We're Halfway Through the Year: It's Time for a Portfolio Check-Up

Description

As most investors are aware, it is critical to assess or reassess one's portfolio on a regular basis. Just like going to a doctor's office, it should be done at least annually; there's the potential to do a deep dive whenever needed. Over the past six months, investors have witnessed a further decline in oil prices, while U.S. equities have rallied significantly as a new president has given the markets a lot to cheer about.

For investors who have an established asset allocation between bonds and equities, it is normal to experience an overweight in equities due to the increase in equity markets. As interest rates in Canada have yet to increase, the bond market has remained subdued with very little movement. The result of these two things has been a net increase in the total weighting of equities for most investors.

Within the equities segment, many investors have witnessed a decline in oil or resource-related stocks as the price of oil has continued to decline throughout the first half of the year. Many of Canada's defensive names have continued to pay dividends and increase in value as the defensive nature of these companies has continued to impress.

For investors looking to reallocate their available cash, one approach is to take all cash flows from dividends and interest payments from bonds and purchase what is now underweight in the portfolio. Investors should remember that cash flows do not have to be automatically reinvested. Instead, they can be accumulated and reinvested when the owner deems appropriate.

The second way to re-balance a portfolio is to sell out of any position that has become fully valued and redeploy the proceeds in the asset class that would properly re-weigh the portfolio.

Over the past six months, some of the most popular names known to investors have performed exceptionally well. Shares of **Shopify Inc** (TSX:SHOP)(NYSE:SHOP) have more than doubled since the beginning of the year, while shares of another recent initial public offering, **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS), have increased by 25% since March.

Not every marijuana producer was created equally during the year, but investors still need to consider just how much of their portfolios they would like marijuana stocks to make up. On a year-to-date basis, shares of **Canopy Growth Corp.** (TSX:WEED) have declined by 10% after an incredible run-up during the previous year. While many investors chose to risk 5% of their portfolios on this speculative name, the challenges of making money never go away. After an incredible run, many Canadian investors are now overweight marijuana stocks, which still carry significant risk.

After a solid six months in the stock market, investors should never hesitate to take stock of their investment portfolios. Be prepared to take profits or dive deeper into a lesser-performing security or category. After all, we still have another six months before the end of the year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:GOOS (Canada Goose)
4. TSX:SHOP (Shopify Inc.)
5. TSX:WEED (Canopy Growth)

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