ADVISORCONFIDENTIAL

BY KANUPRIYA VASHISHT,
a Toronto-based financial writer

JOHN NICOLA
CFP, CLU, CHFC

ALTERNATE CAREER:
Rock star (I played bass for a band in my late teens. We played almost all Vancouver clubs).

15 YEARS AGO:
Our firm was four years old, and we shifted to a fee-based discretionary model.

TITLE Chairman and CEO, Nicola Wealth Management

CITY
Vancouver

MINIMUM ASSETS
$500,000 (waived for high-potential prospects or business owners)

BOOK SIZE
$2.1 billion over 1,400 families

PHILOSOPHY About 85% of our portfolios comprise assets that generate cash through dividends, interest and rent—30% equities, 30%-to-40% fixed income, 15%-to-20% real estate. The balance typically goes to commodities, hedge funds and private equity.

We're involved in secondary mortgage markets for higher yields. It's reasonable risk, especially when compared to stocks. We can still buy North American assets at a 6% cap rate, which means the net income, even without leverage, is 6%.

The duration on our mortgage pools is about 2.5 years. So as interest rates rise, so will yield.

The rest of the interest component is from traditional bonds and GICs, global bonds, preferred shares and high-yield bonds.

For stocks, we measure companies against value metrics like PE ratios, sales growth, dividend growth rate and dividend payout ratio. We also write puts or calls to generate additional income. In a market that's been sideways since 1999, covered writing has offered lower volatility without hurting returns.

TIMELY TWEAKS Over the last 12 years, real estate has outperformed equities, while U.S. stocks have underperformed Canadian ones. If you see a mean reversion coming, you could increase exposure to U.S. and global equities. You might also reduce exposure to REITs (as opposed to hard assets). As interest rates rise, they will underperform.

EDGE We're fee-based portfolio managers. Our clients receive detailed reporting every quarter. We also give them personalized web pages where they can track their portfolios daily.

Our firm adds about 170 families a year. Approximately 70% come through direct referral; the rest come through seminars and our centres of influence. We invite speakers for hour-long Q&As about where markets are headed. Last year I presented at the CFA Institute; we got four clients out of that.

Many of our 80 advisors are shareholders and in for the long term. So clients know there will always be someone capable to step in. AE **VASHISHT**

MARK COHENE