

# My Mother's Portfolio Revisited



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**M**y mother is retired, in her late sixties, and is the definition of a snowbird as she is currently living at her Florida home. As her son, portfolio manager and retirement planner, it is my firm's job to make sure her money lasts as long as she does. So, if you want a true view of how our firm manages our most important client, my mom, then, here it is.

## March 2016 - Portfolio Summary

Below is a summary of my mother's investment assets assuming she has a \$1 million portfolio (it is not appropriate to share the true value of her portfolio, but you will gain an understanding of the investment strategy through the various weightings of the investments):

**Cash and Short-term GICS:** \$440,000

### Equities:

\$190,000 split evenly between various Canadian stocks  
\$200,000 Currency hedged S&P 500 (largest 500 companies in the US)  
\$20,000 Berkshire Hathaway  
\$50,000 Edgepoint Global Portfolio  
\$50,000 Black Creek International Equity and  
\$50,000 MSCI EAFE iShares (currency hedged)

## November 2018

From December 31, 2015 to November 15, 2018, the average annual return for the portfolio has been 7.44%. This exceeds the goals set out in her retirement income plan and as such, we are in an enviable position of increasing her monthly draw.

So how are we positioned today? At the time of this writ-

ing, we just experienced an October selloff in equities of 6.5% in Canada and 7% in the S&P 500. Below are the list of current holdings and reasons why we hold them today:

**Cash and Short-term GICS:** \$365,000

**Reasoning** - This is the most conservative we can be in fixed income. We remained concerned about the risk investors are taking on in bonds and, as such, are for the most part staying away.

The weighting in cash and fixed income has been reduced over the past few years. During stock market declines, we have taken the opportunity to buy into the positions we like the most. Fortunately, these sell offs have met our expectations of being temporary and the new purchases have added to performance.

### Equities:

**\$160,000 split evenly between various Canadian stocks**

**Reasoning** - The majority of my mother's portfolio is invested in the stock market. While she is retired and withdrawing money from the portfolio, she still has a long-term time horizon. The conservative nature of our fixed income will be available to fund her living expenses should stock markets decline. However, over the long-term stocks have the greatest opportunity to outpace inflation. Since the writing of the first article in March 2016, we have reduced our Canadian equity holdings in favour of US and international markets given their superior economic prospects.

**\$155,000 S&P 500 (largest 500 companies in the US) in US currency**

**Reasoning** - The US economy is currently in the best economic condition of any of the developed world.



**\$40,000 Berkshire Hathaway**

**Reasoning** - Warren Buffet's company continues to benefit from global economic expansion.

**\$105,000 Edgepoint Global Portfolio & \$100,000 Mawer Global Small Cap**

**Reasoning** - Both managers have strong track records of outperformance and primarily invest in stocks outside the indices we are already in, which provides further diversification for the portfolio.

**\$70,000 MSCI EAFE iShares (currency hedged)**

**Reasoning** - This adds to our diversification and ensures we maintain exposure to stocks outside of North America.

The discipline we employ for making investment decisions in my mother's portfolio is more important than her current holdings. Each quarter the portfolio weightings are balanced back to the current percentages. This allows for counter-cyclical buying and selling. No emotion involved.

The most successful investors I have ever met do not employ a buy and hold strategy. They employ a buy and buy more strategy. That's why I do it for Mom.

Feedback can be sent to [info@mcnultygroup.ca](mailto:info@mcnultygroup.ca)

Mark McNulty is President of McNulty Group of Raymond James, a firm responsible for managing more than \$375 million of Ontario dentists' retirement savings. McNulty Group helps professional families transition from a life of successful practice to a stress-free retirement. Mark is the author of *The Transition Coach 2.0—A Canadian Dentist's Guide to a Perfect Retirement*, and the \$6 Million Dentist: Successful Succession in 7 Modules. In 2017 Mark was chosen as the Canadian Financial Advisor of the Year at the Wealth Professional Awards. For more information please visit [www.mcnultygroup.ca](http://www.mcnultygroup.ca)

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