

ATB Investor Beat:

The Pulse of Alberta Investors


Investor Services


Don't let your money go up in smoke

Every so often an investment trend turns into the latest craze. The allure of making a quick buck is often magnified by the fear of missing out. Some of these investment trends might make people a lot of money, but more often than not, flashy trends lure people into bad investment decisions, which raises the question, "is it worth the financial risk?" Most of the time, the answer is the difference between speculating and professional investment advice.

Ever since the official release of Bitcoin in January 2009, cryptocurrencies have been making waves. However, growing concerns about the risks of unpredictable performance have tempered much of the excitement. Bitcoin, which had once traded close to \$20,000 USD, now trades at half that value and continues to oscillate in 2018. Despite Bitcoin's price volatility, it's important to recognize the underlying technology backing cryptocurrencies, known as blockchain, which has the potential to revolutionize a number of industries and cryptocurrencies themselves. In 2016, ATB Financial (ATB) used blockchain technology to move money internationally in only eight seconds, compared to the customary two to six business days for this type of transfer. However, cryptocurrencies have no fundamentals to speak of, no physical assets backing them and no cash flows or yields, so they remain speculative, complex and significantly risky.

Meanwhile, the debate around the legalization of marijuana continues to rage. While it's brought benefits, it has also come with pitfalls. For Alberta, this rapidly growing industry has presented new entrepreneurial opportunities to feed our economic recovery and growth. ATB has partnered with several local businesses in support of this burgeoning industry; however, investing in cannabis stocks may or may not equate to a good investment decision. Currently, there are only assumptions to determine the overall size of the cannabis market, costs associated and potential profit. As a result, it's almost impossible to know with certainty if this market is over or undervalued, making cannabis stocks a riskier choice for investors.

So how have Albertan investors reacted to these two investment crazes? For those who chose to or plan to invest, many only invested a small fraction of less than five per cent of their financial portfolio towards these two areas. Millennials indicated they're more willing to invest in riskier investment opportunities at this stage in their lives than those closer to retirement who are taking a more conservative route. Despite their apprehension, Baby Boomers and Gen Xers remain curious about these investment trends, with one Alberta investor saying, "At the moment, it seems that investing in cannabis stocks was everyone's New Year's resolution. I'll wait until the gym empties out."

Building a diversified investment portfolio and following a disciplined investment process may seem boring, but for most of us who are simply trying to get from point A to point B and retire comfortably someday, the efficient and less hazardous investment directions always prove more worthwhile when measured in the long run.

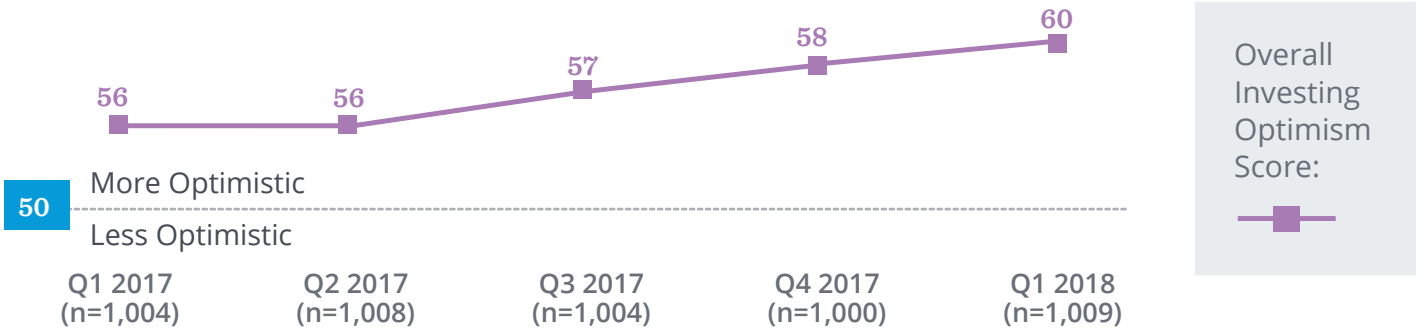
Staying on strategy in an investment climate continually influenced by crises, fanned by the media and investment fads, takes discipline. If you change direction constantly, you don't move forward; you just become dizzy. That's why it's important to always refer your investments decisions back to your investment goals and determine the right path to move you towards your definition of success. It may sound a little less exciting, but slow and steady wins the race.



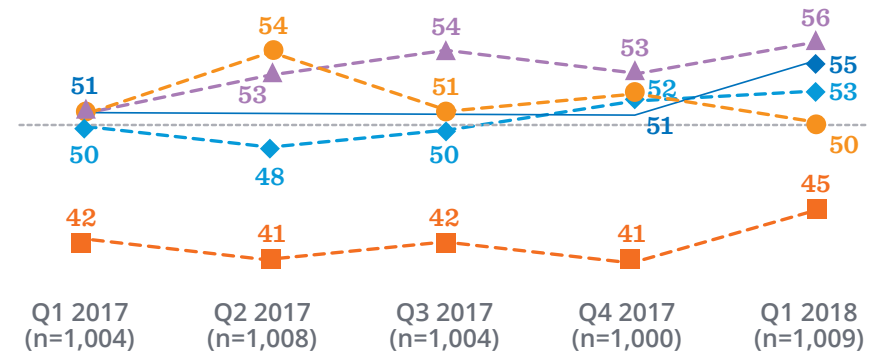

Chris Turchansky
President
ATB Investor Services

The Investor Beat Optimism Index

Among Albertans who feel it's a good time to invest, a strong stock market and strengthening provincial economy are enticing more investors (10% compared to 7% last quarter) to increase their holdings in the stock market. In contrast, those who are more conservative with their finances are planning to increase their cash and balanced-mutual-fund holdings this quarter. Current market and media attention on investment trends such as cannabis and cryptocurrencies, has created a tempting environment with the promise of making a quick fortune to help people reach their financial goals. Albertans ages 18 to 54 seem more intrigued to explore riskier income-generation opportunities, compared to investors over 55 years of age who are likely skeptical about playing the stock market with their retirement on the horizon.



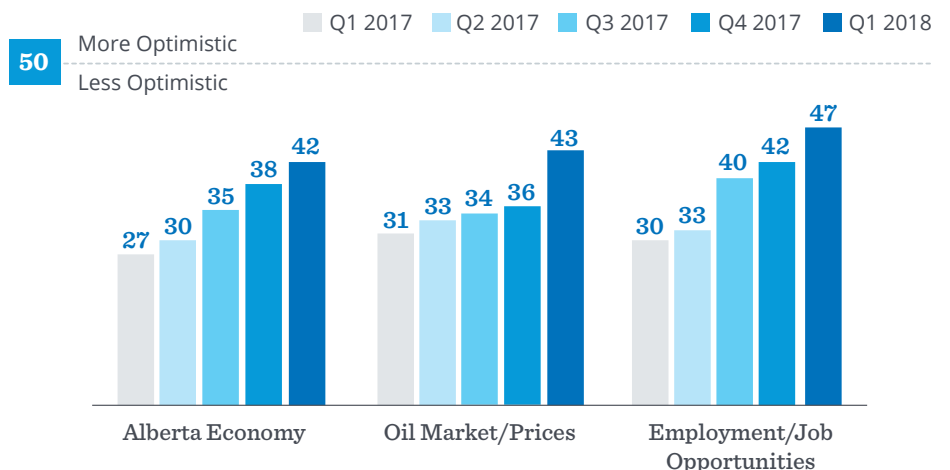
The **Investor Beat Optimism Index** is based on a representative sample of Albertans who rate their optimism towards investing, different investment products and economic factors. The ratings are based on a net positive score, which is then rescaled to fit an index ranging from 0 to 100.



- Optimism with specific investment products:
- ▲— Balanced Mutual Funds
 - Real Estate
 - ◆— Cash
 - ◆— Stocks (directly and equity funds)
 - Bonds

The economy according to Albertans

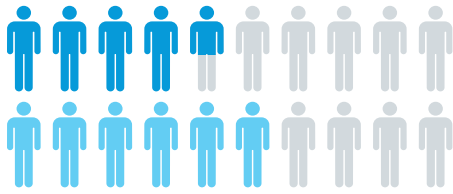
Optimism towards Alberta's rebounding economy continues to climb for a fifth consecutive quarter with the price of oil sitting in the low \$60 range. Millennials, and Calgary and Edmonton residents, have the most positive outlook on the provincial economy. While employment opportunities continue to emerge, increased taxes and cost of living expenses, due to lower oil prices, have left Baby Boomers and Gen Xers feeling more pessimistic than their younger counterparts.



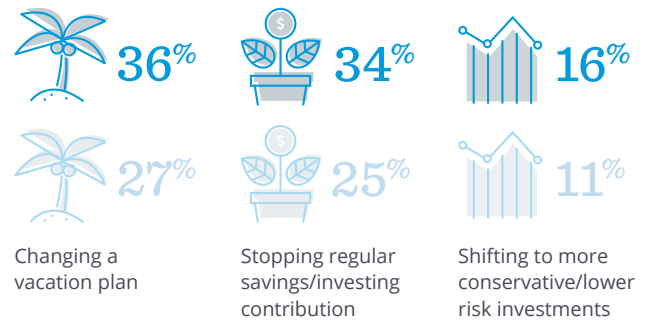
Is the drop in oil prices still impacting Albertans?

Change in those impacted increased from 45% in Q4 2017 to 59% in Q1 2018.

● Q4 2017 ● Q1 2018



Changes Albertans have made

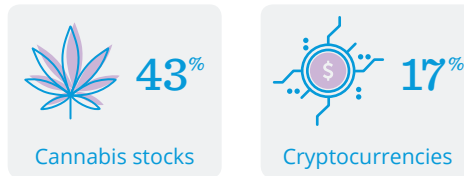


Compared to last quarter, the lasting effect of Alberta's recession has 14% more Albertans feeling the negative financial impacts of lower oil prices. Of those affected, a higher cost of living is the greatest impact reported by 55% of people compared to 42% last quarter. To adjust to increased daily costs and expenses, 69% of Albertans have reduced their spending, with 34% of investors planning to stop regular investment contributions (9% increase from last quarter).

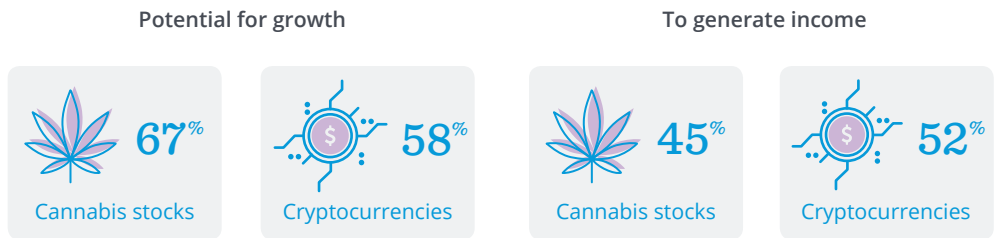
Cannabis stocks and cryptocurrencies as investment options

Four-in-ten Albertans believe cannabis is a good investment option, with less than two-in-ten sharing this sentiment for cryptocurrencies. Despite exploration of these investment options, the number of Albertans invested in both these investment products remains fairly low. Seventy-four per cent of Albertans are not interested in investing in cryptocurrencies, likely due to its unpredictable value and media mentions of digital currency scams, and over 50% of Albertans don't intend to invest in cannabis stocks. Albertans invested in, or planning to invest in, either cannabis stocks or cryptocurrencies are mainly driven by the hope for potential growth.

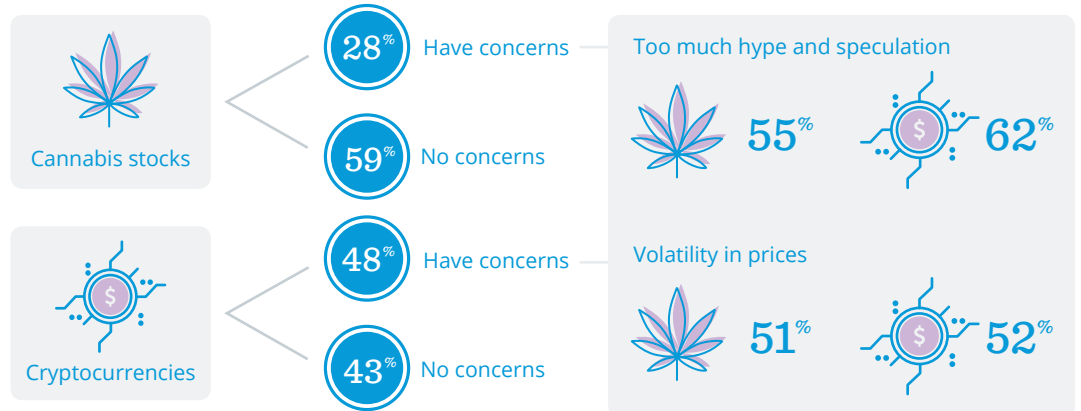
Albertans who consider these good investment options:



Top reasons Albertans invest or are planning to invest in cannabis stocks and cryptocurrencies:



Main concerns with investing in these investment products:



Socially responsible investing (SRI)



Very/Somewhat interested in ethical investing



Unwilling to pay a premium for ethical investing

Socially responsible investing is a very personal choice; what's ethical to one individual may not be so to another. Advocating for ethical investing can differ from investing with an Environment, Social and Governance (ESG) lens. According to a survey conducted by the CFA Institute, 73% of respondents take ESG factors into consideration when making investment decisions and analysis options. More than half of Albertans appear to be interested in the idea of SRI, but less committed to putting their interest into action by paying a higher premium. Even though it's not top of mind for Albertans, ESG is becoming more important when making portfolio-diversification decisions.

Financial goals

Top savings goals:



Albertans remain committed to their 2018 resolutions to save for retirement (56%) and pay down debt (50%) this quarter. Over the next three to six months, more Millennials (49%) intend on making saving a priority, and both Millennials (27%) and Gen Xers (23%) want to put more money into their investments.



For more information on this report or the next ATB Investor Beat edition, please write us at investorbeat@atb.com. You can also visit atb.com/investorbeat to be included on the mailing list.

About ATB Investor Services

ATB Investor Services is the wealth management arm of ATB Financial. Our goal is to sort through the clutter and make investing easier to understand so our clients can focus on the things that really matter in life.

To learn more about ways our investing philosophy is helping Albertans, please contact Chris Turchansky, president of ATB Investor Services at christurchansky@atb.com

Who did we talk to?

Ipsos (www.ipsos-na.com) is the third largest market research company in the global industry providing a full range of market research services. In North America, Ipsos has more than 2,100 research professionals and support staff located in 33 offices, with eight offices in Canada.

These findings are from an online survey conducted from January 9 to 18, 2018, using Ipsos' i-Say panel. The 1,009 respondents are representative of Albertans 18 years of age and older based on age, gender and region. Using a Bayesian credibility interval, the survey is considered accurate to within +/- 3.5 percentage points had all adults in Alberta been polled.

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