

Taking Stock with Steele

Your Monthly Newsletter

The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well-informed of changes affecting local business decisions and our investment recommendations.

We believe Knowledge Pays and we want our knowledge to help pay for you.

THE INTERNET AND YOU "HEARTBLEED BUG" COMPROMISED UP TO 2/3 OF WEBSITES

On Monday April 7th, 2014, Codenomicon and Google disclosed knowledge of the 'Heartbleed Bug' which has compromised up to 2/3 of websites for about 2 years.

What Is It?

The bug affects OpenSSL, an open-source software program used to encrypt the internet communications of approximately 2/3 of web servers. It is unclear whether any criminals actually took advantage of this system vulnerability or not.

What Does It Do?

The bug created an opening in the encryption software leaving web traffic on servers using OpenSSL open to potential snooping. It is possible that millions of passwords, credit card numbers and other sensitive information have been vulnerable to theft.

Was Raymond James Affected?

No. Our systems have been tested and no vulnerabilities were found.

What Sites Were Affected and How Does This Affect You?

The Canada Revenue Agency closed down its website on April 7th. It took the CRA one week to update software and make the site operational again. The CRA has announced that over 900 SIN numbers have been compromised and it is extending the tax filing deadline to May 5th. It is unclear what other sites were affected. A fix for the bug has been released and it is up to websites to install the update and inform clients. Refrain from using sites that have been affected until they officially give the go ahead.

RIDING THE CURVE A CATALOGUE OF OUR MONTHLY FIXED INCOME FAVOURITES

AGF Floating Rate Income Fund (AGF4076)

- AGF FRIF invests primarily in U.S. senior secured bank loans and is managed by Eaton Vance, the largest floating-rate loan manager by assets in North America
- Has shown to have a value tilt that limits downside (though this is not guaranteed)
- As of 02/28/2014, the fund had a yield-to-maturity of ~2.8% and duration of 0.7 yrs

RioCan REIT Preferred C (REI.PR.C)

- RioCan is Canada's largest REIT focused exclusively on retail real estate
- The shares are callable or reset at 3.18% + the 5-year GofC bond on June 30th, 2017
- At \$25.13, the issue has a yield-to-call (soft) of 4.50% and is rated Pfd-3H

Current Rates & Data

Govt of Canada

90 day	0.90%
1 year	0.98%
2 year	1.06%
5 year	1.69%
10 year	2.45%
30 year	2.97%

U.S. Treasury

90 day	0.03%
1 year	0.09%
2 year	0.37%
5 year	1.62%
10 year	2.68%
30 year	3.56%

Canada Prime Rate

3.00%

U.S. Prime Rate

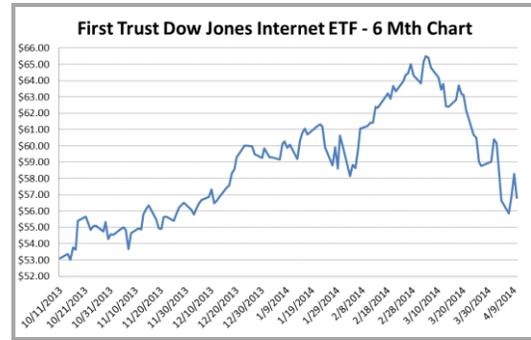
3.25%

Exchange Rates

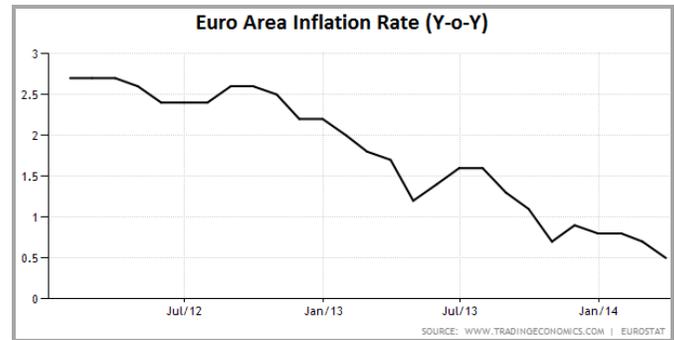
CAD/USD	0.916
USD/EUR	1.389
JPY/USD	101.4

ECONOMIC TIDBITS *HIGH TECH MOMENTUM FADES & STIMULUS IS BACK IN VOGUE, AGAIN*

• **Internet and biotechnology stocks**, which were the market leaders in the 2013 and early 2014 U.S. equity market rally, **hit a wall in late March and early April**. Many stocks in these sectors fell by over 20% in one month (e.g. FB, LNKD, GILD). Weakness in these sectors had a minor negative impact on broad markets but many large cap stocks actually rose (e.g. IBM, GE).



• Over five years into a recovery driven by an ever-rising amount of stimulus, **policymakers across the globe are looking to add even more**. Eurozone CPI hit 0.5% annualized, a level not seen since 2009, raising deflation concerns. The ECB stated it will act if inflation moves lower. In April, Chinese policymakers approved a stimulus package to help offset falling investment and economic growth.



LE JIT A “JUST-IN-TIME” RUNDOWN OF OUR CURRENT INVESTMENT THEME

As Corporate Earnings Growth Slows, Is It Time to Look at Companies Focused on M&A?

- **Loblaw Companies (L)** and **WSP Global (WSP)** are two investment ideas related to this theme.
- **Loblaw** is Canada’s largest food retailer. Loblaw recently completed the purchase of Shoppers Drug Mart, Canada’s largest retail pharmacy chain. Loblaw currently trades at 7.7x EV/EBITDA, in line with its 5-year average. We believe that Loblaw should trade at a premium to its historic multiple due to the expected Loblaw-Shoppers cost synergies of \$300 million annually as well as room for revenue synergies as Loblaw will likely see margins expand as it begins to sell the best in class and higher margin PC brand in Shoppers stores and as a less competitive landscape allows for more favourable product pricing in general.
- **WSP Global**, formerly Genivar Inc., is a global engineering and construction (E&C) firm specializing in remediation and urban planning. WSP recently acquired Focus Group Holdings, an E&C firm that provides services to the Canadian energy sector. WSP has demonstrated its ability to successfully acquire companies in a shareholder friendly way over the past three years. WSP currently trades at 14x EV/EBITDA, a sizeable premium to its historic multiple of 9x but WSP’s growth expectations are high due to its exposure to a rebounding Europe and U.S. as well as a revitalized Canadian energy sector.
- Feel free to ask a member of our team for more information on these securities.

JEANNINE’S TIP O’ THE MONTH *CELEBRATE EARTH DAY – APRIL 22ND*

Aimed to inspire environmental awareness and appreciation for our earth’s environment. Protect our planet by making every day Earth Day. To learn more about how we can all make a difference, visit www.earthday.ca.

This newsletter has been brought to you by Steele Wealth Management

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As the investment products listed in this newsletter may not be appropriate for everyone, a recommendation would only be made following a personal review of an individual's portfolio and risk tolerance.

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