relatively low interest rates.

More importantly, it appears that the steady, but not spectacular, economic growth of the past few years has elongated this economic cycle. Furthermore, this solid

economic performance has not been lost on the major U.S. equity market indices which continue to reach new record highs. Notably, there is considerable significance to climbing common stock prices since it should be remembered that they are acknowledged leading economic indicators of future business activity.

Investment

Perspectives

## PENT UP DEMAND FOR COMMON STOCKS

Despite the elevated levels of North American common stocks, larger capitalization/dividend paying equities still appear to be comparatively attractive versus low-yielding money market rates and government bonds.

Spurred on by positive economic growth, fairly good quarterly earnings and dividend increases as well as accommodating global monetary policies, North American common stocks, are not extraordinarily undervalued. However, common stocks do offer an enticing investment

vehicle to participate in this elongated business cycle. Additionally, there are considerable funds earmarked for common stock investment parked in low yielding short-term paper anxiously awaiting an opportune time to be deployed. However, the longer common stocks do not retreat, a building investor impatience growing in crescendo could result in a major buying surge. This event could catapult common stocks to even higher record levels.

Portfolio

Perspectives

## FULLY INVESTED

With the view that the North American economies are expanding, corporate earnings are improving, dividends are increasing, employment is climbing, inflation is subdued and interest rates are relatively low, we remain positive and fully invested. Our equity portfolios are composed of a diversified mix of dividend-paying larger American, Canadian and international companies. We have retained our 100% U.S. currency hedge to reduce any expected

dollar volatility. With only three months remaining in 2017 we are quite optimistic with regard to the equity market outlook, global economic growth and our ABC portfolios. Although we anticipate periodic market setbacks, we believe that common stocks are attractive and will continue to trend higher.



**ABC Funds**™

INVEST YOUR MONEY  
WHERE WE INVEST OURS

## THREE FAVOURED ABC COMMON STOCK HOLDINGS

**NVIDIA Corp.:** is the global leader in the design and development of graphics processing units (GPU) and software. Originally focused solely on the gaming segment, NVIDIA's business has been driven by tremendous demand for its products in a number of emerging segments, including: cloud computing, artificial intelligence, autonomous cars, virtual reality and data centres. Specifically, the data centre segment is particularly promising, growing an impressive 175% in its most recent quarter versus last year. On the automotive front, NVIDIA designs and supplies chips, which are integral to self-driving cars, for Volvo, Toyota, BMW and Mercedes-Benz. Additionally, the emergence of the blockchain, a secure new technology, is creating significant opportunities for NVIDIA since their processing chips are used to mine cryptocurrencies, such as Bitcoin, Litecoin and Ethereum. As the demand for cryptocurrencies grows, so should the demand for NVIDIA's products.

**Jamieson Wellness Inc.:** is a Canadian health and wellness company that develops, manufactures and markets numerous brands of vitamins and natural health products. Jamieson's global consumer sales platform distributes to over 40 countries and is targeting further expansion into China, Eastern Europe and the Middle East. The company's investment attraction is largely due to its improving fundamentals via favourable demographic changes and health trends, excellent free cash flow, ample dividend and sales growth potential. Beyond international growth and margin expansion, Jamieson should continue to grow through acquisitions, as evidenced by its February 2017 purchase of Body Plus and Sonoma.

**CCL Industries Inc.:** is a speciality packaging company which manufactures and sells labels, containers and consumer printable media products. CCL is the world's largest label company with global operations and a diversified customer base comprising food, beverage, packaged goods, auto, industrial and the healthcare sector. CCL has excellent organic growth, however its main opportunity lies with its merger and acquisition activities. For instance, CCL's experienced management team has completed several large acquisitions and there are considerable opportunities for further consolidation in the very large and fragmented speciality packaging market. More importantly, the company also produces substantial free cash flow, which is being used to fund acquisitions and pay a small dividend.

### Administrative Information

- There are units of the ABC North American Equity Fund & ABC Global Equity Fund available for purchase. Contact our office for more information.
- Purchase requests must reach our office by the last business day of the month and redemption requests (for our open funds) must reach our office no later than ten business days before the last business day of the month.
- Clients that are invested in our closed-end funds are able to redeem their reinvested distribution units on a monthly basis. Also, you can participate in the annual 10% redemption right if you provide the completed form by November 30 for a December 29 transaction date. If you need assistance with either of these options, please do not hesitate to contact our office.
- All cheques are to be made payable to RBC Investor Services.
- All client requests are to be directed to ABC Funds.
- We continue to request that clients assist in updating their "Know Your Client" forms. This information is a regulatory requirement to assess the suitability of our various ABC Funds to individual client's needs.
- RBCITS is the custodian of the ABC Funds and is responsible for providing our clients with account statements, tax slips and requested funds. We ask that you retain all statements for your records as there may be additional costs for retrieving historical data.
- Please contact our office to inform us of any changes in mailing or email addresses. If we do not have your current contact information, you may not receive the information we are sending out.

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18 King Street East, Suite 1010 Toronto, Ontario M5C 1C4 Telephone: (416)365-9696 Toll Free: 1-888-OPEN ABC Fax: (416)365-9705

Web site: [www.abcfunds.com](http://www.abcfunds.com) Email: [invest@abcfunds.com](mailto:invest@abcfunds.com)

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