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Don't count America out just yet

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Since arriving at the White House, new U.S. President Donald Trump has moved swiftly to carry out his nationalistic agenda, which has included withdrawing from the Trans-Pacific Partnership, accusing major trading partners of manipulating their currencies and attempting to impose a controversial travel ban affecting seven Muslim-majority countries. As President-Elect, Mr. Trump publicly vilified companies such as General Motors and Ford Motors for outsourcing production to Mexico and threatened to punish them with sanctions. His supporters are getting what they voted for – a bold and brash president who is not afraid to push boundaries to achieve goals. Those hoping for constructive action on Mr. Trump's pro-growth policies and less action on his protectionist ones have been disappointed.

The free movement of labour, capital and goods has been a critical factor in driving economic expansion for centuries. Setting up barriers to trade is known to limit growth and at times can lead to dire results. During the Great Depression, protectionist policies such as the infamous Smoot-Hawley tariffs enacted by the U.S. government triggered retaliatory responses from trading partners and further deepened the global economic crisis. Encouragingly, in recent weeks, international leaders from the Eurozone, South America and Asia have stepped up trade talks largely in response to the isolationist stance by the United States. While this is comforting for those who appreciate economic growth, these leaders are also subject to criticism from a growing section of the world whose slice of the global pie has been diminishing for many years.

The current populist wave is a notable global force to be reckoned with and it will continue to impact policies and create uncertainties for individuals and businesses. Notwithstanding these uncertainties, the U.S. economy has long benefited from a democratic society and a free market system. These are key ingredients to promoting innovation, enhancing productivity and creating long-lasting prosperity. History shows that democratic countries that have been able to effectively regulate the power of the elite and promote entrepreneurship have achieved superior economic performance compared to less democratic nations with centrally planned economies. As long as democracy and free markets remain in place to foster technological growth and productivity enhancements, the U.S. will continue to be an attractive place to invest.

Today, the free market system remains largely intact in spite of the U.S. president's recent meddling in corporate affairs. The resilience of the U.S. system of checks and balances is being highlighted as Mr. Trump brazenly attempts to push the limits of his authority. The travel ban is proving highly difficult to implement as judges and attorneys debate the constitutionality of the executive order. Trump's cabinet picks are being confirmed at a slow pace as Senate Democrats exercise their powers to scrutinize the candidates. The

proposal to build a wall along the U.S.-Mexican border, along with many other contentious proposals, must go through Congress, and requires votes by elected officials representing the will of the people.

Lately, the will of some people has been for their country to turn inward and close off its borders based on the misconception that foreigners, rather than technology, are the threat. Some leaders around the world are increasingly standing up for these marginalized groups. This is a reflection of democracy at work and it does not mark the beginning of the end for free societies. While technology typically poses a threat to parts of the workforce, it is a key driver of overall economic growth. In the U.S., the conditions for continued technological advancement, including democracy and free markets, remain intact. This makes us comfortable with maintaining a core position in the U.S. within the equity-centric portfolios.

Notwithstanding, we will continue to incorporate the growing risks of protectionism, along with numerous other risks, into our portfolio construction process.

Combined top 15 equity holdings as of January 31, 2017 of the Evolution 40i60e Standard portfolio with Alpha-style exposure:

1. Microsoft	6. Toronto-Dominion Bank	11. Alphabet Class A
2. Altagas	7. Alphabet Class C	12. Simon Property
3. Atco	8. Apple	13. PrairieSky Royalty
4. Chubb	9. UnitedHealth	14. Bank of Nova Scotia
5. Roche	10. Wells Fargo	15. Tourmaline Oil