

# Maintaining Balance in Your Portfolio

How have you reacted to the markets of late? In uncertain times, it may be tempting to take a conservative approach to protect investments from the downside.

Selling all of your stocks and holding cash is one alternative, though not practical for many investors. The potential capital gains tax consequences may be one reason this would be unpalatable. But more importantly, equity markets are largely unpredictable and cyclical in nature. The risk of being out of stocks is, over the long run, likely greater than the risk of owning them.

If the turbulence of the markets prompts you to want to take action, here are some constructive opportunities to make adjustments to your portfolio:

**Restoring Portfolio Balance** — If a particular holding dominates within a portfolio, there may be an opportunity to rebalance. We often think of rebalancing by selling appreciated shares; however, it's not always necessary to sell a position in order to bring balance back in check. Rebalancing can be done by investing new capital in asset classes that are now underweight. This brings the added discipline of focusing on undervalued sectors or asset classes for new investment opportunities.

**Upgrading or Switching Securities** — Certain companies or industries may offer greater stability and be better able to withstand these uncertain times. Companies with strong balance sheets, low debt and healthy cash flows may be better positioned to fund operations during difficult times. Buying into industries that will be least affected by an adverse economic climate, such as those in "defensive sectors" like

consumer staples or healthcare, may help to shield against the downside because they serve consumers' basic needs throughout every market cycle.

**Finding Income** — As government treasury yields and interest rates have reached all-time lows, many traditional income-yielding investments may provide dismal returns. For investors searching for income, there may be suitable opportunities with equities. Certain quality, sustainable companies have a history of continuing dividend payments during market downturns. Care must be taken when determining which equities or funds have reliable dividend payout streams. However, during down market times, there may be an opportunity for continued dividend payouts while waiting for prices to rebound from depressed levels.

**Dollar-Cost Averaging (DCA)** — Down markets may represent opportunities for investors to put money to work for the longer term. Buying at regular intervals, regardless of market conditions, has the potential to lower the overall cost of shares, turning a downturn to your advantage (as discussed on page 3).

**Active Management** — During bull market times, the virtues of active management are often largely ignored. Actively managed funds can offer benefits that may be particularly helpful in today's uncertain markets. Professional managers are continuously adjusting to the changing environment, assessing the relative merits of each security and their risk/return potential on an ongoing basis, perhaps more rigorously than most individual investors. Funds may also offer wide diversification in holdings, helping to reduce portfolio risk.



---

**Richmond Wealth Advisory**  
**BMO Nesbitt Burns**

---

**Bonnie Richmond, BSW**  
Investment Advisor,  
Wealth Advisor  
416-365-6081  
Bonnie.Richmond@nbpcd.com

---

**BMO Nesbitt Burns Inc.**  
First Canadian Place  
100 King St. W., 38th Floor  
Toronto, Ontario M5X 1H3  
Toll Free: 1-800-567-3006  
Fax: 416-359-4941  
www.RichmondWealthAdvisory.com



This publication is for informational purposes only and is not and should not be construed as professional advice to any individual. Individuals should contact their BMO representative for professional advice regarding their personal circumstances and/or financial position. This newsletter was produced by J. Hirasawa & Associates, an independent third party for the individual Investment Advisor noted. Opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Wealth Management. BMO Wealth Management and the publishers accept no liability whatsoever for any loss arising from the use of this report or its contents. The information contained in this publication is based on material believed to be reliable, but BMO Wealth Management cannot guarantee the information is accurate or complete. The comments included in this publication are not intended to be a definitive analysis of tax applicability or trust and estates law. The comments contained herein are general in nature and professional advice regarding an individual's particular tax position should be obtained in respect of any person's specific circumstances. All rights are reserved. No part of this publication may be reproduced in any form, or referred to in any other publication, without the express written permission of the publishers. Insurance services and products are offered through BMO Estate Insurance Advisory Services Inc., a wholly-owned subsidiary of BMO Nesbitt Burns Inc. BMO Wealth Management is the brand name for a business group consisting of Bank of Montreal and certain of its affiliates in providing wealth management products and services. Not all products and services are offered by all legal entities within BMO Wealth Management. ©"BMO (M-bar roundel symbol)" is a registered trade-mark of Bank of Montreal, used under licence. BMO Nesbitt Burns Inc. provides comprehensive investment services and is a wholly owned subsidiary of Bank of Montreal. If you are already a client of BMO Nesbitt Burns Inc., please contact your Investment Advisor for more information. "Nesbitt Burns" is a registered trade-mark of BMO Nesbitt Burns Inc. All rights are reserved.